

# Case study



be relax

# Theoretical Fundamentals

**ISSUE**



**LIABILITY OF  
NEWNESS**

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**EXPLANATORY  
VARIABLE**



**ROUTINES**

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**META-THEORY**



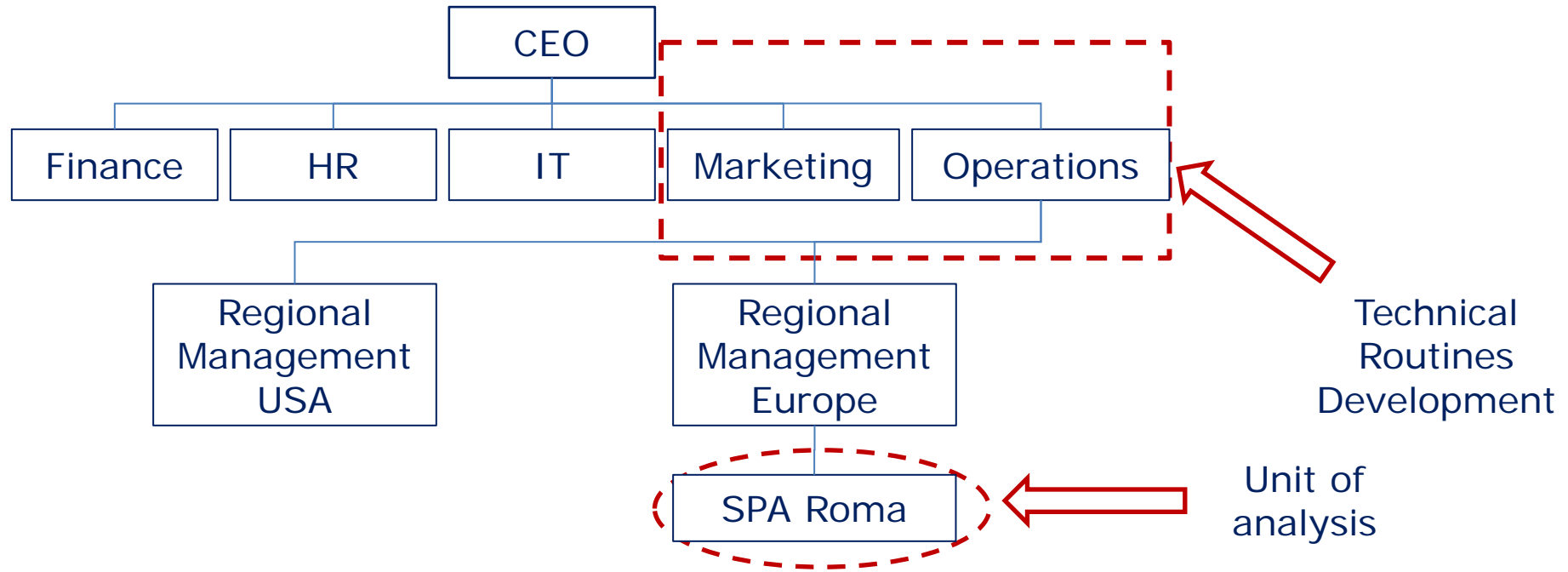
**EVOLUTIONARY  
FRAMEWORK**

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**Definition:** routines are repetitive, recognizable patterns of interdependent actions carried out by multiple actors

1. REPETITION
  2. PATTERN OF ACTIONS
  3. INTERDEPENDENT ACTIONS
  4. MULTIPLE ACTORS
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# The 'As is' situation: Headquarters'

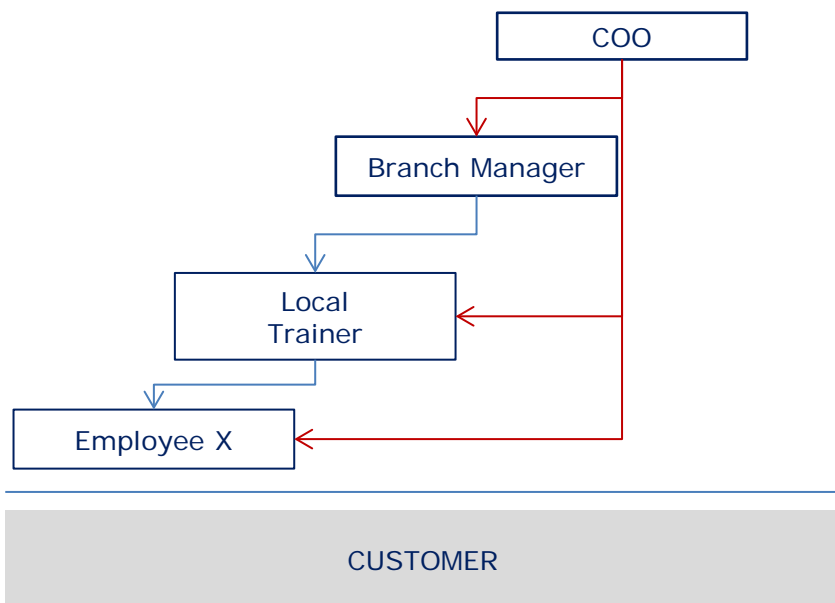


## Development of a corporate routine



# The 'As is' situation: individual level (1/3)

## 'As is analysis' - Individual level



## COO, semi-annual visit

1. Management, branch manager evaluation;
2. Training programs, branch's trainer evaluation;
3. Operations, staff evaluation;
4. Shop compliance.



Stress on compliance to  
Group's rules

## The 'As is' situation: individual level (2/3)

### Excerpt from the Group's values

*[... "Passion for service: It's our way, we want to make our customers smile. Passion to win: We want to grow and to be number one. Innovation, creation and development! We wish to continuously improve ourselves at every opportunity and always turn towards the action....]*

#### MISSION AND VALUES

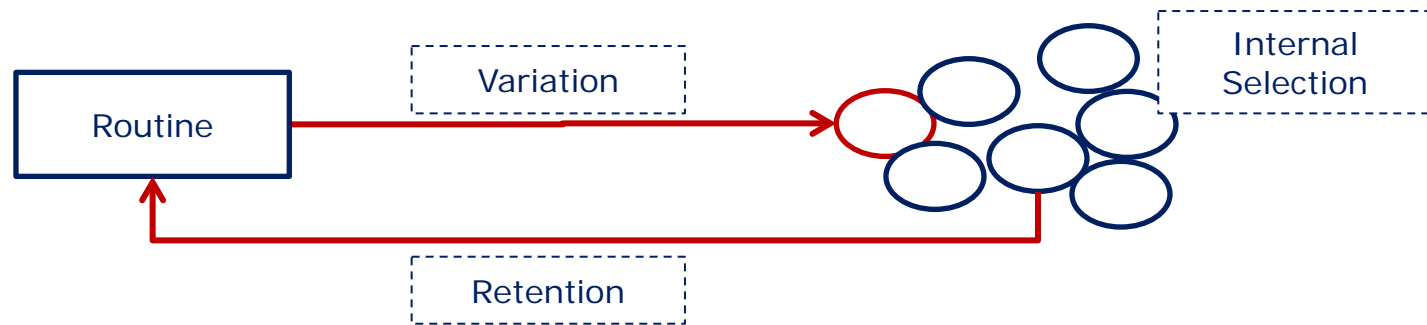
	0 POINT	2 POINTS
<b>MISSION</b>		
Knows the mission		
<b>PASSION FOR SERVICE</b>		
Knows the value		
Knows how to explain it		
Can give 2 concrete examples		

### Excerpt from the Group's commercial routine

*[...Hello Ms/Sir! Let me give you our brochure. We offer different kinds of treatments such as chair massages, table massages, facials, manicures, pedicures and waxing. We have 3 different chair massages...]*

# Theoretical framework

- If the **unit of analysis** is shifted to individual- and groups-level practices, hypothesis around organizational change and inertia could be modelled
- **Routine-as-practice view** (Feldman and Orlikowski, 2011) vs **routine-as-entity view** (Hodgson and Knudsen, 2010)



- **VSR mechanism** (Breslin, 2015; Holtz, 2014)
  - Variation: influence (Mezias & Glynn, 1993)
  - Selection: individual-level reaction function (Lant and Mezias, 1990; Bruderer and Singh, 1996)
  - Retention: continuous learning vs structural inertia (Aldrich, 1999; Miller, 1999)

# Methodology

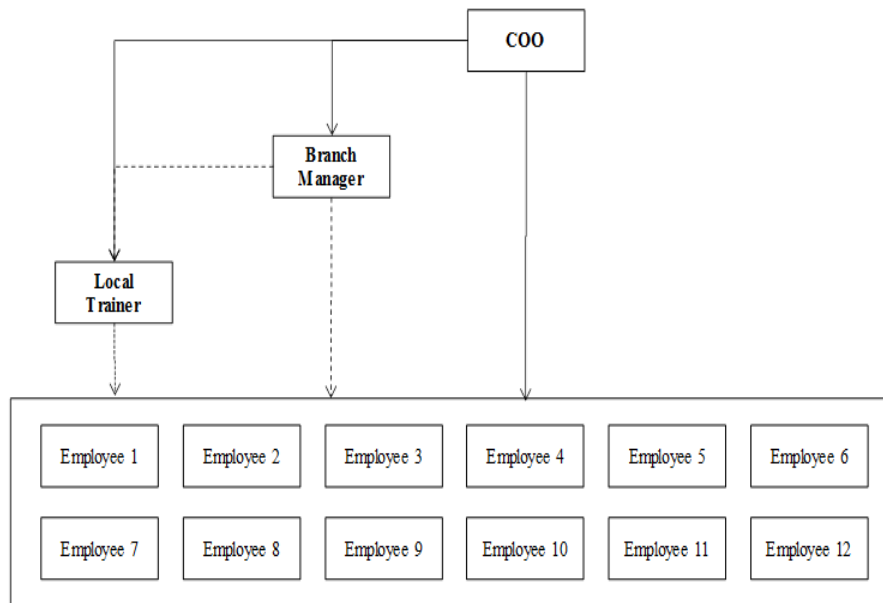
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- A longitudinal analysis based on an **in-depth case study** is the most suitable research design when adopting a practice-view of routines (Feldman, 2000; Howard-Grenville, 2010; Lazaric and Denis, 2005)
  - **Research design features** (Practice view Hp + Multi-level co-evolution approach)
    - Organizational structure
    - Relative power (Variation)
    - Creativity (Variation)
    - Customer proximity (Selection)
  - **Data collection features**
    - 1 year of data (fiscal year 2014)
    - Individual interviews: once a month, lasted for between one and two hours;
    - Group meetings: twice a month for at least two hours;
    - “Shadowing” of employees for the whole observation period by the manager or her associates for at least one hour per week.
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# Analysis (1/3)

- **Unit of analysis:** Italian branch of a multinational Group operating well-being and beauty services shops in all major European and North American airports
- Learning process and the **performance appraisal routine**
- Levels of the performance appraisal system



- Two-level performance appraisal system
  - Corporate-level feedbacks: COO
  - Organizational-level feedbacks: Branch manager

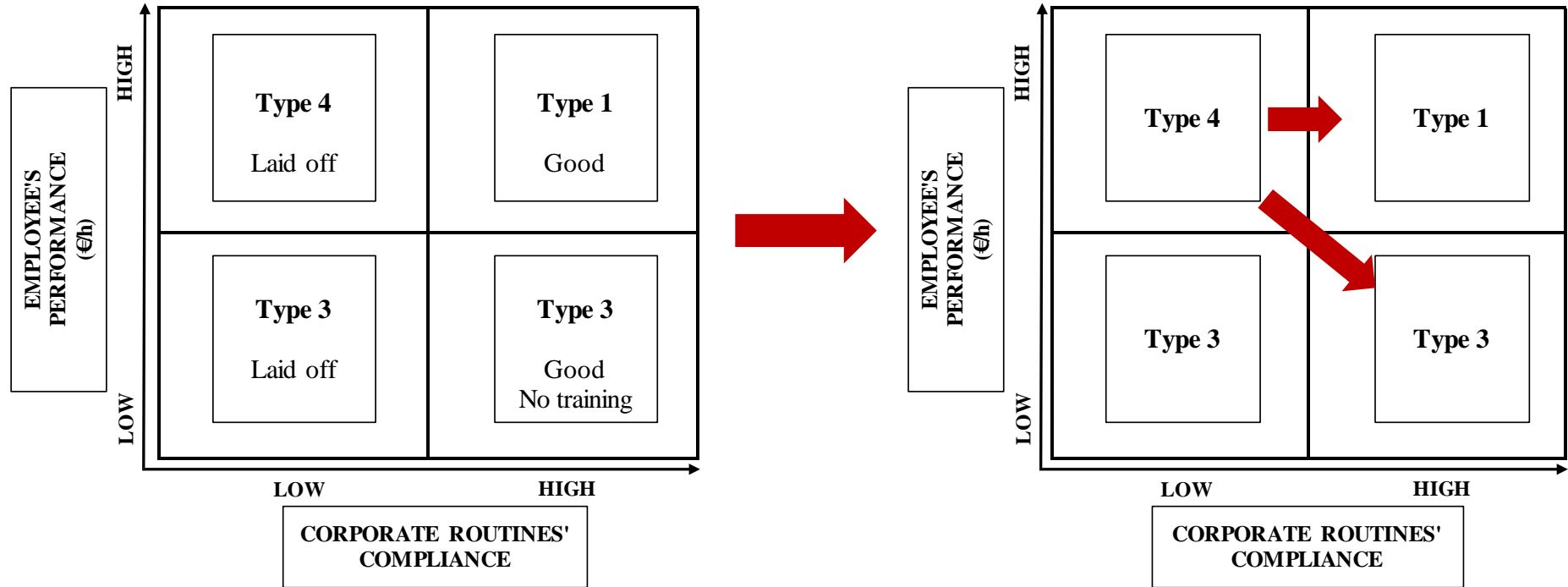
# Analysis (2/3)

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- Performance **appraisal template**
    - 9 Customer service rules (48%)
    - Corporate mission and values (32%)
    - Miscellaneous (20%)
  - Organizational-level performance **appraisal process**
    - 90-minutes role playing game
    - I part: the rater select a service and then assess the technical performance
    - II part: interview (“*tell me our mission*”, or “*tell me our five values, and give some examples*”)
  - Organizational-level performance **appraisal feedback** (Branch Manager)
    - Right answers receive 2 points, otherwise 0 points
    - 30-minutes discussion about the mark obtained
    - Final results are signed by the employee and forwarded to HR Department and the COO
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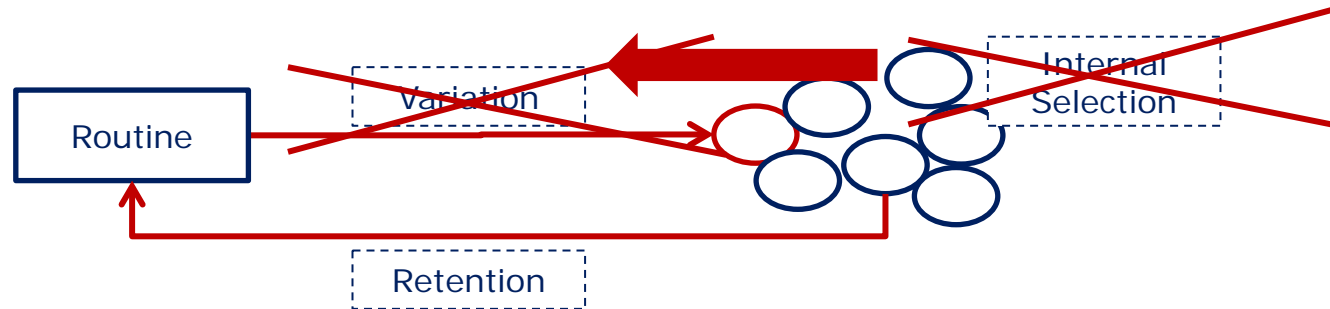
# Analysis (3/3)

- Individual-level matrix of feedbacks



- Static performance appraisal template → **structural inertia**
- Wrong performance dimensions focus → **Corporate culture vs Turnover per hour**
- Type 4 paradox → Contradictory adaptation cycle

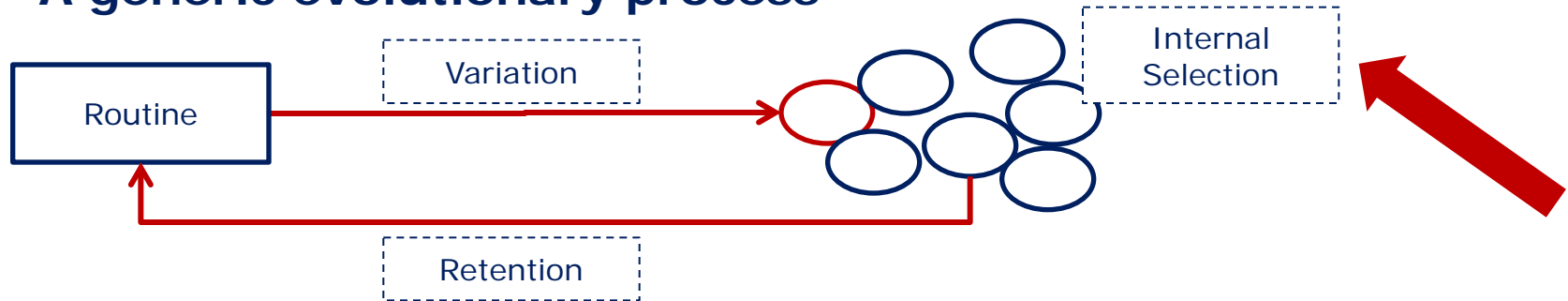
# Discussion



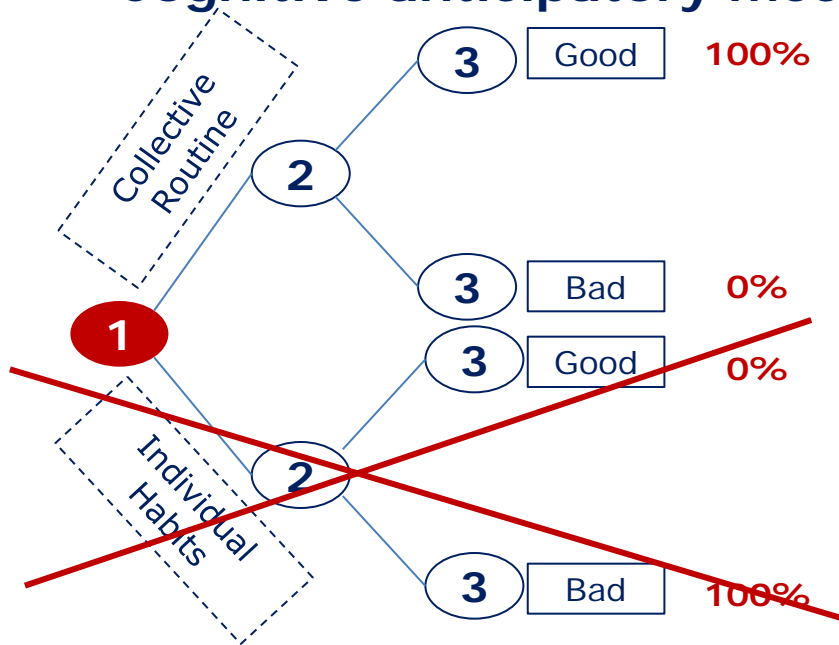
- **Individual level of analysis**
  - Variation occurs by choosing either a corporate routine or an individual habit
  - The Headquarters' assessment process hinders the evolution of the practice (anticipation of individual-level outcomes)
- **Group level of analysis**
  - Negotiation process can't be enacted because individuals have no influence on group-level choices (Mezias & Glynn, 1993)
- **Customer proximity** → selection process (Lant and Mezias, 1990; Bruderer and Singh, 1996)
- **Over-exploitation** – rather than ambidexterity – made the Group resistant to change

# The 'As is' situation: individual level (3/3)

- A generic evolutionary process**

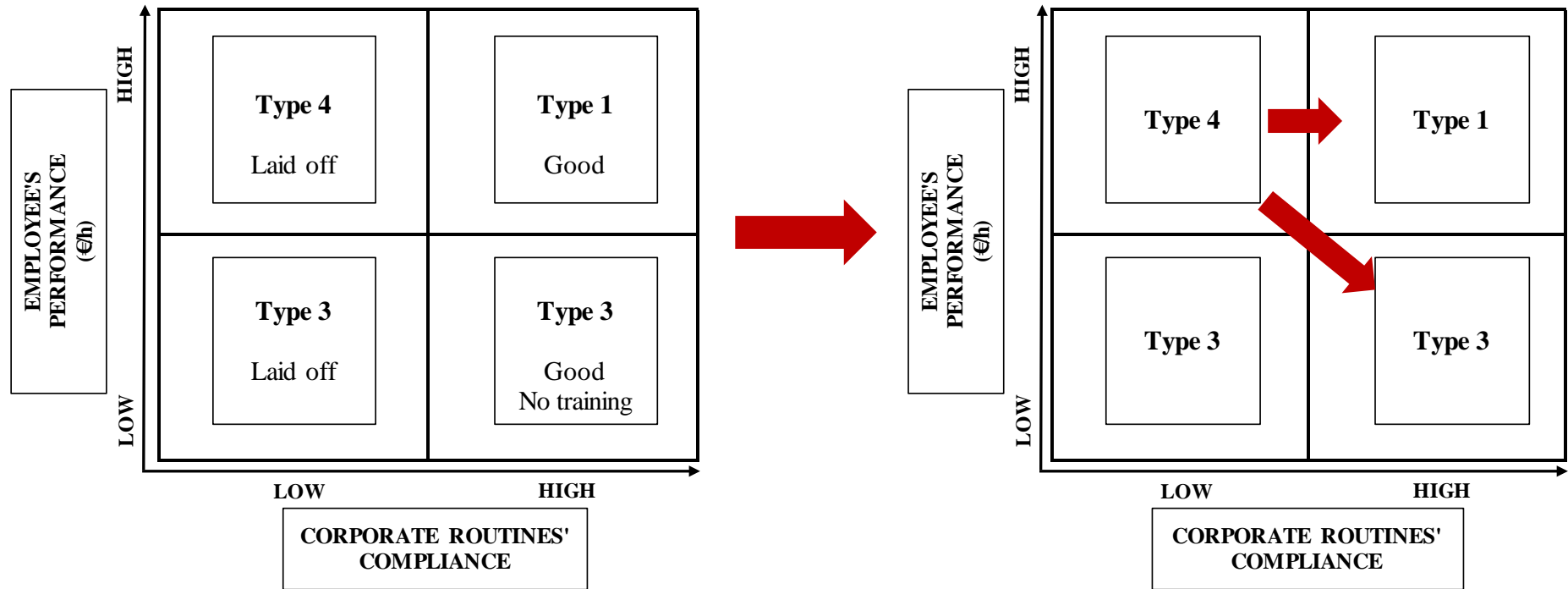


- Cognitive anticipatory mechanism**



# Analysis

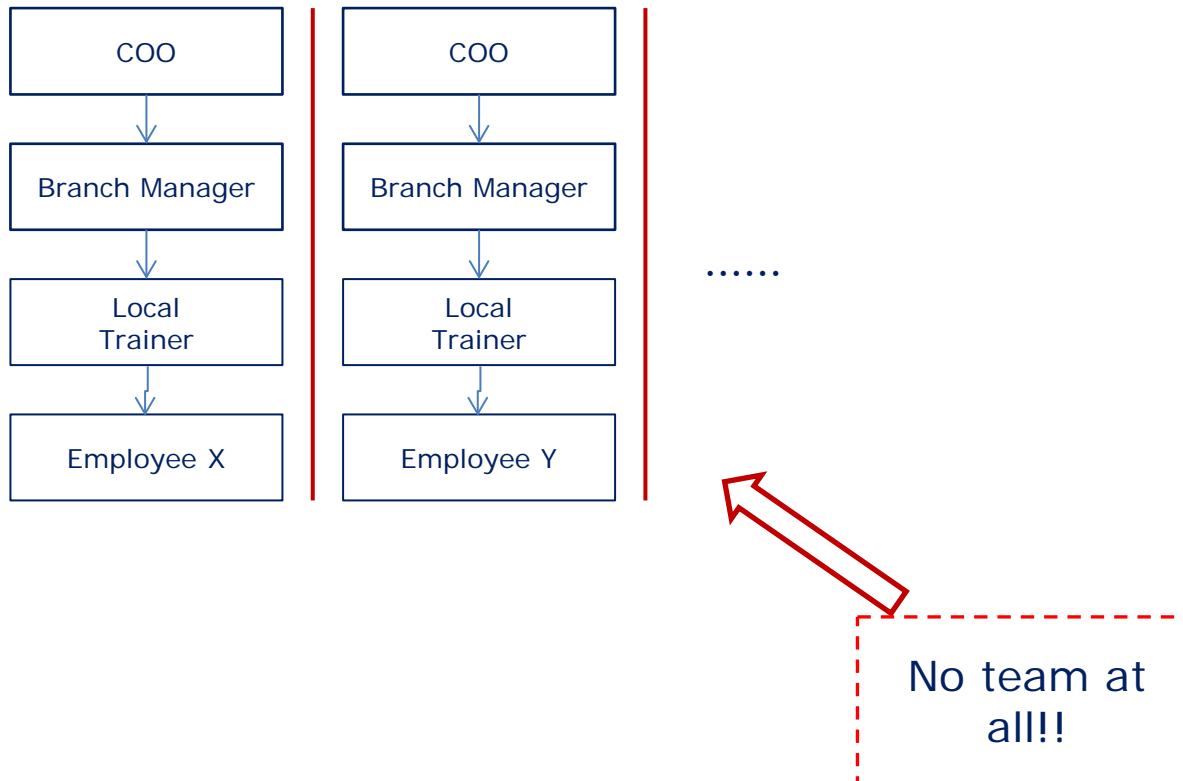
- Individual-level matrix of feedbacks



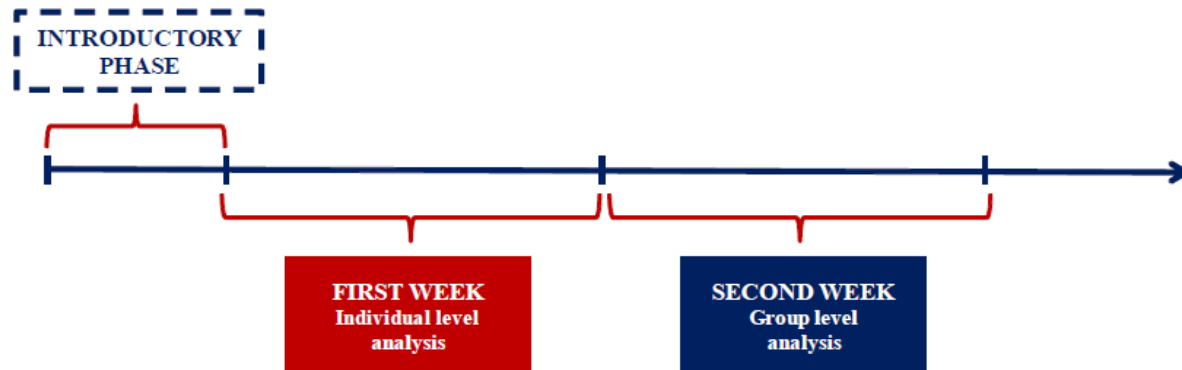
- Static performance appraisal template → **structural inertia**
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# The 'As is' situation: group level

## 'As is analysis' – Group level



# Experiment setting



**Introductory phase** -> change the *individual-level* cognitive approach

- Individual meetings with the *evolution group* employees
  - *common component*, duration of the experiment, main goal, colleagues involved, areas of “variation” allowed;
  - *employee-specific component*, driven by personal characteristics, skills, attitudes and personality

During this preliminary phase the single most delicate parameter to set was the **areas of variation**. It represents the very first step when you want to foster evolution in your organization



# Areas of variation: building the products/services matrix

In order to define the areas of variation allowed to our employees the following steps were mandatory

1. synthesized the products/services offer in homogeneous and clearly distinguishable categories (razionalization of the firm's offering; relevant information was there but completely unstructured);
2. identify sub-categories within the same categories (this helps hereafter in finding similar evolutionary paths);
3. with the help of the branch manager and the local trainer we assessed preliminary extensions/additions that the single employee can imprint to the service (this helped in communicate powerful examples of variation to employees since the introductory meetings. Ex: *"if the client enters the shop to receive a pedicure treatment, you (the employee) can extract additional value offering the feet scrub service as an addition"*)

In the definition of the areas unfortunately we couldn't "reinvent the wheel" because of the delicate financial situation of the branch and the rigid control of the Headquarter.

**Step 1** underlined that there were "grey areas" in our product/service matrix. Indeed we noticed that the Group's Headquarter adopted a severe control policy on the core business-related activities (services=55% of turnover: massages, pedicure, manicure, etc.) and a non-structured monitoring policy on other activities (products=45% of turnover: travel products, manicure products, massage products).

So areas of variation were basically related to additions/extensions of services or combine services and product to increase the average turnover per client.

# The Products/Services Matrix

SERVICES		
Service Area	Service Name	Service Extension/Add on
Chair Massages	Be Up	- Additional minutes to the basic service
	Be Relax	
	Be Feet	
Manicure	Express Manicure	- Hand Scrub - Hand Moisturizing Mask - Paraffine service
	Classic Manicure	
	First Manicure	
Pedicure	Express Pedicure	- Feet Scrub - Feet Moisturizing Mask - Paraffine service
	Classic Pedicure	
	First Pedicure	
Oxygen&Aromatherapy	Be Fresh	Can be combined with Manicure and Pedicure service

PRODUCTS		
Product Area	Product Name	Product Sale Routine
Travel Products	Travel Pillow	
	Travel Kit	
	Flight Socks	
Massage Products	Shoulder Massager	
	Wizz Face Massager	
	Blom Body Massager	
Cosmetic Products (Sothys&Bibo)	All cosmetic products	
	Facial Skin Mask	
	Bibo Fiale	
Manicure Products (Opi)	Hand Scrub/Mask	
	Sweet Breath	
	Carmex Tube	



# First week results (1/3)

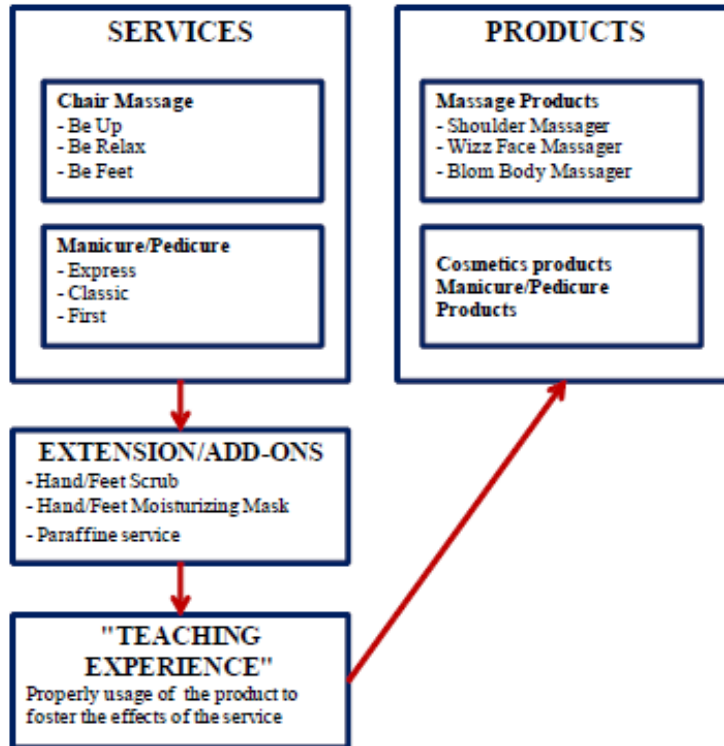
## PRODUCTS

	Product Name	Product Routines Innovation
Travel Products	Travel Pillow Travel Kit Flight Socks	
Massage Products	Shoulder Massager Wizz Face Massager Blom Body Massager	- Usage during 'demarchage' - Integration after each service
Cosmetic Products (Sothys&Bibo)	All cosmetic products Facial Skin Mask Bibo Fiale	- Speech during the treatment
Manicure Products (Opi) & Miscellaneous	Hand Scrub/Mask Sweet Breath Carmex Tube	- Mask used as add on to manicure or Feet Massage



1. "**demarchages**" (=catch the attention!). the high number of passengers are unaware of a well-being service in the airport. One of the employee found out that some products are more effective in "advertising" the company than the headquarter commercial speech. Thus she brought a "sample of the business" (e.g. the *shoulder massager*) outside the shop. That device attracted the attention of the passengers more effectively than fliers, manifests and other commercial material designed by the Headquarter. This innovation alone increased dramatically the total number of customers and helped both services and products sale. In addition during the experimentation period the Fiumicino branch sold the highest number of Shoulder Massager ever sold by any Be Relax branch, headquarter included! (The price of the single unit is 80€...)

# First week results (2/3)



These innovations were introduced by the sales talent (previously with Avon)

- 2. Product/service integration.** She integrated any service requested (massage, manicure, pedicure) with its natural product combination. (Ex1: if a client entered the shop for a "Be Up" chair massage, at the end she completed the service with a trial demonstration of a massage product such as the "Shoulder Massager". Ex2: if a client entered the shop for a manicure service, she proposed the integration with an OPI's manicure product).
- 3. "Teaching experience".** Showing the benefits of a particular product while performing the service was not part of Company Routines and Protocols. The impressive results in terms of turnover increase were granted by personal attitude and "empathy" during the performance of the service and this "teaching experience" could be replicated by any staff member with a minimum training period as we will see later in the II week.

# First week results (3/3)



## BE FRESH

Boost your energy, improve your in-flight comfort and reduce your stress with our smashing cocktail of oxygen and essential oils!

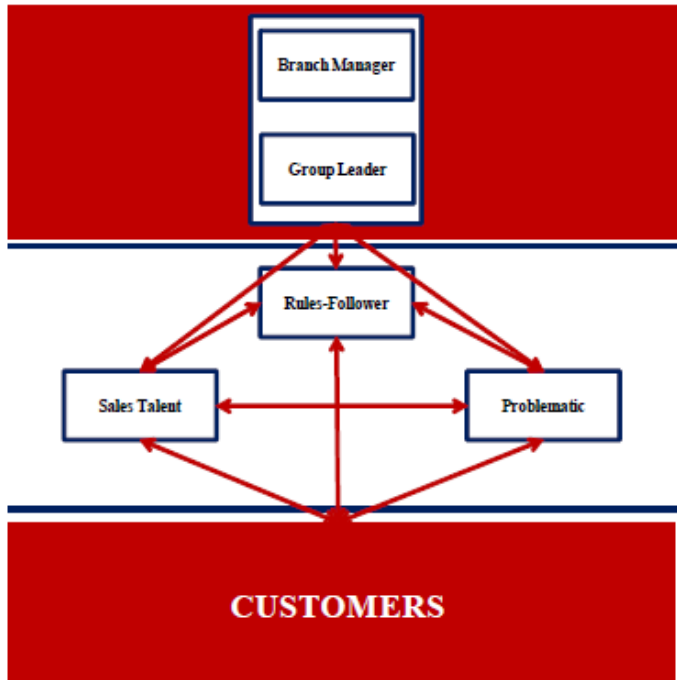
This cocktail will give you an instant feeling of well-being while improving the quality of sleep and reducing the effect of jetlag. The association of oxygen and aromatherapy strengthens the property of our essential oils.

The essential oils that we use are from organic farm, they relax or energize your body and your spirit for a peaceful trip.

This innovation was introduced by the rules deviant (!!)

4. **Oxygen&Aromatherapy.** During the setup phase we classified this as a borderline component of the firm's offer: it's neither a product nor a service. The headquarter didn't routinized Be Fresh thus employees were completely free. The rules deviant had the intuition to offer it as a pleasant extension/add-on for any service provided to the customer. With a trial-and-error approach she noticed it was simpler to sell "Be Fresh" if the machine was always powered on. She tried to offer it after a manicure/pedicure service with poor results. Thus she adapted her behavior anticipating this negative feedback and introducing Be Fresh in combination with the service requested offering a free trial for a certain time. She went even further fine tuning the new routine she created trying to figure out which was the optimum time trial that ensure the highest rate of acceptance. At the end of this adjustment process she concluded that the right time length for the trial was around 30 seconds. This was the best innovation in term of impact on firms' margins (it has a total cost of roughly €0,89/hour and a selling price equal to € 9!!)

# Second week results (1/3)



As is situation -> no feedback matrix in place

- People were recruited, trained on corporate protocols and judged on collective knowledge/routines;
- Nothing could be varied thus nothing could be passed on between staff members.

When we introduce the possibility of variations we were aware that something had to change also at group level -> the creation of collective routines within the team involves the negotiation process between the participants. Targets were a "participative routines creation mechanism" and consequently the "continuous learning" of the workforce.

Thus we create the "**atelier**" at the end of the first week to foster the retention process of valuable variations occurred through imitative replication.

## Second week results (2/3)

We structured the atelier session as follow

- We provide an individual feedback to each component of the team either from a quantitative (turnover figures) and qualitative standpoint (general observations about behavior and actions undertaken);
- Then we illustrated to the rest of the team the best practices created;
- We asked the authors to explain the mental model behind a certain variation introduced;
- We foster discussion on the actual application of the new processes created;
- Finally we launched the II week challenge: **maximize the turnover** applying (imitative replication) the new routines introduced.

The atelier was a very promising management tool

- It is a valuable instrument to distribute innovation and common knowledge among the team;
  - It foster communication and human relationship among staff members;
  - It helps in developing a shared company culture;
  - It is a powerful tool to increase dramatically the “average employee” turnover.
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# Second week results (3/3)

Evolution Group				
	Team Leader	Sales Talent	Rules Follower	Rules Deviant
FIRST WEEK		291,00		
		538,00		
	185,00	674,00	279,00	85,00
	219,00	323,00	431,00	191,00
	205,00		189,00	183,00
SECOND WEEK	111,00	580,00	419,00	413,00
			353,00	499,00
		497,00		627,00
	250,00	159,00		346,00
	157,00	229,00	62,00	
	223,00	326,00	527,00	
	325,00		446,00	484,00
		597,00	698,00	252,00
			459,20	353,00

I week				
Mean	180,00	481,20	334,20	274,20
Max	219,00	674,00	431,00	499,00
Min	111,00	291,00	189,00	85,00
Total	720,00	2 406,00	1 671,00	1 371,00

II week				
Mean	238,75	361,60	438,44	412,40
Max	325,00	597,00	698,00	627,00
Min	157,00	159,00	62,00	252,00
Total	955,00	1 808,00	2 192,20	2 062,00
wow %	32,64%	-24,85%	31,19%	50,40%

Check Group				
	Team Leader	Sales Talent	Rules Follower	Rules Deviant
FIRST WEEK		57,00	273,00	
		361,00		
		824,00	202,00	
	143,00	263,00	193,00	203,00
	67,00	374,00	344,00	377,80
SECOND WEEK	92,00		141,00	309,00
	353,00		98,00	191,40
		218,00	199,00	58,00
		260,00	260,00	174,60
	216,00	166,00		159,00
	129,00			
	294,00			
	117,00	193,00	214,00	153,00
		419,00	499,00	434,00

I week				
Mean	142,40	419,00	195,60	270,30
Max	353,00	824,00	344,00	377,80
Min	57,00	263,00	98,00	191,40
Total	712,00	2 095,00	978,00	1 081,20

II week				
Mean	189,00	251,20	293,00	195,72
Max	294,00	419,00	499,00	434,00
Min	117,00	166,00	199,00	58,00
Total	756,00	1 256,00	1 172,00	978,60
wow %	6,18%	-40,05%	19,84%	-9,49%

- The second week was tougher than the first in terms of number of flights and thus sales;
- Evolution Group performance is substantially higher than the Check Group either looking at the first week (€6.168 vs €4.866) or at the second one (€7.017 vs €4.162). The differences was even higher when environmental conditions become tougher demonstrating that the Evolution Group can extract all the possible profits out of the customer;
- The best performer in relative terms was the rules-deviant, thanks to the innovation brought to the product Be Fresh (+50,40%);
- The rule follower became the best performer in absolute terms after the two weeks experimentation. This demonstrate our thesis that successful variations have both specific components related to personal characteristics and more general and transferable component that can be learned with the appropriate transfer mechanism;
- During the tougher second week total turnover grew up thanks to the Atelier tool; any team member of the Evolution Team bettered his own first week result.