# UNIVERSITY OF WALES TRINITY SAINT DAVID

## CHANGE AND STABILITY MANAGEMENT REPORT 2018 -

## THE INNOCENT-COKE DEAL

**SUBMISSION DATE: 10/12/2018**

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## Executive Summary

This report will analyze the organizational change made by Innocent Drinks to deal with Coca-Cola Company, from the perspective of change management. Using academic journals, internet information, and practical examples, this report provides a brief analysis of the reasons, forms, and influence of the change, and critically evaluate the effect of the change, so as to deepen people's understanding of organizational changes.

The force field analysis, stakeholder analysis, Lewin's three-step model, as well as Kotter's eight-step model are adopted to show more detailed information about the changing process. By evaluating the influence of the change, a conclusion is made from previous analysis, and followed by a brief recommendation on how Innocent can better deal with the potential problems resulting from Brexit.

## 1. INTRODUCTION

Founded by three Cambridge graduate students, Richard Reed, Adam Balon, and John Wright, in 1998, Innocent Drinks has now been known as one of the most important companies in European beverage industry. It is undoubtedly a big success to build such a household brand within 20 years.However, the fact that Innocent sold most of its stakes to Coca Cola Company (Coke) has truly astonished lots of people. Northedge (2009) reported that it was hard to find anyone who agreed with the deal from the comments on Twitter, Facebook, and Innocent's blog. This report will provide a critical analysis of the reason of the planned organizational change faced by Innocent and Coke, and then evaluate its influence on both sides.

To accomplish this goal, this report will firstly provide a brief introduction to the Innocent-Coke deal, and then make a detailed analysis of the main factors that result in the change. After that, an evaluation about the benefits and drawbacks will be made based on enterprise revenue analysis. A brief conclusion is to be drawn, and followed by several recommendations regarding what Innocent can do to prepare for possible changes leading by the Brexit.

## 2. THE INNOCENT-COKE DEAL

Just as Innocent stated, the first mission of the company was to 'make

drinks that make it easy to do yourself some good' (Innocent Ltd, 2018). In keeping with its core values, innocent also tried to be an ethical company that 'wanted to leave things a little better that we find them'. Charity activity has played a significant role in the company's culture to be more sustainable and innocent. Since it was founded, Innocent Drinks has always been regarded as the option of healthy life. And all the time, Innocent has reinforced their healthy and environmentally-friendly ideas on their employees and customers. Just as mentioned on its website (2018), Innocent employees are committed as ever to their social, ethical, profitable and environmental goals to build a successful business that care about more than just profits. Everything went well till Feb 2013, when Innocent founder, Richard Reed announced that more than 90% of the stakes of Innocent had been sold to Coca Cola Company (Coke), which, on the contrary, was regarded as the biggest sugary soft drinks manufacturers in the world. Currie (2011) mentioned that numerous doubts had been put forward over the deal that Innocent sold most of their stakes to Coke. Even though Richard had explained to the public that Coke would not make any change to Innocent, lots of employees and loyal customer still felt disappointed and skeptical at this deal. Actually, the possibility of this deal appeared in 2009, when Coke company bought a stake of 18% from Innocent. And in the next year, Coke had increased its stake to 58%. Despite of the fact that many loyal customers were unsatisfied with such a

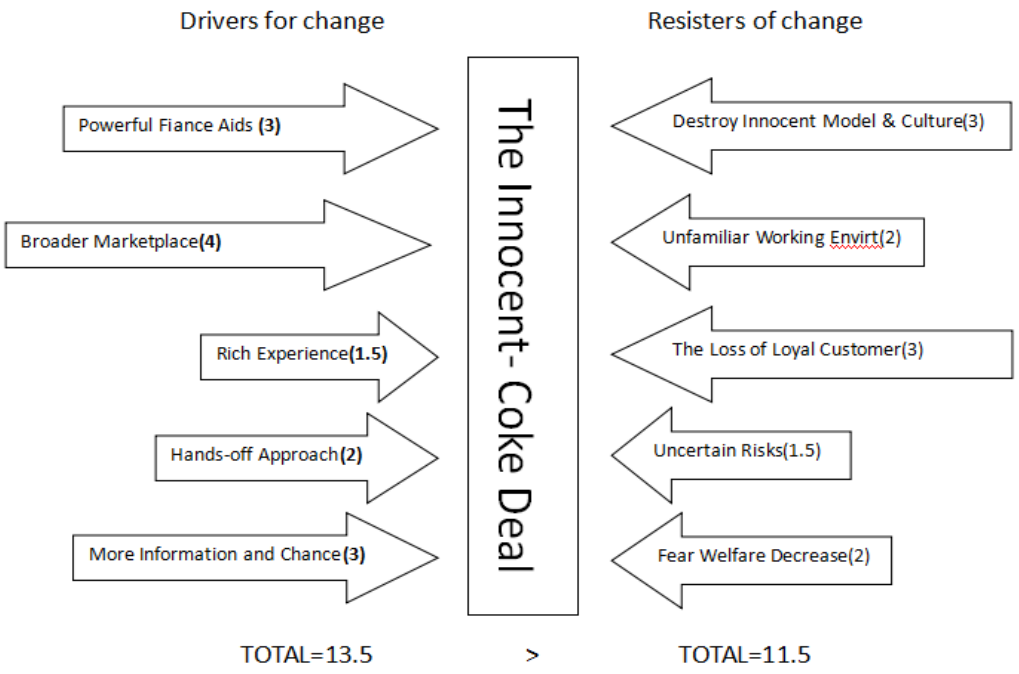
deal, the Innocent's high level seemed to be positive about their future. Thomas, Joe (2009) mentioned in his interview with Thomas Delabriere, the marketing director at Innocent, that according to Delabriere, the Coke deal was a fantastic opportunity for Innocent to be more Innocent, and there was no major damage to the brand. Regardless of how people look at this deal, the change has already happened. This report is going to discuss what the reasons are for Innocent to take risk making such an obviously planned organizational change?

## 2.1. The NATURE OF THE CHANGE

The Greek philosophy Heraclitus is believed to have said that one cannot step into the same river twice. According to Whiehead (1956), the core point of change is the concept that all things are flowing continuously. Change happens everyday and everywhere, and the awareness of the process of change is of great importance for change management (Jabri, 2012). There are many forms of change, and what is to be discussed here is about organizational change. As Price (2009) mentioned, organizations were confronted with the need to change and improve themselves all the time. And according to Moran and Brightman (2001), change management can be defined as a continuous process to renew an organization's ability to serve the need of internal and external customers.

## 2.2. FORCE FIELD ANALYSIS

Baulcomb (2003) pointed out that managing change was often difficult and required some models and theories for guidance. To deep into the nature of change management, Lewin (1951) had developed the model of force field analysis, which provided a frame work for looking at the factors that influenced a situation. Burnes (2004) mentioned that in order to make a successful change within an organization, one must understand the pressure and force which were maintaining the status quo. And in this Innocent-Coke deal, it can also be adopted to analyze the driving and resisting forces that determine such a planned organizational change. According to previous research, the driving and resisting forces of Innocent change are put as follows:




## 2.2.1. THE DRIVERS FOR THE CHANGE

Before further analysis, what has to be mentioned here is that the Innocent change firstly started in 2009, and just after the global economic crisis. Beer and Nohria (2000) believed that all organizations had to make changes to survive. To get out of the difficult times, Innocent turned to Coke for help, and sold 18% of stake to Coke. With this background, the Innocent Coke deal was on its way since 2009, and finally finished in 2013. The reasons for Innocent's change can be contributed to four parts:

1) Broader marketplace: Compared to Coke company, Innocent's marketplace is mainly in European areas. They had reached a key point for their development. Just as Richard (2013) said, the goal of Innocent was to be a global brand and take its ethic values to the world, and Coke can help them to better realize it. With the marketplace provided by Coke, Innocent can make further development, as what they are doing, to run business in Australia, Russia, and German, etc.

2) Powerful financial aids from Coke: Coke company has run for near 120 years since it was founded (The Coca-Cola Company, 2018). Nowadays, Coke brand can be found all over the world. Behind the broad marketplace lies huge amount of money. And the financial aids from Coke can help Innocent to develop more rapidly.

3) More experience and chance from Coke: As mentioned above, Coke company has a long history and rich experience to run an international

company. And this is what Innocent needs to go on further development.

4) Hands-off- approach management from Coke: Germain, the head of creative at the Innocent company, mentioned that Innocent chose the US company from 15 potential investors, but only Coke required no control of Innocent. The Innocent company are still run by their home team. The Hands off approach can largely guarantee the unique culture of Innocent.

### 2.2.2. THE RESISTERS FOR THE CHANGE

Swanson and Creed (2014) stated that change didn't occur until the proper combination of driving and resisting forces in the right direction. Carol (1993) believed that resistances resulted from the differences of plans, ideas, and motives. Whenever change happens, there must be some resistance to stop the change, and that is so-called inertia. Kotter and Schlesinger (1979) also mentioned that fear of change was understandable, but organizations could not afford not to change. In the Innocent case, there are also many resisting factors to the change. And they are mainly concluded in to four parts:

1) Destroy the Innocent brand: As is known to all, the brand has been one of the most important elements for a company. Since Coke bought the Innocent, numerous doubts have been brought up online by Innocent's employees and loyal customers. Northedge (2009) mentioned that

complaints had poured into Fruit Tower, the Innocent's headquarter in London, when the deal was announced. Innocent has been known as healthy, while Coke the sugary. During the acquisition, it is very dangerous for Innocent to lose their own culture and brand.

2) The loss of loyal customers: Just as mentioned above, Innocent had earned a lot of loyal customer through their healthy products. But this deal did disappoint some of them. This will undoubtedly make a resistance for Innocent's change.

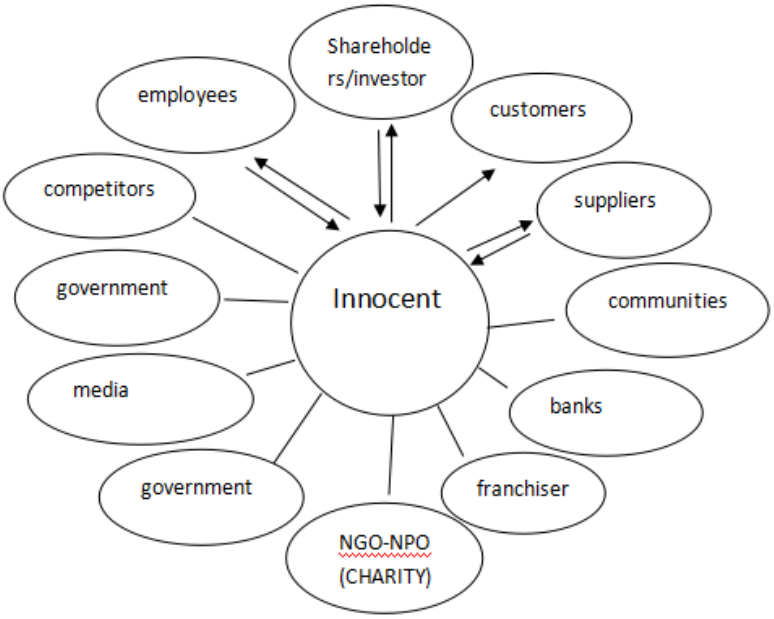
3) Employees' fear for welfare decrease: For the employees, what matters most for them is of course the welfare of the company. Who knows, however, what will happen to be bought by Coke. Therefore, employees' fear for their future welfare may also resist the change.

4) Uncertain risks: Tamilarasu (2012) stated that change always involved in a loss, and some uncertain risks, and most people liked to be stable in their lives. When people are confronted with changes, they tend to resist them, until they realize that the changes can bring benefits for them.

## 2.3. THE STAKEHOLDER ANALYSIS

Through the force field analysis, the main factors that influence the change can be obviously classified, but it is not enough to make the change happen. As Price (2009) suggested that as change was dynamic, it could not be

arranged around a single analysis. In order to deepen into the reason that influence the change, the stakeholder analysis is applied here to assess the attitudes of stakeholders regarding the potential changes.




Innocent Stakeholder Analysis

For the Innocent's change, the relevant stakeholders are listed as above. Smollan (2006) suggested that to introduce a successful change needs to gain the hearts and minds of their members. To be more detailed, it can furthered classified into four parts according to their power and interest of those people related to Innocent:

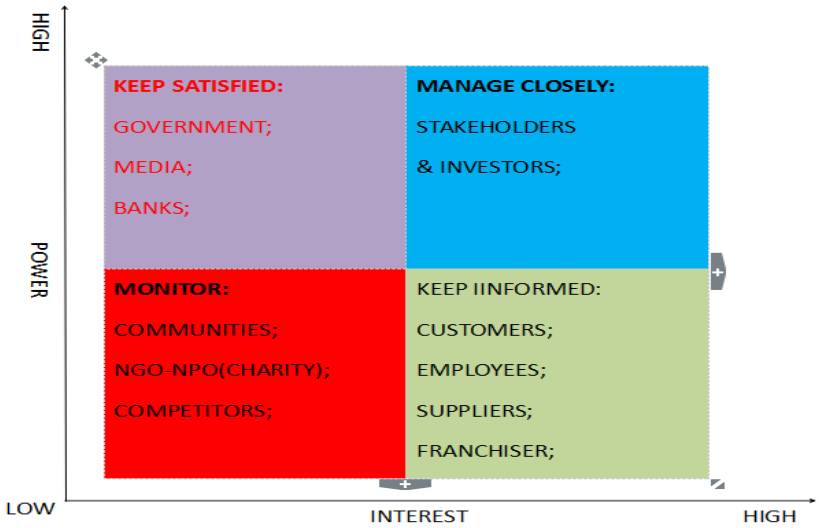
1) For those who have low power and low interest in Innocent, like the communities around Innocent company, the Non-government and Non-profitable organizations, and Innocent's competitors, they tend to have low influence in the decision-making process of Innocent. So there is no need to focus too much time and energy on them, and just

keep them monitored.

2) Foe those who have high power and low interest in Innocent, like the local government, media, and banks, they should be kept satisfied to make sure that they would not influence the change.

3) For those who have high interest but low power in Innocent, they can just be kept informed. And those people tend to be customers, low level employees, cooperate suppliers and franchisers.

4) The most important people are those who have both high interest and high power in Innocent, mainly including innocent stakeholders and investors. Those people must be managed closely. And in this group, there are always those who support the change and opposite the change. It is of great importance to deal with those people. And in this report, Lewin's three-step model and Kotter's eight-step model are applied to analyze how Innocent manage these people to make the change a fact.



The Innocent Force Field Analysis

## 2.4. LEWIN'S THREE-STEP MODEL APPLIED FOR THE CHANGE

After the main factors' analysis, Lewin then brought up a model to look at the overall process of making changes (Cameron, E & Green, M, 2012). In his opinion, there were three steps in organizational change. When applied to the Innocent case, the three steps can be put as follows. The first step is to unfreeze the original state of affairs. In this step, according to force field analysis, Innocent's high level managers would try to explain to their employees and customers about their urgent situation and the need to make a change as a result of the bad influence of economic crisis. The second step is about action and movement, which includes strengthening the supportive forces by elevating their position, or bringing in new supporter, like Coke, and decreasing the resisting forces by newly appointment. And the third step focuses on stabilizing the new status quo by making new policies, rewarding systems, and standards. This model is actually more like a framework, providing a guidance for the changing agents to follow when they are going to make a change. Another model put forward by Kotter (1995) is also applied to analyze the Innocent change.

## 2.5. KOTTER'S EIGHT-STEP MODEL APPLIED FOR THE CHANGE

According to Green and Cameron (2012), Kotter's eight-step model highlighted some of the power issues in the change, and addressed the importance of communication in the change process. There are mainly eight steps in this model, and the following analysis is made upon the situation faced by Innocent:

a. To establish a sense of urgency. Change happens for some reason, and that is what should be addressed. And for Innocent, the fact that they were badly influenced by 2008 economic crisis had greatly increased their need to make a change within their organization to get out of the difficult time.

b. To form a powerful guiding coalition. The fact was that Innocent had been truly well organized after it was founded, which can partly account for its great success. In this organization, the core department could be the Fruit Towers, where all the employees worked and lived together. Also they would hold a grown-up meeting (AGM) every year to evaluate their works.

c. To create a vision. This was what Innocent had been doing since it was built. They had their own goal and direction to be healthy and global. And all the time they had been making effort to achieve it.

d. To communicate the vision. As Duck argued that communication was the best and least-expensive way to deal with resistance of change,

actually communication is of the greatest importance for any part within an organization. In Innocent, people are required to talk about their own idea about the business during the AGM .

e. To empower others to act on the vision. To be healthy and to be global, sustainable development has always been addressed in Innocent. Because Coke asked for no control from Innocent, their team member remained the same. And this can save lots of time for them to discuss other things.

f. To plan for and create short-term wins. Most people feared that change would bring in bad effects to their original lives (Oreg, 2003). Therefore, it could help a lot to prove to them that the change would bring them some benefits. And after the Coke deal, the revenue increase of Innocent had actually proved to some people that the deal was a success. According to Reilly (2014), the Innocent company had made a strong performance in European markets after selling to Coke.

g. To consolidate improvements and produce still more change. This is what Innocent doing now. They have achieved great progress with the help of Coke to go on further development in global markets. And within recent years, they have focused more on sustainable development, like supporting the charity and advocating green life.

h. To Institutionalize new approaches. Due to the fact that the Innocent is

run by their home team, it could be more easy for the organization to get accustomed to the change.

## 2.6. EVALUATION OF THE INNOCENT-COKE DEAL

To evaluate the influence of changes means a lot for the organization to make further improvement. Sankers (2015) believed that effective change evaluation was of great importance for a successful business. For Innocent Coke deal, it can be classified as a successful change for both sides. For Coke, Innocent has not only contributed to its revenue growth, but also had a great impact on Coke's business in view of sustainability. And for Innocent, as Richard mentioned, the deal with Coke was very nice. Because of the help of Coke, Innocent became the drinks of 2012 Olympics. What's more, Innocent can totally develop themselves in their own way. And within the following years, Innocent had welcomed their revenue growth. According to Roderick (2017):

> Sales grew by 23% in the year to 31 December 2016, coming in at £303.5m and the company saw a return to profit, making £8.5m compared to a loss of £700,000 last year. More than half of the sales were from outside the UK, with France seeing a 49% rise to £62m and Germany up 34% to £75m. Over the past five years, the business has tripled in size.

Undoubtedly, the revenue growth of Innocent has proved the brilliant

decision to cooperate with Coke, ant at least for this moment.

## 3. CONCLUSION

In conclusion, this report has introduced the Innocent Drinks, and their deal with Coke. A critical analysis has been made about why the change happened, how the change had been processed, and what impact the change had on both sides. As Oakland and Tanner (2006) suggested, the changing need of stakeholders and economic environment all require the organizations to adjust the way they behave. To manage such changes properly, the managers need to take all aspects into consideration, and make out appropriate strategies (Todnem, 2005). The Innocent has successfully dealt with the acquisition of Coke, and maintained their own culture and brand. However, there are still many other changes waiting for them in the future. The key to cope with changes is the effective communication and information exchange between people and process.

## 4. RECOMMENDATIONS

Even though Innocent has successfully dealt with Coke, they are still confronted with many changes, among which the Brexit has the greatest influence on the country. Here are two recommendations for Innocent to cope with the potential changes:

Firstly, new ingredient suppliers should be developed as soon as possible. This can not only enhance its ability to adapt to ever-changing markets, but

also make preparations for new products.

Secondly, it can help a lot to make good use of the resources of Coke, which has gone through lots of changes. It can provide useful experience about how to run a global business.

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