

## Mary Kay China: Enriching Women's Lives <sup>1</sup>

Since establishing its first factory in China in 1995, Mary Kay (China) Cosmetics Co., Ltd. has achieved astonishing success, growing rapidly and gaining a significant cosmetics market share.

Mary Kay China has become the most profitable subsidiary among the more than 30 Mary Kay subsidiaries worldwide. In 2003 and 2004, it was rated the most profitable cosmetics firm in China by the China Statistics Bureau. In 2005, it was rated as the highest return on investment chemical firm in China by the China Chemical Industry Enterprise Management Association.

Mary Kay China was also recognized as the Best Employer by *Fortune China* and Watson Wyatt in 2003 and 2005. The Company's turnover is well below the industry rate.

Tasked with a mission to enrich women's lives, Mary Kay China is also involved in important philanthropic work. It has donated more than RMB 23 million toward programs that support female students, help women start businesses, support an anti-domestic violence hotline and provide beauty training to laid-off workers. In recognition of its volunteer efforts, the Company won the 2005 Junior Achievement "China Corporate Volunteer Resource Award" and was presented the "Corporate Community Outreach Award" by the American Chamber of Commerce.

**Paul Mak: General Manager  
Mary Kay (China) Cosmetics Co., Ltd.**



Paul Mak joined Mary Kay in 1997 and is currently responsible for the overall management of operations in China including the manufacturing facilities in Hangzhou and 55 branches located in China.

Before joining Mary Kay, Paul Mak was the director of operations at Shanghai Johnson Ltd. of SC Johnson Wax. He was responsible for the management of one production site, contract manufacturing, engineering and warehousing, as well as planning, purchasing and exporting. Mak was responsible for approximately USD 80 million in net sales.

An honor graduate from the Illinois Institute of Technology in Chicago, Mak received his undergraduate degree in Chemical Engineering.

<sup>1</sup> This case is prepared by Professor Arthur Yeung with the assistance of Ward Niou and Nancy Dai at CEIBS

## **Business and Talent Requirements for Mary Kay China's Success**

Mary Kay is in the business of direct sales of skin care and cosmetic products. While direct selling can simplify channel structures, the productivity and profitability of such a business ultimately depends on the size and productivity of its independent sales force. Therefore, the ability to attract, develop, retain and support a committed and productive independent sales force is critical to its business success. The key contribution of Mary Kay management and employees is to make sure that the frontline independent sales force has the right products, incentives, skills and support to sell the products efficiently and correctly.

To lay a solid foundation for sustainable business success, Paul Mak, president of Mary Kay's Greater China region, believes that the Company must reflect a strong corporate culture, productive capability and a positive corporate image. As a result, Mary Kay China places great emphasis on finding and developing employees with the following profile:

- 1) People with character that fit the Company's values: Proactiveness, "go-give" or generosity spirit, integrity, teamwork, creativity and social responsibility. This is the foundation of strong culture.
- 2) People with professional skills in performing their jobs. This is the foundation of the Company's productive capability.
- 3) People who reflect professionalism as in their appearance, etiquette and behavior. This is critical to the Company's image and strategy of emphasizing "PR by all."

Paul Mak explains:

While our Company strives to enhance our culture, improve our effectiveness and refine our corporate image, we also expect employees to have the right character, skills and professional demeanor. These correspond with our corporate objectives and show the alignment of corporate and personal goals. Of our three requirements for employees, character is the most important. Employees can develop only when they have the right character.

While Mary Kay is less demanding on the recruitment requirements of its female Independent Beauty Consultants, who come from all walks of life, the Company invests a lot of energy and effort into training seminars, recognition programs, career development processes, communication, coaching and leadership role modeling to develop Independent Beauty Consultants with the right character and skills.

## **Mary Kay China's Unique Value Proposition – Enriching Women's Lives**

Given the nature of its business, Mary Kay requires a lot of people, especially its Independent Beauty Consultants, to build and grow its business. How can Mary Kay attract, retain and engage the people they target? The differentiation begins with its Company mission: “Enriching Women's Lives,” with the following elaborate meaning:

- *We will do this in tangible way, by offering quality products to consumers, financial opportunities to our independent sales force and fulfilling careers to our employees.*
- *We also will reach out to the heart and spirit of women, enabling personal growth and fulfillment for the women whose lives we touch.*
- *We will carry out our mission in a spirit of caring, living the positive values on which our Company was built.*

What makes the Company mission unique, Mak explains, is that “in most other companies, people are treated as assets and resources to achieve business goals. At Mary Kay, employees are not only assets and resources, they are one of our goals. When we talk about P&L, we mean more than “profit and loss” -- we also mean “people and love.” We believe in a holistic approach, not only helping employees to do their jobs more efficiently, but also helping them to be better individuals.”

Mak further illustrates the power and importance of the Company's mission in attracting the talent they target:

People work for a company for three levels of purpose. Some people just want to get decent pay for a job performed. This is the Level 1 purpose, which primarily focuses on fair trade. Other people join a company because it's a winning team with great management, great compensation, good teamwork, and is both cooperative and caring. This is the Level 2 purpose. At Mary Kay, we emphasize the Level 3 purpose. We want to attract people who join a company that creates value not only for themselves (growth, fulfillment, career opportunities), but also for the society through positive influence and the spirit of caring we practice.

To achieve and realize its mission, Mary Kay embraces three guiding principles to shape the decisions and behavior of all employees and members of its independent sales force:

- Golden Rule – “Do unto others as we would have others do unto us.”
- Priorities – “Faith first, family second, career third.”
- Go-Give Spirit – “Be generous in helping others.”

While the mission and guiding principles were articulated by Mary Kay Ash, the founder of the Company, the management team in China strongly adheres to them in decision-making and operation, starting from the top. By building a strong people-centric mission and culture, Mary Kay China has fostered a unique work environment that provides employees with a mission and meaning at work, capitalizes on the positive sides of human nature, builds trust among employees and the Company, and allows employees to balance work and family, which is especially important to the career development of women. The payoff is obvious – strong employee commitment, productivity, loyalty and business growth.

## **Mary Kay China from the Eyes of Employees**

While it is easy to fill the walls with slogans of people and love, it is hard to instill the values and principles into one's heart. When it comes to whether the Company has lived up to its promise to enrich women's lives, the following comments from Mary Kay employees and independent sales force members echo key Company themes:

- **Find new meaning and mission at work**

"My life has been transformed by working with Mary Kay, not only in my competency and self-confidence, but also my character, heart and soul. I now find great joy in helping others," says a Sales Director.

"On the first day when I joined Mary Kay, I was touched by the love and help of my colleagues. As days pass by, Mary Kay has helped me find my new mission in life," says a manufacturing production worker.

- **Enjoy and apply the guiding principles of Golden Rule, Priorities and Go-Give Spirit**

"When I practice the Golden Rule in my daily life, things go a lot easier. In Mary Kay, I gain the balance between work and family. I loved my family with all my heart and get in return their tremendous support and understanding for my career," says a headquarters' office employee.

"When we use the philosophy of 'Do unto others as we would have others do unto us,' to deal with our supply-chain partner, the trust and support we get from them are much more powerful than any negotiation with them," says a purchasing staff.

"At Mary Kay, I learned that giving is more important than receiving, as well as the importance of balance work and family. The longer I work here, the more I appreciate every person around here and every day I have," says a Mary Kay Beauty Center staff member.

- **Feel that the company cares**

"On the first day I joined as the manufacturing director, Paul Mak made a special trip all the way from Shanghai to Hangzhou just to introduce me to the staff. I was deeply touched by the extent of care that the leader has shown to his employees," says the manufacturing director, Hangzhou.

- **Offer fair reward and career opportunities**

"Mary Kay provides a level playing field for beauty consultants to succeed no matter your background, education, or age. If you're competent, you'll be promoted and your income will increase," says an Executive Sales Director.

- **Is a dynamic and changing company**

"The Company is very dynamic and is always seeking new ways to adapt to the environment and improve efficiency through new technology. The nice thing is employees always participate and are involved in the process of change," says a member of the IT staff.

## **Leadership and Management Practices that Create the Unique Value Proposition**

**Engage employees to pursue purposes of higher value:** Paul Mak consistently strives to provide employees with higher value and purpose in their jobs. The Level 3 purpose of creating value for others is what the Company strives for, including its employees, sales force, business partners and society. “If you have everything in the world but you have no people around you, are you going to be happy? Our real purpose of existence is to serve others,” Mak emphasized during a training program of Legendary Service.

Mary Kay also provides a platform and resources for employees to think through their personal lives’ mission and values. Through programs like “Seven Habits,” the Company encourages employees at all levels to think seriously about one question, “What is your mission in life?” After thinking through their personal life’s missions, they can build better and stronger linkages between their personal goals and Mary Kay’s mission, vision and values. Through mandatory training programs, Mary Kay also conveys strong messages about key characteristics like proactiveness, “go-giving,” creativity, teamwork and integrity that are valued by the Company.

The Company also strongly encourages employees to participate in social and charity activities, ranging from Spring Bud program that supports nine primary schools, to various volunteer programs and fundraising campaigns for major disaster relief efforts. Together, the communication, training and activities help employees understand they come to Mary Kay not only for a job, but for a higher purpose and mission that is consistent with their personal lives’ missions and values.

The mission of Enriching Women’s Lives is particularly appealing to Independent Beauty Consultants. While many beauty consultants may initially join Mary Kay for an opportunity to support themselves and their families, they soon find the mission of helping themselves and others compelling and energizing. Mary Kay offers more than a job as working with the Company is an opportunity to transform their lives and their families, as well as their friends. Endless touching testimonies in Leadership Seminars and Annual Meetings regularly keep the huge independent sales forces re-energized and re-engaged on their business.

**Recognize and reinforce principle-based behaviors in every day activities:** Mary Kay China encourages and supports its employees and independent sales force to make decisions and take actions based on the three guiding principles.

After the training programs on Company values and employee characters, Mary Kay China encourages employees to apply what they have learned through story sharing and recognition in various communication channels inside the Company. Stories that apply the principles and values are widely shared through the Company’s intranet. Employees who demonstrate the right character are recognized on a monthly and annual basis. “While our performance appraisal focuses on business results, our recognition program focuses on character,” Paul Mak explains.

The independent sales force learns, acts and makes decisions based on the guiding principles. For example, all Independent Beauty Consultants belong to specific areas as

they are recruited into Mary Kay's independent sales force. Through their area, they receive coaching, education and support from other experienced independent sales force members and mentors. Oftentimes, an Independent Beauty Consultant may need to relocate due to various personal reasons. As a result, they will leave their area and affiliate with another area in new regions for coaching and support. This is called "adoption." To practice the "go-give" principle, the adopting areas help and support the adoptee without any financial benefit.

Mary Kay also practices the Golden Rule in its relationships with business partners. In our focus group interviews with business partners, they describe Mary Kay China as "fair, long-term oriented and willing to help each other to succeed." Mary Kay also offers training and recognition programs for its business partners that provide logistic and call center services to its independent sales force.

**Leaders' genuine interest in taking care of employees:** From adopting flex-time to using various means to make people feel important, Mary Kay leaders carefully consider employees' needs and interests.

To ensure employees' needs and concerns are being heard and addressed, Mary Kay leaders listen to employee suggestions. Employee suggestions are collected every week on Thursday, followed by management review meetings on Friday and implementation or explanation on the following Monday.

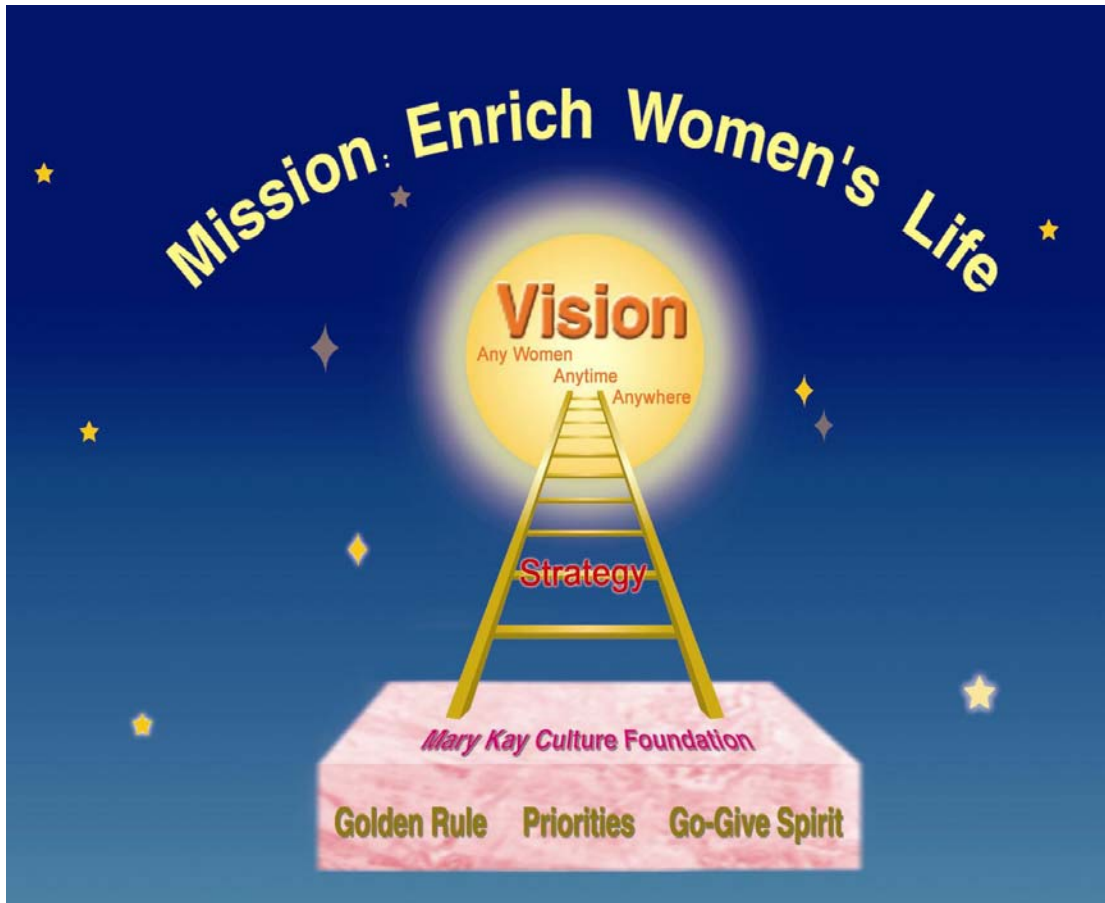
Mary Kay's philosophy of taking care of employees comes to a real test when it faces major crises and changes. The biggest crisis Mary Kay experienced in China was the national ban of direct selling in 1998. Even though sales dropped to around RMB 1 million a month, the Company still kept the door open and did not lay off any staff; instead, it asked for help from headquarters.

Due to the changes, the number of employees required at the Beauty Centers was reduced substantially, from an average of 20 to two. Many employees needed to be let go. However, before Mary Kay China launched this plan, employees were fully informed about the changes, given the opportunity to transfer to the head office in Shanghai or a third-party company, and if, finally, they needed to be let go, the Company provided them the best-possible compensation within the policy regulation of the Company. Due to the genuine care Mary Kay China showed to its employees, employees reciprocated by demonstrating extraordinary effort. For example, employees at Nanjing Beauty Centers volunteered to work overnight until 6 AM on their last day of work so that all products could be ready for timely delivery by third-party logistics companies.

### **Advice to other CEOs**

While the majority of Mary Kay China's workforce is comprised of women, its people management philosophy and practices represent a Golden Rule that can apply to any company, "If you take care of employees, they will reciprocate their commitment."

**Appendix 1: Mary Kay Vision, Mission, and Principle**



## **Appendix 2: Key Development Milestones for Mary Kay China**

- 1995 Mary Kay established its first overseas manufacturing facility in Hangzhou, China.
- 1996 Mary Kay China was formally established and the first branch was set up and started to operate in Shanghai.
- 1997 The Company awarded its first pink Santana in China.
- 1998 Mary Kay China's change of direct selling model was approved by the government.
- 2001 Mary Kay China jointly established "Mary Kay Women Entrepreneur Fund" with National Women's Association and donated RMB 300,000 to support laid-off female workers and poor women in rural areas.
- 2002 Mary Kay China cooperated with many non-government organizations on charity work.
- 2003 Recognized as one of the "10 Best Employers in China" by *Fortune* (China) magazine.
- 2004 Mary Kay builds a new manufacturing facility in Hangzhou, China.
- 2005 Awarded the first pink Cadillac in China.  
Recognized again as one of the "10 Best Employers in China" by *Fortune* (China) magazine.
- 2006 New Hangzhou manufacturing plant begins operating in March