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1. Introduction

The innovations in beauty products are not limited to developing new treatments (Sen and Bhattacharya, 2025). The focus of the competitive advantage is now on science, tech, and consumer knowledge, know-how and speed to market as well as the trust and safety protection. This serves as an example case for looking at how scale can enable the innovation process or how it can become the innovation that's going to limit innovation.

1.1 Organisational and industry context

Over 595,000 people are working in beauty and personal care related activities, generating £28.3bn for the UK GDP as well as directly in beauty services, with tax revenues of £5.7bn (direct) in 2025. Compared with the previous year, however, the overall level of resilience in sector employment was lower relative to the others, with a decrease of 2.8%, suggesting costs and labour challenges despite having a commercial level of resilience. Professional Products' sales rose by 7.5% like-for-like (Lfs) to reach €5.163 billion, while L'Oreal's sales amounted to €44.052 billion and grew by 1.9% Lfs. The latter are measures of economic significance, not submitted as a pure economic driver because brand, distribution, acquisitions, marketing could achieve the same effects.

	2024		2025	
	€m	% sales	€m	% sales
Sales	43,486.8	100.0%	44,052.0	100.0%
<i>Cost of sales</i>	-11,227.0	25.8%	-11,313.4	25.7%
Gross profit	32,259.8	74.2%	32,738.6	74.3%
<i>R&I expenses</i>	-1,354.7	3.1%	-1,380.6	3.1%
<i>Advertising and promotion</i>	-14,008.9	32.2%	-14,177.8	32.2%
<i>Selling, general and administrative expenses</i>	-8,208.7	18.9%	-8,288.4	18.8%
Operating profit	8,687.5	20.0%	8,891.9	20.2%

Figure 1: Operating profitability

Source: (L'oreal, 2025)

Table 1: Evidence snapshot: scale, performance and innovation inputs

Indicator	Evidence	Critical interpretation
UK beauty sector	£28.3bn GDP; 595,000+ jobs; £5.7bn direct GDP from beauty services	Scale is substantial, but employment fell 2.8% in 2025, so innovation is also a resilience issue.
L'Oréal Group	€44.052bn sales; +4.0% like-for-like	Strong performance is consistent with capability, not proof that innovation caused growth.
Professional Products	€5.163bn sales; +7.5% like-for-like	Direct salon relevance, but performance also reflects distribution, brand strength and acquisitions.
R&I	€1.38bn spend; 725 patents; 4,300+ research employees	Demonstrates inputs and outputs, not a lived creative culture.

1.2 Purpose, scope and professional perspective

The report starts with a critical analysis of L'Oreal's first model through Cooper's Stage-Gate model, an analysis of creativity through Amabile's Componential theory and an analysis of culture/leadership/organisational knowledge and knowledge through Chesbrough's Open Innovation. The UK salon owners and practising Lash practitioner's point of view. This is not a way to turn anecdote into evidence, triggers to discussion will be which practices are transferable to the smaller professional beauty business, and which need a large volume of data, specialist infrastructure or resources provided by the multi-national. The importance and need for frontline professional judgement, skills, productivity of the service, client safety and trust are highlighted.

2. Using at least two recognised models of innovation, critically examine the ability of the organisation to innovate effectively

2.1 Conceptualising innovation and innovation capability

Innovation is not only about novelty, it's a value that has already been implemented. Innovation concepts of implementation, adaptation and value creation are integrated and ideas of generation from ideas and implementation (Taherdoost, 2025). Although linked to creativity, it is not synonymous: Creativity is characterized by originality and effectiveness. This difference is important as the firm might have good intentions to create ideas but lack the resources to choose, resource, commercialise and learn from these ideas. Innovation capability thus is a process that is systemic, encompassing opportunity sensing, knowledge mobilisation, experimentation, governance and market implementation. 3,465 formula launches have been revealed in 2025 as well as 140 scientific publications, by then a total of 725 patents demonstrating a high level of breakthrough innovations, even if not specifically proven to be value capturing. Patents do not measure protectable knowledge, while launches aren't snapshots of knowledge adoption and non-innovation variables, and even sales growth is not necessarily a measure of non-innovation variables. The tougher one to pass is if L'Oreal is able to translate a range of knowledge into useful, usable products, multiple times, while adjusting its governance to evolving degree of uncertainty.

2.2 Cooper's Stage-Gate Model and L'Oreal's innovation process

In short, the primary Stage-Gate problem is whether or not a formal control results in better innovation performance or adaptive action when it comes to uncertainty. The development of Cooper has strategic fit, customer value, technical feasibility and risk, and resource commitment as gates (Cooper, 2026). In cosmetics, the rational scale up is required as evidence for safety, substantiation and formulation including stability requires scale up of this discipline. The logic presentation shows that L'Oreal had more than 22 cosmetic research centres, over 13 assessment centres, more than 4300 scientists and research and development staff, invested €1.38 billion in R&I and introduced 3465 formulas, out of which it got 725 patents, 2025-2026. These data suggest that there was structured selection, development and validation, but are

not publicly available, thus it is unclear whether L'Oreal' officially used Cooper's definition of Stage-Gate to describe the process; hence, Stage-Gate isn't a statement of L'Oreal's process.

The model provides for the definition of important strengths. A Group of 40 international brands should avoid hyping up attractive, but feeble, ideas using undue resources (Cayrat and Boxall, 2022). Gated scrutiny promotes cross-functional accountability, bringing together commercial, technical and safety evidence together before investing time goes down the drain. This is particularly useful when there is a failure that involves loss of customer trust and consumers. Similarly, before implementing any new lash adhesive or aftercare technology and/or service, a salon should consider the salon's need, the contraindications, the capabilities of the staff, the service time and the potential return business for the salon.

However, the more treatment that is received, the less the benefit. When digitalisation and uncertainty call for adjustments to the concept or target market during development, the traditional Stage-Gate is not very appropriate (Cocchi, Dosi and Vignoli, 2023). As in Beauty Tech, there are potential new wrinkles to consider with regards to AI models, interfaces and consumer expectations that could come sooner than physical product validation cycles. Large gates might actually give a reward, because it is the evidence-rich ideas, and not the ideas that have a great deal of potential disruption. The more flexible of the two solutions proposed is Agile-Stage-Gate hybrid which leaves investment, safety and ethics gates in place, but adds in short iterations and repeat customer feedback between the gates (Patra and Dutta, 2024). That is, the critical judgement is differentiated. The problem is that L'Oreal is in a better position to make such a lock, since once the product safety and the claims are locked, those become fixed - while for a digital product, it is undeniable that there are a series of assumptions that must be revised. There is a very clear evidence limit in published reports that provide information about successful starts, not what takes place within the gates, the number of decisions that are made, and/or the opportunity cost of the projects that are not completed. This implies that if the process is inefficient then this can be indicated by volume. The effectiveness of innovation is not about the attempt to control the maximum, but to plan the involvement of the level of governance based upon the uncertainty, reversibility and cost of failure.

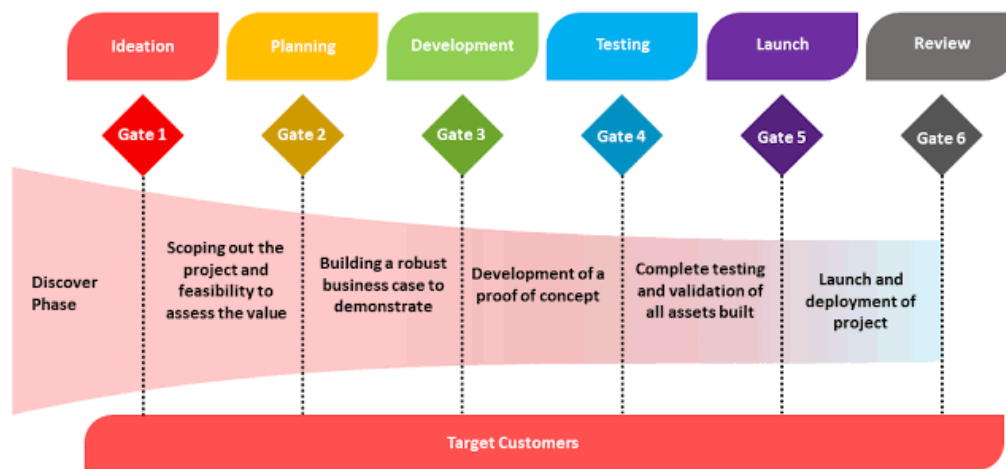


Figure 2: Stage-Gate Model

Source: (Francis, 2024)

2.3 Chesbrough's Open Innovation and L'Oreal's innovation ecosystem

However, Open Innovation is the other side of the same coin as far as the management challenge is concerned. On one side it will get so porous that no one can keep others out of the knowledge process, on the other side it will no longer be able to control, manage or even protect its knowledge itself. There is a route to creating value in the company that lies in an intentional blending of internal and external ideas, routes to market and capabilities, posited by Chesbrough. This is particularly applicable when it comes to beauty as there are various fields for both biotechnology and AI, sustainable materials, devices and knowledge of professional service. The range of the activities of L'Oreal is especially wide. It has over 46 academic partnerships, over 2,500 start-up or SMEs have taken part in its Big Bang Innovation programme and BOLD a programme for minority investment in external ventures. This width gives the Group the option value – that is, the value to the Group of providing ability – to what might have been costly or time-consuming to develop inside the Group.

The number of partnerships, in fact, is not more accurate than the value added from the Gjosa relationship as an indicator of value creation. Following the collaboration, L'Oreal bought

the water-technology company, and by the end of 2025 reported that over 440 million litres of water was saved in salons thanks to the company's technology. This case is an example of how knowledge that has been acquired outside the company became the seedbed for a process innovation that results in measurable values for the professionals and sustainability. Furthermore, it demonstrates how salon practitioners are not just downstream users, but knowledge contributors, too. It is not a salon with the buying power and the investment to work for L'Oreal, even in a structured manner, with Open Innovation for a smaller UK salon.

The problem is that openness will be misunderstood as a partner appalling. There are some recurring open-innovation concerns such as performance, intellectual property, knowledge management and culture (Almeida, 2024). Mechanisms that generate value in the context of inbound openness are organisational learning culture or knowledge sharing. Likewise in ecologic syncretism is emphasized. 2,500 connections with start-ups don't always equate to better quality contacts than a more targeted and strategic bunch of contacts (Wise, 2024). They can raise the search amount, privacy danger and enticing intricacy. Scaling can lead to internal silos, which can occur more easily in L'Oreal than in a company with fewer resources, but with a greater share of scientist resources, the chances of absorption also increase. Open Innovation is therefore possible only in a system that enables variety from the outside and validates with a conservative approach while allowing learning within the organization (Antoni et al., 2024). This makes it harder to interpret acquisitions, as distinct from acquiring a new capability, the key to gaining access to a new innovative firm may also be missing. The more the out-the-box services become a part of the internal business process, the more likely that its features that make it valuable are bungled.

2.4 Comparative synthesis: How effectively can L'Oreal innovate?

Stage-Gate and Open Innovation do not simply exist side-by-side, they are an effective combination. Open Innovation opens the permeability and experimentation and also diversifies the knowledge; Stage-Gate, on the other hand, reduces the spectre of possibilities by administering it through the formal evidence and through the evaluation of resources (Nunes et al., 2023). However, when it's a matter of openness, it might dash the tree and surrender some degree of control of the open-source community. Before they have appreciated enough to be

worth cutting, a too-precocious governance trims and trims and spreads its sheets of paper. The increase for each group positively aligns with a successful trade-off as Group sales rose 4.0% like-for-like whilst Professional Products rose 7.5% to €5.163 billion, but this does not confirm that each group contributed to the results.

The attitude of the evidence is the “controlled openness” the more open while searching for opportunities, the more disciplined when translated, the more controlled when safety, ethics, investment, and brand risk is raised. Once launched, boundaries need to be opened back up to practitioner and consumer feedback. It is the Dynamic Adaptation of Stage-Gate and Open Innovation and absorptive capacity to the reporting it is a new academic frame of mind not introduced. The innovation capacity of L’Oreal is thus medium to high, but depends. The value of it is not primarily R&I scale, but an ability to maintain a balance between external variety and internal selectivity that does not stifle experimentation. Reversibility should be used as another basis for other types of calibration, one of which would be a prototype that is easy to remove for a low cost, as opposed to a safety-based formulation that is rolled out to other countries. In a case where the question for opening up is controlled, the innovation is contingent rather than sequential, and managerial judgment is then one among the factors for achieving innovation capability.

Table 2: “Controlled openness” analytical synthesis

Innovation phase	Required balance	L’Oreal implication
Search / discovery	High openness, light filtering	Universities, start-ups, practitioners and consumer signals maximise knowledge variety.
Translation / development	Selective openness + iterative gates	Absorb external knowledge while testing feasibility through short feedback cycles.
Scale / commercialisation	Stronger governance	Safety, ethics, claims, investment and brand-risk controls become dominant.

Post-launch learning	Re-open boundaries	Consumer and professional feedback informs adaptation and future search.
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3. Evaluate an organisations' ability to harness creativity and foster a creative culture in the workplace

3.1 Creativity and Amabile's Componential Theory

L'Oreal's issue with creativity is not one of ideas and resources, but whether it is possible to create a creative work environment using a well-developed and rigorous (innovation) system. Amabile contrasts the capability of domain expertise, creativity, relevant processes and motivation, with the influence of the organisational environment on the actual expression of these capabilities, in his Componential Theory (Amabile and Mueller, 2024). In the later model, Amabile and Pratt (2016) added progress and meaningful work to the model, along with affect and synergistic extrinsic motivation, thus increasing the applicability of this model to complex organisations. Neither the number of researchers (more than 4,300) nor the total expenditure on R&I (exceeding €1.38 billion) nor the number of employees trained on generative AI at the company (65,000 plus by 2025) is average. Over 4,300 researchers, a total expenditure on R&I exceeding €1.38 billion and more than 65,000 employees trained with generative AI by 2025 (L'Oréal, 2026a; 2026b). Resources include access to resources and know-how but do not provide motivation and freedom. Creativity is not the same as participation; funding for creativity can be used for tests and exploration experiments (but it can also be used to create a system of approval of such innovations, as can be decided by the corporation); and when the corporation sees the innovation, a space where everyone is safe psychologically does not exist. The catch in it is that the larger the scale, the greater the limitations in terms of discretion. This becomes particularly relevant in this respect as a test to see if resources, challenge and organisational support are coupled with autonomy and motivation, and not as a 'spelled out' list that can be ticked if the costs are met.

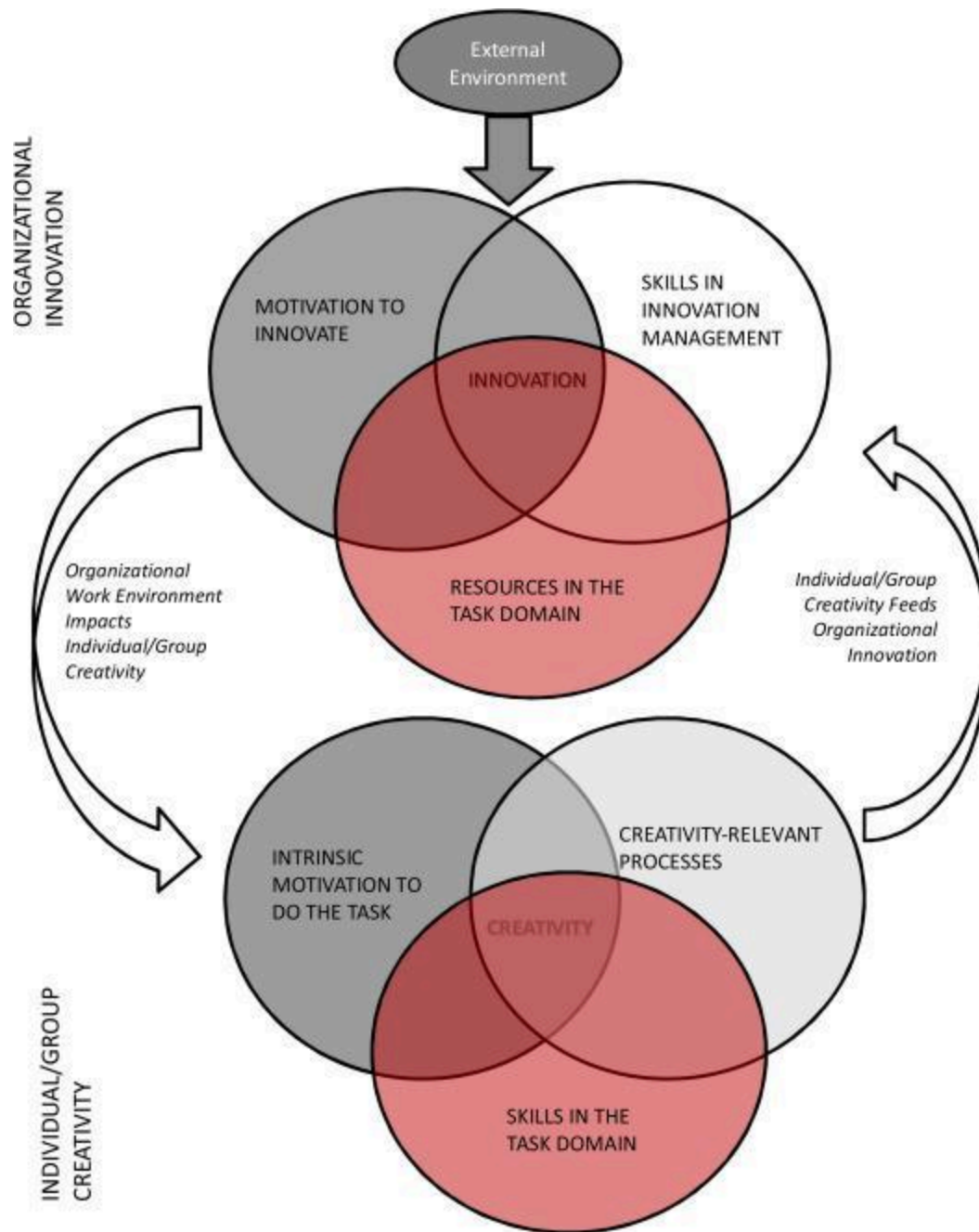


Figure 3: Componential Theory

Source: (Thomson, 2017)

3.2 Harnessing creativity at individual, team, organisational and industry levels

L'Oreal's funding of the science, digital skills and AI are expanding the science base for new combinations to come on an individual level. This resulted in more than 71,000 users accessing L'Oreal GPT in 2025 and more than 100,000 documents relating to beauty categories and

consumers' behaviour being accessed via the items utilised by L'Oreal's One Intelligence system (L'Oréal, 2026b). However, while generative AI might standardize thinking, having a similar model in handy could have a beneficial effect on the speed of thought, especially during the ideation phase, and also when helping to funnel thinking along familiar paths. As such, individual creativity is still dependent on skills and abilities and the freedom to challenge a suggestion of algorithms.

There is a need for innovation that is interweaved within the team, which involves the interplay between scientists, data specialist, marketer, ops team and data users. In the meta-analysis of 134 real-world studies with 11,353 teams, supportive leadership and interdependence helps foster creativity and innovation in teams via collaboration and team potency (Wu and Lv, 2024). The advantage of L'Oreal's multidisciplinary scale is the building which is made from multiple (specialist) disciplines. If not, other expertise can provide more hand-offs, dropping off the ball.

There are some systems to integrate knowledge within units (organisation level), but not necessarily systems that enable experimentation, rather than control. The overall figures are favourable although not yet the same as in a 2025 internal pulse survey regarding the level of psychological safety and creative autonomy: 90% participation and 78% engagement level. With more than 120 million Falling in Haircuts and Margin, the Group reached more than 66 countries and 31 brands. But consumption doesn't necessarily mean the content is internalized in the development process and digital interactions can exaggerate the user who already feels comfortable with technology. Scales are important if they are used to complement practitioners knowledge, but not as a substitute for the practitioners knowledge when used in a context.

3.3 Organisational culture, leadership and organisational knowledge

Culture and leadership are what makes possible L'Oreal's formal innovation infrastructure into the actual creative practice. Culture could be created through co-ordinated actions, and not just a slogan. L'Oreal's global size comes with its own culture paradox, the standardisation of its actions facilitates quality, efficiency and knowledge sharing, but also demands discretion to adapt to the local creativities and consumer behaviours. Therefore, it's a leadership obligation to ensure alignment and challenge. Positive impact is context-dependent, and

methodology-dependent, there is a positive relationship between transformational leadership and team level of innovation climate and employee creativity (Abatayo and Beliota, 2026). Conversely, a destructive and/or controlled leadership style can have a negative impact on enhancing creative behaviour. So if local managers impose their own punishment for dissent and failure then they could well be able to block corporate investment.

Improvements are required in organisational separation between knowledge and knowing. Knowledge possession is distinct from the action of knowing and the relationship between tacit and explicit knowledge (Baronian, 2022). The R&D of the product, the L'Oreal database of consumer data, the One Intelligence research results L'Oreal developed via scientific studies, academic partnerships and the company portfolio of AI tools are corporealities of the knowledge. Organisational knowledge occurs in and through the acts of the scientists, the marketers, the operations staff and the professionals that translate the knowledge in context, make decisions and take actions (Leonardi and Leavell, 2026). It's extremely significant in beauty. Making a judgement about the condition of the natural lashing, the sensitivity of the eyes, contra indications, client expectations, etc. is not easy to encapsulate completely, but that's what a practising lash technician can do in the flesh.

Open Innovation depends more than just gathering external information. The creation of learning culture and knowledge sharing support inbound innovation and absorptive capacity is whether or not the information will transform into usable knowledge (Khraishi et al., 2022). AI adds to this wrangling. The factors of transparency, technology and ethical use of data are cited as important components to winning consumer buy in, and although privacy remains an issue, their focus is on UK and Irish cosmetics. Thus, L'Oreal's dependable-AI administration is essential governance, and people ought to have the possibility to dispute measures suggested by algorithms. The crucial factor in deriving the strategic advantage would be that between tacit and explicit knowledge exists a generative interaction. Gain is more in the interaction, than in supplanting with some excess of one another. This is also revisiting the definition of leadership: without legitimating challenge from practitioners on whose experience dashboards could be wrong, then information systems could be overloaded without epistemic diversity being enhanced.

Table 3: Organisational knowledge versus organisational knowing

Dimension	L'Oreal / sector example	Implication for professional beauty
Organisational knowledge	Research papers, formulas, consumer datasets, AI repositories and formal training	Codified information can be stored, shared and scaled.
Organisational knowing	Situated interpretation by scientists, marketers and professional users	A lash technician integrates eye sensitivity, natural-lash condition, aesthetics and client trust in real time.
Risk if over-codified	Metrics and AI privilege what can be measured	Tacit craft judgement may be underweighted or treated as inconsistency.
Required capability	Knowledge sharing + absorptive capacity + human challenge	Technology should augment, not displace, professional accountability.

3.4 Critical evaluation of L'Oreal's creative culture

The arguments for a qualified verdict and good formal creativity system are in place in the company no reporting of public reports suggests a consistently creative culture. Amabile's properties of investment in R&I, the level of scientific depth, the capability for AI, external partnerships, and scaling up learning correlate with his areas of expertise, resources, and organisational-support (Georgiou, Maksymenko and Russo, 2025). This implementation is visible, too, in 3465 formula launches and Beauty Tech deployment as well as in 725 patents. This is because these autonomy, intrinsic motivation, psychological safety, or failed experiments are more helpful for evidencing projects, policies, and outputs than annual reports, which are generated by management. Although patent and training counts may resonate with other frameworks, they must not be confused with Edmondson's concept of "interpersonal safety" that is important to learning.

This is different from a creative culture and a really kick-ass innovation system. The first of these was found in L'Oréal the latter is arguably much more easily recognisable. International brand oversight and performance standards, and safety regulation, may limit local alternatives and insure the public (Perlman, 2023). In the professions this has an implication on skills transferability, which is a selective transferability. A disciplined trial regime, client/supplier co-creation, data driven consultation and constant learning are all options a UK salon can pick, but a research setup like L'Oreal's is hard to copy. Further, relational and tacit knowledge is vital to professional beauty. While digital diagnostics can support the decision making process, there is still a need for human involvement to ensure suitability of treatment and trust from clients. As far as L'Oreal's culture goes, it is formally strong and conditionally relied upon by local leadership, autonomy and the sharing of knowledge.

5. Conclusion

L'Oreal has decent, but limited, innovation capabilities. Stage-Gate explains the significance of evidence as well as safety and resource discipline, and Open Innovation demonstrates how the Group extends the scope of knowledge by engaging with Universities, start-ups, technology companies and professional networks. The better ending is that the two of these models are also conflicting: Open leads to variety, closed leads to absence of variety. "Controlled openness" (controlled permeability when searching, iterative governance when building, more control for possible safety, ethical and commercial exposure), it is this that lies at the core of L'Oreal's capabilities. Good strong formal structures for supporting creativity through expertise, R&I resources, learning systems/collaboratively but lacking some evidence of autonomy, psychological safety and intrinsic motivation in a global workforce. However, to gain sustainable advantage, global standards should be tempered with local flexibility, governed by codified AI-facilitated knowledge and practitioner knowing, and pace should be balanced by human accountability. Creativity and disciplined experimenting and using technology responsibly is far more easily transferable than the above scale for UK beauty salons.

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