
The Power of Simplicity



By [Stephen E. Chick](#) , INSEAD Professor of Technology and Operations Management

Managing several products in a rapidly changing consumer goods industry is no easy task. The key is simplicity. For multinationals reducing the number of brands in a factory can offer big competitive advantages.

At first glance, localising several brands in one shop area with a common maintenance team and logistics might seem like a wise move. But it can also muddle individual production processes and delay the introduction of new products to the market. Too much complexity in the production process can also cause damaging errors as my colleague Serguei Netessine notes in [this article](#).

L'Oréal cosmetics has learned that simplifying operations “makes life easier”. Its plant in Rambouillet, France, once produced an assortment of shampoos, hair colorants and skin creams for the Garnier brand. The site was home to several different technologies. “Our operation was very complex,” says plant manager, Jean Delomier. “We decided to focus on one technology which was shampoo and to produce more with less equipment, with less complexity, with less technology which makes us more efficient in the end.”

Delomier's efforts won L'Oréal an Industrial Excellence Award (IEA) in France in the spring of 2014. The IEA recognises excellence in corporate strategy and management execution and is awarded by leading European business schools including INSEAD, the WHU in Germany, Judge Business School in Cambridge, and the IESE in Madrid.

How L'Oréal does it

The IEA jury applauded L'Oréal Rambouillet for the skill in which it simplified operations and set in motion a process of "lean cascading". At the IEA, Delomier told me, "lean is great." Lean makes it easier "to do a step-by-step continuing improvement on the daily job."

It also makes it easier to communicate corporate strategy, an activity that has become immensely popular at L'Oréal and has taken on a life of its own. Delomier, who is himself youthful and light-hearted, is convinced that humour sells. Flow charts are introduced as cartoons, and strategy meetings involve theatre skits – all in an effort to get the worker to understand and remember company strategy.

"The idea of sharing vision and strategy in a funny way was more to avoid a top-down approach and to make vision, strategy fun for the shop floor people and all the employees of the factory," Delomier explains cheerfully. Production is halted on the shop floor during the strategy presentation.

The jury of the IEA was particularly impressed by L'Oréal's unique approach to worker engagement which has created a spirit of trust and innovation, a key recipe in an industry where new consumer products are introduced on a regular basis and even seasonally, as in the case of sun screens or creams. L'Oréal emphasises quality and holds regular meetings on improving practices and processes. These "quality assessment" meetings are well-planned and focused on innovation and practical execution.

The meetings also bear fruit, Delomier points out. One worker in the scheduling department wrote a software programme to monitor the production status of each process in the line. Another worker developed a recycling system for waste water that reduced consumption in a process by 38 percent. Both innovations are being deployed at other sites.

L'Oréal has integrated several dozen suppliers into the chain in a "win-win partnership" that enhances quality and speeds up production. Delomier says

the partnership began with an exchange programme between L'Oréal and the suppliers on critical processes. "We were able to succeed by working with our suppliers by creating a partnership with daily meetings, with a monthly review, and also some processes in order to understand the problem."

This win-win partnership has helped L'Oréal Rambouillet trim the production time to the market (processing, packing and delivery) from 92 to 64 hours. The combined benefits of integrating suppliers, engaging workers and simplifying production have boosted productivity 22 percent over the past three years.

Looking ahead for L'Oréal

L'Oréal employs 224 people at its Rambouillet site. The factory itself consists of four departments: shampoo production, water treatment, biomass heating, and a plastic bottle shop. It produces an astounding 300 million units of shampoo each year. To maintain operational excellence, L'Oréal uses established business tools such as KPI cascading and analysis, as well as SIPOC (suppliers, inputs, process, outputs, and customers).

In 2013, the L'Oréal group published a new sustainability plan for the year 2020 which calls for producing more products in an environmentally-friendly way. Its growth strategy is to win one billion new consumers by 2020 and to "engage consumers, who are at the heart of [its] business, to make sustainable choices." The new plan builds on an existing commitment in Rambouillet to cut greenhouse gases and plant waste by 2015 as a step toward "preserving green capital for the next generations." Delomier says the Rambouillet plant is already ahead of schedule on reducing CO² emissions, plant waste and water consumption.

L'Oréal management is wired to the work force, along with suppliers and customers. Delomier is a fan of Yammer, the enterprise social network owned by Microsoft. It is essentially an internal Facebook for businesses. "We are mainly sharing - using it as a sharing platform for best-practices and communication regarding innovation, communication, regarding mobility of people and tools," Delomier reveals. "And I can tell you that today there are more than 10,000 people connected to Yammer."

A relentless focus on simplicity and clear communication is helping L'Oréal in the increasingly fast moving markets it now operates in. A growing share of

L'Oréal group's 22.9 billion euro annual sales is now generated in Southeast Asia where rising incomes and an accent on beauty, health and youth are creating big demand for hair and skin care, make-up, fragrances and sun protection. Turnover in new markets has nearly doubled over the past eight years. It's a good thing L'Oréal is keeping up.

***Stephen Chick** is a Professor of Technology and Operations Management at INSEAD, and holds the Novartis Chair of Healthcare Management.*

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About the author(s)

Stephen E. Chick is a Professor of Technology and Operations Management at INSEAD.