



"LEADERS FOR CHANGE IN EMERGING EUROPE: LEARNING AS A GROWTH ACCELERATOR "

L'OREAL and CEDEP
EFMD Excellence in Practice Award 2015

L'OREAL
HR LEARNING
EUROPE

 **cedep**
EUROPEAN CENTRE FOR EXECUTIVE DEVELOPMENT
CENTRE EUROPEEN D'EDUCATION PERMANENTE



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EXECUTIVE SUMMARY

L'OREAL

has a strong ambition to **BUILD ITS BRANDS BY GAINING THE NEXT BILLION CONSUMERS.**

In Europe, after several crises and down turns in business, a new dynamic is needed to **INVIGORATE THE IDEA THAT THE REGION IS AN EMERGING WORLD.** This dynamic is aimed at building a strong conviction that leaders can transform, boost their business and capture superior growth opportunity. An **ACTION LEARNING, PROJECT-BASED PROGRAMME** has been designed with CEDEP, where participating managers act as consultants on strategic projects, are supported by facilitating faculty with concepts and methodologies, and finally promote both the outcome of the process and the process itself within their country organisation. In doing so, **LEARNING FOR DEVELOPMENT (LFD) AT L'OREAL BECOMES A BUSINESS CATALYST**, is embedded in the business practices and helps the units shape their own frameworks-in-use.



THE CHALLENGE

THE BUSINESS CHALLENGE

In 1988, under the exceptional leadership of Lindsay Owen-Jones, the L'OREAL group becomes the world leader in cosmetics, thanks to the development of brands through out the world, and smart strategic acquisitions. 2001 marks the recognition at L'OREAL of the diversity of beauty around the world based on various ethnic origins, aspirations and cultural differences that reflect the variety of world facets. Since 2011, with Jean Paul Agon as president, regional hubs are created to capture regional consumer insights in a multi polar world, and allow for faster reactions to market dynamics. It is at this moment of the group's history that Jean Paul Agon sets the **BUSINESS CHALLENGE OF WINNING 1 BILLION NEW CONSUMERS WITH A STRATEGY BASED ON UNIVERSALIZATION OF BEAUTY.**

For more on L'OREAL, see Appendix 1



In this strategy, each region's role is major but unfortunately, Europe is slowing down in terms of consumption and growth. It is seen as the "old world" made up of "mature markets" which conflicts with the attitude needed to grow fast. Some small players with fewer resources than L'OREAL, the famous "piranhas" competitors, could navigate the red ocean of Europe with success. Kiko, in the make-up business, is an example of such an aggressive competitor. With the nomination of a new director of Western Europe, Jochen Zaumseil, **A NEW DYNAMIC IS CREATED.** Europe has to be seen in a different way. New forms of segmentation are explored and new ways of doing marketing are experimented.



JOCHEN ZAUMSEIL
EXECUTIVE VICE PRESIDENT WESTERN EUROPE ZONE

"Europe should not be perceived as a mature market, but rather as an emerging world. To identify pockets of growth, we have to activate the entrepreneurial spirit that is in our DNA and experiment marketing in totally different ways."

THE MANAGERIAL CHALLENGE

This shift in mind set is the base of our managerial challenge:

HOW CAN WE BOOST A POPULATION OF FUTURE COUNTRY MANAGERS TO GAIN CONFIDENCE NEEDED TO EFFECTIVELY TRANSFORM THEIR ORGANISATIONS WHILST DRIVING NEW DARING PROFITABLE GROWTH OPPORTUNITIES?



THE COMMITMENT

LEVERAGING A HISTORICAL PARTNERSHIP

To face this challenge, L'OREAL activated its historical partnership with CEDEP, **A CONSORTIUM OF COMPANIES** founded 40 years ago. The 20+ international companies that are part of CEDEP are not its clients, but its members and owners. This characteristic is at the root of a unique collaboration model. Through long-term engagement, the member company is directly involved in CEDEP's reflection and activities. **LONG LASTING MEMBERSHIP** generates a permanent dialogue and an in-depth understanding of the partner company's issues.

Over the years, CEDEP has developed a unique programme design process, based on **CO-OPERATION**, **CO-CREATION** and design thinking principles. Programme design is a shared responsibility between CEDEP and the member/client. Through its membership, a company like L'OREAL is part of an active community. Regular events bring together Learning for Development (LFD), HR and faculty, for problem solving sessions, topical workshops, sharing forums on their needs and the way they themselves or in collaboration with CEDEP can build learning solutions. Key moments of this community life are the Design Days, the Advisory Committees or the Content Labs.

For more about CEDEP, see Appendix 2.

JENS MEYER,
ACADEMIC DIRECTOR OF CEDEP



"CEDEP is based on a strong partnership model and exists solely to serve the educational needs of its members. It operates more like an extension of members' corporate universities or human capital development activities than a detached business school."



During the process of co-creation, CEDEP named a programme director from their team to listen to L'OREAL LFD and operational managers, and to start the design process. Like CEDEP, L'OREAL's culture is strongly based on design thinking principles and rapid prototyping methodologies. These principles and methodologies serve as a springboard for the generation of design prototypes. They suggest the partners should share their assumptions on what the programme should deliver and how a delivery process can work. Ideation, prototyping and testing then followed.

We substantiated four key principles at the initial step of the process:

- **THE PROGRAMME SHOULD BE BASED ON ACTION LEARNING**; that is to say, it should serve real-life business projects. Senior managers commit themselves to identifying and sponsoring the projects until execution. The sponsorship of Jochen Zaumseil, director of Western Europe, was a strong support at the very outset of the project, and has proved to be over the years.
- **THE TIME DEDICATED TO SHARING BETWEEN PARTICIPANTS SHOULD REPRESENT 2/3 OF THE TIME**. A good educational programme should leave at least as much time for the discussion and interpretation of an experience as for the experience itself. There is indeed a lot to learn from the conversations between well-rounded managers with very significant business achievements.
- **TEACHINGS SHOULD MAKE SENSE OF EXISTING CONVERSATIONS AND EXPERIENCE**. We contend that the knowledge that is needed to enhance the performance of a business already exists in the minds of those running the business – but it is tacit, unacknowledged and fragmented. Our long shared experience of executive education shows that successful executives best learn when the ideas, the methods and tools made available help structure existing practices.
- **LEARNING'S OF THE PROGRAMME SHOULD BE CIRCULATED THROUGH OUT THE ORGANIZATION**. A learning programme, we believe, loses most of its effectiveness if we don't have a good grasp of the larger organisation. Our programme should be bridged with business processes where initiatives are show cased and deployed through out the countries and divisions.

To guide the concept development, L'OREAL European LFD director and CEDEP's Programme Director agreed to name the programme in a way the entire philosophy was made obvious to everyone. After several attempts the programme name **"LEADERS FOR CHANGE IN EMERGING EUROPE"** was coined. It reflects perfectly the business challenge raised by the Western Europe's zone director.



THE LEARNING AND DEVELOPMENT INITIATIVE

TRANSLATING THE GENERAL OBJECTIVES INTO AN ACTIONABLE PROJECT

The business objective and organisational challenge announced in the previous section were translated into the following objectives:

→ GLOBAL BUSINESS AND HR OBJECTIVES

- Equip general managers with the tools and mind set needed to achieve the transformation that accompanies the implementation of profitable growth strategies.
- Get talent to sort out complex real life situations around strategic projects and robust methodologies.

→ CULTURAL OBJECTIVE

- Reinforce the corporate culture around organisational transformation and entrepreneurship.



DAVID ARNERA - DEPUTY DIRECTOR OF HR –
LEARNING INTERNATIONAL

"This programme takes place in a broader initiative aimed at enhancing the capabilities to manage change within L'OREAL. This need appeared when multiple reorganisations, modernisation or cost reduction programmes blossomed with the multiple crises the economic world has gone through."



ADOLFO MARTINI
DIRECTOR HR LEARNING EUROPE

"After having reviewed several designs offered within L'OREAL and outside, we soon realised that Leaders for Change in Emerging Europe was a unique initiative that develops both managers to cope with on-going change and helps solve concrete issues by delivering roadmaps as one of the key outcomes of the programme."



IN THE IDEATION PROCESS

several iterations followed resulting in a programme deeply embedded in the corporate culture and practices.



PROGRAMME STRUCTURE AND DELIVERY MODE

It is a common L'OREAL practice to move the Executive committee of a country to a green place with the objective of sorting out strategic challenges. Such meetings are a great way to crack difficult situations because participants are in a learning environment where inspiration has room to emerge. CEDEP's environment is such a place.

The structure of the prototype programme is connected to this practice of "Executive Committee in the Green", but moves it into an enhanced learning experience by combining five mechanisms:

- **RUNNING** a strategic conversation with peers on topics selected by the director of Western Europe.
- **PRESENTING** a road map in front of peers
- **INJECTING** concepts and methods to help structure or unlock the conversations
- **STIMULATING** a permanent iteration
- **SELECTING** a rich variety of robust participants by nomination to create shadow Executive Committees.



MOVING LEARNING AND DEVELOPMENT BEYOND IN-CLASS PROJECTS

PHASE 1

Programme preparation

Identify sponsors
& case owners for the projects

Write and document
the business briefs

Pre-work centred around
the strategic projects issues

PHASE 2

Run a strategic conversation around projects

Open up with
senior sponsor

Work out strategic projects
in groups

Be challenged
by peers

Integrate input concepts
and frameworks

PHASE 3

Sustain strategic initiatives

Present to
senior sponsor

Build execution and sustainability plan
Commit to execute

Debrief in country
and regional management meetings

RUNNING STRATEGIC CONVERSATIONS ON REAL PROJECTS

The programme is based on 4-5 real projects approved by the director of Western Europe. Some are sales and marketing oriented, whilst others are centred on organizational issues

(See appendix 4 for the full list of projects)

One participant, called the "**CASE OWNER**", will pull together an initial brief with the help of the Programme Director as well as all the documentation that can be helpful to discuss the situation.

At the outset of the programme, the case owner introduces the initial situation to his/her peers and the way he/she perceives the initial situation. Through the 4 days of the programme, **THE GROUP MEMBERS WILL ACT AS CONSULTANTS**, helping re-define the diagnosis, the strategic roadmap and the implementation plan.

This process is punctuated by input sessions where faculty members equip the teams with possible frameworks, methods and tools that can help solve the situation.



FRANK AZIMONT
"Leaders for Change in Emerging Europe"
CEDEP Programme Director

"Learning with experienced managers is most effective when concepts and methods are offered to make sense of emerging situations. It is almost as if people would metabolise ideas. In this way, theories, tools or methods are grounded in practice. We feel blessed when a new framework would emerge from the conversation itself."



PRESENTING A ROADMAP IN FRONT OF PEERS

Once per day, each project team presents its outcomes to the rest of the group who will question, challenge and enrich the propositions.

At this occasion, faculty members act as facilitators and focus primarily on how to unlock situations. They offer, when needed, the relevant methodologies or frameworks. Learning is thus being monitored, as needs emerge. As we progress towards the end of the programme, more emphasis is put on the story telling dimension. We expect to see the story evolve each time it is presented until it is confronted with the programme sponsor at the end of the 4 days.

From this final discussion, we draw the next concrete steps that the case owner and the other participants commit themselves to put in place. For the case owners, the first step is more thorough: he/she will have to present the outcome of the workshop to his/her country executive committee. For all the participants, they will have to replicate the process we have gone through during the session.





INJECTING CONCEPTS AND METHOD

To structure the programme and offer some concepts and methodology inputs, the facilitation team has developed a process summed up with the acronym OSER (to dare in French):

O FOR OPPORTUNITY:

In the first phase, we focus on the entrepreneurial and transformational role of the leader. When markets are well institutionalised, it is critical to think market outlines in different ways to identify profitable opportunities. As organisational routines are well established, product, brand or business model innovations can be slowed down. The transformation of these organisations is often needed to gain agility.

S FOR STAKEHOLDER:

In this second phase, we stress the connection and negotiation role of leaders. We promote the idea that change & innovation are political and negotiation processes. For an innovation to be adopted, it will have to be adapted with the ideas and proposals of the stakeholders.

E FOR ENGAGEMENT:

The inspirational role of leaders is obvious when stakeholders have to converge around a common view. The business idea will be explained in many different ways. It will progressively encapsulate the stakes of the key players, as the result of negotiations. A compelling meta-story emerges from the many little stories that become tightly intertwined.

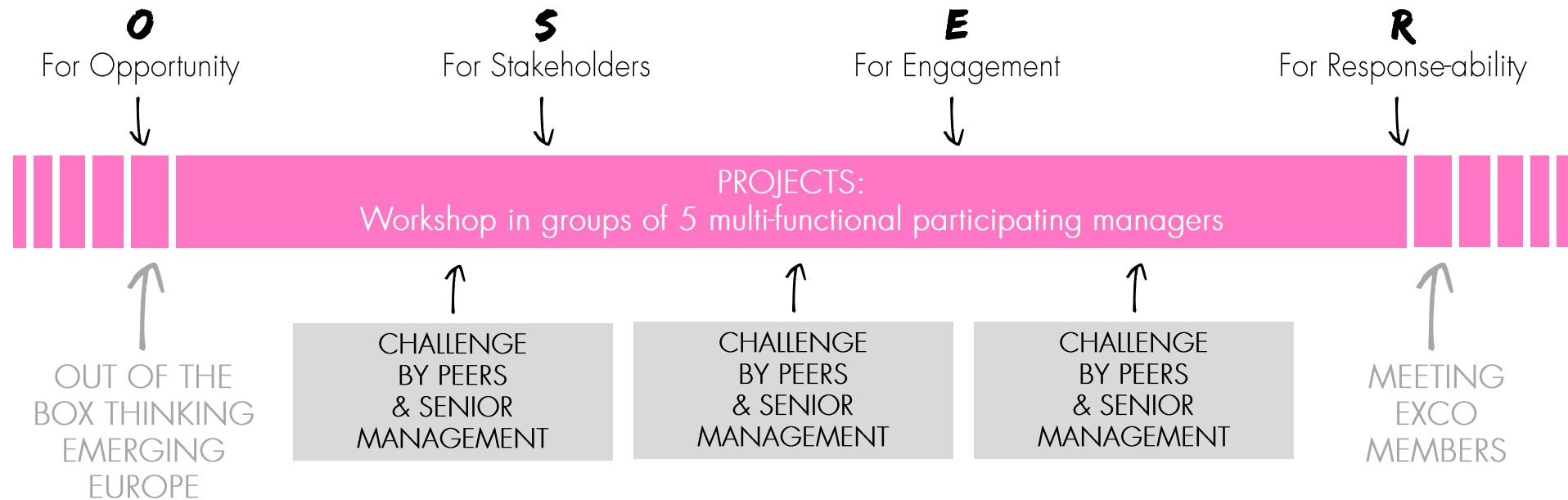
R FOR RESPONSE-ABILITY:

The management of the change initiatives will be greatly eased if a fair transformation process is put in place. This is what we describe as the justice and equity role of leaders. Different orders of worth have to be considered for a project to be valuable. Success is not just economic though the economic dimension is a crucial one.

STIMULATING A PERMANENT ITERATION

The sequencing of the programme has been designed to put **THE LEARNER AND THEIR OWN BUSINESS ENVIRONMENT AT THE CORE OF THE PROCESS**. The participating managers arrive at the programme with concrete business issues in mind, and they know they will have to work on them. They apply ideas and methods immediately to the real business cases. They enrich their ideas with a **POWERFUL PEER FEEDBACK** process where decisions are made. Participants decide what they want to carry forward to the next day so that a **CLEAR PROGRESSION AND CONTINUITY OF THE BUSINESS CASE** can be observed. These linkages between business case workshops, concept and method inputs, and debates within the smaller groups or with the larger one, generates an **INSTANT IMPACT ON THE LEARNER AND FOR THE BUSINESS**. This iteration within a learning and business community is mediated by faculty members who accept to escape the traditional teaching, and are willing to work with the empirical material that emerges from the conversations.

STIMULATING A PERMANENT ITERATION PROCESS





SELECTING PARTICIPANTS BY NOMINATION

"Leaders for Change in Emerging Europe" is one of the **"SEMINARS BY NOMINATION"** which are specifically designed to uphold L'Oreal's talent pipeline development. The core of the prescription should be made as a **CONCLUSION OF TALENT REVIEW DISCUSSIONS**. These seminars by nomination aim to grow global leaders.



JEAN-CLAUDE LE GRAND - INTERNATIONAL HR DEVELOPMENT DIRECTOR AND CORPORATE DIVERSITY DIRECTOR

"We need more than ever to be a talent driven company in order to achieve the ambitious L'OREAL objective of one additional billion consumers. Being selected to participate in these "seminars by nomination" represents a strong element of recognition. This is one of the key outputs of the talent review discussion."



PROVEN BUSINESS IMPACT

FOUR CORE DIMENSIONS

can be offered to assess the performance of the programme and its transformative effects.

- The impact assessed through coverage of the targeted population,
- The satisfaction of participants right after the programme,
- The participants' manager's feedback 100 days after the event,
- And the follow up of the real business transformation



IMPACT ASSUMPTIONS

To reach the business, HR and cultural objective, our target was to reach the 200 European general managers of large brands from all the divisions. These managers are responsible either for marketing, sales or operations. They are aged 38-40 in average.

Our coverage assumption was to touch 20% of the population in the first year of the programme, and then potentially, accelerate the deployment to cover all those identified in the talent review discussions. In the first year, we planned to expose 40 managers (in two cohorts) to business cases that are relevant for all countries of one division. In this way, we can reach, and potentially impact, all brand steering committees. **WE GENERATE THROUGH THIS MECHANISM A COHORT OF CHANGE AGENTS THAT PUSHES METHODOLOGIES AND BUSINESS OUTCOMES.**

The deployment of the key learning's with business overlay meetings will complement this setting and help reach a critical mass of change in a limited time.

SATISFACTION MEASUREMENT

To measure the impact of our programme, we used, as in many other L'OREAL programmes, ForMetris evaluation. The service company provides an evaluation compared to an external and international benchmark, that allows assessing the quality of the training compared to a norm. In the 3 initial editions, Leaders for Change in Emerging Europe was constantly assessed by participants as superior to the norm overall, and specifically, extremely superior on pedagogy and content, satisfaction towards expectations and anticipated impact on daily job. Still the qualitative comments are a wonderful source of insights and on-going improvement.

PARTICIPANTS' MANAGERS' FEEDBACK

The second way to assess our impact is to connect with managers of participants. The methodology allows each participant to declare three actions he/she commits to put in place in the following 100 days. These commitments are communicated to his/her manager that will evaluate –after the period- the results and change in behaviours.

FOLLOW UP OF THE BUSINESS CASES

Finally, as the programme is based on true, real and on-going business cases, the business evaluation is made in 3 instances: in Regional Overlay Meetings, in Division Executive Committees, and at country level in Country Executive Committees. These 3 instances take place on a monthly to quarterly basis and allow for a quick feedback of senior management on the quality of the roadmaps developed during the programme.

TURNING AROUND MAKE-UP IN SPAIN: A CASE EXAMPLE

Out of the list of projects covered to date, we have selected one where the outcome of the programme had an undisputable effect on the business: The make-up case in Spain (see the situation brief in appendix 3)
Inès Caldeira, general manager for the make-up brands in 2013, now promoted country general manager in Portugal, looks at the results in retrospect.



INTERVIEW OF INES CALDEIRA COUNTRY GENERAL MANAGER PORTUGAL

What were the actual changes caused by the LFD initiative?

"This LFD initiative proposed a perfect framework for change. Through intensive debate and rationalisation of the problematic, I was able to analyze the problem from multiple perspectives. The talented group I worked with provided a crystal clear lens on the subject, sharing previous experiences and validating most of the assumptions that were on the table.

By seeing how easy it was for them to reach a consensus in such a complex dossier, I totally changed the way I was approaching it. Sharing with peers gave me the confidence to pursue the tough actions that had to be taken."

What was the ultimate impact on the company's business: financially on its customers or its products and/or services?

"Facing many hardships, L'Oreal Paris make-up has successfully completed a demanding adjustment programme, correcting longstanding HR structures, reformed the relationship with the clients as well as internal processes. We've redesigned the way we went to market through innovation and acceleration and by bringing excitement back to the stores.

To make it short: we went from a potential loss of 2M€ to a profit of +2M€.

Yet much remains to be done. Reform is a constant task; costs control a daily responsibility; top line growth a duty; rising welfare and profitability a non-negotiable.

All this, I've learned during my time at CEDEP."

How did the stakeholders express the perceived impact?

"Surprisingly well. Internal teams were totally on board despite tough decisions that had to be made related to structures and a totally new way of working. We got the approval from top management through out the process, which also helped to change things quickly. Clients understood, and as always some joined us in this new adventure, while some were more reluctant, but now we have the data to prove that it was the good thing to do. The market remains difficult and is changing at unprecedented speed so we need to keep moving and proposing."



REFLECTIONS AND CONCLUDING REMARKS: LEARNING AS A GROWTH ACCELERATOR

We have now reached the 4th edition of Leaders for Change in Emerging Europe. With this initiative LFD (learning For Development) has set up the base for a new perspective within L'OREAL: We can build a **CONNECTED AND LEARNING ORGANISATION**. We can make knowledge available everywhere and for everyone. We can build networks and irrigate the organisation with emergent knowledge. We can help the business design its own practices. In so doing, learning becomes a powerful enabler.

Properly embedded in the organisational and strategic realities of L'OREAL EUROPE, it allowed **TURNING THE LEARNER'S PRACTICAL BUSINESS EXPERIENCE INTO A LEARNING ASSET**. These learning assets served to cross-fertilise, inspire and shape the new set of actions leading to the implementation and exploitation of short term as much as long term opportunities. As we were introducing the first edition, "Be the change" of Gandhi was our motto. It has now become clear that management has to deal with permanent transformation where principles of complex adaptive systems have to be implemented in a constant effort to try, test, learn and scale. With Leaders for Change in Emerging Europe, learning for development has become much more than a training factory. **LEARNING HAS BECOME A GROWTH ACCELERATOR** in the search for the next billion consumers.



Appendix 1: About L'OREAL

L'OREAL is richly endowed with a portfolio of very complementary international brands that covers all the lines of cosmetics. These brands are managed within the group by divisions that each has expertise in its own distribution channel.

The Consumer Products Division (CPD) offers the best in cosmetics innovation to the greatest number of people through mass-market channels (hypermarkets, supermarkets, drugstores and traditional stores).

L'OREAL Luxe Division (LLD) offers an array of prestigious and modern international brands with a unique heritage. They set out to offer high-quality products through a selective distribution channel.

The Professional Products Division (PPD) distributes its products in salons worldwide. A privileged partner of hairdressers, this division offers them products made with the best technologies as well as high-level training, to ensure professional service.

Active Cosmetics Division's (ACD) mission is to help everyone improve the quality and health of their skin, whether they are affected by sensitive skin or dermatological conditions, in all health care channels worldwide.

The Body Shop division (BSD) combines innovation, sensory experience and performance, while maintaining their values, in particular with regard to fair trade and environmental protection. Its products are distributed mainly through a network of exclusive boutiques.

<http://www.loreal.com>



Appendix 2: About CEDEP

CEDEP, with its history and DNA, proposes a unique collaboration model. CEDEP describes itself as a lab of innovation, a concentration of expertise on management and organisation, a hub of contacts and exchanges between global companies, their corporate academies, the academic community, a place for effective transformation.

CEDEP has privileged access to INSEAD faculty, yet leverages top thinkers from other leading business schools such as Yale, IBS, Carnegie Mellon, Wharton etc., maximising individual and collective performance. All professors work closely together with member companies to deliver relevant teaching and are experienced both in dealing with concrete business problems and teaching executives.

<http://www.cedep.fr>



Appendix 3: The case of make-up in Spain

In Spain, the make-up market is showing a decline in value (-4%) whilst volume is still growing +5%, a trend explained through 4 reasons:

- 1** The first reason to explain this trend is the impact of retail make-up brand that totally changed the category landscape. The arrival of the Italian Kiko in the market 4 years ago is to be noticed.
- 2** The second reason for this trend is the emergence of Mercadona with a supermarket format that gained year on year in value market shares. In the make-up category, Mercadona was able to develop state of the art merchandising concepts, thus gaining attractiveness.
- 3** A third explanation is the proliferation of the low cost brands in perfumery. Lola, Yamamay, Art Deco / Douglas, Sfera are the names that appear today in the radar screen with low prices, yet attractive offers.
- 4** Lastly, the conjoint effect of all these opportunities in shopping malls create a hyper competition: while 13 opportunities existed in average in 2008, we can count today 32 options where to buy make-up in a shopping mall.

In this new landscape, L'Oreal Paris doesn't seem to address the key expectations fully. What strategy needs to be put in place for L'OREAL to regain its leadership and growth?



Appendix 4: List of projects covered in Leaders for Change in Emerging Europe

- 1** Turning around make-up in Spain
- 2** Reshaping L'Oreal Professional organisation in Italy
- 3** Facing the challenges of evolving distribution channels in the Netherlands
- 4** Defining a coverage strategy on low end price tiers in DPGP Netherlands
- 5** Building a New Nordics hub in LPP
- 6** Getting the benefit of our presence in Europe - Purchasing UK
- 7** Creating a new business model for Helena Rubinstein Italy
- 8** Managing complex distribution channels for Matrix in the USA
- 9** Dealing with omni-channel purchase behaviours in L'OREAL Luxe Scandinavia



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