

Exploring L'Oreal Culture through the Schein Model

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Abstract:

The study aims to explore L'Oreal's organizational culture by analyzing the dimensions of Schein's model (basic assumptions, value, and artifacts). The study relied on an exploratory approach, gathering data from publications, reports, and information on the company's website.

The study found a number of findings, the most important of which was that L'Oreal has a high organizational culture. A series of proposals have also been made to strengthen the L'Oreal Company's organizational culture.

Key Words: Organizational Culture, Schein model, L'Oreal Company.

JEL Classification: L1, L2

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1. **Introduction**

Organizational culture is an intangible but powerful force among a community of people who work together and influence the behavior of group members. It is important to create a good image for the company to increase loyalty and achieve good economic returns.

The character and personality of an organization can be found in its organizational culture. It is made up of common values, ideas, and presumptions about how individuals ought to act and interact, how judgments ought to be formed, and how tasks ought to be completed at work. When considering introducing changes, it is crucial to understand the current culture because it can be challenging to pinpoint the factors that shape a particular culture.

Organizational cultures can be influenced by new personnel and can take years to completely comprehend and internalize. Based on job duties or other allegiances, subsidiary cultures might develop. So all written and unwritten laws, relationships, beliefs, and human behavior should all be investigated in order to comprehend the culture. The methods outlined in this checklist were suggested by management thinkers to classify organizational cultures.

Corporate performance depends on organizational culture since it shapes the working environment, influences employee morale and productivity, and has an impact on all other areas of business. A good company culture makes employees feel valued and supported, which enables them to handle challenging situations better. The culture of an organization also has an

impact on all other business-related factors, including employee punctuality and verbal and written communications.

Problem Statement

Organizational culture refers to values that guide organizational behaviors and practices that have a strong impact on employees' behavior, and the Schein model emphasizes the importance of analyzing and fostering cultures of innovation.

Thus, the following research questions were formulated for this study:

Does the Schein model affect organizational culture? Does L'Oreal have a high organizational culture?

The study therefore seeks to test the following main hypothesis:

"Schein's model contributed to a high organizational culture for L'Oreal Company."

Importance of study

The significance of the study is in the role performed by organizational culture at various levels, and L'Oreal International was chosen to explore its organizational culture utilizing the dimensions of Shin modeling, which is highly essential in studies.

Objectives of the study

The study aims to explore organizational culture in its broadest sense, focusing on institutionalization, common characteristics, perceptions of strong and vulnerable cultures, organizational culture functions, and learning methods at L'Oreal.

2. In-Depth Look at L'Oreal Company

L'Oreal is the largest cosmetics company in the world, founded in 1909, producing luxury beauty products in mass. It is known for its signature phrase "Because I'm Worth It" and its commitment to

innovation, research, and development (Doz & Hong, 2013, s. 115).

L'Oreal Offering hair care, hair color, skin care, makeup, and fragrances in 130 countries. Its 23 brands include pharmacy staples L'Oreal, Garnier, and Maybelline, as well as upscale brands Yves Saint Laurent, Redken, and Kiehl's skin care line. The company employs more than 65, 000 people in eight departments and has 2, 900 specialists working in its R&D department. It is committed to diversity, integrity, responsibility, and respect for people and the environment and has enacted several community and environmental programs (Adzharuddin, & Salvation, 2020, p. 736).

L'Oreal has opted for a distinctive approach called universalization, which refers to globalization that recognizes, comprehends, and respects variations in needs, wants, and customs. To do this, they have created a global network of R&I and marketing centers, one for each of their strategic markets, as well as a global industrial presence to swiftly and effectively bring ideas to market. L'Oreal Group operates seven regional creative product development centers and six advanced research centers globally.

The purchasing teams at L'Oreal have offices all over the world, which enables them to choose vendors that can best serve the needs of the group and its brands. They conduct routine audits both during the selection process and after the collaboration has begun to make sure that vendors keep their promises (Mburu, 2017).

The group quality system is continually improved and sets standards that are greater than global norms.

2.1 L'Oreal Product

To fulfill all beauty demands and wants, L'Oreal aims to provide the best products in terms of quality, efficacy, safety, faithfulness, and responsibility. By influencing the direction of social innovation, fostering long-lasting partnerships, reshaping the future of beauty, advancing the status of women, and preserving the world's natural beauty (Cunha, 2017, p. 17). L'Oreal has produced a wide variety of goods at various pricing points. To adapt to changing consumer preferences and market demands, brands are continuously reinvented.

Professional Products Division, Consumer Products Division, L'Oreal Lux, and the Active Cosmetics Division make up L'Oreal's global flotilla of brands. Each division has a distinct concept of beauty for its market.

To guarantee the quality, efficacy, and traceability of their goods, L'Oreal chooses partners that are leaders in their fields and do business in a morally and ethically responsible manner.

2.2 Work Environment at L'Oreal

Enter L'Oreal is made up of a team of talented and inspiring people who celebrate team performance and connectedness. It invests in convenient workspaces and encourages connection, wellness and a sense of togetherness with people at work.

L'Oreal's HR functions include compensation, benefits, labor relations, legal and ethical, international mobility, and HR information systems (Ndirangu, 2019).

It rewards workers with attractive pay and benefits, encourages mobility, and respects international human rights through policies like the code of ethics and share and care program.

L'Oreal employees have opportunities to grow, have the training they need to offer a great customer experience, feel proud to work for the company, are encouraged to think and act as if it were their own business, receive information and communication that makes them feel part of the L'Oreal Group, and are motivated to give their best every day. Flexibility cognitively is expected to be more willing and capable of accepting transitions in their duties.

L'Oreal has the nimbleness of a start-up and the funds to invest in the advancement of its employees. They support internal career development, urge employees to leave their comfort zones and learn new abilities, and encourage people to diversify their areas of competence. They can also access workshops, conferences, and training courses to expand their knowledge. They are persuaded by the "test and learn" philosophy, which exhorts people to take risks and not be afraid to fail.

L'Oreal has developed a global strategy to improve formulas, target high-end and male segments, adapt communication strategies, and increase prices through stronger claims. This strategy considers market characteristics like hair type, length, appearance, image, and shampoo usage (Xia, Han, & Zhu, 2021).

2.3 Sustainability at L'Oreal

The sustainability program at L'Oreal aims to achieve sustainability in innovation, production, living, and development. It has had a positive impact on carbon footprint

reduction, waste management, deforestation, water management, employment, societal development and research. The Innovating Sustainability initiative of L'Oreal has four action points: reducing environmental footprint, respecting biodiversity, optimizing packaging, and zero deforestation (Withisuphakorn, Batra, & Parameswar, 2019, p. 39). L'Oreal is striving to improve the biodegradability of its products, respecting biodiversity, optimizing packaging, and achieving zero deforestation.

L'Oreal focuses on reducing the environmental footprint of its manufacturing units and distribution centers by 60% in 2020 through three action points: reduction in CO2 emissions, water consumption, and waste. This is achieved through improving energy efficiency, building design, insulation, and optimizing industrial processes (Pradit, Ishita, Nakul, & Sanjay, 2019).

3. L'Oreal SWOT: Analyzing the Beauty Empire's Key Factors

3.1 Strengths

L'Oreal has a massive market share in the beauty world due to its variety of products. It owns 39 beauty brands under its umbrella, including Urban Decay, Garnier, Maybelline, Body Shop, Essie, and Lancôme. It also has organic products that use natural ingredients, which appeal to a more aware consumer base. L'Oreal is a market leader in research and development, working extensively with dermatologists and skin care experts (Da Silva, 2012, p. 493). L'Oreal is one of the most valuable brands in the cosmetics industry, with a market capitalization of \$162.5 billion and ranking at number 30 in the world's most valuable brands in 2020.

It is famous for its above the line marketing campaigns and integrated marketing communications, as well as its point of purchase marketing. This strategy has allowed the company to increase its sales and maintain a strong sense of customer loyalty.

L'Oreal has a dominant position in the beauty industry due to its well-executed online and offline strategies, high-quality products, well-balanced brand portfolio, ubiquitous group, natural products, continuous and innovative R&D, strong financial structure, and large community of loyal customers (Edu, Negricea, & Nicolaica, 2013). The group operates in 130 countries, employs 3,870 people, and collaborates with laboratories and groups of scientists to provide customers with the best products.

3.2 Weaknesses

L'Oreal has a large product range but has limited divisions, leading to redundancy and slow response rates. This has led to growth saturation and peer competition, as well as declining profits due to research and development spending. Supplier power is also a weakness, as it predisposes the company to potential issues in its supply chain. The lack of a proper balance in the relationship with suppliers is a huge weakness.

L'Oreal's emphasis on research and development has garnered it consumer trust, but it has resulted in rising operating costs and a decline in profitability. The company relies significantly on its suppliers to run smoothly, which can be a problem if there are any supply chain concerns.

3.3 Opportunities

Sales rose by 20.7% and operating profit rose by 26.8% in the first half of 2021, according to L'Oreal Group's quarterly

report. Future development opportunities include the markets for high-end and active health items, with high-tech goods producing sizable profits. The blue sea market is expanding into the cosmetics and skin care market by subcategory, and in 2019, there were 4.02 billion online transactions for men's care. L'Oreal broke the previous record set by IT Cosmetic (\$1.2 billion) by purchasing the three cosmetic skin care brands CeraVe, AcneFree, and Ambi for US\$1.3 billion (Xusheng & Haonan, 2021, p. 152).

A strategic partnership between L'Oreal and Lazada was struck in response to the emerging trend of customized precision skin care.

L'Oreal can benefit from its presence in new markets, online shopping, and eco-friendly customer demands by increasing its presence and improving its products.

Digital marketing has broadened the beauty product industry, allowing L'Oréal to reach a larger audience via a variety of platforms. This includes creating a website, utilizing social media sites such as Instagram and YouTube, and launching targeted advertising campaigns. L'Oréal can also use online purchasing to cater to younger consumers by customizing items to their skin type. Digital marketing has also aided scientific and technological advancements in skin microbiology, allowing consumers to enjoy tailored products and a more convenient experience (Qin, 2023, p. 100).

3.4 Threats

The L'Oreal Group is facing competition from rivals such as Shiseido and Estee Lauder, who have a large product range and high visibility. The US cosmetics market has boomed in the past five years, making it difficult for the L'Oreal Group to compete. The COV-19 epidemic has caused

a decrease in the group's semi-annual sales performance, leading to a decrease in net profit. Product safety has also been a concern, with heavy metal components lurking in cosmetics that are harmful to the human body.

L'Oreal is vulnerable to threats like a drop in Sanofi's stock price, so it should monitor financial movements and consider selling its stake if sustainable (Ribeiro, 2022, p. 17).

L'Oreal should adapt its practices to comply with more compelling regulations in order to stay competitive in the beauty industry.

4. Assessing organizational culture within the L'Oreal Company

Organizational culture is a collection of values, beliefs, standards, and behavioral patterns that give each organization its own unique personality (Cacciattolo, 2014). It develops and changes over time, reflecting the values of the founders, the community, and the industry.

Organizational culture is the glue that holds the organization together and stimulates employees to commit and perform. It is defined as shared perceptions of organizational practices, similar to organizational climate, which is conceived as employees' perceptions of observable practices and procedures (Rasak, 2022). It is important to carry out both types of assessment at the same time, as climate relates to the evaluation of a current state of affairs and culture relates to the registration of actual work behaviors.

Observed behavioral patterns, norms, prevailing ideals, a philosophy, rules, and an overall atmosphere all contribute to an organization's culture. According to Schein (1992), because of today's heightened competitiveness, globalization,

mergers, acquisitions, takeovers, buyouts, alliances, and numerous labor developments, organizational culture is even more crucial.

The world is moving toward a knowledge-based economy, necessitating the development of a culture that fosters intellectual engagement, learning, the invention and application of new knowledge, and the readiness to share knowledge with others (Olu.o, 2010). Power, role, achievement, and support are the four elements that set one organization apart from another in terms of its organizational culture.

In the subject of organizational development, various descriptive models make an effort to diagnose organizational culture:

4.1 Harrison's organizational culture model

The model assesses culture orientation within the formalization and centralization approaches. The model identifies four aspects that represent the cultural gap between actual and desirable cultures: power-oriented, role-oriented, achievement-oriented, and support-oriented (Lesley & Bruce, 2000). The power dimension depicts an organizational culture built on resource disparity with a single point of control. The role dimension emphasizes job definition and specialization, with work governed by procedures. The achievement component focuses on attaining organizational goals, with the primary strategic goal being bringing the right people together. The support dimension is built on mutual trust between persons and organizations (Manetje & Martins, 2009, p. 90).

4.2 Hofstede model

Identified five cultural dimensions that affect organizational behavior: power distance, uncertainty avoidance, and individualism versus collectivism, masculinity versus femininity and long versus short-term Orientation. Increased awareness of the cultural environment would be beneficial (Soares, Farhangmehr, & Shoham, 2007, pp. 280-281). Individualism-collectivism outlines how people interact in each culture, whereas uncertainty avoidance addresses the necessity for well-defined standards for prescribed behavior. Power distance highlights the effects of power disparity and authority relations in society, which influence hierarchy and dependence connections in familial and organizational settings. Masculinity-femininity symbolizes dominating values in masculine countries, but long-term orientation emphasizes cultivating virtues oriented toward future rewards, particularly perseverance and thrift.

4.3 Edgar Schein Model (1985)

The Edgar Schein model argues that culture is the most difficult organizational element to change. His model of organization illustrates three cognitive levels of organizational culture: artifacts, espoused values, and implicit hypotheses. The first level deals with physical attributes, the second with espoused values, and the third with implicit hypotheses. Surveys and interviews with employees are not enough to draw out these attributes, and other more in-depth means may be needed (Cacciattolo, 2014).

5. Applying the Schein model to L'Oreal

5.1 Basic Assumptions

Basic assumptions are the implicit assumptions that guide behavior and tell

group members how to perceive, think about, and feel about things. Culture is a set of basic assumptions that define what to pay attention to, what things mean, how to react emotionally, and what actions to take in various kinds of situations. Unconscious assumptions can distort data by expecting to be taken advantage of and interpreting the behavior of others in a way that coincides with those expectations (Peter & Celeste, 2004).

L'Oreal's basic assumptions are based on its French origins, founded and influenced by Eugene Schueller, who dedicated himself to defining, establishing, and preserving the L'Oreal's culture.

Eugene Schueller, a leading personality and aspiring entrepreneur, was brilliant in advertising, delivering unparalleled innovations in quality and safety.

Eugene Schueller had a passion for advertising and logos, which became a hallmark of L'Oreal and helped it build its global reputation.

France is a long-term, individually oriented society, avoiding uncertainty, female culture, the welfare system, normative and practical orientations, and the ability to adapt traditions to changing circumstances. We may therefore understand that values and antiques are expected to be shaped by France's culture and the qualities of the founders. For example, Armand Petit jean the entrepreneur, founder of Lancôme Attar, inspired perfume in French style to entice a global audience.

5.2 Value

Group learning ultimately reflects someone's original beliefs and values. Social validation is the process by which certain values are confirmed by the shared social experience of a group. Beliefs and values at the conscious level can predict

behavior observed at the artifact level, but if they are not based on prior learning, they may be out of line with what they will actually do.

L'Oreal has a belief that creativity equals success in advertising, which has been successful in the past for the advertising department. This belief is now a core value for the company, as the cosmetics industry relies heavily on strong advertising promotions to establish competitors.

The goal of producing beauty is reflected in the vision, which is L'Oreal's only goal. This goal stays loyal to the Company's founder's philosophy, who believed that attractiveness was a lifelong pursuit. L'Oreal uses innovation to continuously improve its performance in order to give customers the greatest beauty products possible.

- L'Oreal's guiding values are passion, innovation, entrepreneurship, openness, the pursuit of excellence, and responsibility.
- Passion for creating beauty products and services is essential for the L'Oreal adventure.
- Innovation is essential for L'Oreal, as it requires a higher level of performance and pushes the limits of knowledge to create new products and services.
- Entrepreneurial spirit is the driving force behind a group built on individual talents.
- Open-mindedness is essential for responding to the diversity of beauty aspirations.
- Quest for Excellence We strive to exceed ourselves to provide the best for our consumers.

- L'Oreal has a responsibility to protect the beauty of the planet and contribute to the well-being of its employees and communities.

5.3 Artifacts

Artifacts are visible products of a group, such as architecture, language, technology, artistic creations, style, manners of address, emotional displays, and myths and stories. It is important to experience the culture at the deeper levels of values and assumptions, as interpretations are projections of one's own feelings and reactions.

Eugène Schueller founded L'Oreal in 1939, based on the Ancient Greek word *o*, which means 'beauty'.

The L'Oreal logo is a verbal sign inspired by L'Oreal, the first product manufactured by the company's founder. It is simple, minimal, well-balanced, and elegant, with a black and white color scheme that symbolizes professionalism, elegance, power, purity, and cleanliness.

By utilizing science, L'Oreal is reimagining beauty to make it more effective, efficient, and inclusive. Beauty Science & Technology is our response to these expectations in the new era of Social beauty, which is characterized by social, connected, and shared lifestyles. The IT teams of L'Oreal come up with innovative ideas for processes, such as constructing websites, creating algorithms, and predicting emerging trends, to ensure excellent performance for all business segments. Digitalization, e-commerce, CRM, data, artificial intelligence, cyber security, cloud computing, and e-marketing are all areas where the organization is active.

6. Conclusion

L'Oreal is a prominent firm because of its policies and strategies that encourage regulatory compliance and organizational culture. The following conclusions were drawn based on the information presented:

- L'Oreal's success is due to innovation, superior quality, and the strength of its brands. Through its environmental and social commitments, it has achieved great results and benefits.
- L'Oreal has a very strong organizational culture based on creativity and the encouragement of employees, and its values are dedicated to creativity, innovation, and the entrenchment of an entrepreneurial culture.
- To analyze the organizational culture of L'Oreal, the Schein model is based on its three dimensions, but there are many aspects that we have not been able to analyze in order to deepen the organizational culture and make it difficult to capture all aspects.

Recommendations

- L'Oreal should improve its adaptability and flexibility and strengthen its policy to match environmental complexity.
- To promote the organizational culture of the L'Oreal company, multicultural professionals can be recruited, and core values can be spread among the task forces to achieve the company's vision.

- Diversity within the L'Oreal company can contribute to the development of positive behaviors that have a direct and positive impact on the company's organizational culture.
- L'Oreal needs continuous improvement in order to develop products and facilitate their access to target groups.

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