

Leonardo da Vinci Innovation Transfer Project  
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ADAPTYKES - ADAPtation of trainings based up on the Finnish Workplace Development  
Programme (TYKES)

# **Case Study Report of Cosmetics company on Workplace Innovations**

**AdapTYKES project WP3**

## **ADAPTYKES**

### **Case study guideline and research questions**

The case studies that should be carried out in the project are neither explanatory, nor exploratory ones, but should serve as model case that illustrates the various difficulties, advantages/disadvantages an organisation has to face with when introducing workplace innovations. It means, that in the case study research we do not intend to investigate fairly new social phenomenon or provide detailed explanations of social mechanisms, but should focus on the detailed descriptive analysis of the various practical issues that are related to effective implementation of workplace innovations. When compiling the case study, please bear in mind that our aim is to share the lessons learned so that they can applied more widely.

In order to avoid one-sided interpretations we ask you to carry out semi structured in-depth interviews both at the management and employee-level. If possible please make interviews with the CEO, the HR manager, one senior representative of the professional or line management and with representatives of the different employment groups at the shop floor-level. If there is trade union or any other representative body of employees at the company, it would be a value added to know their experiences, as well. We would like to ask you to carry out 8-10 interviews at least. The issues to be investigated are listed below.

## **Case study findings**

Please provide a brief description of the organisation investigated according to the following issues:

### **Brief history of the firm**

The company chosen for conducting the case study in Romania is a cosmetics producer, having the main headquarters in Cluj Napoca, with national wide outlets. The company was established in 1945 (being detached from a Hungarian laboratory), as a laboratory with 6 workers and 5 types of products. In 1949 it is registered as a state company at the Finance Minister and expands its range of products. Starting with 1951 the investments increase, and a laboratory, a store and offices are set up, while the number of employees increases to 20. In 1957 it undergoes a fusion process with a vegetable oils plant and the field of activity becomes production of cosmetic products and vegetable oils, the range of products reaching 50 types. At the moment, the subject organisation is a legal person, a joint stock company, close type (these means that the shares are assigned only for shareholders).

### **Main activities**

The field of activity is production of perfumes and cosmetic products (CAEN 2452), the main products and services offered being: production and delivery of cosmetic products; and production and delivery of domestic-chemical products (for domestic use). During the first six months of 2013 the company has 16% increase of the sales compared to the same period last year. The General Director of the company believes that “the good performance in sales is a result of constant investments in improving and developing the range of products offered. During the first part of the year we extended the types of products in one brand and modernised two of the cleaning products”. At the present the company offers over 200 types of cosmetic and domestic use products.

### **Ownership structure**

The company is managed by the General Assembly of the Shareholders which includes all the shareholders and can be held ordinary or extra-ordinary. Also, the company is administered by an Administration Council formed of three members elected by the Assembly for a period of four years.

The company has over 850 shareholders, who include employees (the own over 45% of the total shares), previous employees (over 39% of the total shares), and collaborators (over 15% of the total shares). The shares are nominative and the shareholders who want to assign shares have to notify in written the Administration Council, which will inform all the shareholders. Each share brings the right to one vote in the general assembly of the shareholders, the right to be chosen and to choose the management, the right to participate at the profit assignment according to the internal rule and legal dispositions.

**Main characteristics of its market position** (B2B, B2C, local, national, international, main competitors, etc.)

The company is the biggest producer of cosmetics in Romania and detains national and international renowned brands. The products are exported on all the world's continents, the main international markets being Japan, Liban, Arabs Emirates, and European countries such as Hungary, Spain, Italy, or Greece. The company has the International Quality Certificate ISO 9001-2008, the International Certificate for Environment Management ISO14001:2004, and since 2013 the Certificate of Best Practice in Production, according to the ISO standards 22716:2007.

The market share of the company is as follows: over 60% for makeup-remover products, over 20% for products of face care, over 10% for epilator creams, over 30% for shaving lotions, and over 20% for hand and body lotions.

The company is oriented on both B2B and B2C strategies. The company has a large distribution network, with over 14 representations, motor park and sales force all around the country, which covers over 90% of the deliveries. Also, the company uses indirect distributors for delivery. For the international deliveries indirect distributors are used.

The company faces great competition both at national and international level (L'Oreal, Garnier, Nivea, Pond, Palmolive, Pantene etc). The main advantage of the company is its low prices (compared to international competitors) and the originality of the products, based on natural ingredients.

**Number and structure of employees** (e.g. age, gender, education, skills, work experiences, etc.)

For the main activity, the company includes three activity structures: Concept structure (which includes the management personnel, organized in the research office, technical-design office, marketing office, projection office, and counsellors group); Functional structure (which includes the management and implementation personnel, grouped in directions, offices, services and who perform functional activities) and Production structure. It has production sections, offices, laboratories, warehouses, medical cabinet, and representation sites.

The company had in 2012 a number of 586 employees (engineers, economists, specialists with higher education studies, workers): 398 workers (122 direct productive and 276 indirect productive), 126 technical and administrative employees (26 engineers, 6 biologists, 2 foremen, 3 chemists, 55 economists personnel, 3 jurists, 15 software developers, 1 psychologist, 2 designers, 1 translator), 5 management persons and 58 head of offices and project managers.

The company shows a very good employee retention rate, most of the employees being in the company for over 10 years. There is a difference with regard the average age of the employees: there is a rather young production labor force (35-45 years old), while the average age for management positions and head of offices is higher (45-55 years old).

The education level of the labor force is as follows: all the 5 management positions are filled in by employees with a master degree; over 80% of the technical and administrative positions are filled in by employees with college degree; most of the persons filling in the positions of head of offices have secondary education degree, and similarly, 90% of the workers have a secondary education degree.

Please also specify the main characteristics of the interviewees in a table (for an example, see Annex I.)

#### 1) The implementation process

The innovation practice implemented by the company is the **employee performance evaluation** process. Since the company had only 3 employees in the HR department, most of their activity was dedicated to perform the payroll. Through the involvement of

a new person during an internship program, the company decided to implement the employee evaluation process. The evaluation procedure: the evaluation was performed by the direct supervisor. The HR department developed evaluation forms for different categories of positions in the company, such as packaging positions, preparatory positions, repair and maintenance.

#### 1.1 Organisational unit(s) concerned

The main organisational unit concerned by this practice is the HR department. Nevertheless, all the department in the company were involved in the evaluation process. The HR department includes 3 persons: 2 economists and 1 psychologist. The main activity performed in this department is the payroll function, but they also deal with planning, recruitment, selection and integration of the new employees, training and employee evaluation.

#### 1.2 Number and share of employees concerned

Being a practice initiated in the HR department, the performance evaluation process had impact on the entire company. After implementing a pilot stage, they reached 65% of the employees to be evaluated, and then 80% of the employees.

#### 1.3 Aims and drivers (i.e. improvement in the quality of products/services, productivity/efficiency gains, better customer service, improved competitiveness, cost efficiency, etc.)

The starting point of the evaluation process resides in an internship program the company developed. They decided to organise an internship program for college graduates or master students in HR. They selected one person for internship. It started as an unpaid internship, but because they were satisfied with the results, after 6 months they offered a scholarship. Moreover, since the internship program went so well, they extended it to other department such as research office (they cooperated with the Pharmacy Faculty from which they had 10 candidates, 4 were screened for the interview and 1 was finally selected for receiving the scholarship during the 3<sup>rd</sup> and 4<sup>th</sup> year of study). The criteria used for selecting the interns were: the quality of the essay paper, the experience abroad, the match with laboratory environment, values.

The main aim of the new practice implemented was to get a general image of the employees' performance within the company. Moreover, the results were used for

developing the payment system and promotion decisions. Based on the evaluation forms, the company managed to boost performance, by stimulating employees to more actively participate to their jobs.

1.4 Enablers and inhibitors of the changes (such as government initiatives/programmes aimed at fostering innovation, tax advantage, resistance of the management and/or employees, lack of appropriate knowledge pool, etc.)

The main enable of the change was the support coming from the management of the company. Also, the colleagues from the other departments agreed to get involved in the evaluation process. While in the beginning the implementation process was an initiative of the HR department of the company, starting with 2011, through the revised Labor Code (Law 40/2011), the performance evaluation criteria were imposed on a national level as a mandatory element in the individual employment contract. That represented an encouragement for the evaluation process and a confirmation of the fact that the decision to implement the process was a good one.

The main difficulty faced while implementing the evaluation process resided in the lack of time of those involved. This was a consequence of both a low number of employees in the HR department and low resources of time with regard the head of departments. In order to be able to implement the evaluation process, other preparatory activities had to be implemented: they had to revise the job descriptions, to design the evaluation forms according to the position category, to instruct those involved in the process, to allocate time for observations and to meet the participants (both evaluators and evaluated persons).

1.5 Outcomes of the changes (what has been achieved in comparison to the aims above)

As the HR manager states “the evaluation was a constructive process for the company, for both evaluated employees and heads of departments”. During the evaluation useful ideas appeared. The heads of departments established meetings with the employees, which also improved the communication process within the company. At the end, each head of department received an evaluation report for the entire department. All the results were centralised at the HR department, due to e mistrust in the online format. As a procedure, all the employees were informed in advance about the evaluation and

about the fact that the results are not to use for the payment system, but only for improvement purposes.

## 2) Changes in work organisation

Please describe the effects and the changes the workplace innovation induced on the work organisation

### 2.1 Content of work, cooperation, managerial control, role of customers

While there were no obvious changes in the content of the work and relation among workers, the communication between employees and supervisors increased and the managerial control improved. For example, the manager of the department had a better image of the work performed by subordinates. Starting from here, in the HR department it was introduced the *calendar system*.

### 2.2 Organisation of working hours, differentials in working hours between organisational units, temporal flexibility (i.e. introduction of flexible working time arrangements)

Following the evaluation process the work norms were revised. For the sales force, the analyses of the employees' performance lead to an increase of the work norms. Also, the productivity of the workers increased. There were no changes in the schedule of the workers, nor in their number of hours of work.

### 2.3 Functional flexibility, teamworking

Moreover, as a consequence of the evaluation process the working activity went through positive changes with regard a better planning and improvements in setting priorities. The heads of department became more attentive to the work performed by the employees. And because it is difficult to evaluate unless one evaluates oneself, most of the supervisors paid more attention to their own performance.

## 3) Changes in skills, knowledge and learning (Please describe the effects and the changes the workplace innovation induced on the skill development, knowledge use and sharing and individual and organisational learning processes)

### 3.1 Formal skill structures (including differences between men and women) and actual skill needs (did the workplace innovation involve higher skill needs for the employees, why, how it was resolved, etc.)

The feedback received helped the employees to better understand what needs to be improved, the areas where some errors were made or aspects they were insufficiently proficient. As mentioned, the employees evaluated had the opportunity to participate to a set of internal short term trainings. Moreover, higher expectations were raised towards employees following the training activities. If in the beginning this was perceived as a potential threat by employees, in time the fear disappeared.

### 3.2 Knowledge intensity of the different tasks, standardisation and formalisation of work

As an indirect outcome, employees were better informed about the performance standards within the company. A more in-depth approach on the work itself was reached through the trainings offered after the evaluation process. This led indeed to an improvement with regard the employees' work knowledge.

3.3 Learning opportunities, training policies: internal vocational training courses (that is, training activities principally designed and managed by the enterprise itself), external vocational training courses (that is, training activities principally designed and managed by a third party organisation), any other forms of training (on-the-job training, planned learning through job rotation, self-directed learning, consultation with managers and colleagues, etc.)

Starting from the evaluation results the company decided to organise short term internal instruction courses. For example, there were organised courses on excel, word, and operating on specific software system used by the company such as Navision.

4) Quality of working life and labour relations (Please describe how workplace innovations affected the formal and informal processes of social dialogue and the quality of work (physical, mental and social working conditions, well-being at workplace, employee commitment and satisfaction, etc.)

The influence with regard the working life and labour relations was not so strong.

#### 4.1 Forms of workers' representation (social dialogue)

No influence was reported on the workers' representation. The members of the unions also took part in the evaluation process, but no obvious consequences were spotted.

#### 4.2 Information and consultation, issues of negotiations

As mentioned, the management noticed better communication between employees and supervisors. Also, as an outcome, the employees were better informed with regard the expectations towards them, the content of their job, and the performance standards.

#### 4.3 Working conditions

There were no remarked influences upon the working conditions.

#### 4.4 Employee commitment and satisfaction

The evaluation process positively influenced the employee satisfaction with the job and the employees' attitude toward the working place. The employees felt more important due to the fact that they had individual meeting with the supervisors. Still, there were no quantitative/objective measures of the employees' satisfaction. For the future, the HR department set the plan for conducting a satisfaction survey within the company.

#### 4.5 Work-life balance of employees

There were no remarked influences upon the work-life balance of employees.

### 5) Conclusions

#### 5.1 Basic characteristics of the case

The company put through the analysis is a famous producer of national brand cosmetics in Romania. While the organisational performance of the company is constantly increasing across time, the HR department is making efforts in supporting the main production activity. Despite the low number of employees, the department succeeded in finding solution for boosting the human resources activity, such as implementing an internship program. Starting from here, a direct outcome resided in the implementation of the employee performance evaluation process, which consequently positively impacted the employee awareness with regard the performance standards, performance expectations of the head of departments, communication between employees and supervisors, adjustments of the performance targets.

#### 5.2 Importance of the case for the research questions

The role of the case for the research question resides in the following:

The analysis revealed the *steps of the implementation* process of an innovative practice and emphasised a *domino effect*, starting with an internship program, followed by the

implementation of the employee performance evaluation, and then internal trainings and revision of the performance targets.

#### 5.3 Impact of the workplace innovation on the performance of the firm

The performance of the company strongly increased during the latest years. The financial turnover increased, and also the company market share, the position held by the company in specific publications and studies such as annals on cosmetics companies, number of employees (from 544, to 586 and over 600 during the current year), and the total sales.

#### 5.4 Impact of the innovation on the quality of working life

The impact of the evaluation practice on the quality of the employees' working life resided especially in improving the job satisfaction of the workers, by improved communication with supervisors and perceived increased feeling of workers' importance at the working place.

#### 5.5 Recommendations relevant for the implementation process

The main recommendation for the implementation of the evaluation process regards the use of ITC based software for conducting the evaluation in order to save time and paper resources required for the centralisation and interpretation of the data.

References

### Annex I: An example list of interviewed actors and their professional background

N°	Sex	Function/ Department	Organisation	Date of interview (2013)
1	Female	Head of Human Resource Department		09. 07.2013
2	Male	Member of Administrative Council		02. 09.2013
3	Female	HR employee		11.07.2013
4	Female	Economic Director		17.07.2013
5	Male	Marketing Manager		24.07.2013
6	Male	Worker		25.07.2013
7	Male	Sales person		02.09.2013



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