



ESTÉE LAUDER

INTERVIEW SERIES CAPTURING WHAT'S WORKING IN LEADERSHIP DEVELOPMENT

ESTÉE LAUDER AT A GLANCE

- Estée Lauder Companies Inc. is one of the world's leading manufacturers and marketers of quality skin care, makeup, fragrance and hair care products. The company's products are sold in more than 150 countries and territories under 29 different brand names.
- For fiscal 2011, net sales were US\$8.8 billion and net earnings were US\$701 million.
- The company had approximately 32,300 full-time employees worldwide as of Q2 2012.
- It operates wholly or majority-owned offices in more than 40 countries and territories, and 13 manufacturing facilities in the US, Belgium, Switzerland, the UK and Canada.
- It conducts research and development at eight facilities around the world: Melville, New York (USA); Blaine, Minnesota (USA); Oevel, Belgium; Tokyo, Japan; Ontario, Canada; Shanghai, China; Colombes, France; and Petersfield, UK.

EXECUTIVE SUMMARY

Against a backdrop of aggressive market competition and a challenging economic climate, Estée Lauder designed a global strategy to retain market share and maintain market leadership in its prestige cosmetics brands. Leadership was identified as a key driver of this strategy – an enabler of innovation and attraction and retention of talent. To start with, Estée Lauder developed a leadership strategy, a leadership competency framework for three leadership levels, and leadership success profiles. Following this, Estée Lauder launched a program for its executives (managing directors and direct reports). The company then developed a bespoke leadership program, "E3," for the other layers of leadership, which focused on leading one's self, leading a team and leading others. The leadership program has been highly impactful for participants, 60% of whom were successful in changing their behavior and operating at a higher level.

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SETTING THE CONTEXT

Estée Lauder faces a business climate that is challenging and complex, with aggressive competition from newly launched brands and offerings, anemic market conditions across the world, and diverse market dynamics and maturity levels across Asia Pacific. At the same time, the company is operating within a competitive talent market, in which talent is mobile and attraction and retention are real issues. In response, the company designed a strategy to retain market share and maintain market leadership in its prestige cosmetics brands. Given the critical role of leadership in implementing the new strategy, Estée Lauder built a leadership development program designed to better prepare its leaders for success.

DESIGNING THE SOLUTION

In building its Leadership Development program, Estée Lauder's first step was to align and define its leadership strategy. The company conducted interviews with key stakeholders to capture insights around:

- The capabilities, behaviors and attitudes leaders need to be successful in the future
- The appropriate balance between "building" leaders internally versus "buying" leadership capability from the market
- The competitive advantage provided by home-grown leaders
- The key positions that provide leaders the experiences they need to acquire necessary skills and knowledge
- The processes and systems needed to support the development of leaders
- The key measures of success and link to the reward strategy

Using the information gathered through this process, HR defined the unique leadership success profile for Australian leaders and validated this profile through consultation with key stakeholders before developing a draft report on Estée Lauder's leadership success profile for perusal by the Executive Team.

The company's current and future pipeline of leadership talent was then assessed and convened at a half-day workshop with the Executive Team to:

- Provide an introduction to the concept of leadership assessment, including the leadership pipeline
- Discuss leadership and management
- Gain an overview of leadership assessment tools – for example, 360-degree feedback, leadership group report and leadership derailers assessment (Hogan)
- Agree on accountabilities and timing
- Provide an introduction to coaching, including expectations, process and the rules of engagement

Following this, Estée Lauder designed a bespoke leadership program, "E3," for leaders below the executive level. The program, which focused on leading yourself, leading your team and leading others, ran over a six-month period, with two to three days for each module. The program was highly practical and tailored to the cosmetics and beauty sector, involving case studies, virtual exercises and several teamwork exercises. An important part of the program required team members to lead business-critical projects. One of the projects developed a business case for a new concept store to capture the high-volume business traveler market.

MAKING AN IMPACT

The leadership program has been highly impactful for participants, with many remarking how they had been inspired and how it has enabled them to operate at a higher level. The program was so successful that 60% of participants who attended the course have demonstrated changed behaviors. The program has since been rolled out to New Zealand and South Africa.

LESSONS LEARNED

- Don't assume that top management has all the leadership skills you may think it has. Put top management through the program.
- Have a dedicated person internally to drive the leadership program and create excitement.
- Think carefully about your selection criteria for leadership programs. Send people who will be the future leaders of the business.
- Do things properly and bring in experts where needed.

MERCER WOULD LIKE TO THANK THE FOLLOWING FOR THIS INTERVIEW:

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