RISING AND THRIVING IN THE POST COVID-19 ERA: THE CASE OF ANTIFRAGILITY IN A COSMETICS COMPANY

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ABSTRACT. Antifragility is the ability of organizations to face difficulties and improve their strategic position. Manufacturers, as opposed to service companies, are burdened by high fixed costs, impeding in developing antifragility. The purpose of the article is to analyze the factors that enhance antifragility in a cosmetics company. The article is exploratory in nature. The case of a cosmetics company that improved its business model and strengthened its competitive position during COVID-19 pandemic was analyzed. The author found that antifragility is a mix of operational agility, context intelligence and entrepreneurial attitude. The main resources and capabilities supporting the development of antifragility in the cosmetics company are slack financial resources and a large and varied network of partners for innovation and research. The creativity, velocity and operational agility were the main capabilities found. This article offers directions for entrepreneurs in the cosmetics industry to be prepared for adversity and turn it, as much as possible, into opportunities. The concepts of resilience and agility have been broadly studied, however there is a lack of research on antifragility. This is the first case study to explore factors enhancing antifragility in the cosmetics industry in Eastern Europe.

KEYWORDS: antifragility, COVID-19 pandemic, dynamic capabilities, cosmetics.


INTRODUCTION

The COVID-19 pandemic has changed the way people live and work, the products and services they demand and the way the companies manufacture and provide them (Laato, Islam, Farooq, & Dhir, 2020; Schieman, Badawy, A. Milkie, & Bierman, 2021). To survive, the firms must adapt to a new context (Heredia, Rubiños, Vega, Heredia, & Flores, 2022; Ivanov, 2021). Some of these firms will fail to survive (Amankwah-Amoah, Khan, & Wood, 2021; Cevik & Miryugin, 2021). Thriving in times of adversity requires a set of capabilities and the possibility to discern and catch opportunities (Lichtenthaler, 2021; Zattoni & Pugliese, 2021).

Small and medium enterprises, especially the manufacturing ones are fragile in face of a crisis, mostly due to lack of organizational, financial and human resources (Inekwe, 2019). However, compared to large companies, smallness offers the opportunity to alter processes and capabilities, business models and propositions (Ahn, Mortara, & Minshall, 2018; Mahdad, De Marco, Piccaluga, & Di Minin, 2020). The small and medium enterprises, through their rapid response capabilities and flexibility can help the economy to adapt to a post pandemic context (Da Silva & Núñez Reyes, 2021).

The term resilience has been frequently used to describe the ability to survive a crisis. It represents the capability to absorb shocks, change temporarily and finally recover. The capability of a system to absorb shocks and get even better refers to the concept of antifragility (Ramezani & Camarinha-Matos, 2020).

Antifragility in business and management is less researched especially in the case of small and medium manufacturing firms (de Bruijn, Größler, & Videira, 2020). Understanding how these firms reacted to the COVID-19 pandemic issues and emergencies is important to developing and implementing antifragility.

The aim of this article is to investigate which factors were leveraged in a company to identify new opportunities and adapt to the new context. To achieve it, the author conducted a case study on the biggest cosmetics company in the Republic of Moldova. This company was selected...
based on its antifragile behavior during the COVID-19 pandemic: it didn’t freeze its business, instead it transformed, grew its sales and caught new business opportunities.

THEORETICAL BACKGROUND

The attack on the World Trade Center in 2001, the financial crisis in 2008 and the COVID-19 pandemic are the most visible examples of unforeseen, disastrous, devastating events that are not as rare as we might perceive (Munoz, Billsberry, & Ambrosini, 2022). They cause major damage, having huge effects on people’s lives and on organizations. In these uncertain times is increasingly difficult to rely on traditional approaches and forecasts, and the capability to change is becoming essential (Geldenhuys, Grobbelaar, & Kennon, 2020). Moreover, it is vital to change the planning capabilities and disaster response (Gotham & Campanella, 2010).

Antifragility is the capacity to remodel an organization’s business model in response to a crisis (Botjes, Mulder, & Nouwens, 2020; Taleb, 2013). There are several main factors that can help developing this capacity: the ability to imagine new solutions and creativity (Pettit, Croxton, & Fiksel, 2013), the ability to change in response to the disruptions in the environment (Fiksel, 2015), the ability to transform processes, structure, and behavior to cope with a crisis (Gotham & Campanella, 2010). The response to a crisis has three phases. The first one is the readiness before a disaster happens. The second phase is the response, that is the actions taken during the crisis. The third phase is the recovery, the sum of activities adopted post-crisis (Ramezani & Camarinha-Matos, 2020).

Large companies are usually well adapted to a defined context and are affected by sudden events. Small and medium companies are more flexible and if they can be flexible enough, they can take advantage of the turbulence to improve their strategic position (Mahdad et al., 2020; Mendoza, Lau, & Castillejos, 2018). Flexibility and adaptability are typical for small and medium enterprises and help them to cope with a crisis by accelerating decision-making (Branicki, Sullivan-Taylor, & Livschitz, 2017). They are usually more open to uncertainty and to lack of financial and human resources (Koh & Simpson, 2005).

METHODOLOGY

In this research to author used the methodology of the case study, give it is usually applied to explore still emerging and developing phenomena and build the first steps of a new theory (Bennett, 2004). The case study allows to mitigate the evaluator’s judgements and increase the external validity (Eisenhardt & Graebner, 2007). It is vital in the research and formulation of new hypotheses that allow to further investigate other research hypotheses (Dul & Hak, 2007). However, it is less useful in generating results of completely general value (Tellis, 1997).

For this study, a medium-sized cosmetics manufacturing enterprise was selected that demonstrated antifragile qualities during the pandemic period. The company was selected through the analysis of different sources (media, personal networking).

The people interviewed had in-depth knowledge of the company and a very important role in business management. The interview report was drawn up and was shown to the interviewee, asking for any additions and clarifications. The results that emerged were compared with the existing international research, in order to obtain a synthesis of the ideas that emerged and of the relationships between them with an acceptable level of internal consistency.

RESULTS

The next section describes, in addition to the main elements that characterize the business and the history of the company, the experience of anti-fragility and the main contingent variables.

The history of the Viorica brand begins with the development of the essential oils industry in the Republic of Moldova back in the 1950s. The relief and quality of the soil together with the mild climate of the region were the perfect conditions for the cultivation of high-quality aromatic plants for the production of essential oils such as rose, lavender, sage, mint, fennel, iris, and others.

By the early ‘80s, the industry had developed by creating small households where valuable plants were grown and processed in terms of phytochemical composition. Thanks to the efforts and full dedication of Mihai Hîncu, who dedicated 43 years of his life to this industry, all stages of essential oil production were soon perfected and implemented: the cultivation of aromatic plants,
the processing of raw materials, the production of oils and, Finally, the production and sale of finished cosmetics and perfumes.

In 1980, at the insistence and request of Mihai Hîncu, the USSR Council of Ministers took the historic decision to build the Viorica perfume and cosmetics factory in Chisinau. International experts were also involved in the development of the project. The famous French factory Christian Dior served as an example of design and structure for the new Moldovan factory. Moldova has gained considerable experience and technical base directly from one of the undisputed industry leaders.

Viorica started its business on May 12, 1989. Modern equipment imported from Germany guaranteed high quality products and a large production capacity. In less than a year, Viorica became one of the leading suppliers of cosmetics, perfumes, household and hygiene products throughout the USSR.

The year 2012 was a significant turning point in the historical history of the company. Viorica was privatized by the Daac Hermes Group holding company. The investment of over 8 million euros has made it possible to access new development opportunities: to modernize and expand the product line, to purchase new equipment manufactured in Germany and Spain. And most importantly - the research & development department has been expanded and two factory laboratories have been refurbished.

A significant step in the development of the company was the launch of its own Viopark eco-plantation in 2016. Here, according to the principles of organic farming, dozens of plant species are grown, which are then used as raw material for the production of Viorica cosmetics. The project was developed with the support of the international permaculture expert, the Austrian scientist Sepp Holzer.

Currently, Viorica is a modern company that produces clean and harmless cosmetics based on raw materials of plant origin, completely giving up the use of potentially harmful components. Thanks to the scientific team of biologists, Phyto chemists and dermatologists, Viorica continuously develops its own products, but also through active cooperation with German, Swiss and Spanish research laboratories.

Viorica has an assortment of over 400 cosmetics for all ages. The latest product line is Viorica Vie - a care system designed to keep your skin and hair young. It is based on the unique antioxidant complex Viephenol, obtained from Moldovan grapes and the best pure vegetable ingredients. Its products are exported to over 10 countries. Currently, Viorica has a network of 32 stores in the Republic of Moldova and 4 stores in Romania.

The Viephenol antioxidant complex obtained from grape seeds grown on the territory of the Republic of Moldova and the biological preparation BioR from spirulina biomass are inventions of the Viorica laboratory and of the emeritus scientists. Every year, Viorica participates in national and international competitions, in which it stands out through nominations and valuable distinctions.

The company voluntarily gave up over 1900 harmful components in the production of cosmetics. Viorica’s products are not tested on animals. They are approved and recommended by the Association of Dermatologists and the Association of Obstetricians and Gynecologists of the Republic of Moldova. Viorica is a member of the ECODAVA Foundation for Ecological Development and is a socially responsible and eco-friendly company. It collects containers of personal care products, given that the type of plastic used for this category of goods is one of the most toxic to soil and groundwater.

Until the pandemic, Viorica produced four tons of disinfectant per year, and during the pandemic - four tons of disinfectant per day. The company contributed more than 10,000 basic personal hygiene products, which were donated to Ukrainian citizens in accommodation centers in the Republic of Moldova.

The analyzed company demonstrated the ability to face the unexpected challenges caused by the pandemic, continuing to invest and changing its business model. Viorica has consolidated the relationship with existing customers and at the same time was able to explore new markets. The
The company was able to develop a new range of products based on the problems that emerged during the pandemic.

The attitude to accept change, seek new opportunities, to maintain the entrepreneurial spirit when the organization needs to grow is vital in the case when the market undergoes rapid and radical changes, brought by unexpected situations and technological innovation. The aftermath of the pandemic pushed Viorica to grow and change continuously.

The antifragility is demonstrated by the fact that Viorica has achieved impressive results, better than in the past (see Table 1). In 2020, compared to 2019, the sales volume grew by 181%, and, after few years of loss, finally obtained a net profit of 0.63 million USD.

Table 1. Company’s sales volume, net profit and number of employees between 2017 and 2020

<table>
<thead>
<tr>
<th>Indicator/Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales volume, million USD</td>
<td>1,63</td>
<td>2,24</td>
<td>2,93</td>
<td>5,31</td>
</tr>
<tr>
<td>Net profit, million USD</td>
<td>-0,30</td>
<td>-0,06</td>
<td>-0,06</td>
<td>0,63</td>
</tr>
<tr>
<td>Number of employees</td>
<td>149</td>
<td>143</td>
<td>162</td>
<td>190</td>
</tr>
</tbody>
</table>

The efficiency in the manufacturing process, the internal coordination and the possibility of constructively interacting with the outside world drives the company’s advantages on the market.

In fact, Viorica exploited technologies and strengthened the relationships with its customers, by creating an online shop and a delivery service that suited their needs.

The new context and the digital communication technologies, have created new opportunities, making it possible for Viorica to have more visibility and reach new potential customers. For example, the educational show "Ask Viorica" is broadcasted online. The dermatologist offers effective care advice with long lasting results.

In the case of Viorica, having a budget for its own research laboratory, at the beginning of the pandemic, made it possible to start new projects (i.e. Sanwise, Viorica Vie), useful for dealing with the crisis, essential for facing the risk of a new initiative in a such complicated and unexplored context.

External resources are critical for completing new projects, as in many cases they speed up the process as compared to when relying only on the internal resources. Viorica partnered with German, Swiss and Spanish research laboratories. The VioPark project was developed with the support of the international permaculture expert, the Austrian scientist Sepp Holzer. VioPark hosts dozens of types of herbs, which Viorica uses as a raw material for the production of cosmetics. Its own eco-plantation allows it to control all stages of plant growth, ensuring their ecological purity and high content of active substances.

**DISCUSSION**

The entrepreneurial attitude of seeking new opportunities is present in almost all small and medium firms, especially the young ones. It is also a requisite component of antifragility (Branicki et al., 2017).

The COVID-19 pandemic did not change this attitude. From our investigated case, the company sees the environment as a context of threats and opportunities even before the eventual crisis.

The ability to change goals and behavior is one of the key strengths of the Viorica company, thus strengthening its antifragility (O’Reilly, 2019; Ramezani & Camarinha-Matos, 2020). Although the two concepts are separated, the antifragility relies on agility (Tsoukas, 2018). The antifragility is an entrepreneurial stance that turns up in front of a crisis (Karadimas, Hewig, Behera, & Kotisi, 2014).

The adoption of digital technologies supports antifragility. Digitalization became a context of work.

Antifragile companies have intelligence of the digital world (Depaoli, Za, & Scornavacca, 2020).
Past experience with change of context is another element fostering antifragility. To cope with the pandemic restrictions, Viorica set up an online shop with delivery all over the country. Compared to large companies, small and medium enterprises are more flexible to experiment with different business models due to less cost (Corvello, De Carolis, Verteramo, & Steiber, 2021). Similar to previous research, the author found that the transformation at Viorica took place relatively easy, due to less standardization and rigidity of the production process (Limnios, Mazzarol, Ghadouani, & Schilizzi, 2014).

Previous studies also highlighted that networks are important for firm adaptation, as they guarantee access to resources both in the long and the short term (Jespersen, Rigamonti, Jensen, & Bysted, 2018; Lazzarotti, Manzini, Nosella, & Pellegrini, 2017).

As identified in our case study and in previous research, a certain extant slack of resources (financial, human and time) is required for developing an antifragile company (Corvello et al., 2021).

CONCLUSION

The COVID-19 pandemic generated a huge crisis in the entrepreneurial landscape, especially for the small and medium-sized businesses. Both small and large disruptions are common.

This paper analyzed the conditions under which a cosmetics manufacturing company is able to survive and thrive in times of adversity. The author identified the main factors that can be leveraged in a medium-sized enterprise to build antifragility. This article is the first one to study antifragility in the cosmetics industry in Eastern Europe.

The limitation of the research are related to the case study research, as suggested by experienced scholars (Eisenhardt & Graebner, 2007). In order to increase the generalizability of the findings, future research should consider larger samples from the cosmetics industry around the world.

Given the study concerned a case of an antifragile company, further research should look into fragile companies and draw insights by comparison. For a thorough evaluation of the phenomenon of antifragility, long term results should also be studied.

REFERENCES