FRENCH MULTINATIONALS' INTERNATIONAL STRATEGY

NATIONAL IDENTITY UNDER THE EFFECT OF GLOBALISATION

Monia Mtar

Industrial Relations and Organisation Behaviour
Warwick Business School
The University of Warwick

A thesis submitted in fulfillment of the requirements for the award for the Degree of Doctor of Philosophy in the faculty of Social Studies at Warwick Business School, University of Warwick

May 2001
## CONTENTS

Acknowledgements iii  
Declaration iv  
Abstract v  
Tables and figures vi  
Participating French multinationals vii

### Chapter 1. Introduction 1

### Chapter 2. Globalisation of Firms and National Identity: The Debates and Theoretical Approaches 10

2.1. The globalisation thesis 12  
2.2. The nationality effect thesis 15  
2.3. Conceptualising the nationality effect in international firms 23  

### Chapter 3. Research Methodology 36

3.1. Qualitative research and multiple case-studies as research strategy 37  
3.2. Methods of data collection and analysis 41  

### Chapter 4. French Multinationals in their National Business System 51

4.1. The State-led French system of production and innovation 53  
4.2. French companies’ modes of control and employment systems 59  
4.3. The move of French companies abroad 66  

### Chapter 5. French Multinationals and the Integration of their British Acquisitions: ‘Nationality’ versus ‘Host Country’ Effects 72

5.1. An analytical framework for examining ‘nationality’ & ‘host country’ effects 74  
5.2. The British institutional environment 80
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.3. Characteristics of the modes of entry of French multinationals in the UK</td>
<td>84</td>
</tr>
<tr>
<td>5.4. Case studies: Processes of adaptation to the UK market</td>
<td>95</td>
</tr>
<tr>
<td>5.5. A mode of adaptation to the UK environment in a French way</td>
<td>116</td>
</tr>
<tr>
<td>Chapter 6. Globalisation of Corporate Structures</td>
<td>126</td>
</tr>
<tr>
<td>6.1. Alcatel: The transformation from a French multinational to a global firm</td>
<td>128</td>
</tr>
<tr>
<td>6.2. Evolution towards an international model</td>
<td>132</td>
</tr>
<tr>
<td>6.3. National specificities</td>
<td>150</td>
</tr>
<tr>
<td>6.4. Conclusion</td>
<td>155</td>
</tr>
<tr>
<td>Chapter 7. The Management of Human Resources in French Companies</td>
<td>159</td>
</tr>
<tr>
<td>through their Internationalisation</td>
<td></td>
</tr>
<tr>
<td>7.1. Introduction</td>
<td>160</td>
</tr>
<tr>
<td>7.2. Specificities of French companies’ international managers</td>
<td>164</td>
</tr>
<tr>
<td>7.3. The development of an international human resources policy</td>
<td>169</td>
</tr>
<tr>
<td>7.4. Conclusion</td>
<td>190</td>
</tr>
<tr>
<td>Chapter 8. The Anglo-Saxonisation of French Multinationals: Great-Britain as a Learning Platform</td>
<td>192</td>
</tr>
<tr>
<td>8.1. Introduction</td>
<td>193</td>
</tr>
<tr>
<td>8.2. The Anglo-Saxonisation of French managements</td>
<td>194</td>
</tr>
<tr>
<td>8.3. Interactions of French multinationals and their domestic business system: the ‘boomerang effect’</td>
<td>206</td>
</tr>
<tr>
<td>8.4. Conclusion</td>
<td>214</td>
</tr>
<tr>
<td>9.1. French managements’ behaviour abroad</td>
<td>218</td>
</tr>
<tr>
<td>9.2. Strengths and weaknesses of the French management model</td>
<td>220</td>
</tr>
<tr>
<td>9.3. Theoretical implications</td>
<td>225</td>
</tr>
<tr>
<td>9.4. French multinationals’ national identity in tomorrow’s global environment</td>
<td>231</td>
</tr>
<tr>
<td>Appendix: Research Methodology</td>
<td>235</td>
</tr>
<tr>
<td>Bibliography</td>
<td>241</td>
</tr>
</tbody>
</table>
ACKNOWLEDGEMENTS

I would like to thank my supervisor, Professor Paul Edwards, for his support throughout the research and his comments during the writing of the thesis. I am also grateful to Professor Keith Sisson, who supervised me during the first part of my PhD, for his advice.

This study is mainly based on interviews conducted with French and British managers of French multinationals and their operating companies in the UK. This work would not have been possible without their help, their availability and trust. I would like here to express my gratitude to each one of them.

Thank you to my officemate, Kiu-Sik Bae for his listening and his trust which have helped me overcome difficulties I faced during my research.

The British Economic and Social Research Council and Warwick Business School have supported my PhD financially.

I dedicate this work to my parents and my brother.

DECLARATION

This is to declare that:

I am responsible for the work submitted in this thesis.

This work has been written by me.

This thesis has not previously been submitted for a degree at any university.

Signature: _______________________

Date: ________________________
ABSTRACT

This study aims to demonstrate the existence of a French identity abroad and its influence upon firms’ international modes of management. We thereby aim to test the hypothesis according to which, under the pressures of international markets, a process of uniformisation in firms’ behaviour is taking place, which will lead to the inevitable decline of their nationality.

In this study, we shall attempt to define a ‘mode of thinking’ characteristic of French firms, and which will influence how managements react abroad. This is a new approach to examining the nationality effect in international firms, which will emphasise the links between firms’ nationality and their ways of operating abroad. The ‘culturalist’ approach, which conceives of cultural values as immutable, cannot account for the evolution of firms’ behaviour in the international arena. The ‘institutionalist’ approach, which focuses upon a number of firms in a given sector or examines sectoral, national and host factors in a small number of firms, does not take into account all the variables that can affect its conclusions, and thus cannot generalise its findings beyond the firms under study.

In order to characterise a mode of thinking which is generalisable to all firms of a nation, it must be independent of all space and time parameters – or ‘filters’. Therefore, the study is based upon a diverse sample of French multinationals – comprising eleven case studies, operating in a variety of sectors and having internationalised at different periods of time. We will examine companies’ international strategies in a dynamic perspective, that is their initial strategies, their effective implementation, the difficulties experienced by firms, etc. This will be done by looking at how French firms have integrated their British acquisitions; the internationalisation of their corporate structures and modes of control; and finally, the development of an international human resources policy.

The examination of French firms’ international strategies will enable us to establish that there exists a French ‘third way’. As a result of global market forces, French firms have acquired features of an international model of organisation and learnt from their British experience. But, paradoxically, French companies have retained a distinctive management style abroad. The French international management model is globally successful, because it has a capacity of adaptation and integration whilst being able to retain its identity. None the less, it has underlying problems, as it has difficulties implementing certain international questions of a strategic nature. We can thus conclude that the nationality of a managements impacts upon firms’ behaviour abroad, and provides distinctive strengths and weaknesses.
# TABLES AND FIGURES

## Tables

<table>
<thead>
<tr>
<th>Table</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 - 1</td>
<td>Presentation of the eleven case-studies sample</td>
<td>44</td>
</tr>
<tr>
<td>4 - 1</td>
<td>G5 countries’ international position compared</td>
<td>67</td>
</tr>
<tr>
<td>4 - 2</td>
<td>Features of the French management system</td>
<td>70</td>
</tr>
<tr>
<td>5 - 1</td>
<td>French investments in the UK, 1987-1998</td>
<td>85</td>
</tr>
<tr>
<td>5 - 2</td>
<td>French water companies’ investments in the UK</td>
<td>88</td>
</tr>
<tr>
<td>5 - 3</td>
<td>Presentation of UK acquisitions</td>
<td>90</td>
</tr>
<tr>
<td>6 - 1</td>
<td>Organisation structures and modes of corporate control</td>
<td>136</td>
</tr>
<tr>
<td>6 - 2</td>
<td>Companies’ prevailing approach to staffing</td>
<td>146</td>
</tr>
<tr>
<td>7 - 1</td>
<td>French multinationals’ stages of internationalisation</td>
<td>161</td>
</tr>
<tr>
<td>8 - 1</td>
<td>French FDI Outflows, 1995-1998</td>
<td>197</td>
</tr>
</tbody>
</table>

## Figures

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 - 1</td>
<td>Theoretical framework: The links between managements’ national traits and practices adopted abroad</td>
<td>31</td>
</tr>
<tr>
<td>3 - 1</td>
<td>Analytical framework</td>
<td>38</td>
</tr>
<tr>
<td>4 - 1</td>
<td>French investments abroad, 1988-1998</td>
<td>68</td>
</tr>
<tr>
<td>5 - 1</td>
<td>Variables filtering French features</td>
<td>76</td>
</tr>
<tr>
<td>5 - 2</td>
<td>French multinationals’ modes of adaptation to the UK environment</td>
<td>96</td>
</tr>
<tr>
<td>5 - 3 / 6 - 2</td>
<td>The organisation structure of Vivendi Water in the UK</td>
<td>101 / 139</td>
</tr>
<tr>
<td>6 - 1</td>
<td>A schematic model of Alcatel’s worldwide product line</td>
<td>130</td>
</tr>
<tr>
<td>6 - 3</td>
<td>The roles of expatriate managers</td>
<td>148</td>
</tr>
<tr>
<td>7 - 1</td>
<td>Typical Anglo-Saxon and French management development philosophies</td>
<td>188</td>
</tr>
<tr>
<td>8 - 1</td>
<td>‘Boomerang effect’ and global forces as the two sources of change in the French business system</td>
<td>213</td>
</tr>
</tbody>
</table>
Numerous Originals in Colour
PARTICIPATING FRENCH MULTINATIONALS

- ALCATEL
- PINAULT
  PRINTEMPS-REDOUTE
- AXA
- SAINT-GOBAIN
- CREDIT LYONNAIS
- Schneider
  Electric
- Danone
- Total
- VINCI
- Peugeot
- Vivendi
  water
INTRODUCTION
Chapter I

INTRODUCTION

The globalisation of firms in response to the globalisation of competition, the process of regional integration and worldwide deregulatory trends, has brought the question of national identity into relief. Current developments in the world economy have led to the view that global market pressures are leading to a process of homogenisation in international firms' behaviour, marking the inexorable decline of their national specificities.

There is strong evidence of the insidious progress of globalisation in the way firms are being managed. Corporations' behaviour is increasingly dictated by the logic of market, and the need to operate on a global scale in order to secure the productivity gains required for survival in the cut-throat competitive global market. This is exemplified by the current wave of global consolidation, which, via a snowball effect, spares no industry: in response to the demands of their increasingly global customers, firms are forced to become more global and to meet global standards of productivity, in turn pushing their suppliers to grow and internationalise. In this context, one is led to believe that the nationality of firms is eroding.

At the same time, attachment to nationality remains strong in advanced industrialised countries. This is manifested in the increasing tensions between governments and their firms, reflecting the growing gap between, on the one hand,
the logic of globalisation in the way firms are managed, and national economic systems and interests, on the other. Processes of globalisation are raising concerns in all countries, as governments are still not prepared to renounce the protection of national economic interests nor abandon the control of firms operating in their own territory.

The fundamental question of national identity in the phenomenon of globalisation will be the focus of this study. Through an examination of the case of French multinationals, our objective is to understand whether nationality still matters in a context of globalisation, in other words whether a management's national background influences the way in which organisations are managed abroad.

The question of nationality is raised in an acute way in France, where there is still a strong attachment to nationality and where a protectionist stance is favoured by governments and business alike. The French business system has followed a different path towards capitalism than Anglo-Saxon countries and inherits strong cultural and historical legacies. The question of how French firms will adapt to international market forces, which proponents of globalisation say will eventually see the decline of national identity for a corporate culture is thus of salient interest.

Assessments of the current evolution of the world economy have produced two opposite views. To some, the globalisation of competition, growing capital mobility, and intensifying trade have created a global marketplace, within which a new breed of multinational firms can operate, these 'global' firms, which manage to reach out on a global basis according to purely economic-based criteria, and ultimately aim to optimise their global network. This type of firm is no longer attached to any nation, having ridden itself of national identity, sources of inefficiency in a world driven by market logic, and is able to override host environments' specificities (Ohmae 1985, 1990; Reich 1990).
Others have a radically different vision of current changes in the international economy and, rather than seeing globalisation as tolling the death knell for national identity, believe that firms’ national specificities are exerting a strong and durable influence upon the ways in which international firms operate. Firms, they argue, retain an attachment to their home base which remains the locus of key strategic decisions, functions and employment, and their national characteristics are likely to be enduring and dominate market-driven pressures (Hu 1992; Doremus et al. 1998; Ferner and Quintanilla 1998; Quack and Morgan 2000).

The strength and direction of change in firms’ behaviour under the impact of global forces, and the hypothesised disappearance of their national model in favour of a global model, will have implications for firms themselves as well as governments. For firms, which are confronted with the challenge of managing the transition of their national management system to a model adapted to the requirements of international markets, the questions raised concern how globalisation should be approached from an organisational perspective. Do firms’ distinctive traits bring advantages, or alternatively are they sources of handicap in responding effectively to international competition? In other words should firms seek to emphasise or downplay them? If the global model is indeed the best way to succeed internationally, is the evolution towards an a-cultural model possible given the model that they inherit? On the other hand, firms are faced with the question of whether giving up their national characteristics is desirable, or, as some have expressed concern, could it lead to firms losing their distinctiveness which hitherto has been source of success (Streeck 1997).

The kind of evolution of firms’ behaviour in the global economy also underpins current debates upon the role of Nation States vis-à-vis their firms in a global environment, and the issue as to whether governments can and / or should seek to regulate the activities of business in order to protect their national interests. If firms are committed to globalisation and are indeed becoming increasingly detached from their domestic environment, with their home market no longer the primary concern in their international strategies, this will have significant implications for
countries’ social, political and economic stability, eventually requiring adjustments in governments’ relations to their firms. Proponents of globalisation advocate a minimalist role for the State, and that policies should no longer favour the criteria of nationality of their firms (Reich 1990).

These debates form the backdrop against which the study is set. Our objective is to characterise the ways and means through which French companies adapt to international markets. We shall thereby be able to establish whether French companies do align themselves to a common pattern of organisation under the pressures of market forces, as the globalist strand of literature predicts. French companies account for the major actors on the international scene, yet relatively little is known about them. Will they evolve towards a common model of organisation or, on the contrary, retain their distinctive features? Will their domestic base be a springboard or weigh them down as they seek to internationalise? Will they learn from the international environment? French companies’ behaviour will be examined in Great-Britain. Britain has a culture that is very different from France, but also its economy has a highly advanced degree of marketisation which is strongly integrated into the global economy. It will thus enable us to examine how French companies adapt to a culture radically different from their own, but also observe the mechanisms through which they adapt to the global economy.

How can we proceed to analyse the impact of national identity upon French multinationals’ behaviour? In this study, we shall attempt to define a ‘mode of thinking’, characteristic of French firms abroad, which, we argue, will influence how managements react abroad. In other words, rather than addressing the question of what firms actually do abroad, we focus explanations on why French management has come to act in the way it has abroad, both in the light of the kind of management that it inherits and the variables it is confronted with in the international arena.

This is a new approach to examining the nationality effect in international firms, which will emphasise the links between a firm’s nationality and its ways of
operating abroad. Conventional approaches give partial accounts of the manner and extent in which nationality influences managements’ behaviour abroad. ‘Culturalist’ theories, which conceptualise national culture as a set of immutable values, cannot explain the evolution of managements’ national traits as firms pass from their domestic environment to the international arena. The ‘institutionalist’ approach, which focuses upon a number of firms in a given sector, or examines the relations amongst a greater number of variables but within a small number of case studies, does not take into account all the parameters both in space (such as industry, host environment) and time (such as the firm’s period of internationalisation) that may affect their findings, and as a result, their conclusions are bounded in a specific spatial or temporal context.

In order to define a mode of thinking which can be generalised to all firms of a given nation, it must be independent of the international factors - or ‘filters’ - that are met. Only a comparison of a large number of cases can enable us to go beyond the ‘filters’. We will thus examine a diverse sample of French multinationals, comprising eleven case studies, operating in a variety of sectors and having internationalised at different periods of time.

We will thereby consider whether the period at which French companies have begun internationalising will have effects upon their ability to operate in today’s highly competitive and globalised markets. In addition, the effects of sectoral variables upon firms’ international behaviour will be looked at. Half of our case studies operate in the manufacturing sector and another half in the service industries. As many service sector firms are new to internationalisation and little is known about the way in which they operate abroad, we will address the issue as to whether ‘multi-domestic’ sectors experience different kinds of problems abroad from ‘global’ industries.

We will further seek to demonstrate the existence of a mode of thinking characteristic of French firms, through an examination of the evolution of firms’
international strategies: that is, their initial strategies, how managements went about implementing them, the difficulties they experienced, the outcomes of those strategies, etc. The dynamic analysis of firms’ strategies can reveal a typical managerial behaviour.

French multinationals’ international strategies will be observed throughout the last decade, since the beginning of their internationalisation in the late 1980s. Three key issues will be the focus of our investigation: firstly, how French firms have approached the British market and integrated their British acquisitions; secondly, the internationalisation of their corporate structures and modes of control; and finally, the development of an international human resources policy.

Plan of the Thesis

Chapter 2 lays out the theoretical ground for the research and presents the two opposite analysis regarding the impact of globalisation upon the nationality of firms. We will present in detail, our conceptual approach to identifying national identity in international firms. Drawing a managerial behaviour abroad in turn requires a different kind of methodology from conventional approaches. This will be the focus of Chapter 3.

In order to determine whether and how managements’ nationality affects its behaviour abroad, we must begin by describing firms’ domestic national model, from which point they eventually depart. This will enable us to draw out the key features of the French management style at home. Chapter 4 will show that French firms have seen a highly distinctive evolution throughout the post-war period until the 1980s, as they have evolved in the bosom of the State for many years and long been shielded from international competition.

Chapter 5 to 8 introduce the empirical material. Each chapter will examine a specific aspect of firms’ corporate strategies, which it is hoped will enable us to
demonstrate the extent and manner in which their national features have influenced their responses. It will then be possible to elicit a notion of what constitutes French managements’ behaviour abroad.

Chapter 5 examines the entry and the process of the establishment of French companies in Great-Britain from the late 1980s onwards. It addresses the issue of how French firms have adapted to such a highly advanced capitalist system as the UK, with which they were unfamiliar and shared little in common, and seeks to establish whether French companies have handled the integration of their British operations in a distinctive way. We will apply an institutionalist perspective to our analysis of French firms’ processes of adaptation to the British system and introduce a multi-level conceptual model that will enable a deeper examination of the nature of interactions between ‘nationality’ factors and the ‘host environment’ variable.

Chapter 6 considers trends within French companies’ international product strategies, corporate structures and modes of control in response to the globalisation of competition. Here, we are concerned with determining the extent to which French companies have acquired features of the ‘global’ or ‘transnational’ organisation model, which has emerged in response to international market forces according to writers such as Ohmae (1985) and Bartlett and Goshal (1989). Chapter 7 deals with the internationalisation of the management of human resources in French multinationals, and explores how firms’ national features have impacted upon their responses. It traces the different stages in French companies’ responses to implementing a strategic IHR system from the beginning of their internationalisation in the late 1980s, focusing upon the issues of the internationalisation of their management development policies and the development of an international culture, to which firms have devoted much attention.

Finally, Chapter 8 argues that French companies, through their course of their international experience, have learnt from the British environment and acquired Anglo-Saxon characteristics. It examines the forms and dimensions of this learning
process upon firms’ international ways of operating. It also looks at the implications of French managements’ international experience upon their home environment.

The concluding chapter will summarise the features that characterise French managements’ mode of thinking abroad, and discuss its strengths and weaknesses, as firms evolve towards an international model. It will finally consider the future evolution of the model in tomorrow’s global environment.

In total, the examination of French firms’ international strategies throughout the 1990s will enable us to demonstrate a path of internationalisation à la Française. It will show that, as a result of international market pressures, a process of homogenisation in firms’ behaviour is taking place and that French firms have acquired patterns of an international model of organisation. But, paradoxically, they have retained some of their distinctive features. Thus, contrary to the conventional view that market forces are the main drivers of firms’ corporate behaviour, we argue that national identity remains a critical factor influencing firms’ modes of adaptation internationally, as well as having implications on their international performance.
GLOBALISATION OF FIRMS AND NATIONAL IDENTITY:
THE DEBATES AND THEORETICAL APPROACHES
Chapter II

GLOBALISATION OF FIRMS AND NATIONAL IDENTITY:
THE DEBATES AND THEORETICAL APPROACHES

Introduction

The debate about the effects of globalisation on the nationality of firms is a relatively recent phenomenon. This debate has emerged in the wake of the accelerating internationalisation of companies during the last decade, and the extreme claims by some observers that this process had reached such an extent so as to render the concept of nationality meaningless. There is little doubt, that the triadisation of the world economy, the increasing opening up of countries and the globalisation of competition are altering the dynamics of the international economic order and challenging the behaviour of previously nationally-centered firms. At the heart of the debate about the role of nationality, lies the issue of whether firms’ nationality confers them with an advantage on the international scene. It then becomes crucial to understand how the changes within the global environment affect firms’ national identity.

The first two sections examine the two opposite views with regard to the role of nationality in today’s global markets, arguing that the theme needs to be repositioned to incorporate the effects of both the factors that are driving globalisation
and those that are sources of diversity, namely the country of origin of firms and the host contexts in which they operate. In exploring the question of the nationality effect on multinationals' behaviour, one is faced with the issue of conceptualising this variable, which has remained a contentious matter in academia. This question is the focus of the third section, where a new conceptual approach is proposed.

2.1. The globalisation thesis

Proponents of the globalisation thesis argue that in today's global environment, a new kind of multinational has emerged: these 'global' firms, whose behaviour is fundamentally driven by international market pressures, who follow their own rules of maximising efficiency on a global scale, and have consequently become increasingly detached from their home nation and the countries in which they operate.

One of the key proponents of this argument is Ohmae (1985; 1990) a consultant for the American consultancy McKinsey. Ohmae argues that in a 'borderless world', 'global firms' are now the dominant actors. Present in all the major markets of the Triad, the US, Asia and Europe, they organise their production chain globally. In contrast with the old multinational model, the global firm is fully integrated in local countries becoming an 'insider' that is closely linked to local suppliers, governments and customers. In those firms, the criteria of nationality is disappearing: their home markets account for a smaller proportion of turnover, the centre is 'decomposed' into several regional headquarters, whilst the organisation is being tied by a strong corporate identity, which 'replaces the glue a nation-based orientation once provided' and which applies everywhere:

'Before national identity, before local affiliation, before German ego or Japanese ego (...) comes the commitment to a single unified global mission (...) You work for Honda or Nissan or Toyota (...). Country of origin does not matter. Location of headquarters does not matter. The products for which you are responsible and the company you serve have become denationalized'

(Ohmae 1990: 94)
For Ohmae therefore, global forces substitute a country's culture for a company's culture. In a similar vein, but coming from a political economy perspective, Reich (1990) argues that the nationality of the firm is a concept that is becoming meaningless in an increasingly globalised world: product components are sourced from all over the world, companies' shareholders are increasingly international, and their managements multinational. The answer 'Who is us?': the American workforce, the American people, but not particularly the American corporation. The implications are that the interests of national firms should no longer be identified with those of the nation: as the US economy becomes more globalised and dominated by global firms whose operations are mobile, the criteria of nationality should no longer be favoured by governments but instead, policy should focus on creating an innovative, highly-skilled national environment in order to attract and retain those corporations.

Whilst not making such extreme claims as Ohmae and Reich about the firms' loss of nationality as they recognise the cultural and historical legacies of firms, Bartlett and Goshal (1989) none the less share a similar conception about the strength and direction of change, and predict that international firms will ultimately converge towards a single model of organisation. The authors, on the basis of a comparative analysis of American, Japanese and European corporations' international strategies, suggest that firms have increasingly adopted common responses in order to respond to the demands of the international competitive environment and that a new organisation model is emerging: the 'transnational' organisation. These firms organise their productive capacity globally, their operations are integrated and coordinated flexibly, and, in their search for achieving global standards of performance, they leverage international best practices from all parts of the corporation. This organisation model enables to combine simultaneously the competitive advantages of 'global efficiency', 'multi-national responsiveness' and 'worldwide learning'. It is further argued that the internal organisation of the future multinational firm is at the heart of its achievement of global competitive advantage, and whilst they point to the challenges confronting multinational managements on
moving down this path, the authors suggest that there exists a 'one best way' which international firms should follow if they wish to be successful. 'In the future, a company's ability to develop a transnational organizational capability will be the key factor that separates the winners from the mere survivors in the international competitive environment' (1989: 212). Humes (1993) cites trends in international corporate restructuring of Japanese, American and European companies. This indicates that they have all begun to adopt an integrated model of organisation in the face of intensifying pressures of global competition.

Kanter (1995) sees the two dimensions of 'globalism' and 'localism' emerging in the new international economic order, but similarly emphasises the powerful pull exerted by globalisation upon firms and nations. She argues that the current process of globalisation creates a 'globalisation cascade', whereby global consolidation in one industry pushes suppliers and customers to become global and meet worldwide standards of performance, in turn forcing local units to raise their own standards.

Thus, according to one perspective, under almost irresistible global market forces, international firms are following the same rules of capitalism, leading to a process of homogenisation in their behaviour. Firms' nationality is disappearing in the face of market-driven pressures, and today the international firm bears only its own corporate flag. Whilst some authors see globalisation as a positive development, others are more pessimistic but none the less share the view that international market forces will lead to the inevitable decline of national management models. Streeck (1997), in an assessment of the possible scenarios of the evolution of institution-governed economies such as Germany, fears that the German management model is not suited to the rules of international markets and it might have difficulties surviving in its present form.
2.2. The nationality effect thesis

A three-pronged critique of Ohmae's and Reich’s globalist thesis has been formulated, firstly with regard to the fact that firms have become detached from their home nation, secondly that they are beyond the influence of national governments and thirdly, that they are converging towards a single model of international organisation.

Regarding the first point, whilst recognising the profound changes the world economy is undergoing, the main point is that the phenomenon of globalisation and the declining role of national institutions needs to be put in perspective (Dicken 1998). Coming from the political economy perspective and on the basis of an examination of international FDI statistics of firms’ degree of internationalisation, Hirst and Thompson (1996) give a more sober assessment of the phenomenon of globalisation. Firstly, multinationals continue to rely upon their home base as the centre for their economic activities and thus remain ‘heavily nationally embedded’ (1996: 98); secondly, patterns of investment flows continue to show strong national differences. Cohen (1996) on an analysis of international FDI data, reaches similar conclusions that the phenomenon of triadisation still concerns only a small number of firms; the globalisation of firms’ production chain does not hold for all firms, sectors and countries; finally, the bulk of firms retain a national base.

Similarly, Hu (1992) notes that the home nation remains at the centre of a firm’s innovative efforts, with strategic decision-making and control resting firmly in national hands, and that the growing internationalisation of shareholders seldom means that governments and nations will begin to view the enterprise as a ‘commodity’ willing to ‘leave it to the vagaries of the market’, given their economic importance to the home nation. A firm’s home base is also a crucial source of international competitiveness (Hu 1992, 1995). In a criticism directly addressed to Reich’s sweeping statements, he writes: ‘(...) because of the special nature of the links between the corporation and its home nation and because of the citizenship of
the majority of its owners, managers, and workers, a “national” company with international operations is “one of us”' (1992: 123).

In addition to the fact that firms inherit a domestic base, the importance of the Nation State is further demonstrated by the continuing protectionism of countries which favour their own firms. Mason & Encarnation (1994) conclude that nationality obviously still matters when the US and European governments’ trade policies discriminate against Japanese firms. There is ample evidence that some governments are far from willing to leave their own firms to the hands of the market and still see their interests as being tied to those of the nation (Ruigrok and van Tulder 1995). Protectionist countries such as France, Japan or Germany continue to seek to safeguard the interests of society and retain control of strategic industries: the entry of Renault into Nissan’s capital has dealt a humiliating blow to the Japanese business community; the landmark take-over of a national flagship telecommunications company Mannesman by British Vodafone raised outrage in Germany and could not leave the German government taking a disinterested position because domestic jobs were at stake, whilst the French government insists upon French companies to retaining their headquarters on domestic grounds.

Whilst recognising the profound changes the international economic order is undergoing, many studies emphasise the continuing importance of national governance in the global economy. Elger and Edwards (1999) argue that the control of Nation States in particular over labour matters is being reshaped as a result of the complex interactions between global forces and national contexts, but remains a key level of regulation. Stopford and Strange (1991) argue that national policies are shifting from national protectionism towards promoting domestic competitiveness, as governments ‘compete’ against one another in order to attract foreign capital. Kanter (1995) shows how local communities are being transformed by creating an environment that attracts global companies to ensure a viable economy ‘that links locals to global success’ (1995: 199).
Thirdly, the scenario that multinationals are converging towards a universal model of organisation and that nationality has no influence upon firms’ type of management are qualified by many studies which have shown that multinational companies originating from different countries differ in aspects of their behaviour. Thus, there exists a large body of evidence concerning American and Japanese multinationals, which demonstrates significant differences with regard to their patterns of internationalisation or their internal mode of governance. The Japanese model has been found to rely on a distinctive system of production characterised as ‘lean’, based on a highly integrated production process from design to marketing, ‘Just-In-Time’ principles as well as the emphasis on total quality management and continuous improvement. Such a production system is, in turn, highly dependent upon a committed and flexible workforce, which has enabled Japanese firms to produce low cost, high quality products and to outstrip their competitors’ levels of productivity (Womack et al. 1990). Distinctive features have also been identified with regard to Japanese multinational companies’ management structures and culture, with a highly centralised and network-style of management, and a consensual decision-making process (Bartlett and Yoshihara 1988; Bartlett & Goshal 1989).

In contrast, American firms are said to be more reliant on sophisticated financial control systems, which combine a large degree of delegation with control through formalised and standardised management systems (Bartlett and Goshal, 1989). GE epitomises the American model, relying on ‘batteries’ of planning and financial control systems, and corporate policies which are applied worldwide. A series of comparative studies have also confirmed financial control systems to be central to American firms’ modes of control (Neghandi 1983; Coates et al. 1992).

In turn, these differences have been found to originate in firms’ domestic environment. Japan’s distinctive socio-institutional environment has been presented in many studies as the key to explaining the development of Japanese companies’ superior system of production central to their international competitiveness (Kogut 1990; Oliver and Wilkinson 1992; U.S. C.O.T.A. 1993). Similarly, according to
Bartlett and Goshal (1989), American firms' 'one best way' model has emerged from the 'managerial capitalist' system which prevailed in their home country, whose origins and historical development were analysed by Chandler (1990).

Other authors have shown the defining role of firms' national identity upon their competitiveness. For Porter (1990), the Nation State is the level from which firms derive their competitive advantages. National factors, including national demand, patterns of domestic competition, industry support networks and factor endowments, constitute what he refers to as the 'national diamond' which shapes firms' competitive strengths. The notion that a link exists between firms' domestic organising principles and their international dynamism has been made by Hu (1995) and Quack and Morgan (2000). Kogut (1990) has argued that a firms' pattern of internationalisation is related to their technological advancement, which itself is the product of their socio-institutional context.

The culture-bound nature of firms' management practices has been the subject of a long-running argument from the culturalist perspective, which sees firms' behaviour as being mainly determined by their national culture (Hofstede 1980, 1991; Laurent 1983, 1986; Adler 1991). Adler (1991) rejects the idea of a convergence in firms' behaviour, because of the profound influence of national culture. She writes, '(...) the transnational organization, the organization that is beyond nationality in its design and operation, remains in reality a myth' (1991: 60). Using cross-cultural theories based on Hofstede's concepts of national culture, studies have revealed the influence of culture upon multinationals' behaviour. For example, Kogut and Singh (1988) and Hennart and Larimo (1998) argue that 'cultural distance' between the parent and the host environment affects multinationals' choice of the mode of entry, whilst Wong and Birnbaum-More (1994) found culture to influence multinationals' structures. Rosenzweig and Nohria (1994), in a comparative study of Canadian, Japanese and European multinationals' HR practices in the USA, demonstrate a strong nationality effect, but also suggest that nationality has differential effects
depending upon the issues studied: thus they find that some HR practices are more likely to be left to local discretion because of national regulations.

More recently, a critique of the globalist strand of literature has begun to structure itself around institutionalist theories, which had originally focused upon the study of national settings and how these influence firms’ behaviours (DiMaggio and Powell 1983; Maurice et al. 1984, 1986b; Whitley 1992; Lane 1989, 1995a, 1995b; Hollingsworth et al. 1994). Rozensweigh and Singh (1991), Westney (1993) and Femer (1997) advocate an institutionalist approach that conceptualises multinational firms as being embedded in a variety of environments, and being subject to a set of diverse and contradictory influences.

Taking this perspective, studies have established a direct and persistent causal link between country of origin and the corporate behaviour of firms internationally. In a comprehensive study of how German multinationals manage their human resources in the UK, Femer et al. illustrate the continuing influence of nationality in the face of global market pressures (Femer and Quintanilla 1998; Femer and Varul 1999, 2000a, 2000b). Whilst recognising a process of convergence towards an ‘Anglo-Saxon’ model, the authors see it as ultimately constrained by firms’ pre-existing patterns of organisation. Firstly, German firms remain imprinted by their development in their domestic environment. Secondly, the authors find that Anglo-Saxon practices tend to be absorbed into the existing German culture rather than fundamentally challenging it: for example, practices such as Anglo-American style mission statements became subsumed into the existing family and long-term ethos of German firms.

The international institutionalist perspective emphasises the influence of domestic institutions upon firms’ behaviour which in turn carries through internationally. It implies that, because nation states are subject to only slow evolution, divergence in key aspects of firms’ behaviour at an international level are likely to persist. Doremus et al. (1998) comparing the patterns of overseas
investments as well as international R&D policies of American, German and Japanese firms find systematic differences, resulting from their national specificities. Whitley (1994), doubting the extent to which a distinct supranational system of economic governance has emerged, believes that the possibilities of firms significantly departing from their domestic modes of governance is unlikely, and will ultimately depend on the nature, cohesion and relative strength of national institutions vis-à-vis international economic structures.

Quack and Morgan (2000) argue that firms' institutional and cultural legacies exert a structuring influence upon their behaviour internationally. Social institutions, they say, are a critical component of firms’ international economic performance. They emphasise the complex and dynamic processes between global forces on the one hand and national factors on the other, which, rather than simply bringing about a process of standardisation, tend to reinforce and expand firms’ national specificities. This implies that globalisation needs to be conceived as a ‘dynamic interplay of distinctive competitive advantages, derived from different models of organisation’ (2000: 22).

The culturalist and international institutionalist approaches emphasise the nationality factor as being a critical determinant of the ways and forms in which firms adapt internationally, and challenge the globalist perspective that sees multinationals’ behaviour as dictated solely by the logic of globalising markets and their trivialisation of the effects of non-economic dimensions upon the phenomenon of globalisation. Their work suggests that in order to understand firms' modes of internationalisation, one needs to take account of their domestic environment and national features.

In the same way as studies point to the continuing influence of national origin upon multinationals’ behaviour, other studies emphasise the importance of the host environments in which firms operate. Taking an institutionalist perspective, Streeck (1996) argues that firms' organising principles are rooted in a broader socio-institutional context, which poses a major obstacle to the transplant of international
best practices. Thus, he points to the inherent difficulties in seeking to transfer the Japanese lean manufacturing systems into the established German system of production given their radical differences.

A recent study of ABB has shown that even the most advanced global firms do not operate in a world bereft of national cultures. Bélanger et al. (1999) in a study of the Swedish company in six different countries, reveal the powerful processes of convergence within the group, resulting from a process of standardisation of products and management methods in order to meet global standards of performance. However, against these strong forces of convergence, local factors, including the weight of history, the varying degrees of competitive pressures across countries, firms’ embeddness within the economic, political and IR environment all continue to inform different local management responses to central policies. Furthermore, the authors state that, in a global firm, the local dimension becomes critical for its ability to attract and use available corporate resources. Therefore, the study underlines the complexity of interactions between corporate, sectoral and local forces: and the need to take a multi-level approach to the study of internationalisation of firms, reinforced.

In conclusion, therefore, the literature shows that if multinational companies are moving in the direction of becoming ‘global firms’ where all the rules of capitalism are being adopted, capitalism is not uniformly implemented and the national dimension remains important in the process of globalisation: firms remain attached to their home country, nation states continue to play a role and firms’ national origin does influence key aspects of their behaviour internationally.

However, the debates still leave many questions unanswered. In the view of the ‘globalists’, firms are seen purely as instruments in the hands of market forces and cultural differences are only residues in a global market. For the proponents of the nationality effect thesis, firms are the bearers of their nationality. The former view tends to overlook the effects of both national and host national governance regimes, whilst the latter suffers from a bias upon the country of origin as the dominant and
durable influence upon firms’ behaviour, but throwing little light on the nature of the interactions between global forces and firms’ national origins. Our understanding of firms’ responses to the globalisation of competition is also limited by the dearth of empirical material with the exception of the few empirical studies outlined above. These point to a more complex picture of the interplay between global forces and national identity than either strand suggests.

Further, studies overwhelmingly focus upon American and Japanese firms. Much less is known of European firms, and in particular there appears to be a lack of any comprehensive study of French companies operating abroad. Yet, France holds a prominent place on the international scene and further, is marked by a strong cultural legacy. This raises the question as to whether, in the same way as an American and Japanese management systems have been defined, there exists a French management model abroad.

In this study, we will seek to establish whether there exists a French identity abroad and to determine the manner of its influence upon French firms’ international behaviour. We shall thereby be able to verify whether French companies do align themselves to a common pattern of organisation under the pressures of market forces, as the globalist strand of literature predicts.

Our view a priori is that one should not underestimate the changes currently under way in the international economic order, yet a firm’s behaviour is the result of its past experience. It is therefore unlikely that global market forces will sweep everything away overnight. We see multinational firms as being torn between their home environment and the global environment, and believe the outcomes of those processes of adaptation, and the evolution of national features are more complex than the rather polarised debate suggested by the literature.
However taking into account the ‘nationality’ variable in the analysis of the internationalisation of multinational companies raises the problem of its conceptualisation, and this is an issue we now turn to.

2.3. Conceptualising the nationality effect in international firms

The issue of national culture in international management has remained a contentious matter in academia, and there is little agreement upon a conceptual approach capable of examining the nationality effect on multinationals’ behaviour and demonstrating that national features exist and are not stereotypes. Existing theoretical approaches are short of providing explanations of the links between country-of-origin and firms’ behaviour abroad. Yet, in spite of the difficulties of pinpointing the actual influence of national culture, its pervasive influence upon managements’ behaviour abroad can seldom be denied: who has not heard ‘this is typically American’, ‘the French are like that’, justifiably or not maybe, but we have all come across these kinds of statements.

As outlined above, one can distinguish two main theoretical approaches to studying the nationality effect on multinationals’ behaviour: the ‘culturalist’ perspective and the ‘institutionalist’ approach. The first influenced by Hofstede (1980; 1991), Adler (1991) and Laurent (1983, 1986) is perhaps the more established and has dominated international management thinking for over two decades. The second derives from what can be broadly labelled as the ‘institutionalist’ perspective and, by and large, emerged with the experience of Japanese multinationals in the US and Europe, as studies focused upon understanding the origins of their distinctive production system (Oliver and Wilkinson 1992; Elger and Smith 1994). This approach recently gained new momentum in the light of the accelerating globalisation of firms of different origins and the debates about the role of nationality, as discussed above. Each approach carries its own assumptions and conceptual tools in seeking to capture the ‘nationality’ variable in international firms.
The culturalist approach

The culturalist perspective emphasises the influence of ingrained national cultural values upon managements’ behaviour and attaches great importance to the traits themselves of being say French or American, taking those as deep-seated and immutable. This approach has found theoretical underpinning in the work of Hofstede (1980; 1991). Hofstede contends that culture determines the identity of a population at national level, which shares a similar system of societal norms and values, what he calls ‘mental programs’. Those values in turn underpin organisations’ modes of functioning. On the basis of a large empirical study of employees’ work related values in different countries within an American multinational IBM, Hofstede operationalised national culture in a four-dimension construct: ‘power distance’ - the degree to which organizational members prefer autocratic superior/subordinate relationships; ‘uncertainty avoidance’ – the extent to which organizational members avoid stress-creating situations in work relationships, ‘individualism vs. collectivism’ - the degree to which individual organization members depend upon the organization for goal fulfillment; ‘masculinity vs. feminity’ - the extent to which assertiveness and self-reliance are promoted within the organisation. Laurent’s (1983) studies provide another version of the culturalist approach. In a comparative study of managers’ views about the nature of managerial roles across nine different countries, he argues that national origins shape the views of how managers should manage organisations. For example, managers’ attitudes to such aspects as ‘what is required to have efficient work relationships’, ‘whether a manager is an expert or a problem-solver’or ‘what is the purpose of a hierarchy’, he argues, vary significantly along country lines. This approach has then been pursued and applied to a wider range of countries by Trompenaars (1992) and Hampden-Turner and Trompenaars (1994).

Taking these deep-seated cultural values as their starting point, culturalists then use them to argue that the management of a given nationality will retain its own values abroad, hence problems will arise when managers from one culture interact
with managers from another. Adler (1991: 45) for example reports on the basis of Laurent’s work, that American and French managers have difficulties understanding one another. The former believe the role of the manager is to act as problem-solver and that managers should help subordinates to discover ways to solve problems by themselves. On the other hand, French employees see their manager as an expert and therefore French managers should give subordinates a precise answer. Inevitably, when an American manager comes to work in a French organisation, clashes occur as, for example, when he tells French employees ‘I don’t know the answer, ask the marketing manager’, the French employee may see the American manager as incompetent because he did not provide him a precise answer. Similarly, if a French manager gives an American subordinate a precise answer, the American thinks the French manager is more egotistical than competent. Other examples of cross-cultural problems are provided by Laurent (1986), when illustrating the misunderstandings that multinationals face in seeking to transfer HR policies such as management-by-objectives in other countries, as local managers have different understandings about their roles than those of the parent.

One of the contributions of the culturalist approach lies in its recognition of the existence of a culture shared by people at national level, as well as its efforts to conceptualise the most intangible aspects of national culture. Culturalist approaches are behind the bulk of the literature on issues such as managing cross-cultural teams, leadership across countries and expatriation training (Adler 1991; Trompenaars 1992). In particular, businesses have been keen consumers of culturalist accounts to national cultures as reflected in the success of the studies of Trompenaars, himself an ex-IHRM manager at Shell, who reports a spate of anecdotes arising from his work experience alongside managers operating in different countries.

The main weakness of the approach however rests in its very assumptions. The culturalist perspective, conceiving of cultural values as set in stone, believes that a French manager will remain French abroad, as would an American manager. If managers have such strongly ingrained values, then one has difficulty conceiving how
two such different mentalities are able be work with one another, as illustrated in the above example. Yet, common sense suggests that the picture culturalists depict of cross-cultural misunderstandings bears little resemblance to the real world and different nationalities are able work with one another all the time. This approach therefore, basing its analysis of multinationals’ behaviour solely on cultural values, remains based on stereotypical accounts and cannot account for the evolution of managements’ national traits as they depart from their domestic environment to the international arena.

The institutionalist approach

In light of those weaknesses, the ‘institutionalist’ current of thinking has emerged as an alternative to the culturalist approach for examining the influence of national identity upon multinational companies’ ways of operating. Wrong footing the culturalists, institutionalist theory no longer relies on national values to encapsulate the role of nationality upon multinational firms’ behaviour, but on concrete facts. It typically attaches itself firstly to understanding the historical and economic institutional setting within which firms are embedded. From this, it draws a set of tangible characteristics of firms, for example with regards to their modes of control or their work organisation.

Using these concrete characteristics as a starting point, the typical method of research adopted is to seek to locate those features in the host environment in which firms operate. Managements may have habits in its country of origin, the question is can we find those same practices abroad. For example if French companies are centralised at home, will they be centralised abroad? If American firms rely on sophisticated financial control systems in their domestic market, will they do the

---

1 The term ‘institutionalism’ is used here in a broad sense to characterise studies which follow this method of research (that is to define the characteristics of managements in their country of origin as a set of practices, and then seek to locate those in the operating company to identify nationality effects). But, it does not strictly refer to ‘new institutionalist’ theories. In fact, studies are often found to rely upon a diversity of theoretical strands to examine the domestic context of the multinational firm as their starting point.
same abroad? Oliver and Wilkinson's (1992) study of Japanese manufacturing companies in the UK illustrates this method of research. Having analysed the Japanese business system, defined a Japanese management model composed of a set of distinctive features (such as key tenets of Just-In-Time/Total-Quality-Control production, the 'three treasures' of lifetime employment, seniority wages and company welfarism), the authors, through the use of surveys and case studies, then go on to compare this set of features against the practices of Japanese firms' UK subsidiaries to determine whether a Japanese model had been transferred. It is in fact on this method of relying upon tangible practices to define a national identity, that a Japanese and an American model of management have been found in the literature.

One of the strengths of the institutionalist approach is its emphasis upon the need to locate the firm in its environment of origin and to gain an understanding of its behaviour at home, as an analytical base for examining how firms’ nationality influences the way they operate internationally. This perspective conceives of the firm as being ‘embedded’ in its environment of origin and emphasises the conditioning effects of national institutions upon managements’ behaviour at home (Ferner 1997). These assumptions in turn derive, implicitly or explicitly, from institutional theories of national models (Hall 1986; Hollingsworth et al. 1994; Streeck 1996; Maurice et al. 1986b; Whitley 1992; Lane 1989, 1995a, 1995b) which conceive of national economies as constituted of a set of interrelated political, economic and social institutions, which shape key dimensions of managements’ behaviour in distinctive ways. The key assumption underlying this approach is that, managements’ behaviour is ‘ingrained’ and therefore, it is likely to exert an influence upon the way it will behave abroad.

However, the main problem which can be addressed to the systemic-type of approach lies with the generalisability of the findings. By seeking to define a national behaviour on the basis of tangible practices, studies imply that nationality is a set of practices that can be found in all companies all the time and we thus come to the flawed notion that IBM is run like MacDonalds, or Toyota like Nissan.
This method, based on a matched comparison of the behaviour of the parent and that of the subsidiary, does not enable a comparison of comparable facts. To be pertinent, it can only be applied to firms operating in the same industry, or to individual case studies. For example, Womack et al. (1990) identified a distinctive Japanese production system, through a comparative study of a number of Japanese car manufacturers. Their findings are conditioned by the industry variable however. Their conclusions, whilst being valid in the context of the car manufacturing industry, cannot be generalised to other Japanese companies operating in different sectors, or having internationalised at different periods of time.

In the same way as the industry variable has influenced the outcome in this case, other factors, such as a firm's period of internationalisation, may have had an influence upon the findings. One thus begins to see the conditioning effects of temporal and spatial parameters upon studies' findings, and the necessity to take into account a comprehensive number of variables, that may influence firms' national characteristics, in order to go beyond the effects of those factors, and be able to draw conclusions that can be applied to all firms of a given nation. Other studies have examined the interactions of a larger number of intermediate variables, but these often remained restricted to a small number of firms. For example, Abdullah and Keenoy (1995) have examined the interactions between sectoral variables, home and host country influences in Japanese electronics multinationals operating in Malaysia but have considered only two case studies. As a result, their findings remained restricted to their case studies. The 'institutionalist' perspective therefore does not take into account all the parameters that may affect their findings, and as a result, the type of conclusions it produces are bounded in a specific spatial or temporal context.

In the face of the weakness of the institutionalist approach, has come a third school of thought which has been critical of institutionalists' tendency to give a salient role to nationality in the explanation of firms' behaviour. In essence, these critics observe that IBM is not like McDonalds, that both firms do not have the same history, the same corporate culture, the same strategies and they do not operate in the
same sector meaning that the idea of practices being universally applied in their home country is not viable. Wood (1992), in a criticism addressed to Oliver and Wilkinson’s findings, claims that there is a diversity of practices in Japan and therefore the attempt to define a Japanese management style is flawed. Dedoussis (1995) makes a similar point. In a study of Japanese transplants in Australia, he found in some companies no attempt by the parent to transfer a Japanese paradigm of management. Kenney and Florida (1995) found that Japanese electronics firms US subsidiaries behaved differently than their car industry counterparts, and thus emphasise the effects of industry-specific factors upon multinationals’ behaviour. Elger and Smith (1994) advocate a method that takes account of technological pressures as well as the socio-economic context of the host environment, in addressing the issue of the ‘transferability’ of the Japanese model. The fundamental point of this third strand of literature, therefore, is that there are a large number of variables which influence firms’ behaviour, and as consequence they refute the importance of the nationality effect in the face of others factors which are as critical as the industry, corporate culture or history.

However, this approach, which advocates that one should take into account diversity, has some flaws in its arguments. It implies that IBM is different to MacDonalds, and thus that diversity is such that, to put it bluntly, there can be no nationality effect. Although it emphasises the importance of taking into account a variety of factors, it stops its reflection half way through: indeed, like the institutionalist approach, it focuses upon what firms actually do, and therefore it cannot recognise and/or demonstrate the existence of a nationality effect which is applicable to all firms of a given nation.

In conclusion therefore, conventional approaches, whilst having strengths, offer partial accounts of the consequences of national identity upon firms’ behaviour abroad. The culturalist approach recognises the existence of a national, intangible cultural identity but, because it conceptualises national culture as a set of immutable values, it cannot explain the evolution of firms’ national traits, as firms depart from
their domestic environment to the international arena. The institutionalist perspective can identify certain national traits which characterise multinationals, but, because it does not take into account a comprehensive number of international factors which may influence those traits, its findings are bound by the temporal or spatial conditions of the firms which they study.

A 'behaviourist' approach to examining nationality effect in international firms

We propose a new approach to examining the effects of national features upon international firms, which places emphasis upon the links between firms' national identity and their mode of functioning abroad.

We introduce a new variable, which is the examination of a 'mode of thinking', or 'managerial behaviour', constituted of a set of features, which is common to a managements of a given nationality, and is non measurable. The reason why such behaviour exists is that management's past experience has been shaped by the home environment in which it has evolved and conditioned its mode of thinking. Secondly, we contend that firms' national traits are in turn going to influence the practices that firms adopt abroad, and in ways which are more complex than conventional approaches suggest.

Indeed, as the firm departs from its domestic environment to the international arena, its traits will interact with a number of international factors, or 'filters', and, as a result, these traits may filter through abroad in different forms. The consequences of managements' traits upon the outcome practices will vary and are complex however. Figure 2 – 1 gives a situation of two companies originating from the same country, which operate in different conditions for example different sectors therefore the intermediate variables, or filters, vary.

\footnote{From the outset, we emphasise that the concept of 'behaviour' in our study refers to a national managements' mode of thinking, as opposed to what the firm actually does abroad.}
Theoretical framework

Company a:

Filters

Parent

1

French features

2

X

3

Unit

Y

Company b:

Filters

Parent

1

X

2

Unit

Y

3

Firstly, a trait can have implications in several tangible facts. Thus, a trait, or several traits, can lead to the same practice (Trait 2 in Company (a) and Trait 1 in Company (b) have led to practice X). Further, two different outcome practices can be the result of the same antecedent feature (Practices X in Company (a) and Y in Company (b) resulted from Trait 2).

Secondly, we contend that a national feature can filter through internationally at varying degrees of intensity, depending upon the context with which firms are
faced: it can filter through in its entirety; or it can be lessened or emerge occasionally. In Figure 2 - 1, we see that Trait 1 was prevented from going through in Company (a) because of the international filters met; but it did filter through in Company (b) under a different set of circumstances.

Further, through this approach, we remain open to the possibility that ‘new features’ might be gained by managements via the contact with international factors, and subsequently become part of their behaviour abroad. Thus, in addition to the ‘obvious’ features and the ‘potential’ ones, the ‘new’ features which the firm may acquire, constitute a third building block of managements’ behaviour abroad.

Our task is then to reconstitute managements’ behaviour abroad. As international filters may influence how traits will express themselves in practice, we need to detach ourselves from the practical level and go beyond the effects of those filters. Our aim is to demonstrate that, beyond the practices adopted by multinational managements, there exists a mode of thinking common to all firms, which has led management to act in the way that it has abroad, both as a result of the management it inherits from home and the international context it is faced with. In other words, we focus explanations upon why management has come to act in the particular way that it has abroad.

Thus, our approach takes account of elements of both the culturalist and the institutionalist schools of thought, whilst renewing them in other areas. Compared with cultural analyses, we recognise the importance of an intangible component of national culture. However, we do not base our analysis solely on values: like the institutionalist perspective, we consider managements’ concrete responses abroad. However, we see practices only as a means to uncover managements’ traits, which may have influenced the implementation of those specific practices. In other words, rather than solely focusing upon the question of how the firm actually operates abroad, we instead address the question of why management has come to act in the way that it has abroad.
In order to draw out managements’ national features abroad, we will proceed as follows. We shall consider a maximum number of international filters, through the examination of a diverse sample of French companies operating in different sectors and having internationalised at different periods of time. Indeed, having established that international filters have an influence upon the ways in which managements’ features will filter through in practice, only the comparison of a large number of firms can enable us to identify managements’ features abroad in a comprehensive and systematic fashion, and ensure that our findings are not biased by specific filters. The sole examination of company (a) would not have enabled the identification of Trait 1; but, a large cross-case comparison is more likely to bring out features that have filtered through in different forms depending upon the context.

Conventional approaches, by considering a limited number of intermediate variables, give a partial view of managements’ behaviour abroad: they are able to identify features which have transpired as such, such as Japanese lean production or American standardisation. However, they risk omit the ‘potential’ features which filter through occasionally or at different degrees of intensity: even though Trait 1 does not emerge in all cases, it is potentially there and constitutes part of managements’ behaviour abroad. Nor is the approach, by setting out the problematic in terms of transferability of firms’ features, able to identify firms’ newly gained features.

Further, in seeking to explain how and why managements have come to act in the way that they have abroad, we need to consider not only firms’ practices abroad and how they operate at a given point in time, but also examine parent companies’ strategies over time: that is their initial intents, the difficulties they have experienced, the effects of the filters met, how management has altered its initial strategy in response to those, and the actual consequences. It is through an understanding of the evolution of managements’ initial intentions, that a typical behaviour can be revealed.
In total, this method enables us to reconstitute managements' behaviour abroad in a systematic and comprehensive manner: we can identify the 'three tiers' - that is the features that always transpire, those that may not always filter through or filter through lessened; and finally, the 'new features'. By considering a maximum number of temporal and spatial parameters and the evolution of firms' strategies over time, we can draw out a behaviour which goes beyond the filters that are met, and, therefore, can be generalised to all companies of a nation.

To reiterate, through this method, our objective in this study is to seek to prove the existence of a mode of thinking, common to French managements, which is going to influence their decisions independently of the filters met. In other words, it will be applicable to other French companies or French companies internationalising at different periods of time. Defining such a behaviour means it will be possible to predict how managements will react in a given context. This does not mean that all companies will do the same thing at the same time, but that this behaviour might express itself depending upon the context that is met. It thus constitutes what can be referred as a potential set of national features which will filter through abroad, if they are allowed to under time and environmental conditions that are met.

This method thus enables us to demonstrate that there exists a national behaviour, which implies that, beyond their practices, IBM and MacDonalds have some things in common: a common mode of thinking and reacting. National culture is a complex phenomenon which, although recognised by all of us as exerting a pervasive influence, is unseizable and therefore it requires the development of concepts which are non-measurable. In spite of its non-measurable character, the behavioural variable we introduce into our analysis, we believe, is more representative of the description of a national management model abroad than under conventional approaches and enables for a deeper examination of the potential consequences of national identity on firms' international operations.
Conclusions

Analysts are divided with regard to the effects of globalisation upon the nationality of firms, between those who predict its decline under the forces of globalisation, and those who argue that a firm’s nationality is enduring and continues to influence the way it operates abroad. The objective of this study is to test these two hypothesis, through an examination of French multinationals’ international strategies.

In order to examine the effects of French identity upon firms’ behaviour abroad, the approach adopted is to characterise a mode of thinking specific to French companies, which will influence the way they react abroad. To obtain this behaviour, we have to take into account a comprehensive number of international filters, which can influence a firm’s traits, as it departs from its domestic environment. These filters broadly include time-related factors (the parent’s period of internationalisation; its international experience\(^3\)) and space-related variables (industry-specific factors; the host environment in which firms operate). These will be defined in detail in the proceeding chapters.

\(^3\) The variable, ‘international experience’, refers to the firm’s familiarity with the rules of capitalism, which dominate the global environment at present.
III

RESEARCH METHODOLOGY
Chapter III

RESEARCH METHODOLOGY

Introduction

In order to examine the extent of the nationality effect upon French multinationals’ behaviour, we have chosen to adopt a qualitative method of research. Firstly, the rationale behind the research strategy adopted will be discussed, followed by the presentation of our research design, and then concluding on our chosen methods of analysis and the kind of output of the study.

3.1. Qualitative research and multiple case-studies as research strategy

The research seeks to establish whether there exists a distinctive French management style abroad. Given our research objectives and theoretical approach outlined in the previous chapter and recapitulated in Figure 3 – 1, we opted for qualitative research, through the means of a multiple case-study method, examined in a historical perspective. This choice was made necessary first by the nature of our research. In the absence of any comprehensive study of the internationalisation process of French companies, our research was basically starting from scratch, and not being able to refer to prior theoretical or empirical work in the literature, we were forced to build up interpretative theories of French companies’ behaviour abroad.
The additional factor was that our conceptual approach to examining the nationality effect aims to draw out French managements' mode of thinking, or behaviour abroad, and therefore we are concerned with exploring an intangible phenomenon. Indeed, we are seeking, not to characterise practices observed within the operating company abroad, but derive a set of behavioural characteristics specific to French managements that have influenced their strategies abroad, and to this end practices are only a means to uncover French managements' behaviour.

Thirdly, in order to examine how French companies' national features evolve as they leave their domestic borders, we have to take into account a large number of variables with which companies will be confronted in the international arena, or filters, which are both time- (period of internationalisation, international experience) and space-related (host environment, industry).

![Figure 3-1: Theoretical framework](image)

In light of those conditions, only a qualitative approach could enable us to explore the complexity of French companies' internationalisation strategies. According to Yin (1994), this approach is particularly appropriate to study the kind of phenomenon where 'the boundaries between phenomenon and context are blurred', and is capable of dealing with the 'entangled situation between phenomenon and
context'. A qualitative approach could enable us to examine the nature of the interactions of companies’ strategies and the multiplicity of factors they encounter abroad, in order to draw out the complexity of French managements’ behaviour abroad independently from those filters.

In order to characterise French managements’ behaviour abroad, we rely on a multiple case-study method comprising eleven companies. As Eisenhardt (1989) argues, the strength of a multiple-case study method of research comprising over five cases is the potential higher level of applicability of findings generated, as it enables one to test explanations and models through a ‘replication logic’ across cases.

In our case, the choice of relying on a large sample of companies was made necessary, so that French managements’ features drawn from our case studies could be tested against a large number of companies and thus were not restricted by either spatial or temporal contingencies. Given the large number of international filters that entered the equation, there was a risk that on the basis of a small number of cases, our findings of French managements’ behaviour abroad would have been biased because of specific antecedent conditions which would be exceptional. Thus, for our study to be pertinent, it was very important to be able to examine a large panel of companies so as to be able to draw national features which go beyond the set of filters identified, and in turn can be generalised to all firms of a nation. By examining comprehensively the interactions between international filters and French companies’ behaviour, in each case, we could weigh the influence of each of those filters upon French features which had led to specific outcomes within the operating company.

Being interested in understanding the evolution of French companies’ features as they leave their domestic borders, it was necessary to examine their process of internationalisation over time in order to appreciate the direction and patterns of change. Pettigrew (1990) advocates a historical approach when it comes to developing a more ‘holistic’, ‘dynamic’ approach towards understanding a phenomenon. How French companies respond to the international environment they
are confronted with is not an instant phenomenon but evolves over time, and thus a snapshot approach, by separating events under study from their temporal contexts, cannot reveal the processes at work. The period under investigation covered the decade beginning from the late 1980s to the end of the 1990s, because this decade represented a significant period of internationalisation for many French multinationals. French firms caught the train of globalisation only ten years ago. The added advantage of observing them from the very beginning of their internationalisation was to be able to follow through the evolution of their features from a state where companies’ national features were very French, that is non-contaminated so to speak by any other international influences. Thus, the behaviour of today’s French multinationals that we attempt to unfold in this study, has built up during this ten year period.

Although dealing with a large number of case-study firms, we were able to acquire the kind of information required to address our research question, both because of the nature of the research problem itself, as well as specific conditions related to fieldwork which have been favourable. Our research objective is to draw out characteristic features of French managements abroad, that is of those who manage multinational companies. Therefore our data collection focused on the management population of French firms, rather than being concerned with studying in great detail established practices within operating companies.

In conducting our study, we have also benefited from several advantages. Firstly, given the high concentration of power within French firms, it was possible, by accessing top management levels, to obtain the information required in a relatively short space of time. In addition to being close to the centres of power, given French organisations’ employment patterns, French managers interviewed had for the most part spent their entire career within their companies, and therefore had followed through their firms’ international strategies over long periods of time, and were thus knowledgeable about past and current choices, as well as the difficulties they faced abroad.
In addition, the acquisition of information was facilitated by the timing of the research as it took place at a turning point for French firms as they were internationalising on a large scale, and were questioning their existing strategies on many fronts, as evidenced by their progression forward in the UK observed throughout the study. Our study was thus addressing a real need for companies, and thus managements talked openly about the issues they were faced with, which allowed us through the interviews conducted to go to the heart of the matter. Finally, being a French national myself and having spent ten years in the UK, this helped to develop an appreciation of the behaviours of French managements in the UK, going beyond the stage of cultural stereotypes whilst not de-contextualising each country's distinctive cultures.

3.2. Methods of data collection and analysis

Selecting cases

The choice of France, the selection of case study firms as well as that of the UK as a host environment was directly linked to the analytical framework and the international filters which had been defined as being relevant.

France is a strong test case to address the globalisation vs. nationality effect debate, first because French companies are successful abroad: France holds a prominent place on the international scene¹. By the same token, France is a country which has a substantial historical and cultural legacy, and, in contrast with Anglo-American firms who are embedded in a market-based system, French firms have not been greatly exposed to domestic competition. Seeking to understand why they are successful abroad, and examining how they react in the face of global competition was a good opportunity to assess the role of nationality upon firms' international competitiveness. Further, as the specificities of the French institutional environment

¹ In 1997, France had 13 companies among the top 100 TNCs ranked by assets held abroad; the US 27; Japan 17; UK 11; Germany 11 (World Investment Report 1999, Foreign Direct Investment and the Challenge of Development, United Nations).
were well-known through an extensive literature search, we could establish a profile of management’s domestic features. This provided a solid starting point to examine the evolution of these features as companies departed from their domestic borders.

Great Britain as a host environment provided an interesting observation ground in order to explore the behaviour of French firms. Britain has a culture that is very different from France, but also its economy has a highly advanced degree of marketisation which is strongly integrated into the global economy. It thus raised the issue of how French companies adapt to a culture which is radically different from their own, as well as enabling us to observe the mechanisms through which they adapt to the global economy.

A number of criteria guided the selection of our sample of case studies. Firstly, the study focused upon large French corporations, as, characteristically in France, internationalisation is driven by large companies, a reflection of the French State’s strategy of creating national champions: in 1993, ten groups accounted for a third of total employment abroad whilst SMEs accounted for less than 5% (Tersen and Bricout 1996).

Secondly, in order to test our hypothesis, it was important to gain access to companies that were representative of the diversity of French capitalism. Thus our sample includes companies that are part of the large state-led industry sector, the predominant industrial governance pattern and domain of French excellence, but also companies that were part of the competitive sphere. Further distinctions can be made with regard to firms’ specific historical and domestic sectoral settings according to their ownership characteristics (state-owned, those that were privatised in the 1986 or 1993-4 waves of privatisation, family-owned and / or controlled, entrepreneurial). It was therefore possible to assess the impact of historical and sectoral domestic backgrounds upon firms’ behaviour.
Thirdly, our sample includes both manufacturing and services firms, reflecting the sectoral distribution of French firms’ internationalisation patterns in the UK (table 3 - 1). In total, the services industries account for half of our sample (banking, construction, insurance, retail, utilities). Our sample thus enables us to compare the impact of the industry variable (global vs. national) upon French firms’ features. Operating internationally in manufacturing sectors is now well established with companies having long re-located their factories to produce in cheaper countries for example, and the sector effect is known to be less prominent. However, in the service sectors the bulk of which are newly internationalised - aside from banking and construction in our sample, the local character of industry is very strong, raising the question of whether French companies in multi-domestic industries will be faced with tougher problems abroad as the ones in global industries.

Table 3 - 1: Sectoral distribution of French investment stocks in the UK\(^a\), 1995

<table>
<thead>
<tr>
<th>Services</th>
<th>62</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>22</td>
</tr>
<tr>
<td>Natural resources</td>
<td>9</td>
</tr>
<tr>
<td>Holding</td>
<td>5</td>
</tr>
<tr>
<td>Others</td>
<td>2</td>
</tr>
</tbody>
</table>

\(^a\) \& share


The fourth and final criterion affecting choice was to select firms who had joined internationalisation in different time periods, each corresponding to specific international contexts and strategies. Whilst the bulk of French companies begun internationalising in the late 1980s, some, because of the industry they operated in, had a long international history abroad. Thus, groups selected fell into three time periods that can be identified as significant: prior to the 1970s where firms were mostly located in the French colonies or Southern Europe; the late 1980s which corresponded to the beginning of the internationalisation of French companies which focused on Europe; and the mid-1990s where all French companies internationalised and adopted strategies of global expansion. The question for the research to address
therefore was the effect of firms’ international history upon their ability to operate in today’s highly competitive and globalised markets. Table 3 – 2 summarises the key background variables of our sample of case study firms, which may filter companies’ national features in a strength and direction that had to be determined².

Table 3 – 2: Presentation of the eleven case-studies sample

<table>
<thead>
<tr>
<th></th>
<th>Domestic background</th>
<th>Industry</th>
<th>Industry nature</th>
<th>Period of entry in UK</th>
<th>Internat. positioning³</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Alcatel</td>
<td>Telecoms</td>
<td>Global</td>
<td>Late 1980s</td>
<td>World</td>
</tr>
<tr>
<td>2.</td>
<td>AXA</td>
<td>Insurance</td>
<td>National</td>
<td>Mid-1990s</td>
<td>France</td>
</tr>
<tr>
<td>3.</td>
<td>Crédit Lyonnais</td>
<td>Banking</td>
<td>Mixed</td>
<td>1960s</td>
<td>Europe / Colonies</td>
</tr>
<tr>
<td>4.</td>
<td>Danone</td>
<td>Food</td>
<td>National</td>
<td>Late 1980s</td>
<td>France</td>
</tr>
<tr>
<td>5.</td>
<td>La Redoute (PPR)</td>
<td>Retail</td>
<td>National</td>
<td>Mid-1990s</td>
<td>France</td>
</tr>
<tr>
<td>6.</td>
<td>Peugeot</td>
<td>Car</td>
<td>Global</td>
<td>1970s</td>
<td>Europe / Colonies</td>
</tr>
<tr>
<td>7.</td>
<td>Saint Gobain</td>
<td>Building materials</td>
<td>Global</td>
<td>Late 1980s</td>
<td>Europe / Colonies</td>
</tr>
<tr>
<td>8.</td>
<td>Schneider</td>
<td>Electronics</td>
<td>Global</td>
<td>1960s</td>
<td>Europe / Colonies</td>
</tr>
<tr>
<td>9.</td>
<td>Total</td>
<td>Oil</td>
<td>Global</td>
<td>1960s</td>
<td>Europe / Colonies</td>
</tr>
<tr>
<td>10.</td>
<td>Vinci (Vivendi¹)</td>
<td>Construction</td>
<td>National</td>
<td>Late 1980s</td>
<td>Europe / Colonies</td>
</tr>
<tr>
<td>11.</td>
<td>Vivendi Water</td>
<td>Water distribution</td>
<td>National</td>
<td>Late 1980s</td>
<td>France</td>
</tr>
</tbody>
</table>

² This is not an additional criteria but only gives an indication of the companies’ international state as they set foot in the UK. ‘France’ means the companies were not internationalised at the time; ‘Europe/Colonies’ means they were present in only a few countries often in Southern Europe and the colonies; ‘World’ refers to companies that were pursuing global strategies.

² Obviously, the sample of French companies that met those key criteria was further narrowed down using various sources of information including *Who owns Whom* database, UK company reports, etc. in order to weed out companies having small operations in the UK, or being present only through commercial outlets. It was indeed unlikely that they would have provided a terrain of observation of French managements’ behaviour internationally.

³ Group Générale des eaux changed its name to Vivendi in 1998. The group construction division, SGE, was renamed Vinci, whilst the water division was given the name of Vivendi Water.

⁴ Cf Footnote 3.
Whilst exhibiting significant differences in terms of domestic historical and sectoral background, and degree of internationalisation, the companies selected are nonetheless comparable, firstly because they are all of a similar size, and secondly, irrespective of their differences, they are today all faced with similar global pressures to internationalise. Having defined the key background variables to our case study firms which can potentially influence firms’ national features, we could reduce extraneous variation thereby enhancing external validity of the findings.

Research design and unit of analysis

We began our research with a semi-structured, flexible interview agenda in order to allow for key issues regarding French firms’ internationalisation process to emerge. The research began with a focus on examining how French companies manage their human resources across borders, and with this in mind we then set out to examine their international strategies in order to understand how it affected their IHR policies. As the research progressed, two developments emerged which required an adjustment of the issues explored. Firstly, with regards to the management of HR, as French companies were new internationally, we found, in all but one case, that the management of HR issues at an international level was concerned with the creation of a group culture and the internationalisation of managerial personnel. We found companies at this stage did not focus upon developing a comprehensive IHR policy from top management to workforce levels, and those issues were by and large left to local discretion. Thus, our study focused on the strategic dimensions of the management of human resources internationally, that is how companies create an international culture, how managers are developed internationally, rather than dealing with the management of non-managerial personnel. For example, whilst French firms were in the vanguard of setting up European Works Councils, these turned out to have only a limited role internationally, and thus whilst some characteristics of French managements could be drawn from this fact, we did not pursue the issue in great detail because it was unlikely it would have revealed any specific traits of how French managements behave abroad.
In addition, as fieldwork evolved, we realised French firms’ international strategies did not only impact upon the management of their human resources, but was linked to other functions as well. Again as a result of the very early stage of internationalisation that French firms were at, whilst the management of HR abroad came to be on managements’ agenda, it was generally implemented after many other changes were introduced in other functions including general management, finance, production and marketing. In order to reach our research objective of defining managements’ features which have influenced French companies’ strategies, we thus had to understand the international strategies of companies as a whole which meant we had to broaden our research agenda to include all other relevant domains of management.

In order to be able to draw out a French behaviour, we had to understand the evolution of firms’ international strategies, and not only how they were managed at a given point in time. We thus followed through companies’ strategies in relation to the past, the present and the future: that is, what was their initial strategies, how managements went about implementing them, the difficulties companies experienced, the mistakes that were made, how their experience helped managements for the future, etc.

Companies’ strategies were examined through four themes (cf. Appendix). Questions were asked, first of all, with regard to the history of their UK acquisitions and how they approached the issue of integration, their degree of knowledge of managing abroad, the obstacles they encountered and the outcomes of the process. A second major theme dealt with companies’ internal structures of power and control as well as the evolution of their corporate structures in response to international market pressures. Questions at both levels of organisation dealt with the operating company’s degree of autonomy, the modalities of control used by headquarters, issues related to operating in the UK market, as well as addressing how management went about the evolution in their corporate structures. The third issue focused upon the strategic management of their HR internationally, as discussed above; we
followed through the key changes that companies made in their HR policies through the course of their internationalisation, and the issues and problems they were confronted with. A fourth and final broad area looked at whether and how the experience they gained in the UK helped them for the future.

Methods of data collection consisted mainly of in-depth interviews with French and British managers both at headquarters and UK operating company levels. In total, 162 managers were interviewed and a well-balanced number of interviews carried out at corporate headquarters (75) and in the UK operating company (87). A minimum of around ten up to twenty interviews were carried out per company. The period of defining the research questions, gaining access to companies and conduct of the case studies spanned two years.

In each case study company, information was gathered at both corporate and operating company levels in order to follow through the processes from the elaboration of companies’ international strategies to their implementation. Firstly, at product line level, interviews were conducted with executives who had direct responsibility for international operations, namely the divisional head and his direct subordinates in key functions (finance, HR, production, marketing). In addition to divisional level, selected functions were covered at corporate level, depending upon the importance of this level in the definition of international strategies and companies’ corporate structure, so as to gain a high-level perspective on firms’ modes of functioning. Thus, within groups which had a well-developed matrix-based corporate structure, senior managers at Area level were interviewed, generally including general, marketing and / or HR. Within all groups, HR managers were interviewed at corporate level as it was a key level at which HR strategies were developed. This included at the minimum the head of International Human Resources, as well as managers responsible for management development; this was complemented by further interviews of HR managers in other functions, when specific IHR policies needed to be pursued.
At the UK level, the senior management team was interviewed including the General Manager and the heads of the major functional areas, that is finance, human resources, marketing and production. In functions where it emerged during the course of research that French policies were implemented, middle managers were interviewed, for example plant managers and specific operational managers, in order to follow through in greater detail how policies were perceived and implemented within the operating company. Finally, French expatriate managers who had been assigned to the UK operating company were interviewed, as, being at the crossroads of both cultures, they were valuable sources of information in order to help understand group philosophies and policies as well as the issues surrounding their implementation in the UK.

Gathering information on each issue from the different viewpoints within organisations, that is French corporate management's, the British operating company's as well as French expatriate managers', has enabled us to define the gap between top managements' intentions and the actual implementation of their policies and thus enabled a triangulation of evidence, thereby strengthening the empirical grounding of the French managements' behaviour that was found.

In-depth interviews were complemented by examining secondary sources of information. We collected various internal company documentation, including internal news magazines, minutes and summaries of meetings, written reports as well as various statistical information. We also consulted newspaper articles, journal and book references on the companies, their industries and relevant themes concerning our study. In addition to the total number of interviews indicated above, a series of short follow-up telephone interviews were conducted with managers, when complementary information was required about specific issues. All together, this enabled us to complement and corroborate information received from interviewees. When a consistent picture emerged, through cross-checking several interviewees' viewpoints as well as documentary data, we were satisfied with accepting the information collected as reliable.
Methods of analysis

As many authors have emphasised, the process of moving from field data to the various stages of analysis is highly iterative where periods of openness and complexity alternate with a period of more structured understandings, through which research questions, variables and constructs are (re)-defined (Bacharach 1989, Eisenhardt 1989). However, there were a number of stages that were involved in the phase of data analysis.

Having gathered information upon specific themes, the first level of analysis was to reconstitute the path of French companies’ strategies over the time, therefore we began interpreting French companies’ behaviour. We aimed to draw French features, in other words we sought to formulate explanations for French managements’ actions abroad: what were the reasons behind firms’ specific responses? How and why did management come to act in the way that they did? What features of their character could be behind firms’ responses?

Firstly, the process focused on each case study. Once general patterns and differences were identified and tentative explanations elaborated, these were compared with the evidence of each other case, through a ‘replication logic’, which enabled us to extend them, qualify them or eventually drop them (Eisenhardt 1989). Systematic cross-case comparisons enabled us to ensure we identified French traits in an objective and exhaustive way, and went beyond the effects of each filter.

Thus, once data was collected, an analytical phase was involved, which was aimed at detaching ourselves from the practical level and drawing out French firms’ mode of thinking abroad. In addition to starting from the level of practices abroad to find firms’ underlying traits, we also followed the conventional method, that is, we sought to find whether French features we had identified in our study of the French business system could be directly found abroad. This enabled us to ensure no features were omitted in reconstituting French managements’ international behaviour.
Conclusion

The study aims at drawing a pattern of behaviour, or set of features, which characterise French managements abroad, this being done firstly, through a sample of diverse companies, and secondly in an encompassing manner, by examining the perspectives of French managements, the operating company and French expatriates managers. The behaviour we draw out is unbounded in both space and time. In other words, it can be generalised to other French organisations as well as over different historical periods. Thus, the way in which French companies behave can be predicted. This predictability does not mean we can anticipate what French managements will do exactly, but rather is a tendency, a mode of thinking towards which they will lean, and which will express itself, if allowed to under the time and environmental conditions that are met.
IV

FRENCH MULTINATIONALS IN THEIR NATIONAL BUSINESS SYSTEM
Chapter IV

FRENCH MULTINATIONALS IN THEIR NATIONAL BUSINESS SYSTEM

Introduction

The country of origin is the departure point of multinational companies abroad. Firms are embedded in a distinctive institutional environment from which they develop characteristic features. As multinational managements share a similar and long experience in the same environment, these traits are likely to influence the way they will react in the international arena. Those features might in turn be a source of advantage or on the contrary a handicap on their ability to operate successfully abroad.

On the basis of an analysis of the French political and institutionalist context, this chapter seeks to define a set of characteristic features, which French managements has inherited from its domestic base. Management finds itself at the core of the political, economic and social spheres of a country, which together define a distinct ‘national governance regime’ (Hollingsworth et al. 1994). The concepts of ‘societal effects’ (Maurice et al. 1984, 1986b), ‘national business system’ (Whitley 1992) and ‘industrial order’ (Lane 1989; 1995a; 1995b) conceptualise Nation States as systems constituted by a set of societal institutions, which are powerfully interconnected. National institutions, by forming a set of constraints and opportunities on managements’ actions, exert a conditioning effect on their
behaviour, thereby contributing to a certain 'mentality' or set of specific features, some tangible, others less so. Actors and institutions reinforce each other and the system tends to perpetuate itself.

The first section examines the characteristics of the predominant French production and innovation system led by the State, which emerged during the postwar period and prevailed well into the 1980s. The following section looks at the key features of French companies' internal system of power and control, as well as their employment system, namely their system of management development, the role of the personnel function and the system of industrial relations. Finally, the mechanisms of the internationalisation process of French companies which began in the late 1980s are analysed.

4.1. The State-led French system of production and innovation

France distinguishes itself from other countries in the extent to which it has relied on state-led rather than market-led mechanisms for industrial governance\(^1\). The French state has directly intervened in the economy, playing a developmental role, in particular from the postwar years to the early 1980s (Hall 1986). The French state’s keen interest in protecting and promoting the competitiveness of the domestic industry has its roots in a long tradition of interventionism in France; an embedded mistrust of economic liberalism, an ideology shared by the political and economic elite alike; and, a quite unique conception of industry as ‘an attribute of sovereignty’ (Cohen 1992). Driving state intervention in the economy in the postwar years were indeed, before pure economic criteria, the objectives of promoting national sovereignty, achieving technological leadership, and developing an industry capable of rivaling the Americans.

\(^1\) There exists different kinds of governance mechanisms for regulating transactions between economic actors (Lindberg et al. 1991; Hollingsworth et al. 1994). Five mechanisms have thus been identified by the institutionalist strand: markets, hierarchies, the state, informal networks and associations.
From these deeply rooted beliefs, has resulted a strong attachment of the country to the nationality of its firms and the protection of its domestic base through a strong industrial policy. French industrial policy has consisted of the creation of 'national champions' in selected industries, financial support to 'lame ducks', to any type of more specific interventions when the interests of the French industry were at stake (Hall 1986). The French state had historically important means of intervention, including a large public sector, control over the financial system and credit, as well as a centralised and formalised planning system.

The degree of involvement of the state and control over its firms has been particularly strong through the *Grands Projets*, national-wide technological projects, and the strategy of creating national champions. Thus, in a wide range of 'high technology' sectors (military-industrial complex, electrical and nuclear power, transport, aerospace, aeronautics, petroleum), one saw the state and firms developing close relations, thereby constituting a distinct production and innovation system which prevailed until the mid-1980s (Cohen 1992). The system was characterised by three key elements. First, in each industry, the state constituted a R&D-manufacturing-procurement system under the quasi-hierarchical control of a specially created public agency. Second, the cohesion of the apparatus was ensured by an elite of civil servants and engineers from the *Grandes Ecoles* or the *Grands Corps*.

The third ingredient of the model was a supportive and protectionist policy of domestic industry: the state financed and conducted R&D and transferred its results to industry; guaranteed its firms’ domestic markets through public procurement; protected them from competition by limiting imports and foreign investments; whilst supporting their competitiveness abroad by subsidising their exports. Throughout this period therefore, it can be said that French firms had the support from the state and national institutions ‘incorporated’.

---

2 Which Cohen (1992) named as 'industrial colbertism'.
3 The *Grands Corps* refer to the political and economic elite, who, after having gone through the most prestigious *Grandes Ecoles* (*Ecole Nationale d'Administration*, *Ecole Polytechnique*, *Ecole National...* etc.)
The telecommunications sector, from which the equipment manufacturer, Alcatel, emerged, is an illustration of the workings of this specific mode of industrial governance (Cohen 1992; Hulsink 1999). Alcatel was created by the merger of several national manufacturing firms, its technological base was publicly funded and developed by the national telecommunications research centre networks (CNET), the whole apparatus being under the control of a national operator Direction Générale des Télécommunications (DGT), which was invested with the mission of modernising the telecommunications infrastructure of the country and developing a competitive domestic manufacturing equipment industry. Alcatel was finally the main supplier of DGT.

This dirigiste mode of industrial governance functioned in a very effective way until the early 1980s. French industry and the state have worked together harmoniously, with the state controlling industry to achieve political and economic goals, and French industry benefiting from statist protection and resources for their development. French firms have thus enjoyed a very strong level of stability for a long period of time, enabling them to take a long-term view by investing in high technology and capital-intensive sectors, such as building materials (Saint Gobain); steel and aluminium (Usinor-Saclor, Péchiney); cars (Peugeot, Renault); electronics (Schneider); oil (Elf and Total). This model of intervention has been successful in creating ‘national champions’ with a strong engineering base as well as scale and scope advantages, and enabling a rapid economic and technological catching up in the country’s infrastructure (telecommunications, transport, nuclear power, etc.).

The predominance of a scientific-technological logic in the French mode of production has conferred to French engineers a sacrosanct status within the French firm. The bastion of French industry, engineers from the Grandes Ecoles or the Grands Corps, have been a key element in the modernisation of French industry, and

---

Supérieure) join specialised institutions (Corps des Mines, Corps des Ponts for the engineers, Inspection des Finances, Cour des Comptes, Conseil d’État).

DGT was to become PTT and France Télécom in 1990, after their change of status from administration to public enterprise.
have dominated the management of French firms ever since. France has a long
tradition, dating back to Napoleon, of training engineering experts in state-run
Grandes Ecoles for the running of its government and industry. Being closely linked
by their common education backgrounds, their membership in a Corps which confers
a sense of identity and belonging, they created a homogeneous technical management
culture, which was an essential element in the smooth functioning and structuring of
the French system of production (Chesnais 1993). The Grands Corps have developed
powerful cartel-like networks which have secured them the monopoly of top
management positions within French firms. The Corps des Mines and Corps des
Ponts et Chaussées are present in a wide range of industries, the Corps des Télécoms
prevails in telecommunications industries, Ecole Nationale des Pétroles in petroleum
industries, Ecoles Nationale Supérieure de l’Aéronautique et de l’Espace in
aerospace industry, etc. As a result the French engineer is not ‘only’ an engineer.
His status, education and role within the French firm extends well beyond that. He is
one who has received a high-level, broad-based scientific education in a Grande
Ecole and who does not occupy only technical and production positions, but also
other general management functions.

However, the French system of knowledge production, with its traditionally
‘mission-oriented’ technology policy, the dominant focus on high technology and
military industries, its vertically integrated R&D-production-procurement structure
dominated by the state has not lent itself to technological diffusion across firms and
industries nor the rapid commercialisation of technologies (Chesnais 1993), in
contrast with the German and Japanese innovation models (Doremus et al. 1998;
Womack et al. 1990). Process and product innovation as a result has tended to be
limited. In addition, shielded from national and international competition for a long
time, and evolving in an inflationary economic context, French industry has had little
incentive to maximise productivity gains (Cohen 1992). Thus, during nearly thirty
years of economic growth, French industry has long postponed organisational
restructuring and rationalisation of their structures.
Throughout the period, firms’ long-term financing needs were met through a credit-based and price administered financial system, under state control (Zysman 1983). With their long-term financing being provided by parapublic institutions at advantageous conditions and by debt rather than through equity, the state protecting national capital from unfriendly takeovers, and national company laws enabling management to use all kinds of financial techniques such as double voting rights to keep minority shareholders at bay, French firms could pursue their development steadily without outside pressures from capital. On the other hand, in the absence of external control, via financial markets, and weak internal controls, as a result of political and business networks and interlocking directorships, the system has notoriously lacked transparency and maximisation of efficiency, which a string of high profile financial scandals threw light on in the early 1990s (for example Air France, Crédit Lyonnais, Alcatel).

The state-led system prevailed throughout the 1980s though it came under increasing pressures as the process of liberalisation and deregulation began in Europe from the late 1980s onwards. Given the centrality of the public sector in French industrial and social policy, as well as its overall success, there was little political, industrial and union support in favour of deregulation of sectors of the economy. As a result, France held onto its public monopoly model well into the 1990s delaying the privatisation of its firms as well as only incrementally deregulating monopolies.

Diversity of French models

In spite of the generally high involvement of the state in the economy at national level, some French firms have fallen outside the dirigiste and public monopoly model described above and were part of the competitive sphere. Thus, the French water industry since its inception in the mid 19th century has been maintained in the private sector under a system known as gestion déléguée, whereby municipalities retain ownership of water infrastructure and delegate its management to large private firms, the three major ones being Vivendi Water, Lyonnaise des eaux
and Bouygues who together supply 70% of the water in France. French municipalities resorted to private capital in order to meet the large infrastructure investments required in this type of industry. Through a powerful political lobby, the French water companies were able to escape the post-war and 1982-1983 waves of nationalisation. As a result the French water sector can best be described as a kind of hybrid system between state and market where French companies are private but enjoy close relations with municipalities.

Similarly, food, luxury, cosmetics and retail, traditionally sectors of strength in France, although they have at times benefited from the protection of the state, have generally had to rely on their own means of development to a greater extent than those belonging to the state-led system of production.

A significant element of French capitalism is family-owned and/or managed firms. Family capitalism was widespread in France up until the 1960s and after a period of consolidation of French industry, one typically saw original family members delegating power to entrusted managers, withdrawing completely or remaining partially involved (Lane 1989). Group Danone has been under the leadership of its founder Antoine Riboud from the late 1950s. Originally a small bottlemaker, the company grew rapidly and diversified into the food industry from the 1970s onwards, one of the major acquisition being that of Gervais-Danone which was then France’s largest dairy group, thereby transforming itself into the food leader in France. Peugeot is also family-controlled, though because of its very close ties with the Government, the firm shares many features of companies belonging to the Statist French system of production.

One can also distinguish an ‘entrepreneurial’ kind of capitalism. A new breed of entrepreneurs has emerged during the post-war period, who have built up entire groups. François Pinault has created one of the largest retail empires in France,

---

5 In the food sector, for example, the state has sought to keep foreign investment to a minimum and Danone was protected during a hostile take-over bid in the early 1990s.

58
Pinault-Printemps-Redoute (PPR), in less than twenty years through aggressive acquisitions of major French retail companies including the retail group Printemps and the mail-order company La Redoute. Similarly, Claude Bébéar has created the insurance group AXA, starting up from a small and medium-sized insurance company. The company grew gradually through acquisitions and in the late 1990s took over the number one state-owned insurer UAP, becoming the largest insurance group in France.

4.2. French companies’ modes of control and employment systems

Firms’ internal power and control structures

The large French firm’s internal structures of power and control are characterised by a concentration of the power at the top of the organisation, likened to the country’s presidential system where the executive is all-powerful; very hierarchical and segmented structures; dominated, as already explained, by a technical management structure.

Decision-making is highly centralised in the hands of the CEO, who relies on a clique of entrusted managers, who have been co-opted and extensively socialised within the firm (Bauer and Cohen 1981). Top management exerts an autocratic control, and maintains its power through a detailed control system and by nominating ‘influential actors’ strategically throughout the group, in much the same way as the political elite in France is notorious for placing ‘their men’ after each round of elections. In addition to enjoying unshared powers within the firm, not being subjected to outside pressures from capital markets has meant that French CEOs have had largely unchallenged powers over their groups, more so than their US and UK counterparts, and this has been reflected in a stability in large French firms’ top management. This therefore makes the internal power structures of French groups highly characteristic, being very closed upon themselves, political and highly secretive, relying more than elsewhere on interpersonal rapport.
Much has been written about the education and career background of those executives: they are systematically recruited from the most prestigious Grandes Ecoles or from the Grands Corps and from the outset at executive level, having often had a career spell as top civil servants (Suleiman 1978; Bauer and Mourot 1987). French elites' common education and career background, which single them out from the rest of the firms' management, has contributed to creating networks of trust within (and outside) the firm, but also served to widen the gap between the top and lower levels of the firm. Their passage through military Grandes Ecoles has with little doubt influenced their autocratic management style. If practices of parachutage whereby civil servants are appointed as heads of companies by the Government especially in state-owned firms are resorted to, it remains that in many cases CEOs are selected by the firms themselves and then socialised for a long period of time to the group before accessing the top of the organisation, and therefore, they are men with an intimate knowledge of their group and its activities (Bauer and Cohen 1981).

Management Development

Firms' employment practices are closely interrelated with the national education system and labour market structures. Three major factors at national level exert an influence on the French conception of employee development and, more specifically for our purposes, management development: first, the elitist nature of the education system which has produced a single path to excellence, the so-called 'Voie Royale' via the Grandes Ecoles; secondly, as a result of the importance attached to general education, the lesser role of the firm in training compared with the education system (Maurice 1993); and lastly, the predominance of internal labour markets, which place emphasis on internal career evolution and integration within the firm (C.E.C. 1990).

Qualifications play an essential role in management development in France and the education system is strongly elitist (Barsoux and Lawrence 1990). The path via the Grandes Ecoles is considered as the single path to excellence, whilst other
routes (universities, technical training) are considered second-rate. The Grandes Ecoles provide a curriculum aimed at developing a ‘model’ manager, and a homogeneous profile of management. Access to the Ecoles is achieved through concours\(^6\) and is based exclusively on mathematical performance. Providing a general and scientific education, as well as relying on teaching methods emphasising knowledge and theory rather than research-based methods, the system seeks to develop an état d’esprit, a certain kind of social and intellectual conformity, more than diversity and individuality. French employers recruit their managers essentially from the Ecoles, usually from a small number of preferred institutions with which they develop close links.

The institutionalised rapport between the education system and the firm in France is such that the French system attaches a strong importance to qualifications gained compared with professional training, hence a lesser emphasis on training at firm level (Maurice 1993). French firms consider graduates, having been widely trained, to be sufficiently qualified and that they will be able to adapt to any challenges and be polyvalent. Thus, one finds that employers will even go to the point of asking for a specific school in their recruitment advertisements, and graduates from engineering schools are considered as being able to perform any type of functions whether engineering, finance or human resources. By expecting immediate operationality from graduates, employers seek to minimise their training costs. The 1971 Law on Vocational Training, which requires firms to spend a percentage of their total wage costs on employee training, has not enabled the establishment of an equitable, or strategic training system\(^7\); it is only from the late 1980s, that French firms’ awareness of training as an investment has developed under the heading ‘gestion des compétences’.

\(^6\) The exams are taken after two years of ‘écoles préparatoires’, based on an intensive curriculum.

\(^7\) A huge total of 170md FF is spent per annum, but in 1998, a third of the workforce did not receive any training (20% of management and 60% of employees). Le Monde, ‘Douze années, Douze Chantiers’, 6 January 1999.
French firms' employment practices are predominantly based on internal labour markets (C.E.C. 1990). *Statuts* guaranteeing rights to security of employment, as well as seniority-based promotions and remunerations, have been granted to employees in large public groups after the war, at a time of full employment, and as part of the national 'Fordist compromise' between management and unions, which aimed at providing social stability (Boyer 1985). Large private firms' employment regimes have also been strongly influenced by public sector practices. Promotion is thus based on seniority, and other criteria including interalia qualifications, age and technical competence, and leads to a specific position or *status* in a job classification system, negotiated through industrial agreements. French managers' ascension up through the hierarchy thus tends to be slow, continuous and predictable.

The management of 'high potentials' has to be understood in this context. It essentially concerns the population of executives, less emphasis being put on the development of lower managerial levels of the organisation (Roussillon and Bournois 1998). Managers are seen as having 'high potential' from the point of recruitment, on the basis of their initial qualifications. Linked to 'employment for life' policies and the resulting strong stability in employment, French firms have a long-term vision of management development: they will carefully and gradually construct the career of those considered as high potentials, through succession planning, with the view of building up a durable career within the firm. In our case studies, an average of more than 80% of managers were coming through internal promotion. French multinationals are known to resort little to formalised methods and practices of the Anglo-Saxon type, instead relying on highly subjective methods and criteria (Roussillon and Bournois 1998; Shackelton and Newell 1991).

*The Role of the Personnel Function*

The still largely administrative character of the employment regime in France, as well as the extensively regulated employment domain (see below) largely dictated the role of the personnel function which has remained administrative, despite a
growing awareness for a more professional approach in some firms from the 1980s onwards (Maurice et al. 1986a; Galambaud 1993a). The low status of personnel management has been further reinforced by the technical ethos of French firms: the human resources function is not uncommonly found to be staffed by engineers, who have tended to lack sensitivity to people-related issues.

As a result of the importance of internal labour markets in the face of weakly developed occupational markets and little active external labour markets, French firms have for a long time had little experience of inter-firm professional mobility and have known a strong stability of their emploment structures in particular at technical and managerial level, compared with countries such as the UK (47% of men were present in the same year for more than ten years in France, against 36% in the UK in 1986) (C.E.C. 1990). One of the implications is that employees are strongly attached to their firms.

**Industrial Relations**

French firms follow a social model dictated by the state. In the French IR scene, the state has traditionally played a central role both through regulation and the large public sector, in the face of constitutionally weak and ideologically divided social partners (Goetschy and Rozenblatt 1992). Labour market regulation is extensive, and sets wages and employment conditions (dismissal rules, working-time, forms of employee representation at firm level - including the Comité d’Entreprise, shop stewards, vocational and continuous training).

The basis of the French social system was drawn up after the second world war and was aimed at maintaining social stability. It saw the development of a well-developed social welfare system co-managed by management and unions (paritarisme), job security for employees, and union representation within the firm. French managements are thus part of a corporatist institutional arrangement and are
forced, by law and by the state, to be 'socially responsible'\(^8\), and as a result, face a more constraining social environment as compared with their UK and US counterparts who follow their own rules of efficiency, as employment practices are mainly set at firm level and union / employees' interests have not been accommodated at national level.

Whether at national level where all attempts at tripartism have failed and the state has taken the lead, or at firm level, French employers and unions have never been able to develop a culture of negotiation, in contrast with their German counterparts (Hall 1986). The social climate, in its most extreme form, is tense and based on a *rapport de force*, with, on the one hand, autocratic managements seeing unions as their *bête noire*, and on the other, unions ideologically repelled by anything nearing 'co-management'. Durand (1990) captures the IR climate of a French car manufacturer:

>'Since 1982, union struggles have essentially concerned the defence of jobs and employment levels in the factory against the use of part-time and sub-contract labour. (...) The unions and the workforce as a whole hardly participate at all in deciding on the organisation of work. Top managers or workshop directors inform the Comité d'Entreprise and shop stewards of any changes envisaged but there are not exchanges between the two sides on these crucial issues, simply expression of dissent or worker resistance when the changes seem to them to be unacceptable. In other words, there is no overt negotiation on work organisation but an informal power game of managerial proposal and worker acceptance or rejection.' (Durand 1990 p. 409).

Because of entrenched militant traditions, a level of action which has traditionally been at political rather than firm level, fierce inter-union competition encouraging 'point-scoring' type of behaviour at the expense of the development of shared responsibilities\(^9\), French unions have shown less ability to deal with business-level efficiency issues, and have tended to oppose any major organisational reform

\(^8\) For example, since the 1980s, when unemployment exploded, the state has forced companies to recruit young people and maintain their employment levels. French firms have widely resorted to early retirement measures to minimise the social impact.

\(^9\) All large firms are faced with union pluralism represented on their Comités d'Entreprise.
In addition, conditioned by more than thirty years of growth where the workforce has benefited from general social policies ('les acquis') and where organisations have seen little change, French unions (in particular in the public sector) have mainly sought to preserve employees' status and employment. The decentralisation trend in IR which took place in France from the mid-1980s onwards, under the effect of Auroux Laws which imposed firm-level bargaining, remained over issues set within the French legislative framework (wages and employment), rather than work organisation issues; with the firm level complementing rather than replacing the national and industry levels as the main spheres of IR governance (Hoan-Ngoc 1992).

**Work Organisation**

At workplace level, French firms are characterised by their rigid modes of functioning (Maurice et al. 1986a; 1986b). The Taylorist / Fayol division of work has been adopted more widely in the French context with structures being more hierarchical, more formalised, more segmented, with a greater distance between conception of tasks and their execution, further reinforced by the strong statutory separations between occupation groups (the *ouvriers* - workers, *techniciens*, *cadres*). This has tended to be created and reinforced by the broader societal context, the poor IR climate, and existing employment practices (such as job classification system, seniority-based promotion rules). Together these have impeded employees' mobility and career progression, hence contributing to a strong stability in French companies employment structures.

Existing structural characteristics of organisations, partly influenced and reinforced by the broader socio-institutional context, have conditioned possibilities of innovation as well as the strategic manoeuvrability of the firm. In France, the evolution from a Taylorist model of organisation to a more functional / integrated model from the mid-1980s onwards has taken place within a more constraining framework than elsewhere, and firms have had great difficulties in extracting
themselves from their entrenched patterns of work organisation (Maurice et al. 1986a; Durand 1990; Linhart 1991). Overall, the French institutional context has tended to limit the possibilities of process innovation, by hampering fundamental structural change. French firms have as a result experienced strong inertia in their organisation structures. Unless forced to, French management, whilst investing in automation and upgrading technical equipment from the 1980s onwards, has long tended to avoid touching organisation structures and employment structures.

4.3. The move of French companies abroad

Finally, this section examines French companies’ mechanisms of internationalisation, setting the backdrop against which their development in the UK has taken place. Because their strategies were mainly focused upon their domestic markets, French companies had little international exposure and it was not until the late 1980s that they began internationalising on a large scale. Whereas France held a prominent position as an international investor at the beginning of the 20th century, its position deteriorated thereafter. As indicated in table 4 - 1, France held 4.7% of world FDI stocks in 1980 whilst it accounted for a mere 5% of total investments flows made annually over the period 1982-1986, significantly lagging behind the US, Japan, Britain and Germany. French companies’ international presence was limited to Southern Europe, and former African colonies where French foreign diplomacy was traditionally focused upon. These regions accounted for around 30% of French foreign investments in the late 1960s before beginning to decline from the 1970s onwards (Michalet 1997). French companies remained notably absent from the UK and had little presence in the US following a string of unsuccessful attempts to establish themselves in the market (Wilkins 1993).
Table 4 - 1: G5 countries’ international position compared*  

<table>
<thead>
<tr>
<th></th>
<th>FDI flows 1982-1986b</th>
<th>Stocks 1980</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>20</td>
<td>43.5</td>
</tr>
<tr>
<td>Japan</td>
<td>13</td>
<td>3.3</td>
</tr>
<tr>
<td>UK</td>
<td>19</td>
<td>15.9</td>
</tr>
<tr>
<td>Germany</td>
<td>10</td>
<td>8.5</td>
</tr>
<tr>
<td>France</td>
<td>5</td>
<td>4.7</td>
</tr>
<tr>
<td>Total G5</td>
<td>67</td>
<td>75.9</td>
</tr>
<tr>
<td>World (level in $bn)</td>
<td>100 (55)</td>
<td>100 (507)</td>
</tr>
</tbody>
</table>

* Percentage share of world FDI flows / stocks.
  
  b Annual average.

Source: Adapted from Tersen and Bricout (1996), p. 96.

A number of reasons lie behind the belated internationalisation of French companies. It is clear that the French system was a closed system and tended to be hostile towards the outside world. French political thinking has long included a critical vision of international trade which was associated with de-localisation of production centres, and it failed to consider the broader dynamics of trade and benefits it could bring (Berger 1995). This line of thinking was embodied, as late as 1993, in an official report by Arthuis which denounced the negative effects of global trade on the location of production and employment in particular in the manufacturing sector, and advocated protectionist measures thereby fundamentally questioning international trade. So little was internationalisation integrated into French people’s minds, that each international acquisition of French groups raised outrage among unions and workforce alike.

From the mid-1980s onwards, a number of factors both linked to the broader world dynamics and domestic factors prompted French companies’ departure abroad (Sally 1996; Tersen and Bricout 1996). Firstly, the liberalisation trends which began in the late 1980s as well as the process of European integration provided a major spur to their development. Whilst in the first half of 1980s, only a quarter of their investments were targeted in Europe, French firms radically re-positioned their
investments and Europe represented more than two thirds of their total flows between 1988 and 1994 (Tersen and Bricout 1996).

Within a world context which was beginning to open up, according to Sally (1996), the French government and its firms began to realise they were lagging behind in particular their German counterparts: this realisation triggered an explosion of FDI from the late 1980s onwards (figure 4 – 1). French firms’ departure abroad has thus been interpreted as a ‘catching up’ process. From a low yearly average of 20bnFF in the first half of the 1980s, FDI flows increased tenfold between 1986 and 1990, reaching a record of 197.3bnFF in 1990; as a percentage of GDP, FDI flows increased from 0.43% in 1984 to 3.03% in 1990\(^\text{10}\).

![Figure 4-1: French investments abroad, 1988-1998](image)


Other general factors were also at play in explaining firms’ departure abroad at that particular time. In the context of public financial crises, the French government’s role in the economy was beginning to change. 1984 is seen as a turning point where, following its failed Keynesian programme which was to lead to a severe

\(^{10}\) After this first wave of investments, French companies made a pause in their investments before significantly increasing them again in the latter half of the 1990s. We will go back to this evolution in latter chapters.
economic crisis, the French government was forced to gradually retreat and begin a reform process steering the country towards a more liberal economy (Schmidt 1996). A period of intense restructuring of French industry, which was overburdened with debt and in very poor financial conditions, followed and was orchestrated by the State. The period saw a first wave of privatisation in 1986, whilst the French government enabled many state-owned firms to raise finance through financial markets to help finance their international expansion. As French companies’ financial position eventually improved significantly, and the domestic economic climate improved (thanks to the upwards development of the Paris stock exchange, the strength of the franc and the downward trend in interest rates), firms gained the financial clout to be able to expand abroad.

Thus, a first broad-brushed overview of the mechanisms of internationalisation of French companies in the late 1980s shows that, inward-looking and focused upon their home markets, French firms were slow to awake to globalisation and its challenges. More than a voluntary international development process, it is their lagging behind major industrialised economies that prompted them to expand abroad.

Conclusion

French companies thus began internationalising on a large scale in the late 1980s, emerging from a state-led and quasi-autarkic system. The table below summarises the characteristic features of French management and its system of innovation and production. The question we now turn to is the extent and manner in which these features might influence French managements’ responses abroad.
### Table 4-2: Features of the French management system

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Industrial Order</td>
<td>Interventionist state; Protectionism; Long-term stability; Lack of transparency; Conservative, traditionalist.</td>
</tr>
<tr>
<td>Institutionalised Business Priorities</td>
<td>Retaining ownership and control of national firms; Technological leadership; Scale and long-term market share.</td>
</tr>
<tr>
<td>Innovation and Production System</td>
<td>Engineering expertise; Low competitive efficiency; Manufacturing-dominated.</td>
</tr>
<tr>
<td>Hierarchy Authorities</td>
<td>‘Head cut off from the rest of the organisation’; Very hierarchical and segmented structures; Trust-based management system (co-optation and socialisation); Technical management culture; Secrecy; Static, cumbersome organisation structures.</td>
</tr>
<tr>
<td>Management Development Practices</td>
<td>Well-defined, homogeneous profile of management expected; Pre-determined career path; Focus on top managers; Internal labour markets (seniority; employment for life); Subjective management system.</td>
</tr>
<tr>
<td>Employees’ Social Identification</td>
<td>Attachment to one’s firm.</td>
</tr>
<tr>
<td>Role of the HR function</td>
<td>Administrative; Low status.</td>
</tr>
<tr>
<td>IR Climate</td>
<td>Societal ‘corporatism’, state-led IR, extensive employment regulation; Autocratic management style and antagonistic management-union relations at firm level.</td>
</tr>
</tbody>
</table>

As French companies pass from their domestic environment to the UK, they will encounter a number of filters which may act as barriers on their initial features. Britain has followed a radically different path to capitalism since the late 1970s from France. As France remained attached to its political, economic, social and cultural traditions and the country was painfully moving towards a more liberal economy, Britain, under a Conservative government with a strong liberal ideology, was embracing free market theories and conducting radical reforms of its system:
internationalisation, privatisation and liberalisation were the watchwords, and British firms were confronted with a very different economic reality. One could foresee that French firms will have difficulties adapting to a model of capitalism fundamentally different from their own.
FRENCH MULTINATIONALS AND THE INTEGRATION OF THEIR BRITISH ACQUISITIONS: 'NATIONALITY' VERSUS 'HOST COUNTRY' EFFECTS
Chapter V

FRENCH MULTINATIONALS AND THE INTEGRATION OF THEIR BRITISH ACQUISITIONS: ‘NATIONALITY’ VERSUS ‘HOST COUNTRY’ EFFECTS

Introduction

When French multinationals set foot in the UK in the late 1980s, they had internationalised little and for the major part were not familiar with the UK where the bulk of them had no presence. Therefore, they have had to discover the British system. For many years Britain had pursued a very different path towards capitalist development from France and had achieved a high degree of marketisation. The key question is therefore how French firms, themselves the product of a state-led regime, have evolved in such a highly advanced capitalist system.

The examination of French companies’ adaptation to the British environment is further prompted by the fact that French multinationals have entered the UK market mainly by acquisitions, and not by establishing greenfield sites. They have thus been confronted with problems concerning the cultural integration of their acquisitions, which multinationals from other nationalities such as Japanese and Americans have not had to deal with to such an extent. The question of how French firms have handled those and whether their management approach carries distinctive features is thus of salient interest. As studies have widely claimed that cultural differences
across borders are an obstacle to the transfer of management practices, it is important to assess the extent and manner of its influence.

We wish to determine whether and to what extent French firms have exported their features to the UK thereby assessing their ability to adapt themselves to the UK environment. By looking at how they have approached the British market, we aim to trace the evolution of national features as French firms have emerged on the international scene from an introspective and ethnocentric state.

This chapter opens with a presentation of an analytical framework outlining the intermediate variables which might affect the continuity of French features as they pass from their domestic environment to the UK (section 5.1). It then proceeds to review the specificities of the British institutional environment, specifying the fundamental differences of British and French management models (section 5.2). Section 5.3 examines the strategic motives underlying French multinationals' acquisitions in the UK and characteristics of their modes of entry. The processes of adaptation of five of our case study firms are then presented, to illustrate the interplay of national and local forces (section 5.4). Conclusions are finally drawn as to the similarities in the behaviour of French multinationals and their underlying features.

5.1. An analytical framework for examining ‘nationality’ and ‘host country’ effects

This section outlines an analytical framework in order to examine the adaptation of French multinationals to the British environment, and the extent to which elements of their system has been transferred, specifying the initial conditions that can shape the processes.

In order to examine the issue of adaptation of multinational firms to the host environments in which they operate, we introduce a multi-level conceptual model, derived from Rosenzweig and Singh's (1991) theoretical framework based on
institutionalist concepts. Rosenzweig and Singh conceive of multinationals’ national units as facing a set of conflicting pressures. One the one hand, the operating company is under pressure from the parent to conform with the corporate ways of doing things. The parent company might exert pressure upon the operating company to comply with its approach, as a result of its desire to duplicate its management approach and / or establish a means of control over the operation. On the other hand, as the parent seeks to impose its will, the operating company is being dragged by multiple forces within its own environment to adopt specific working practices. Those local pressures for becoming ‘isomorphic’ with the local environment might for example arise from local laws and regulations, or via other organisations (competitors, suppliers, etc.) with which the operating company interacts. As each side, disposing of key resources and conditions that determine their respective position of strength, pulls in each direction, there might be tensions in the process: the balance of power might ultimately tip in favour of the parent or towards the operating company.

Rosenzweig and Singh’s model offers the benefit of simplicity whilst placing multinational companies in their institutional contexts. For the model to be operationalised, there is a need to specify the variables under the two main constructs. Figure 5 – 1 depicts a number of factors which we have identified both through an examination of the literature on cross-national managerial transfers as well as our own observations as defining the overall ‘size’ so to speak of the parent versus the operating company’s.

1 The concept of ‘isomorphism’ is drawn from the ‘new institutionalist’ perspective which sees the environment within which a firm is embedded as the overriding influence upon the organisation patterns firms adopt, and which has identified various ways in which the environment exerts homogenising pressures upon firms (Dimaggio and Powell 1983).
In order to understand the parent’s approach we need to consider two dimensions, which are its strategy, that is the approach chosen to approaching as well as integrating the foreign operation, and its international experience. The literature has tended to overlook the parent’s features aside from its national context, thereby providing only a partial view of the conditions surrounding management transfer, because, as we shall see, both parent and operating company’s responses depend upon and interact with one another. By ‘international experience’, we refer specifically to familiarity with the rules of behaviour of an Anglo-Saxon system not only because French firms are examined in Britain, but also because these rules dominate today’s global environment. A company’s ‘strategy’ should be the fruit of the parent’s experience and its degree of knowledge of the host environment. Theoretically, those elements must be in harmony with one another, that is a company’s strategy should be adapted to one’s experience and level of knowledge of the local conditions it faces: for example, an aggressive, unilateral strategy by a multinational that has little international experience and / or operates in a host context with which it is unfamiliar.
is likely to raise problems in relation to the transfer of management practices. A further filter which has to be borne in mind and which is likely to have an impact on the approach adopted by the parent towards the operating company is the period at which it joined internationalisation, but, whilst reference will be made to it here, the effects of this variable will be looked at in greater detail in latter chapters.

The filter 'host environment' can itself be divided into several components. The first is constituted of the national features of host companies, which have been shaped by the host country's distinctive nation-wide institutional setting. As countries differ in their institutional settings and thus managements' characteristics differ, the transfer of practices by a MNC from one environment to another can be affected. Features of the British institutional and cultural context are defined in Section 5.2.

The second component one needs to assess is local management attitude towards multinational management (Szulanski 1996; Kostova 1999). Yet rarely acknowledged in the transfer process by the management literature, we see it as an important variable in facilitating or preventing French features to become established, because, as Kostova (1999) argues, it is management which acts as the 'bridge' between the parent and the host environment and, having control over key resources, ultimately has the power to enforce changes upon the operating company as a whole. An important element, which can be considered as a sub-component of local management's attitude is the trust towards the parent company, which contributes to defining the quality of the 'relational context' between the parent and the operating company (Kostova 1999).

The third factor on the operating company's side likely to exert an influence upon the passage of French features is the nature of the industry: the literature broadly distinguishes between 'multi-domestic' sectors, which are strongly attached to the local context in which they are situated, from 'global' industries (Porter 1986). In the former case, local rules and regulations by and large dictate the organisation of
The integration of British acquisitions

the industry, whilst the latter are mostly dependent upon the parent for their resources and are thus under less pressure to conform to local institutional norms. A parent company's features are thus likely to be affected to varying degrees depending upon the nature of the industry it operates in.

An additional element on both the parent's and the operating company's sides which is likely to affect the passage of the parent features is the level of advancement of each side vis-à-vis the other. A firm's 'competitive advantage' might be situated at several levels, for example the firm's social capital, technical or commercial assets or may include more intangible aspects such as a willingness to innovate or to take the long-term perspective (Hu 1995). Firms' competitive advantages are themselves shaped by national, sectoral as well as other firm-specific variables (Porter 1990; Hollingsworth et al. 1994; Quack and Morgan 2000).

In order to fully appreciate both the parent's and operating company's relations, a final element that needs to be taken into account is the timing of the acquisition which can affect each variable and consequently their actual effects upon French features. The temporal dimension of each variable has rarely been touched upon in the managerial literature. First, one needs to consider the international context within which acquisitions have taken place, in our case the late 1980s where national borders were only beginning to open up and cross-border M&As were a new phenomenon. The second important time-related elements are the economic cycles of both nations as well as the business cycles of their firms. In the early 1990s, at the heart of the integration process, Britain entered one of its worst recession, whilst France's economic situation was more favourable.

In total, we regard those variables as being key potential influences upon the transfer process, whilst retaining a degree of generalisability to allow meaningful comparisons to be made across firms. It has to be noted that these variables can be analytically separated, though one has to recognise that in practice they are not fully
independent from one another: for example ‘management receptivity’ or ‘firms’ competitive advantages’ are shaped by the host national and sectoral contexts.

The model will enable us to reframe the problematics as set out in the literature and allow for a more refined analysis of how multinationals’ nationality interacts with host contexts. Firstly, it moves away from the simplified dichotomy between ‘adaptators’ and ‘importers’ by throwing light upon firms’ processes of adaptation. Secondly, it breaks with the culturalist perspective and the concept of ‘cultural distance’ which almost invariably led to conclusions of the need for adaptation by the multinational firm to the host environment, and did not explain the forms and mechanisms of firms’ adaptation to host environments. The model enables us to locate both the parent and operating company within their national and sectoral institutional environments, and to separate the effects of institutions from economic and behavioural factors. Finally, to our knowledge, the application of institutional theory to the study of the adaptation of multinationals to host environments, as advocated by Westney (1993) and Rosenzweig and Singh, has so far only been made at a theoretical level and / or been tested through surveys, providing little insight into how each variable might impact upon the parent features. We will test those variables and their effects upon nationality effect through case study techniques.

Through our case studies, we examine French firms’ strategies in a dynamic way: French firms’ policies upstream, the ways and extent in which the various filters mediate the passage of French features, and the outcomes downstream. The independent variables might amplify, moderate or in the extreme bar French features from passing through and the results might be on one extreme that French companies are able to impose a French approach, and on the other that a British approach may dominate, whilst a more hybrid arrangement might be found as a compromise between both sides.

Comparing five of our case studies which have gone through widely different experiences, will enable us to weigh the impact of these initial conditions upon the
The integration of British acquisitions

passage of French features in each case: it will also illustrate what we see as commonalities in how French firms respond to the filters encountered, which will be interpreted in the following section. The cross-case comparison is also a way of considering the problems companies may face when they transfer strategic practices to an Anglo-Saxon environment, and point to the factors that can potentially have a significant influence and thus should not be underestimated in a process of cross-national integration.

5.2. The British institutional environment

Britain has followed a radically different economic path as compared with France and reformed its system to a market-regulated governance regime at a much earlier stage and in more fundamental ways. The British experience in turn has evolved out of a distinct institutional pattern characterised by a long tradition of arm’s length relations between government and industry, an internationally exposed and open economy, the prominence of the financial and business services sector over manufacturing, as well as a true commitment of the British political and economic elite to free trade and economic liberalism (Hall 1986). Further, the arrival in power in 1979 of a Conservative government with an economically liberal ideology, saw a systematic programme of privatisation of state-owned firms, deregulation of the economy and labour markets, and reduction of public spending, which enabled the transformation of the British institutional framework into a highly advanced market-based system in the space of fifteen years.

Britain has privatised extensively from the early 1980s onwards including entities such as British Petroleum, British Aerospace, British Airways. The UK was one the first countries to carry out deregulatory reforms of its public utilities, first in the telecommunications industry in 1984, followed by gas and electricity, water and rail. In each sector, three key processes were undertaken: privatisation, the introduction of competition, and the setting up of independent administrations with a role of regulating the conduct of industries, which replaced government intervention
in nationalised industries (Armstrong et al. 1994; Helm and Jenkinson 1998). We shall briefly review what liberalisation policies have entailed for the governance of industries as well as the behaviour of British firms in two sectors in which French firms have been involved, namely telecommunications and water. In the telecommunications industry, the national operator BT was privatised in 1984. Whilst competition was initially limited with the maintenance of a BT / Mercury duopoly, from 1991 onwards, full liberalisation of local networks and international services was introduced which led to the entry of many new foreign telecommunications groups. The reforms of the telecommunications industry are widely regarded as having revived British industry and made the UK one of the most competitive and advanced markets in Europe.

The deregulation of the telecommunications industry has, in turn, led to the introduction of competition in the British telecommunications equipment industry (Cawson et al. 1990; Hulsink 1999). On a global level, as a result of liberalisation of telecommunications taking place from the 1980s onwards, the telecommunications equipment industry, traditionally organised along national lines in which each main telecommunications equipment supplier was dependent upon national operators for business, was beginning to consolidate in order to find economies of scale outside their borders in order to meet escalating R&D costs. Britain was prompt in adjusting its governance regime in recognition of the changes in the international environment. The newly privatised British Telecom, under strong imperatives of financial profitability, was allowed by the telecommunications regulator, OFTEL, to turn to more competitive foreign suppliers over its traditional domestic suppliers STC, GEC and Plessey in 1985, illustrating the British government’s priority to promoting competition and innovation in the UK over favouring national industry. The British telecommunications governance regime thus evolved differently from the French, as a result of its radically different statist tradition: at the same time as Alcatel received institutionalised support from the French government and France Télécom at home and abroad and eventually established itself as a major European telecommunications manufacturer, the British telecommunications manufacturing industry was left having
to adjust to competition by itself and eventually became subject to foreign ownership (take-over of GEC / Plessey by Siemens in 1989 and STC by the Canadian Northern Telecom in 1990).

Other utilities followed suit, adopting the model introduced in the telecommunications sector. The privatisation of water companies was initiated in 1989 (Armstrong et al. 1994; Cowan 1998). Prior to privatisation, the UK water industry was made up of ten large regional water authorities (RWAs), who cumulated responsibilities for water supply and sewerage as well as water regulatory functions, and twenty-nine small private companies, called statutory water companies (SWCs), who co-existed along the RWAs having a regional monopoly for the distribution of water. A legacy of Victorian private enterprise, the small SWCs were private companies and had escaped the nationalisation of the industry in 1973, although they were in fact run like public companies in that they were subject to strict controls by the government on their investments, profits and dividends, which they had to redistribute in the form of lower charges to the customers. Under the 1989 Water Act, the RWAs were privatised but continued to own their networks; an independent regulator, the Office of Water Services (OFWAT), was established with powers to set price and quality controls; the SWCs were brought into the same regulatory regime as the large water companies.

As a result of privatisation policies, clear-cut liberalisation, the suppression of government subsidies as well as the opening up to foreign investors in particular from the US and Asia, British capitalism has been hit by fierce competition and subject to a radical and rapid rate of change. The institutional environment has imposed upon British firms a logic of improving performance and efficiency as well as customer service. British companies have also had to meet the demands of financial investors, as they, unlike French firms, have long resorted to the stock market for their financing, which has in turn sought high rates of return on capital invested (Lane

---

2 After privatisation, the RWAs were renamed 'water and sewerage companies', and the SWCs 'water-only companies'; but for clarity, we will keep referring to them as RWAs and SWCs.

3 In the 1985-1995 year period, Britain received 40% of foreign direct investments directed to Europe.
Whilst the institutional environment has encouraged firms to maximising efficient use of their assets, the counter-side has been that long-term industrial restructuring has been neglected in segments of British industry (Hutton 1996). Thus capital-intensive industries in particular, such as car, building materials or water, have suffered from chronic under-investments in their infrastructure.

The relationship between British firms and their employees has also been profoundly affected by the changes within the broader political and economic context (Edwards et al. 1998). Under the Conservative government's neo-liberal programme of reform, the labour market was radically deregulated, and a systematic anti-union campaign was embarked upon which saw the withering away of many of their legal rights. Over time, bargaining has shifted from industry to firm level, and British unions are widely regarded as having been stripped of their institutional and ideological legitimacy, and their role as credible counter-powers in the employment relationship significantly undermined (Dickens et al. 1995). They are now regarded as acting in a kind of 'partnership' with British employers in helping to ensure the competitiveness of the firm whilst protecting rights of sections of workers. As a result, British employers are operating in a highly permissive social environment compared to continental European standards, and, under intense competitive pressures, and the influence of foreign firms' management methods, such as lean manufacturing methods from Japan, they have pursued various forms of flexibility as well as more direct forms of communication (e.g. Clark and Winchester 1994; Oliver and Wilkinson 1992).

Today, the employment relationship is thus largely dictated by the rules of the market, and British firms face a more dynamic labour market than on the continent. Thus, the deregulation of the labour market has led to the increasing individualisation of employment as reflected in the development of contracts and performance-related pay (Kessler 1994). As employment protection has been reduced, British firms have little institutional and legal constraints in making their employees redundant, but on the other hand, practices of poaching employees are widespread in Britain, and, when
labour markets are tight, employers face strong pressures to retain their key staff. The
typical British employee especially at managerial level, as a result of having little
security of employment, of being remunerated and promoted predominantly
according to his performance, but also because his skills are portable as they are
validated and recognised by professional bodies, such as the Association of Chartered
Certified Accountants, tends to be more ambitious and mobile than its typical French
counterpart, as he identifies with his profession rather than the firm he is working for
(Child et al. 1983; CEC 1990).

Given its strong cultural differences with the French system, Britain would
seem to be a particularly unreceptive environment to French methods and the
question is how French firms, having no experience of such system, have responded.
A specific issue that needs addressing is also how French firms react as they pass
from a highly regulated to a less regulated social environment, and the extent to
which, as some observers have argued, they would wish to escape the constraints of
their environments, though it will be examined in chapter 8 for reasons that will
become clear.

5.3. Characteristics of the modes of entry of French multinationals in the UK

The motivations behind French multinationals' investments in the UK

As part of the take-off of their investments abroad in the late 1980s which
took place under the combined effects of deregulatory trends worldwide and
government-led pressures to start becoming more international, French firms began
making significant inroads into Britain, a country in which the bulk of them had no
presence. Table 5 - 1 presents details of French investments in the UK. A first wave
of investments took place from 1987 onwards, from quasi-inexistent investments in
1985 (0.9 bn FF): at the peak of French investments, the UK accounted for nearly a
quarter of the total in 1990, standing at 25.7 bnFF. France was the third most
speculative investor in the UK with 7% of total FDI stocks, behind the United States
with 41.4% and the Netherlands, with 13.4%. It then declined from the mid-1990s onwards, along with a general slowdown in foreign investments as French firms took time out from their investments, partly due to domestic recession. In the latter half of the 1990s, as French multinationals stepped up their investments, this time within a worldwide context of industry consolidation, the UK again attracted a significant part of their investments, a period examined in latter chapters.

Table 5-1: French investments in the UK, 1987-1998

<table>
<thead>
<tr>
<th>Year</th>
<th>UK (bnFF)</th>
<th>% UK of EU</th>
</tr>
</thead>
<tbody>
<tr>
<td>1987</td>
<td>9.2</td>
<td>32.4</td>
</tr>
<tr>
<td>1988</td>
<td>12.6</td>
<td>25.9</td>
</tr>
<tr>
<td>1989</td>
<td>14.3</td>
<td>19.8</td>
</tr>
<tr>
<td>1990</td>
<td>25.7</td>
<td>25.1</td>
</tr>
<tr>
<td>1991</td>
<td>9.6</td>
<td>13.1</td>
</tr>
<tr>
<td>1992</td>
<td>8.1</td>
<td>10</td>
</tr>
<tr>
<td>1993</td>
<td>6.2</td>
<td>15.5</td>
</tr>
<tr>
<td>1994</td>
<td>1.2</td>
<td>4.4</td>
</tr>
<tr>
<td>1995</td>
<td>2.7</td>
<td>13.3</td>
</tr>
<tr>
<td>1996</td>
<td>8.5</td>
<td>11.2</td>
</tr>
<tr>
<td>1997</td>
<td>39</td>
<td>37.8</td>
</tr>
<tr>
<td>1998</td>
<td>24.6</td>
<td>23.7</td>
</tr>
</tbody>
</table>


In the economic context of the 1980s, barriers to national markets were still high and internationalisation was taking place within national contexts as opposed to a global environment. In contrast with US and Japanese firms which accounted for 40% of cross-border deals in Europe and were intent on building a European presence, internationalisation for French firms was not part of an international strategy, and there was a diversity of motives behind each firm’s acquisitive operations: thus some of deals were inspired by the ‘1992 effect’ and the prospects of a single European market; in other cases, firms responded to developments specific to the UK context and aimed to establish a presence whilst other moves were part of a

---

broader industry trend. Three main causes for making an acquisition are ‘horizontal expansion’ - that is acquiring a competitor, ‘product extension’ and ‘market extension’ - which is when the firm seeks to complement its product range or penetrate new markets (Sudarsanam 1995).

As the UK was one of the first European countries to engage itself on the path to deregulation, the privatisation of its state-owned firms and deregulation of monopolistic industries gave French firms the opportunity to establish a presence in the country. Thus, the water pipe systems division of Saint Gobain, Pont-à-Mousson, acquired Stanton in 1984, which was sold off by the newly privatised British Steel as the latter was re-focusing on its core businesses. By acquiring its major competitor which was a market leader in the UK and the second largest group in Europe, Saint Gobain, itself the world leader, could set foot in the UK market in which previously it had no presence. The move of the French group was also indicative of a shifting away from a traditional export-led strategy to a strategy of local implementation in the countries.

In the telecommunications sector, the submarine division of Alcatel acquired STC Submarine Cable in 1992/3. Alcatel, because of the globalisation of its industry taking place in the context of deregulation, was strongly internationalised, having acquired major poles including the European operations of American ITT. The acquisition took place in the context of deregulation of the telecommunications market in Britain, resulting, as we saw, in a rationalisation of its telecommunications manufacturing industry and ultimately the exit of British-owned telecommunications producers. The Canadian group Northern Telecom, who had taken over STC two years earlier, sold it as it faced financial difficulties. By acquiring STC, Alcatel aimed at doubling market share and reinforcing its position in the American market.

\[\text{Footnote:}\]

In the water industry, the three major French utility companies, Vivendi Water, Lyonnaise des eaux and Bouygues — through its water division SAUR — made significant investments in the late 1980s as part of the privatisation of the industry. As the regional water authorities (RWAs) were hostile to the entry of French water companies, it was through the statutory water companies (SWCs) that French firms managed to penetrate the market. French managements overcame management resistance of SWCs by promising cooperation in industrial management, and were aided by the fact that the small SWCs feared losing their independence and being taken over by the large RWAs after privatisation. Thus in 1988 and the early part of 1989 prior to the privatisation of the industry, Vivendi Water, Lyonnaise des Eaux and SAUR launched a total of twelve bids for British SWCs. But as they stepped up their investments, the British government, under the pressure from the lobbying of the RWAs to stop French inroads, enacted legislation which forbade a water company already present in Britain to take over a water company without referral to the Monopolies and Mergers Commission. In addition, at the time of privatisation of the RWAs, the government kept a golden share for five years, which prevented any takeover. Thus, as the market closed upon themselves, French water companies had to restrict their investments to the SWCs and were blocked from expanding further. Vivendi Water’s planned take-overs of three SWCs in which it already held stakes and which it intended to merge to form Three Valleys, was referred to the MMC in 1990. The merger, the first to be referred, was eventually authorised after a long legal procedure and mainly thanks to the support of the British managements.

6 The utility group Vivendi took advantage of the opportunities presented by UK privatisations, investing not only in the water industry but energy (acquisition of AHS Emstar), transport (Connex) as part of the privatisation of rail companies, telecommunications (Yorkshire Cable Corporation), healthcare (BMI Healthcare), waste management (Onyx), consultancy services (Psec) and construction (Norwest Holst). All these divisions pursued their international expansion independently from each other, as Vivendi was loosely structured through a holding. From having no presence in the UK, the British market has become the group’s main market outside France with a turnover of 20bnFF and more than 20,000 employees, accounting for around 30% of the group total sales abroad and 10% of the group total turnover.
French water companies were the only foreign investors to take part in the 1989 privatisation of the industry, and the water industry remained largely untouched for the subsequent ten years as the law remained in force. In 1995, as the government sold its golden shares, Lyonnaise des eaux was able to acquire Northumbria Regional Water Authority. Today the three French groups together own twelve of the twenty-nine SWCs as well as two RWAs, representing nearly a fifth of the water supply market, while Lyonnaise des eaux has also a presence in the water treatment industry with a market share of around five per cent (cf. Table 5–2). We studied the integration of Three Valleys, the largest water company owned by Vivendi Water, and the seventh largest water supplier in the UK ahead of four regional water authorities, with more than 1,000 employees.

Table 5 – 2: French water companies' investments in the UK

<table>
<thead>
<tr>
<th>VIVENDI WATER</th>
<th>LYONNAISE DES EAUX</th>
<th>SAUR (BOUYGUES)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lee Valley</td>
<td>East Anglian</td>
<td>Mid Southern</td>
</tr>
<tr>
<td>Rickmansworth</td>
<td>Newcastle &amp; Gateshead</td>
<td>Eastbourne</td>
</tr>
<tr>
<td>Colne Valley</td>
<td>Sunderland &amp; South Shields</td>
<td>Mid-Sussex</td>
</tr>
<tr>
<td>North Surrey</td>
<td>Bristol</td>
<td>West Kent</td>
</tr>
<tr>
<td>Tendring Hundred</td>
<td>Anglian (RWA)</td>
<td></td>
</tr>
<tr>
<td>Folkestone</td>
<td>Northumbria (RWA)</td>
<td></td>
</tr>
<tr>
<td>Bristol</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mid Kent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Staffordshire</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4: The three SWCs were merged in 1990 to form Three Valleys.
Source: Company reports.

If French multinationals water companies were the only foreign investors in the British water market, the reason is to be found in their domestic pattern of industrial governance. As explained in chapter 4, whereas in most countries water

7 To justify preventing mergers, the government and OFWAT have since invoked the necessity of maintaining a large number of companies to apply ‘yardstick competition’. In 1997, SAUR and Vivendi Water attempted to take over Mid Kent Water, but the MMC rejected it on comparative-efficiency grounds. The most significant change since privatisation has taken place recently, as the German utilities group RWE was allowed to buy the largest UK water authority Thames Water in September 2000, thus signalling a change in attitude among the UK industry and the British government, in the face of the necessity for British water companies to gain the scale to be able to expand abroad in the changed water environment of the 1990s.
companies were part of the traditional monopoly-based model - even in the US - in France, in a marked contrast with the prevailing statist governance regime, water companies have always been maintained in the private sector under a regime of gestion déléguée, in which the management of water networks was delegated to private water companies whilst the infrastructure remained in the hands of municipalities. Through their century-old experience as water operators, French water companies have gained the scale, an expertise in the design, construction and the management of large water projects. Further and perhaps foremost, as they were used to fighting to win management contracts to provide water services, they had an ingrained entrepreneurial spirit which was a fundamental reason behind their international ambitions and their willingness to take risks, first in the UK, and as worldwide deregulatory trends have proceeded, internationally. Thus, the pattern of industrial governance Vivendi Water and its French counterparts inherited at home, has conferred upon them a source of international competitive advantage, which water companies from other countries were slow to acquire: one would have to wait for more than ten years for British utility firms or newly deregulated European companies such as the German utilities RWE, to firmly begin expanding internationally and begin developing an operational capability.

Turning now to the construction group Vinci and the retail group Redoute, their movement into the UK was partly triggered by developments in the Single European market. Vinci, together with other French construction groups (Bouygues, Dumez, Spie Batignoles) were traditionally very active à la grande exportation in Africa and the Middle East and among the largest international groups, but began re-deploying their foreign investments away from Africa towards Europe, in response on the one hand, to declining demand as a result of the region’s economic situation as well as fierce competition from construction companies from emerging countries, and on the other hand, the prospects created by the European single market and the development of Private Financing Initiatives projects (OECD 1995). As an opportunity arose in the UK with the civil engineer Norwest Holst, whose management was looking for a financial partnership and to gain access to the

The mail-order group Redoute acquired Empire Stores in 1991, one of the largest five mail-order companies in Britain behind Grattan, Littlewoods, GUS and Freemans. The acquisition was aimed at penetrating the UK market, and was partly driven by the creation of the single European market in 1992 which opened up the prospects of elimination of trade barriers. Whilst the retail industry at the time was not internationalised at all, the mail-order business was regarded as a segment of the retail sector where economies of scale could be achieved in procurement and distribution. The move of La Redoute was finally accelerated by the entry of its German competitor Otto Versand in the UK market who acquired Grattan. Table 5–2 summarises key characteristics of French firms' UK acquisitions that will be examined in this chapter.

Table 5–3: Presentation of UK acquisitions

<table>
<thead>
<tr>
<th>Year</th>
<th>Acquiror</th>
<th>UK Target</th>
<th>Sector</th>
<th>UK rank</th>
<th>Nb emp*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1984</td>
<td>Saint Gobain</td>
<td>Stanton</td>
<td>Water pipe systems</td>
<td>1</td>
<td>2.500</td>
</tr>
<tr>
<td></td>
<td>(Pont-à-Mousson)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1989</td>
<td>Vinci</td>
<td>Norwest Holst</td>
<td>Construction</td>
<td></td>
<td>2.000</td>
</tr>
<tr>
<td></td>
<td>(52%)</td>
<td>(52%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>Vivendi Water</td>
<td>Three Valleys</td>
<td>Water distribution</td>
<td>7</td>
<td>1.000</td>
</tr>
<tr>
<td>1991</td>
<td>PPR (La Redoute)</td>
<td>Empire Stores</td>
<td>Mail order</td>
<td>5</td>
<td>2.500</td>
</tr>
<tr>
<td>1992</td>
<td>Alcatel (ASN)</td>
<td>STC</td>
<td>Telecommunications submarine cables</td>
<td>1</td>
<td>1.500</td>
</tr>
</tbody>
</table>

* Ranking vis-à-vis major competitors in terms of market share.

* Staff numbers are approximative. As these are the figures at the time companies were acquired, going back over ten years, it was difficult to obtain exact figures from companies.
Acquisitions as mode of entry

During the 1980s, French multinationals expanded abroad mainly through acquisitions. Two thirds of total growth was achieved through mergers and acquisitions between 1985 and 1988 and three quarters in the period 1988-1992 (Sally 1996). In the UK specifically, our findings show that French multinationals have entered the market mainly by acquiring existing companies. This contrasts with the internationalisation pattern of Japanese firms, which in the same market, have opted for organic growth, or American firms who are known to rely on a diversity of entry modes from acquisitions, to alliances through to organic growth. Several factors account for the asset-acquiring investment strategy pursued by French firms, some linked to their nationality as well as the specific nature of the UK market.

The highly competitive nature, as well as maturity, of the UK market has influenced their choice of means of entry. In some sectors, French companies had little choice but to proceed through acquisitions. In the home-shopping sector for example, the market was dominated by the ‘big five’, and La Redoute made unsuccessful attempts to enter the UK by its own means in the late 1980s, before opting for the take-over route. Other French retailers, such as Carrefour, also sought unsuccessfully to penetrate the British market in the late 1980s, whereas they succeeded in the less mature markets of Southern Europe8.

However, factors related to the UK market alone, do not explain French firms’ pattern of internationalisation, as multinationals of other nationalities have managed to enter the UK market through other ways. Organic growth is a high-risk start-up strategy which requires both strategic and financial muscle, as well as the availability of resources and capabilities to compete effectively in the host market (Sudarsanam 1995). From the start, Japanese implementation of manufacturing operations in the US and subsequently in Europe aimed to circumvent trade barriers in order to secure bridgeheads in the US and the European marketplace (Dunning 1994; Sachwald

1995). For French multinationals however, the stakes were different as the UK was simply a European market as opposed to a gate to the European market, and thus growing organically was a risk they might not have felt worth taking.

Further, French firms lacked experience of the UK marketplace and knowledge as to how to proceed to enter it, which in the face of competitive market conditions, has acted as a deterrent to 'going it alone'. The building group materials Saint Gobain, who had no presence in the UK prior to the mid-1980s, first proceeded through acquisitions in the UK but, as its presence grew and reached more than 26 firms and 10,000 employees by the late 1990s, its glass division announced the building of a manufacturing unit in 1997, reflecting that through its greater experience of the UK market it was confident enough to build a manufacturing unit. Thus, a lack of strategic muscle together with a lack of international maturity in the face of a highly competitive marketplace have combined to explain French firms' pattern of entry.

**A cautious approach to entering the UK market**

Many French firms started by taking partial stakes in British firms, reflecting a cautious approach to international expansion. Vinci bought 52% of Norwest Holst in 1989, whilst La Redoute acquired 26% of Empire Stores the same year. In addition, during this period mergers and acquisitions for the most part have been completed by consensus rather than through hostile take-overs. In 1985, *Acquisitions Monthly* recorded that out of the 22 bids for UK companies launched by French firms, 18 were successful and all were recommended whilst three out of four hostile bids failed. Hostile approaches were rare and the bulk of each was defeated as French firms were inexperienced to the sophisticated public financial markets. One of the very few contested bids to be won in this period was the take-over by La Redoute of Empire Stores in 1992

---

Further, their pattern of development suggests that French companies were not driven by financial considerations but rather sought to set a foot in the market and seize opportunities in order to gain an international experience. Their stake-investments in UK companies was of a wait-and-see kind.

The examination of the course of events that led to the establishment of Vivendi Water in the UK illustrates in more detail the then vision of French management. Vivendi Water adopted a low-key approach as it entered the UK market and slowly developed its approach over time. As the British government announced its intentions to privatise and deregulate the water industry in the mid-1980s, senior managements from Vivendi Water were given the remit to investigate possibilities of investment in the market. As they were unfamiliar with the UK market, the group having no operations in the UK, senior managers spent more than a year making contacts throughout the British water industry in order to get acquainted with the system, and eventually decided to invest in the SWCs in the face of RWAs' opposition. The company began timidly, by buying minority stakes in the water companies, and systematically consulted with the companies before investing, as one of the French senior managers explains:

"Initially, we did not judge feasible to mount a full take-over. We were not used to making acquisitions in France, take-overs are familiar nowadays, but at the time it was not the case. And we also feared that a brutal approach might trigger off hostile reactions. (...) The very first investments we made (in the UK), we were entirely in the dark, we only had a hazy idea of where we were heading. I remember sarcastic notes (circulating in the management team) 'it will never make any money this thing, but carry on a little, we shall see'. It was entirely based on feeling."

Thus, behind managements' step-by-step approach, lied a lack of experience of carrying out take-overs, mixed with an apprehension of operating in a foreign environment they did not know. This manager also points to a certain skepticism among French executives regarding the viability of a pan-European expansion which we found to be characteristic among top French managements in our other case studies, and which goes some ways towards explaining the slow approach of French firms at the time.
It is thanks to Lyonnaise des eaux, which broke a taboo by launching an immediate take-over bid of Essex Water in 1988 (though after having secured the management's consent), that Vivendi Water was persuaded to move from a stakeholding position to a full blown take-over. Lyonnaise’s blunt move was in fact the result of a U-turn in its initial intentions of waiting for the privatisation of the large RWAs rather than investing in the SWCs unlike its counterparts Vivendi Water and SAUR, as it later realised that the soon-to-be-privatised RWAs would oppose French involvement.

Like Vivendi Water, all companies eventually moved to take full control of the companies. They realised that partial ownership yielded little benefits in the Anglo-Saxon world, as it did not enable them to weigh significantly upon strategic decisions and in some instances power-sharing with other shareholders led to disputes. Vivendi Water management was confined to a passive role in the management of the SWCs. The shareholder’s agreement the construction group Vinci entered with the managers of Norwest Holst, left it with limited authority even though it was a majority shareholder and British management retained a significant autonomy on the day-to-day management, giving French managements little influence upon operations. Three years later, in 1992, Vinci management bought back the remainder of the shares. Similarly, La Redoute who initially took a 26% stake in Empire Stores had strong disagreements over strategy with the two other main shareholders British GUS and an Italian retail company which, as events accelerated in the UK home-shopping market with the entry of Otto Versand, eventually led La Redoute to launch a bid in 1992.

Conclusion

One can thus speak of an internationalisation by progressive stages for French multinationals. Their lack of experience of internationalisation, together with the lack of centrality of internationalisation in the overall economic context of the 1980s, help explain that French firms began internationalising timidly and slowly. Their
The integration of British acquisitions was not driven by a reasoning of building a global presence as is the case today: French firms of the 1980s were clearly looking to the long-term, but were opportunistic more than strategic, as reflected in the lack of coherence behind their pattern of international expansion. Vivendi Water responded to the deregulation of the UK market and was looking to gain some international experience. The move of La Redoute to take over Empire Stores in 1992 was motivated by the entry of its German competitor Otto Versand in the UK who bought another home-shopping retailer, Grattan. Vinci wanted to set foot in the market and seized the opportunities it found in the UK market.

5.4. Case studies: processes of adaptation to the UK market

This section examines how French firms have approached the integration of their British operations, pointing to initial conditions that have influenced the outcome of the integration in each case and the extent to which French features have ultimately been exported. As the French companies of the 1980s entered the UK market with a variety of motivations and little international experience, this has had a profound influence upon the way the integration process has evolved. Because they had no mode of integration to follow, they were unable to anticipate initial conditions that were thrown at them and thus have had to deal with them as they went along. As a result, firms proceeded very progressively, through trial and error, and the process of integration of their acquisitions was slow and hazardous.

However, a common feature across French firms has been their willingness to retain their identity, as they have tried to duplicate their approach or, more precisely in the bulk of cases, to establish a means of control over the operation. In the face of their lack of experience of the UK environment and the resulting strong impact of initial conditions, there are varying degrees to which each firm has ultimately managed to export elements of its system. The eventual outcomes of French firms' strategies are summarised in figure 5 – 2, which is adapted from Rosenzweig and
Singh’s model (1991) and depicts the two conflicting pressures for consistency with the multinational and those for 'isomorphism' with the host environment.

In the case of Saint Gobain one can speak of an ‘exportative strategy’, whilst the arrangements found in Vinci and La Redoute can be characterised as ‘controlled autonomy’. Vivendi Water and Alcatel have yet adopted a different approach which could be characterised as an 'adaptative strategy'.

1. Saint Gobain and Stanton

After the take-over by Saint Gobain of Stanton, the group from the outset took firm control over the operating company, sending a French General Manager together with a finance director to head the operation. In the first few years however, the process of integration remained very gradual and slow and there was some floating time before some strategy was drawn with regard to the role of the British subsidiary within the group and any investment decisions made. A restructuring process was eventually decided at headquarters aimed at improving the efficiency of Stanton and
in particular modernising factories’ production capacity, as the British firm’s competitiveness was found to be significantly lagging behind other parts of the group, as a result of years of under-investment under the ownership of British Steel\(^\text{10}\). This was symptomatic of the ills of the British manufacturing industry described above.

As part of the restructuring, Saint Gobain proceeded to implement the group management systems within the UK operating company. The first element the parent focused upon were financial management and reporting systems. In France, the parent’s management systems and procedures were characterised by a high degree of centralisation and detailed level of reporting. The financial and cost-management systems, which analysed in a great amount of detail plant performance, were implemented within each single factory within the UK. Under the parent system, issues of budgets, and follow up of plant performance were no longer the direct responsibility of UK plant managers alone, but the corporate finance function in the UK who had detailed knowledge of plant performance. The parent corporate management systems were implemented in their entirety, giving Saint Gobain management at headquarters full knowledge and control over Stanton’s operations.

At operational level, one of the major changes undertaken in the production function by Saint Gobain was the merger of technical and production departments: the philosophy behind the move was to exert greater control over capital expenditure decisions and implementation of investments projects. Saint Gobain had found British general management little involved in the definition of the content of major capital expenditure decisions, their role consisting mainly of validating decisions, a characteristic which, as we shall see in the other case studies, turns out to be a widespread feature in British industry. Typically in the British firm, technically related strategic decisions were under the responsibility of the production director, who himself extensively relied on external technical consultants. This was in marked contrast to the French mode of internal governance, where as key decision-makers were engineers by background and the production function was still central to the

organisation, the decision-making process over technological choices as well the technical expertise was strongly retained within the firm and was seen as a priority task of top management, as we saw in Chapter 4. In order to put in place the changes, Saint Gobain sent French engineers, to oversee the start-up and installation of major investments programs. The move thus enabled Saint Gobain management to be closely involved at technical level, thereby enabling it to duplicate its domestic technological approach.

The process of overhauling Stanton’s manufacturing capability took a total of five years including around two years of making major capital expenditure decisions and around three years of implementation. By the mid-1990s, under the combined effects of strong investments, a reduction in headcount of 50%, a rationalisation of the factories into very lean units specialised by product lines, as well as the adoption of flexible working arrangements, Stanton had achieved a 50% productivity increase and surpassed the productivity of other operations in the group.

Because of very weak filters on the side of the UK operating company, Saint Gobain faced few obstacles from the host organisation to implement corporate management systems, and as a result made very few concessions. Firstly, the ‘industry’ filter weighed little in the balance of power between the parent and Stanton because the industry is global and functions in an integrated fashion, as production processes are standardised. The UK operating company is mainly dependent upon the parent for its strategy and resources rather than being oriented towards its local market.

In addition, the UK operating company was at a technical competitive disadvantage vis-à-vis the parent, as Saint Gobain, maintaining close links with the French state until its privatisation in 1986 and even after, had benefited from long-term investments. Saint Gobain thus found it easier to transfer its approach, as it was highly beneficial to the local company.
A significant filter that also facilitated the process was the flexibility and
capacity of change of Stanton management, who made many efforts to implement
successfully the restructuring process. Saint Gobain benefited from the support of the
then British CEO, a francophile, who had supported the bid by Saint-Gobain against
British Biwater as he saw a long-term future for Stanton within the French group.

At lower managerial level, there is evidence that French managers faced
resistance from British managements: in our view, this was partly linked to the
strategic hesitations of the French group in the early stages of the process creating a
vacuum at operational level, and also the clashes of culture given Saint Gobain’s
strong identity. This may have delayed, but not did significantly hamper the process
of transformation affecting Stanton.

It is indeed clear that an important factor behind British management’s drive
to succeed was that the outcome of the change process would decide the future role of
Stanton within the group. As mentioned above, the UK operation and its sister
manufacturing units served both their national and export markets and competed for
orders with each other. British managements feared Stanton would become a plain
assembly plant after the take-over. Thus, the threat of the carrot and the stick was
powerful enough for them to comply with parent requirements. The literature has
emphasised the strong bargaining hand of the centre in integrated multinational firms
(Lucio et al. 1994). Kostova (1999), drawing on resource dependency theories
(Meyer & Rowan 1977; Pfeffer and Salancik 1978), interprets as follows the attitude
of the operating companies:

'(...) under such conditions of dependency and intraorganizational
competition, a recipient unit will try to become internally legitimate with the
parent company and the corporate headquarters and will try to gain their
favourable judgements. Becoming isomorphic with the parent company (....)
will be one of the strategies subsidiaries could use to achieve intra-
organizational legitimacy. Complying with the requests of headquarters is
also a strategy that will be viewed positively by the headquarters, and which
could consequently increase the degree to which the unit is perceived as
cooperative and committed to the organization'. (Kostova 1999: 319)
In conclusion therefore, the pressures upon Stanton for consistency with the parent’s modes of functioning clearly outweighed those to adapt to the institutional demands of the local environment. In the absence of constraining filters, Saint Gobain was able to duplicate its approach. Its financial systems, production approach were implemented in their entirety, without significant adaptation to the local host environment.

2. Vivendi Water and Three Valleys

Compared with Saint Gobain, the French water company was confronted with a very different kind of industry, which acted as an obstacle upon the parent’s initial strategy of taking control of its newly acquired British operation. The water industry is a multi-domestic industry, whose organisation in the UK is dictated by a regulatory framework, which as mentioned above, was set up in 1989 as part of the privatisation of the industry. Price-setting - subject to the RPI+K formula – and quality controls are the responsibility of the water regulator OFWAT and a string of other public bodies. As the monopoly of water services is difficult to break given the nature of the water industry, pressures for greater efficiency upon water companies have been applied by OFWAT, instead of competition, through what is known as ‘yardstick competition’: that is, through using comparative information on a wide range of indicators, and forcing companies to align themselves with the most efficient firms. OFWAT's involvement in the strategy of the water companies takes the form in particular of an ‘Asset Management Plan’, which involves a thorough review of the companies' operations every five years, out of which decisions are being made between the regulator and water companies, regarding investment plans and the setting of the K company-specific number. Thus, the overall sectoral setting within

---

11 Water companies are allowed to raise prices each year by RPI+K, where RPI stands for the percentage increase in the retail price index and K is a company-specific number. The K factor reflects increases in the costs of meeting quality obligations and the scope for operating cost efficiency (Armstrong et al. 1994). Until the late 1990s, in contrast with other utilities, water prices were allowed to rise to allow for the massive investments required to catch up under years of investments, as, being in the public sector, the water companies had been subjected to strong budgetary constraints.
which British water companies are embedded, strongly limits their room for manoeuvre for setting their strategies.

Vivendi Water has thus had to contend with a highly restricting filter. As we saw, from an early stage, the company being unfamiliar with the UK setting and realising the strong cultural differences between both countries, proceeded very carefully in approaching the British water companies. Once it acquired Three Valleys however, it undertook to take control over the operation, but as the ‘industry’ filter stood in the way, the group decided to establish a small structure within the UK, General Utilities (GU), to ensure the management and control of the water companies. In addition, it grouped the technical resources of the UK water companies into a single structure, General Utilities Projects (GUP), which was responsible for technical design, screening major capital expenditure decisions as well as overseeing their implementation, whilst water companies were left with the operational responsibility of running the water networks. It placed French expatriate managers as heads of both those structures. By doing so, French managements had thus developed two arms of influence (Figure 5 – 2): through GU it controlled key decision-making processes at strategic level and through GUP, it was able to involve itself in operational matters.

![Diagram of Vivendi Water's organisation structure in the UK](image-url)

**Figure 5 – 3: The organisation structure of Vivendi Water in the UK**
One of the reasons behind the creation of GUP was indeed similar to Saint Gobain, that is gaining greater control over capital expenditure and major technological decisions than was the case in the British system, thereby making up for what was seen by French engineers as shortcomings in the production life of the British firm. In addition, as heavy investments were being launched by Vivendi Water following the first regulatory review in 1990 to meet government requirements to modernise the networks, centralising the technical function enabled Vivendi Water to create synergies and steer water companies in the same direction. GUP was constituted by taking British engineers from the water companies, a French engineer was appointed to start up the function whilst other engineers were regularly sent to GUP. The process of establishing GUP and developing an in-house expertise in the key technical fields of water took over three years. The group was able to transfer its technical competitive advantage and expertise in particular in the domains of water meters, commonly applied in France but very rare in the UK and now progressively implemented to respond to problems of pricing raised by the new regulation; in waste-water treatment, pipework installation and rehabilitation. Through GUP, Vivendi Water was thus able to impose its French operational vision upon the operating company.

In transforming the British operation, Vivendi Water also benefited from favourable initial conditions, which contributed to smoothing the process of integration. The SWCs it acquired were rigorously managed and financially healthy. French managements also found at senior levels an open-minded British management, a legacy of the long tradition of international financial involvement of British water industry abroad and its pre-eminence in the 19th century, and who was thus receptive to French managements’ perspective. In addition, water companies were pre-disposed to change, firstly because of the profound changes which were underway in the industry as the new governance regime was established. Secondly,

12 Households in the UK are charged according to the rateable values of their properties (Armstrong et al. 1994).
13 Vivendi Water, which we recall was a private firm, was partly funded by British capital in 1853 (interview notes).
the UK water industry, in contrast with the French water companies which as we saw emerged from a market-led sectoral governance regime, had always evolved within a public model of governance under which it had remained fragmented, sheltered and long under-invested. As a result, the British water companies were relatively less advanced than their French counterparts in particular from a financial and technical point of view, and thus saw benefits in tapping French management expertise as a water operator. This overall context provided French managements with the opportunity to have a significant influence upon British operations.

Two restructuring operations were carried out aimed at improving the efficiency of the company. Both were imposed by OFWAT, the first were part of the conditions attached to the clearing of the Three Valleys merger; the second took place following the 1994/5 regulatory review. Interestingly, in the second restructuring, the company was re-organised in small geographic areas along the lines of the French model, though the idea of re-organising the firm did not come about as a result of any corporate policy but emerged within the UK between British and French engineers.

In conclusion, whilst in the early stages Vivendi Water adopted a cautious approach to the SWCs, it subsequently took fairly rapid control of the operations, but in contrast with the heavy-handed approach of Saint Gobain, it took control in two stages, as, faced with high pressures for local isomorphism arising from the industry it was operating in, it was forced first to adapt its structure to the local market. Thus, whereas in pipe systems manufacturing the sectoral variable was not constraining and Saint Gobain was able to impose its model, here the sector's influence was more prominent. However, the French utility company found an ingenious compromise between the need to fit the requirements of the sector locally and its desire for controlling the operation. By establishing decision-making structures within the country, Vivendi Water management gained proximity to the sector that enabled it to understand the specificities of the UK water industry and, as a result make informed decisions. Within the UK, the company subsequently duplicated its approach upon the operating company, and thus a French approach has overridden the British method.
Thus, whilst at first French features were muted, they subsequently re-appeared in the host environment.

3. Vinci and Norwest Holst

Two phases can be identified in the integration of Norwest Holst. From 1989 to 1992, the parent began by buying the majority of capital in Norwest Holst (52%) with the intention to co-manage with the British incumbents of the company. Like other French firms, it was unfamiliar with the UK environment and thus began cautiously. However, during this period, Vinci was left with limited influence over the operations of Norwest Holst by the British management team, and Vinci bought back the remainder of the shares in 1992 and subsequently appointed a new British CEO. As Vinci began to assess the situation, it found Norwest Holst in a critical situation, as it uncovered problems of wrong valuations of assets as well as an extremely complex and opaque structure of many construction companies each having a considerable degree of autonomy. The industry is particularly prone to this kind of risk for construction companies have few fixed assets and their value lies in the ability to secure its contracts, but it also revealed the dangers of lacking either a strategy or a pre-acquisition study when setting foot in the UK market. As a French senior manager of Vinci recalls:

‘Evolving in an Anglo-Saxon environment very sophisticated from the legal perspective, we had not realised the dangers in negotiating the take-over, for it requires such a knowledge and culture to be able to evolve in this type of environment. (...) we were crushed by the legal Anglo-Saxon environment’.

Vinci undertook a drastic restructuring of the company which was to last over four years, in which tens of companies were closed, and the organisation structure streamlined. After the restructuring, the parent was confronted with a problem since the British company was still losing money as some building sites were persistently overrunning on cost and time. Puzzled by the continuing problems of Norwest Holst, the parent sought to gain control over day-to-day operations, but was confronted by
The integration of British acquisitions

an industry where pressures upon the British company for local isomorphism were high.

In the British contractual system, design and construction are separated, unlike the continental model where the contractor is responsible for the building process from beginning to end (Hillebrandt 1988). Thus in Britain, the design as well as the monitoring of the construction process are in the hands of a ‘design team’ appointed by the client, whilst the contractor’s role is restricted to the execution of the building work. Central to the British contractual system is what is called the ‘claim’, whereby the client engages itself on the product to be built but not on the actual price, in contrast with the continental model whereby the bill of quantities is fixed from the outset and it is the contractors who absorb all the costs and risks involved. As the cost is entirely borne by the client, parties involved have little incentive to cooperate or to share the costs and risks involved, by seeking to manage more effectively the building process. One thus sees frequent and wide variations between initial and final costs on a building contract, and claims are settled between client and contractors through negotiations and often go to arbitration. 

As a result of the broader differences in the contractual system and structure of the industry in each country, the role of building managers, who are in charge of a construction project on building sites and are thus key actors in the construction process, tends to vary greatly between both countries. Whilst French contractors manage the process from design to construction and thus have broader responsibilities, British contractors are largely implementers and follow instructions from designers however high the costs or difficulties they might entail. Further, a strong specificity of the British construction scene which contrasts with the French

---

14 60% of the industry projects overrun significantly on timescale and costs. It is estimated that between 9% and 12% of management time is spent on commercial and contractual work, and as recently as 1996, construction firms were spending 7% of their turnover on conflict and making profits of just 1%; the Government has long been concerned at the industry’s working practices, and made several attempts to reform the system but unsuccessfully (Financial Times, ‘Share ‘pain and gain’ on road to enlightenment’, 14 September 1999). The nature of the contract in the US system also separates design from construction, but in contrast variations from the initial quantity of bills are penalised, thereby preventing some of the excesses of the British system (Hillebrandt 1988).
system - itself the result of the centrality of the claim, is that the management of costs on building sites is not under the responsibility of building managers, but the responsibility of 'quantity surveyors', highly qualified accountants and lawyers, who are in turn responsible for establishing the claims for increased costs to clients.

Vinci, accustomed to the continental model, was unfamiliar with the workings of the British system and had difficulties comprehending it, in particular, the little weight of building managers in heading construction projects. Management initially attempted to gain a means of control and transparency over Norwest Holst through two ways. At corporate level, it sought to implement management and reporting systems and, at operational level, to provide British building site managers similar cost-management tools as in France, thereby trying to transfer its continental vision of the organisation of the industry and in particular of the pivotal role of building site managers.

In doing so, Vinci faced obstacles as Norwest Holst was under strong pressures from its local environment to comply with local customs and practices. On the ground, French expatriate managers met strong centripetal forces in seeking to change building managers' working practices, arising from the resistance of quantity surveyors and the construction industry at large who have interests in maintaining the system, and their resulting inhibiting effects upon building managers. Implementing French reporting systems and management systems for British contractors proved impossible because of the vast differences between British and French contractual models.

An additional strong obstacle faced by the parent was the reluctance of British managements to cooperate with the parent. In spite of the change in key members of the local management team, a strong climate of suspicion reigned on both sides in a difficult financial context and, as the parent was still wary from its experience with the previous management team in which it had put its trust at its expense. Several expatriate managers sent on specific missions were rejected by the British
management structure, but as they lacked an understanding of the intricate workings of the industry in order to be able to act in a management role, expatriate managers and corporate managements had little bargaining leverage. In Vinci more than any other of our case-study firms, local management cooperation weighed significantly in the relationship with the centre, for as the parent could not establish a means of control over the operation, it was entirely dependent upon the goodwill of local management to be open and transparent. Whilst the openness to change of British management had been a key ingredient in the successful change process in many of our case study firms, here local management’s attitude turned out to be a handicap.

The French parent in seeking to transfer its systems thus suffered significant setbacks in the face of the strength of pressures for local isomorphism, and was forced to retreat and leave local management teams with full autonomy. British building site managers’ role and behaviour was part of a much wider institutional structure, which had its own rules and regulations, in which each party (architects, other contractors and quantity surveyors) had a specific role and interacted strongly with the other in highly complex, formal and informal ways. As a French manager explains, the move reflected a greater tolerance from the parent for the specificities of the UK sector and an admission that it had to change its approach:

‘The acknowledgement of the impossibility of harmonising information and reporting systems, essentially because of cultural differences, was an important step in the relationship between France and Britain. At last, France was recognising that Britain was different, but that what the British were doing was not stupid. And it enabled the British to say ‘at last they respect what we are doing’.’

After several failed attempts, Vinci was nonetheless able to transplant three expatriate managers into the system, at corporate level and at operational level, who, although they did not have control over the operation were able to provide the parent with a day-to-day understanding of how operations were evolving and of the financial state of Norwest Holst, whilst strict capital expenditure approval guidelines were set. Further, French management, through sustained efforts of convincing senior British
management and the presence of engineer expatriate, has been able to introduce some modifications to the information systems building managers use, so as to make them concrete and accessible to them as opposed to only quantity surveyors. The exercise, according to French and British management alike, made some progress in instilling a greater sense of ownership in the organisation and cost-management of the construction process, and was aided by the introduction of a new type of contract in the UK industry closer to the continental model, under which contractors are involved at an earlier stage in the design process so as to encourage all parties to work in a more integrated fashion.

In conclusion, the lack of experience of the UK market of Vinci, together with the highly local nature of the construction industry has meant that the process of establishing a means of control upon Norwest Holst has taken place through a great deal of trial and error, and a much more laborious process than in the case of Saint Gobain and Vivendi Water. First opting for a cautious approach in line with its limited experience of the UK market, the approach eventually failed as the then Norwest Holst management team turned to be uncooperative with Vinci, which also revealed French managements’ lack of a clearly defined strategy when taking over Norwest Holst.

When taking back control, Vinci attempted to put in place its management tools and methods upon the British operation, but was eventually defeated by the nature of its industry and has had to remain humble in the face of the customs and culture of the local environment. In this case, the sector variable acted as the main filter upon French features eventually preventing them from filtering through. Though some minor improvements have been achieved in terms of bringing in a French view of operations management and responsibilise building managers, one can not speak of a transformation of British working methods à la Saint Gobain.

The outcome of the integration process was thus that Norwest Holst was operating with full autonomy within the parent’s trust. As managers on both sides
had gradually learnt to work and understand one another over the years, and Norwest Holst’s financial situation markedly improved under the combined effects of the drastic restructuring and the UK economic recovery, trust had gradually been gained. In addition, relying on three expatriate managers enabled the parent to have some visibility over the operation. However, trust remained precarious and the parent constantly feared returning to an opacity.

The comparison with Vivendi Water’s experience points to a further distinction as to how multi-domestic sectors may affect the transfer of management practices. The water sector is regulated through market mechanisms and thus lends itself to clarity and predictability, but the construction industry, being based on customs, informal and complex networks with many parties, is much more difficult to penetrate and control. The construction sector remains an exceptional case due to the extremely high pressures for local isomorphism it imposes on companies as compared with other multi-domestic industries. The difference in the nature of both industries dictated different methods of accommodation in order to meet the requirements of their industry: Vivendi Water was ultimately able to find a control arrangement, while the mode of internal governance of Vinci was working but remained inherently unstable.

4. La Redoute and Empire Stores

Group Redoute had no clearly defined international strategy as it set foot in the UK; this was at a time the retail industry was still little internationalised. An earlier attempt by the group to launch two of its home-shopping catalogue brands through its own means had seen one failure, whilst the other made a cautious and sluggish start, partly hampered by the parent’s lack of belief in the UK market.

The pressures for local isomorphism are high in the home-shopping retail business, as mail order shopping meets very different customer needs across countries, in turn dictating different product strategies. Thus in the UK, for a
complex set of historic and social reasons, mail order shopping was largely confined to customers at the lower end of the income range, whereas in Latin countries such as France and Southern Europe, home-shopping was relatively less developed and more a commodity than a necessity as it was targeted at a much broader and undifferentiated customer base. A strong specificity of the traditional UK mail order scene was the distribution methods companies used, which were based on what is known as ‘agency sales’ whose principle is the sale of goods through a large number of individuals acting as agents, who take orders from a small circle of neighbours. French mail order companies relied on distribution methods through direct sales, where catalogues are distributed to potential customers, with orders being returned by them directly to the company. Since the late 1980s however, in order to respond to the decline of the traditional home shopping market, the UK mail order companies were shifting their strategies increasingly along the lines of the Continental model, in the hope of widening their customer base. The competition in the UK market was also much fiercer than in France, with five major home-shopping retailers (GUS, Grattan, Littlewoods, Freeman in addition to Empire Stores) dominating the market as compared with two in France (La Redoute and Les Trois Suisses) owning between them more than ten different catalogue brands. Against this background, British companies strategies were highly developed on the service side, and operated a higher segmentation of the customer markets than on the continent. One of key sales drivers was free long-term credit, which was the principle attraction for customers using mail order shopping, whereas in continental home shopping, free credit of this kind was non existent.

Following its early unsuccessful attempts at penetrating the UK market, La Redoute had proceeded cautiously by taking partial stakes in Empire Stores before taking full control. Similarly, after having taken over Empire Stores, La Redoute adopted a prudent, hands-off approach to the process of integration. At the time of the take-over, Empire Stores was losing money, hit by the early 1990s' British economic recession and more fundamental problems of competitiveness, the result of

---

years of under-investments in management systems and distribution systems, as a result of a short-term management approach as the company was public prior to the take-over and thus under pressures from the stock market. French managements agreed to a three year restructuring plan, but the design and implementation of the plan was by and large left to the discretion of British management. Only one expatriate general manager was sent by the parent to lead the restructuring, and was parachuted in the UK with little group infrastructural backing other than financial.

Key elements of the restructuring involved large investments to overhaul the company’s financial and customer management systems, and distribution logistics, as well as a drastic reduction in headcount of around 25%. Within less than two years, the company was breaking even. Although the French parent was concerned about Empire Stores practices of granting long-term free credit to customers, from the outset it bowed to the specificities of the UK industry and maintained a British approach. Thus, the British management team launched two of La Redoute catalogues using British marketing techniques, namely free credit and other marketing practices widespread in the UK such as call centres and free returns. The launch proved highly successful, partly because of the product quality of the parent, as well as local management’s ability to position the French brands in the rapidly expanding segment of the mail order business based on direct sales techniques and targeting customers on higher levels of income.

In addition to the parent resources, a key element in the successful turnaround of Empire Stores was the UK managements and employees’ general orientation to change and innovation, which greatly contributed to speeding up the implementation of the turnover plan as well as the introduction of the French brands into the UK. Boosted by the successful turn-around of Empire Stores, a new, confident British management team convinced the French parent of the potential market for its French catalogue brands, and, taking all the financial risks, launched a large-scale and aggressive marketing strategy, which proved highly successful as sales took off very rapidly.
In this case therefore, the pressures exerted by La Redoute upon Empire Stores to comply with its own ways were not great and, as Empire Stores faced strong imperatives for conforming to the local environment, a British approach has dominated and few French features have filtered through. La Redoute’s hands-off approach was fundamentally linked to its very young age internationally and the resulting lack of strategy, management resources, and confidence to be able to impose any approach. The parent company, which did not have a defined strategy and means to impose its way upon the market, has had to remain humble in the face of the local specificities of the UK environment. The comparison of La Redoute and Vivendi Water’s strategic approach to adapting to the UK market, although both were operating in multi-domestic industries, reveals striking differences. Whilst the former did not impose any management ethos, the latter transferred its management approach.

5. Alcatel and STC

After the take-over of STC by Alcatel, the initial strategic approach of the French group to the integration was cautious, as French management decided to leave the British operation independent and ‘respect the cultural traditions of the company’. Alcatel, compared with other companies, was highly internationalised, as it had grown extensively through the acquisition of major poles (American ITT in 1986 and Italian Teletra in 1990) and, in contrast with other groups’ ethnocentric approach, the philosophy of the group was in being sensitive to each company’s culture. The submarine telecommunications division of Alcatel was not familiar with the UK in which it had no significant presence and thus maintained a hands-off approach entrusting British management of the UK operation.

In the first six months of the acquisition however, the telecommunications submarine market, an industry which is global in nature, collapsed, which radically changed the initial conditions that Alcatel was faced with. According to interviewees, the market downturn occurred as the direct consequence of deregulatory trends which
The integration of British acquisitions were accelerating worldwide. In the UK, which was at the forefront of those trends, the liberalisation of the telecommunications market was becoming effective in the early 1990s with the ending of the BT / Mercury duopoly, and the arrival of many new licensed telecommunications operators on the market. Newly deregulated telecommunications firms, unaccustomed to submarine telecommunications systems, paused their investments, hesitating between investing in the systems by themselves or leasing from the national operators which led to a temporary halt in demand. The far-reaching changes the industry was undergoing globally also coincided with the natural ten-year low point of the submarine telecommunications market, an industry characterised by ten-year long business cycles, further exacerbated by the economic recession in Britain. This overall economic context created a two-year operational vacuum for the newly formed Alcatel Submarine Networks (ASN) during which no contracts were won.

Thus the ‘industry’ filter moved right at the time of the acquisition. As a result of the collapse in the market, Alcatel’s initial strategy suffered two reverses, which forced the group to effect a U-turn. Firstly, the market downturn exposed the very high duplication of functions between both companies: both had the same customers and were manufacturing the same products. Under the initial approach of the parent, high duplication could have been sustained had both companies been kept busy, but in a context of a zero-order book, duplication became obvious and untenable. Management was forced to radically change course of action after six months, and to proceed with the integration of both companies.

The second implication of the market collapse was to force out in the open the need for formulating a long-term business strategy in order to respond to the deregulatory trends taking place in the global telecommunications submarine market and which were profoundly changing the traditional relations between national telecommunications operators and their manufacturing suppliers. Indeed, in a more opened and complex telecommunications industry, manufacturing suppliers could no longer rely upon national operators for orders, and were forced to target other
telecommunications groups. A Franco-British conflict erupted over which approach to adopt, as both STC and Alcatel diverged on their perceptions of the global telecommunications industry dynamics and as a result over appropriate business strategy, itself the result of their respective experience of deregulated markets. British managements advocated the deployment of proactive commercial strategies towards the new entrant telecommunications groups to sell them the benefits of submarine telecommunications systems. But, Alcatel’s management remained reluctant to change its approach.

The British company was further ahead on the road to deregulation and thus had a higher level of commercial expertise than the French group. STC had long lost institutionalised support from British Telecom or the British government for its markets, and, in order to ensure its survival, was dependent upon developing business opportunities by itself. Alcatel, still being in the bosom of the State and France Telecom machinery, was slower to wake up to the far reaching changes that deregulation was bringing to the industry on a global scale.

In Britain, as the acquisition was in turmoil, STC began to see an exodus of its younger managers in particular in marketing and technical functions. The crisis reached its climax when members of the British senior management team attempted to derail the integration process. Their attempts eventually failed after Alcatel found out, and key members were sacked. British management’s lack of cooperation has also had a strong impact upon the outcome of integration as Alcatel, once its trust was breached, took firm control of the operation. National rivalries have with little doubt played their part in explaining British management’s refusal to cooperate with Alcatel as both companies were competitors. Furthermore, STC had suffered from the Northern Telecom regime which led to the dismantling of some of its R&D activities at the time of the sale, and local management was keen on integrating what remained of the company as much as possible\textsuperscript{16}. But, British management’s resistance was also

fuelled by disagreements with French management and Alcatel's perceived lack of expertise.

After two years, the industry eventually came out of the deadlock it found itself in, when one of the new American telecommunications groups proceeded to directly purchase telecommunications submarine systems rather than leasing them from national telecommunications operators. Thus, as the global market picked up again, Alcatel changed its long-term business strategy by adopting a more proactive approach, which involved looking into supplying submarine systems to invigorated telecommunications companies. Alcatel management also decided to split its international marketing department between France and the UK in order to address the needs of the large number of global telecommunications customers who were based in the UK, thereby reflecting an adaptation of its approach and an appreciation of the UK market specificities and its more advanced state.

In conclusion therefore, the case of Alcatel marks a strong difference from our other case studies, as its strategy evolved over the course of the integration, first from a hands-off approach to re-gaining firm control, and finally aligning its business strategy to the requirements of the industry. In this case, it is the filter of the global telecommunications industry which caused the integration crisis and forced Alcatel to reconsider its initial approach. Here, the filter 'industry', because the market was global and dynamic, moved during the acquisition process, and thus put itself in between both sides.

The case also suggests that the 'level of advancement' filter played a significant role, but in the other direction than in the case of Saint Gobain or Vivendi Water for example. The latter, because of their sectoral domestic pattern of governance, were more advanced in technical terms than their British counterparts and, as a result, subsequently faced little difficulty in imposing their model. In the telecommunications industry however, the British operation had greater expertise of deregulated markets because of the more rapid evolution of its domestic sectoral
setting towards a market-led system; nor was STC at a significant competitive technological disadvantage with Alcatel for, in contrast with other British manufacturing firms, it had benefited from Government investments in defence and related industries together with GEC, Plessey and British Aerospace (Walker 1993). The British and French companies’ respective levels of advancement in turn complicated Alcatel’s task in taking control at STC.

The comparison with the retail group Redoute shows two very different results from adopting similarly cautious strategies to the local market. The hands-off approach of La Redoute was successful because its market was mainly national and was thus lending itself to a strong degree of autonomy. However, in the case of Alcatel, what could have been an appropriate strategy given Alcatel’s limited experience of the UK market, was in fact not sustainable because of the global nature of its industry and the duplication between both companies.

In spite of an arduous integration process however, the company was eventually fully integrated. Alcatel emerged as the world leader and ultimately successfully adapted its strategy to the requirements of the global industry.

5.5. A mode of adaptation to the UK environment in a French way

This section attempts to identify the underlying traits behind French companies’ responses to the UK environment. In spite of lacking a clear strategy towards their acquired operations and thus groping their way along through a lengthy and sometimes arduous path to integration, it is noticeable than our case study firms have ultimately succeeded in establishing some means of control and have been able to ‘fit in’ their systems into that of the operating company as well as to successfully overhaul their own operations. Thus, in the absence of constraining filters, Saint Gobain duplicated its approach, whilst Vivendi Water has successfully overcome the local nature of its sector in order to impose its approach upon the operating company. Vinci, whilst not having been able to establish a means of control because of the
peculiar nature of its industry, has nonetheless gained a vision of the UK construction company. La Redoute, lacking international experience, has adapted from the outset to the UK environment. Similarly, Alcatel has ultimately adjusted its long-term strategy to the deregulated telecommunications environment. How are we to explain French firms' ultimately successful adaptation to a host environment as different and unfamiliar as the UK?

French companies have firstly exported a long-term vision to the UK. French managements, even though they had no experience, have had a primary concern in ensuring the long-term viability of the businesses they have taken over which has guided them through the restructuring of their operations. Thus, even though many have ended up with acquired firms which were in a poor state, all our case study firms have taken it upon themselves to overhauling them and have committed long-term financial and management resources as well as technological know-how in the operating company.

French companies' long-term vision and product-centered philosophy have implied a desire from French managements to involve themselves in the running of the operations. With the exception of La Redoute whose relative youth meant it did not have the means to impose an approach in the UK, and Alcatel at first because of its strong degree of internationalisation, none of our case study firms has left their operating companies without direction and most have introduced an overall set of philosophies and resources in the operation. Through expatriates, French managements have been able to involve themselves in all aspects of the management of the operating company, not only at strategic level, but also at operational level and in particular at technical level. This hands-on management style has its roots in their embedded engineering ethos, and also French managers' strong attachment to their firm which implies a genuine commitment and dedication to their businesses. In this respect, French managements, to varying degrees depending upon the filters they have encountered, have ultimately been able to influence their operations. However, the French style of management is not constituted of a set of well defined
management methods in the same way as the literature has found with Japanese and American firms. Rather it is a distinctive way of managing and controlling, which can best be characterised as a hands-on management style.

But this interventionist style has a counter-side of an excess desire to control and retain a sense of identity at the risk of lacking an open-mind to different approaches. Thus, initially our findings show some French firms arrived in Britain with colonial inclinations and sought to impose their group methods which sometimes proved ill-adapted to the Anglo-Saxon environment. This desire to impose group methods can partly be explained by the fact that French firms were inexperienced and had a stereotypical view of Britain for some time. For example, French firms’ product vision collided with the British prevailing logic of short-term profit maximisation, innovation and customer service. Vinci having a continental view of the organisation of the construction life, sought to put in place a product-driven approach but which was rejected by the local market place. Vivendi Water promptly restrained from imposing its way as it recognised the specificities of the British water industry. La Redoute, in contrast with other firms, did not impose an approach because of its very young international age as we noted, and thus quickly accepted that French fashion would not sell in the British retail market without credit and other customer services advantages. In the case of Alcatel, strategy was fundamentally evolving in the telecommunications industry as a result of deregulation, away from a product-led approach towards a sophisticated customer-driven strategy, in which the French group had lacked expertise.

As Hu (1995) points out, the sources of competitive strength of a firm in its domestic environment will not necessarily ensure its success in a different host environment because the firm has to take account of local market rules, and thus methods are not necessarily transferable from one country to the other. Free credit in the retail sector, the claim in the construction industry, and the absence of water meters in the water industry are market practices which remain quite resilient in Britain as French companies have had to learn the hard way.
The way French companies initially sought to impose an ethnocentric approach was also evident through the issue of the management of human resources. French managements, used to a strong stability in their employment systems at home, lacked sensitivity to the issue of staff retention at times of changes in ownership which were critical in the dynamic UK labour market, and were not able to stop the haemorraging of British staff. Thus, we saw that Alcatel management were faced with an exodus of British middle managerial staff. Our findings have pointed to other similar cases. Shortly after having acquired the UK bank Alexander and Croushank, Crédit Lyonnais experienced a dramatic loss of senior staff, when the group took control through sending in expatriates.

However, in spite of the strong setbacks they have had and the mistakes made by some, our case studies reveal that all French firms made a long-term commitment to the UK. French management’s desire to succeed in the integration of their operations and get involved in the management of operations has implied a persistent attitude to their work which has enabled them to overcome difficulties encountered. The construction firm Vinci did not throw in the towel in the face of adverse conditions: whereas the operation it acquired was in a state of near bankruptcy, probably taking several years to be able to turn it around, it still did not sell it. Through its perseverance, the group managed to find a way to deal with the local nature of the sector and has used its initial lack of adaptability in order to adjust itself to the industry. Norwest Holst eventually broke even and the group managed to gain, if not control at least a degree of transparency over Norwest Holst operations thanks to its expatriate managers. Vivendi Water did not admit defeat in the face of the local sector and established a control arrangement in order to overcome the alien conditions of the UK market. The process of overhauling Stanton took over five years as Saint Gobain proceeded gradually, and the group was able to transfer its model upon Stanton with only minor adaptation. La Redoute, as we know, found an immediate adaptability to the UK. Whilst going through a difficult integration, Alcatel and STC have nonetheless merged their operations, and Alcatel has ultimately showed some
receptivity as reflected in the adaptation of its business strategy to the new telecommunications context.

Thus, French managements’ determination to find solutions to the problems arising from the tensions between national and local cultures has enabled them to overcome critical situations and ultimately be able to gradually introduce their perspective whilst adapting to the UK environment. French managements have gradually become more integrated into the British system, they have begun to understand its rules and modes of functioning, and in the process have gradually reconsidered their stereotypes about Britain and opening up their hitherto inward-looking view. Thus, even though they lacked a well-defined strategy, thanks to their perseverance, together with their desire to be actively involved in the management of the operations – even though there has been a perverse side to their control approach which has led some companies to impose elements of their systems inappropriately, French firms have ultimately developed a capacity of adaptation to the host environment.

Whilst it is generally estimated that one out of two mergers fail, in the acquisitions carried out à la française, the success rate here is 100%. Within our sample, none has exited the market, even when their operations were losing money. Only recently, some American energy groups have been deserting the UK electricity market just two years after having bought a number of regional electricity companies following the privatisation of the electricity industry: one of the key reasons being given is that returns on investment have not met their standards, as a result of operating in a context of tougher regulation on prices, the imposition of a windfall tax and insufficient prospects of cost-savings within the businesses. As a result of differences over investment and product strategy, a conception of profit-maximisation which is not as heightened as American firms’, and an overall process of integration which is very gradual and longer-term, French multinationals after an initial delay in the integration phase, have managed to successfully overhaul their operations.

The management approach that characterises French multinational companies is a kind of ‘third way’ as compared with the management style of Americans and Japanese multinationals. In the case of American firms, more clearly defined strategies in particular with regards to maximising profits in the short-term, well established and recognised efficient management methods, huge financial clout and scale are all factors that place them from the outset, in a position of considerable strength to impose their approach and override the specificities of local environments. Similarly, Japanese car manufacturers have set up greenfield sites, thereby reducing the impact of local conditions, in order to be able to import their superior manufacturing systems. In both cases, because of the features they inherit from their domestic environments, these companies are able to exert strong pressures to conform internationally. French firms, lacking those characteristics, have had to compensate their strategic weaknesses through a durable, hands-on involvement of their managements, which has enabled them eventually to introduce their perspective into the host environment.

We shall make a number of points regarding the effects of international filters, which our study has highlighted. Firstly, our findings enable us to put into perspective the claim made by the management literature that the culture variable is a major cause of failure in cross-national mergers (Cartwright and Cooper 1992). If cultural differences were indeed a critical issue, French companies would not have been able to survive in England, for the culture of both countries could not be more opposed. Yet, none of our case studies has withdrawn from the UK, and many other Franco-British alliances have successfully leaped the cultural hurdles as evidenced by the success of the alliance between GEC and Alcatel Alsthom which has since merged into one single company, SEMA or Caraud-Metal Box. Numerous factors enter the equation and the success or failure of an integration cannot be reduced to mono-causal explanations.

We argue that culture, whilst being an important variable in the success of an acquisition, is not the decisive influence, and its actual role needs to be considered
against other factors. Thus, the interpretation of the clashes between STC and Alcatel was not cultural but fundamentally linked to the economic crisis that hit the industry, the managerial crisis resulting from Alcatel's lack of initial strategy which was further exacerbated by British management's unwillingness to cooperate. Whilst not being the initial cause of the problems therefore, cultural differences can amplify a financial crisis or bad relational context between the parent and local management, and risk becoming a barrier. Eventually however, firms can adapt to local environments: cultural clashes are not set in concrete and firms can eventually overcome them. This point is further demonstrated by the evolution of relations between French and British management in Alcatel as other initial conditions evolved. Within ASN, British and French engineering teams gradually got to know one another and are now working effectively together and whilst there are cultural differences, ranging from language to product specifications through to management style, there are strong counter-balancing forces which regulate the working relationship arising from the fact that teams work towards common objectives and share common professional interests. This has enabled them to find ways in which to overcome and even exploit cultural differences.

We have also noted the importance of two initial conditions upon the transfer of the parent management approach, which is often under-rated in the management literature, firstly the synchronisation of firms' business cycles at the time of the takeover and secondly the mentality of host management. Our case studies demonstrated how a poor financial climate can have an overwhelming impact upon the integration of an acquisition, as it exacerbates all other issues related to the integration and complicates the task of building trust, a crucial element between both sides. Further, whilst French multinationals have benefited from the support of key British managers, at middle management level we found that British management were generally reticent to French management's approach and it has been an important factor in delaying or preventing the integration process.
In addition to an inevitable loss of power and control resulting from the takeover, other factors have affected local management's mood. First, it is a function of the expertise and experience of the acquiring management. As revealed in many of our case studies, as French management lacked the experience of integrating acquisitions, British management perceived a lack of leadership and was not inclined to cooperate. Secondly, the hospitality of local management is to varying degrees dependent upon the nationality which it is facing. There is a history of antagonism between the British and the French, and without being able to assess precisely its actual influence, this perception may have made the initial task of developing trust more difficult. Further, it has become evident through our observations that French management style is little known and not recognised aside from its engineering expertise as compared with American multinationals' state-of-the-art management methods or Japanese's manufacturing methods, and thus British management was not motivated to challenge its approach. The receptivity of local management was finally linked to the period of the acquisition: thus, in an international context where national borders were still closed, the Britain of ten years ago was more reluctant than it is today.

A further point is that it is often argued that lesser-regulated countries such as the UK and the US are more hospitable to foreign practices than those with dense institutions such as France and Germany for the latter limit managerial autonomy. However the permissiveness of the Anglo-American model should not be confused with the fact that these countries are regulated by the rules of capitalism, and as our findings have clearly shown, they prove to be extremely difficult environments to operate in for the inexperienced firm. In less mature and culturally closer countries of Southern Europe such as Spain yet which are still densely institutionalised, French firms were able to impose their approach without significant hurdles, but the British context has acted as a stronger filter upon their management features.

Our study has also shown that a company's sector can have an influence upon cross-border transfers in two ways. The first is linked to the local character of the
sector. Thus, as is now well-established by the literature, global sectors tend to be less constraining than multi-domestic ones. Our study has nonetheless highlighted significant differences across multi-domestic sectors and their influence (in particular between water, retail, and construction). As an increasing number of so-called 'multi-domestic' industries are becoming global, the distinct 'multi-domestic' label might not account for the variety of sectors. The second aspect through which a company’s sector can exert an influence is their level of advancement vis-à-vis the other, which in turn can facilitate or prevent a parent from transferring its approach. French companies were generally more advanced than their British counterparts in terms of technicity, explaining the overwhelming direction of influence from the parent to the operating companies in this function. However, firstly, there were differences across British firms depending upon the firms’ sectoral evolution (for example STC was competitive), and secondly, where a company might be more advanced in one function, it might be lagging behind in others. Thus, the Franco-British comparisons show that British companies tend to have a greater expertise in terms of finance and commercialism.

As to the approach of the literature on cross-national transfer of practices, our approach has emphasised processes of adaptation which are the result of the interplay of a range of variables. The literature, by failing to examine the full picture of cross-national management transfers, that is who transfers what under which conditions can lead to obtaining wrong conclusions when it comes to generalising about the role of a single variable, for in a different context a variable can have different effects. For example, the debate about the role of the host country’s culture takes place to a certain extent in a vacuum and might well over-estimate (Streeck 1996) or under-estimate (Womack et al. 1990) its importance if taken out of its larger context. Indeed, although we agree with institutionalists that a firm can not fully divorce itself from the local environment in which it operates as our findings clearly show, some American, Japanese or global firms such as ABB have nonetheless the capability to significantly minimise the impact of local contingent factors (Bélanger et al. 1999).
Conclusion

The examination of the sequence of events from the time French companies set foot in the UK reveals that they have gone through an inevitable transitory phase of adaptation to the host environment with which the bulk of them had no past history, and some of their national features have evolved through the process. Thus, their absence of a clearly thought out strategy, as well as their caution and ‘colonial’ approach are features which companies have exported in the early stages but which they have now abandoned. This form of adaptation in turn implies a learning process undergone by French managements, an issue that has turned out to be of importance and will be examined in detail in Chapter 8. Whilst some national features characteristic of a time period have disappeared, and others have persisted, identifying them is relevant for they remain part of French firms’ behaviour and could potentially re-emerge under a different context.

As French multinationals have gained in international experience, they have first and foremost adopted a strategy of globalisation by setting foot in all major markets, and further, they are more likely to be able anticipate critical variables and mould them in order to reduce their impact. Other variables are themselves evolving too. Thus, local management resistance, strong ten years ago in a worldwide context which was significantly less opened and internationalised, has lessened during the 1990s as the necessity of being part of a large group in order to be able to flourish and survive is acknowledged. All those factors contribute to facilitating the process of integration of acquisitions and French firms are more likely to be able to ‘clone’ these groups more rapidly; those evolutions will be examined in latter chapters.
VI

GLOBALISATION OF CORPORATE STRUCTURES
Chapter VI

GLOBALISATION OF CORPORATE STRUCTURES

Introduction

In response to the globalisation of competition, French companies have since the late 1990s pursued global product strategies and begun a process of adaptation of their structures characteristic of an international organisation model, as identified by Ohmae (1990) and Bartlett and Goshal (1989). However, these general trends do not easily sit with existing characteristics of French companies. This chapter seeks to establish the degree and manner in which French companies have adopted features of a global model, as well as characterise the specificities of their model abroad.

It is the telecommunications equipment firm, Alcatel which has undergone the most significant transformation of its existing model and achieved the highest degree of globalisation, as compared with our other French companies. The first section will thus examine the case of Alcatel separately given its level of international maturity. The key international tendencies which are adopted by French companies will then be looked at, focusing upon their product strategies, corporate structures and modes of control. The final part discusses the French features which have influenced their transition towards a global model.
6.1. Alcatel: The transformation from a French multinational to a global firm

Over the last decade, in response to the globalisation of the telecommunications industry, Alcatel has rapidly evolved from a traditional telecommunications equipment manufacturer mainly focused on its domestic market to a global, re-focused telecommunications group. Since the mid-1990s, Alcatel has focused on high-growth telecommunications markets such as internet data networks and mobile telephones. In response to the changing nature of demand from traditional national operators who have become sophisticated service providers as a result of liberalisation, Alcatel has shifted the focus of its strategic development towards software, systems and services and away from product-based projects, becoming a provider of complete solutions from conception, design, manufacturing and installation to financial engineering.

The group also operates on a global basis. Following the acquisition of the European operations of ITT in 1986 and Italy’s Teletra in 1990, the group had inherited a strong European presence, with its main technological centres spread across Germany, Belgium and Spain. Since the mid-1990s, in line with its policy of focusing on key strengths, it has pursued an aggressive internationalisation with a strong focus on the US market (acquisitions of DSC, Packet Engine, Internet Devices, Xylan, Assured Access, Genesys, Canadian Newbridge), where the group was absent from and which has now become its major market accounting for about a quarter of group turnover.

Accompanying this strategic repositioning, Alcatel has begun a process of reforming its management structure and culture in order to gain in efficiency and agility. Alcatel transformed its corporate structure of loosely integrated national operations into market-oriented, integrated worldwide product lines or business divisions (BDs). Under a vigorous three year cost-cutting programme, the group drastically reduced its organisational bureaucracy. Thus there was only one layer between the group Executives and the operating units; central functions were very
lightly staffed and operated through networks rather than by concentrating teams at headquarters level.

At corporate level, the holding structure was transformed into a specialist operational Centre, as a small Executive Committee was created to oversee each division more closely, and corporate functions were strengthened while new ones were created - in particular in business process and engineering, marketing and global procurements. The Centre’s role was to set and disseminate strategic objectives and monitor performance, create a group culture as well as provide specialised services to the BDs. Key decisions were decentralised to regional headquarters that were created in the major markets of the triad. Global BDs were made responsible for product strategy worldwide, and as a result country managers, who were renamed Country Senior Officers (CSO), saw their autonomy greatly reduced and their proximity to the centre has become much more marked. The role of the CSOs, who reported to the regions instead of the Centre, shifted away from decision-making and control to one of finding synergies across BDs at national level. The heads of the most important countries were given responsibilities for the international development of the group in their geographic areas. Similarly, the role of Areas became solely one of support, and consisted in particular of harmonising methods and processes within countries as well as maintaining a cohesion across business divisions at national level. Because of their proximity to the Centre and their knowledge of countries’ specificities, the Areas played an active part in diffusing corporate culture and policies. Figure 6-1 summarises the key dimensions of Alcatel’s global product line structure.

In addition to the business divisions and the Area levels, Alcatel appointed global Key Account Managers (KAMs), who became responsible for addressing the needs of major customers worldwide. Headed by very senior managers, often country managers, and operating in networks, their task was to follow large customers’ demands and pool together group resources where needed. Alcatel was thereby able to have a single point of interface with its global clients and meet their demands in all countries, as well as provide a complex and diversified service.
In total, the streamlined, market-oriented structure enabled fast operational decision-making compared with the traditional two-dimensional matrices, whilst maximising the potential for vertical synergies within the BDs, as well as cross BD-synergies at national level, through the Areas and country managers. Thanks to the KAM structures, who were bringing a global vision and expertise of the Centre to the national units, Alcatel was able to handle international projects which were adapted to local countries’ specificities, thereby being able to reconcile ‘global’ and ‘local’ demands. Underpinning the structure was also a strong international outlook: the composition of the group’s management was highly international, with 70 per cent of the top 500 managers being non-French, the result of its historical expansion. The CEO also set up a supervisory board, regrouping experts from a variety of backgrounds and nationality thereby bringing to the firm, a global and diverse expertise.

Figure 6-1: A schematic model of Alcatel’s worldwide product line
Having established its worldwide product lines and streamlined its corporate structure, Alcatel has moved into a regime of international consolidation, which is still continuing. It has entailed a re-organisation of its operations worldwide, leading to significant downsizing and the re-grouping of its dispersed operations into global centres of competence; a simplification of legal structures at national level together with a re-alignment of national units' structures to be market-focused; the rationalisation and standardisation of key business processes worldwide, in particular customer order fulfilment, financial information system and the supply process. Alcatel has also launched a vast programme, entitled 'hi-speed', aimed at transforming its engineering-driven management culture and ways of working to make it more efficient, flexible, team-worked based and market-oriented in outlook. This has particularly involved a dramatic emphasis upon the marketing functions, the creation of powerful KAMs and the creation of a support service strategy.

Further, the centre has become actively involved in developing an Alcatel culture through corporate programmes, a trend which has been identified in international firms (Bartlett and Goshal 1993; Beckman 1996; Bélanger et al. 1999). Benchmarking is also a central element of the group strategy to reforming its ways of operating and harmonising key business processes to improve its productivity. The management process has evolved away from a 'command and control' to softer forms of control, including 'self-regulation', extensive performance measurement, negotiation and influence, which allow the BDs and national units to retain the initiative and be market responsive, though within a centrally defined framework, which a manager at headquarters characterised as 'forced democracy'.

The decision-making is with the Business Units, they have the last word, they carry the Profit and Loss, we (the centre) are a coordination. If they want to ignore what we propose, they can. But they can not do this three of

---

1 Our findings also qualify trends claimed by the management literature that the new multinational has become a 'hierarchy' with centres of power being dispersed and decisions decentralised (Hedlund 1986, 1994; Handy 1992). With the adoption of global product lines, one sees a definite evolution towards greater formalisation with centres of powers being clearly located within the Business Divisions. However, central programmes were driven locally by the national units for the end philosophy behind the product line is transparency. But, a two-way relationship is not synonymous with dispersion of decision-making powers.
four times in a row with bad results, you must justify your choice: either we do things wrong and we should take things from them; either they follow us, it is as simple as that. So, it is a sort of forced democracy'.

Through the active role of the centre, the gradual harmonisation of business processes, a culture of continuous improvement, self-regulation and performance management, but also the strategic mobility of managers enabling the development of networking within the organisation, a distinctive culture appears to be emerging, though the process of reforging it is likely to take many years.

Through its far-reaching and aggressive corporate restructuring, Alcatel has transformed its previous model to become a lean, efficient, highly market responsive global organisation. One can see that these traits are antithetical to French culture and that Alcatel has almost lost its nationality. Whilst other French firms are seeking to emulate this model, they have changed to varying degrees as we shall now see.

6.2. Evolution towards an international model

This part outlines the major trends within French companies as they evolve towards a global model with regards to their product strategies, their corporate structures and modes of control.

Globalisation of corporate strategies

Since the latter half of the 1990s and in response to global competitive pressures, French companies have pursued a strategy of focusing upon key areas of competence and internationalisation. Firms are strengthening their core business expertise and global presence through mergers and acquisitions whilst disengaging from activities considered to be outside their mainstream businesses. For example, Vivendi has shed its construction and healthcare businesses, and recently floated its environmental service arm, traditionally core sectors of the group, to build up a media and telecommunications group considerably strengthened through the acquisition of
the Canadian production company, Seagram. Danone is pursuing a global strategy in three key high-growth product lines namely dairy, beverages and snacks, which has led it to sell its containers and groceries units and pursue an active acquisition policy in the major markets of the Triad. Total has actively taken part in the recent wave of consolidation affecting the oil industry, acquiring the Belgian oil company, Fina, and its French competitor, Elf.

French companies are seeking to establish a presence in the US market, seen as the largest and most innovative market, as well as in the high growth markets of the Pacific Rim and emerging markets of Eastern Europe and Latin America. This marks both a qualitative and quantitative shift from the late-1980s internationalisation phase, as the bulk of their FDI was essentially smaller in scale and centered upon Europe. The building materials group Saint Gobain has pursued a strategy of focusing on three key business areas (glass, high performance materials, housing products) where it holds a leading position, and has stepped up its international expansion with a focus upon Latin America and Asia. The retail group La Redoute has placed a priority upon internationalisation since the mid-1990s, which has risen, from being virtually nil, to over 50% of the group turnover.

In parallel with this new philosophy of focusing on core strengths, one sees companies diversifying into new businesses, thereby responding to the blurring of traditional sector boundaries brought about by liberalisation. The environmental service arm of Vivendi is deploying a multi-utility strategy in water, electricity and waste management. Total is actively developing into other forms of energy such as gas.

Peugeot has also begun pursuing a global strategy since the mid-1990s, but has remained distinctive from other companies who have largely proceeded through mergers and acquisitions. Whilst the group has for many years been resisting
Globalisation of corporate structures

Globalisation of competition\(^2\), it has committed itself to an international expansion under a new leader, but has sought to retain its identity and remain an independent car manufacturer. Thus, it has kept out of the recent wave of consolidation which has swept the industry and instead has proceeded through alliances with other manufacturers, notably, it has developed multi-purpose vehicles with Fiat, and has cooperated over diesel engines with Ford. Judging by Peugeot's current strength in Europe and rapid catching up in other parts of the world, the group's singular strategy of being a 'small but strong' car producer seems to represent an alternative to globalisation.

French companies are thus in the process of transforming themselves into highly specialised firms, deploying their product strategies on a global scale, and increasingly diversifying into services. This represents a profound strategic shift which has matured over the last ten years, when French companies begun restructuring themselves in order to enhance their profitability and meet their growing needs internationally. Their search for productivity gains has intensified since the latter half of the 1990s however, as they face powerful international competitive pressures, arising on the one hand from the growing opening of markets resulting from market liberalisation, and on the other, from a context of escalating R&D costs as a result of technological innovations. Shareholders' pressures for maximising financial profitability are a further factor behind firms' relentless pursuit of growth and productivity.

Thus, one sees an increasingly short-term vision amongst French management, as firms are forced to react quickly to market demands and to maximise their profitability. A noticeable trend is that, in today's fast changing international markets, firms' responses are by and large dictated by the global environment and they have less and less control over the horizons of their strategy. As a result,

\(^2\) Under its nationalistic leader Jacques Calvet who headed the group for thirteen years, Peugeot long sought protectionist measures against Japanese competition, and never firmly committed itself to an international strategy. The group's overall performance, in terms of profitability and sales, compared with the rest of the industry gradually deteriorated in the 1990s.
increasingly, the distinction between long-termism and short-termism is blurring, as firms have to combine both gaining market shares and maximise efficiency in order to survive in the competitive marketplace.

Nonetheless, French firms' long-term focus remains. For example, having decided to pursue global strategies, firms are now allocating significant means in order to achieve this successfully. Further and relatedly, time horizons are strongly dictated by the industry of the firms and therefore one sees variations in our sample. Thus, in the case of Total, the oil sector is characterised by long-term horizons whereas the telecommunications sector and the car market are highly volatile.

*Evolution towards worldwide integrated organisation models*

French companies are all introducing worldwide product line structures, supplanting the old multi-domestic model. However, changes in their structures and modes of control take place at different speed and with varying difficulty. Table 6–1 illustrates the great variety amongst firms’ responses.

The companies that transformed their structures to a lesser extent and more slowly were those that had legacies of centralised bureaucratic structures. Saint Gobain, Peugeot and Total have retained cumbersome and hierarchical structures. This in turn implied that they remain highly centralised. In Saint Gobain for instance, the centre exerted a close control over the UK operating company, through strong functional relations, by relying on expatriate managers and through a highly centralised and detailed information system which gave French managements full knowledge over the operations. The Centre was involved in key strategic and operational decisions, whilst operating companies were implementing central decisions and policies with limited room for manoeuvre. In these companies, information flows tended to flow upwards and there was little consultation with the operating company in policy-making.
### Table 6-1: Organisation structures and modes of corporate control

<table>
<thead>
<tr>
<th>Company</th>
<th>Degree of Centralisation</th>
<th>Corporate structures</th>
<th>Mgt style</th>
<th>Links (Info. flow; Expat.; Formalism)</th>
<th>Definition &amp; Devolution of responsib.; Clarity</th>
<th>Ability to change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alcatel</td>
<td>Move from holding to stronger, specialised centre</td>
<td>Matrix, strong product lines</td>
<td>Negotiation, Influence</td>
<td>Two-way; No expats; Formalism</td>
<td>Defined; Devolved; Clarity</td>
<td>Quick evolution to respond to markets</td>
</tr>
<tr>
<td>AXA</td>
<td>Devolved authority</td>
<td>Matrix, independent national markets</td>
<td>Consultative</td>
<td>Two-way; No expats; Manuals</td>
<td>Defined; Devolved; Some clarity</td>
<td>Proactive</td>
</tr>
<tr>
<td>Danone</td>
<td>Operational autonomy, creation of a group culture</td>
<td>Country-based, recent move to product lines</td>
<td>Influence</td>
<td>Two-way; Expats; No manuals</td>
<td>Not clear; Devolved; Some clarity</td>
<td>Proactive</td>
</tr>
<tr>
<td>Peugeot</td>
<td>Highly centralised</td>
<td>Move towards an integrated structure</td>
<td>Move from relative autonomy to authoritarian imposition</td>
<td>Upward; Expats; Bureaucracy</td>
<td>Bureaucracy; No devolution; Secrecy</td>
<td>Incremental change</td>
</tr>
<tr>
<td>La Redoute (PPR)</td>
<td>Devolved authority</td>
<td>Setting up international structures</td>
<td>No imposition</td>
<td>Two-way; No expats; No manuals</td>
<td>Defined; Devolved; Some clarity</td>
<td>Proactive</td>
</tr>
<tr>
<td>Saint Gobain</td>
<td>Highly centralised</td>
<td>Matrix, strong functional departments</td>
<td>Authoritarian imposition</td>
<td>Upward; Expats; Manuals</td>
<td>Bureaucracy; No devolution; Secrecy</td>
<td>Incremental change</td>
</tr>
<tr>
<td>Schneider</td>
<td>Financial holding: no involvement in operations</td>
<td>Complex matrix, still powerful countries</td>
<td>No imposition, negotiation</td>
<td>Upward; Expats; No manuals</td>
<td>Not clear; Complex; Secrecy</td>
<td>Incremental change</td>
</tr>
<tr>
<td>Total</td>
<td>Highly centralised</td>
<td>Highly internationalised matrix</td>
<td>Imposition, Inflexible</td>
<td>Upward; Expats; No manuals</td>
<td>Bureaucracy; No devolution; Secrecy</td>
<td>Incremental change</td>
</tr>
<tr>
<td>Vinci</td>
<td>Financial holding, independent divisions</td>
<td>Independent national markets</td>
<td>Autonomy, with few central guidelines</td>
<td>Very few links, mainly financial</td>
<td>Devolved, with precarious trust; Clarity</td>
<td>Proactive</td>
</tr>
<tr>
<td>Vivendi Water</td>
<td>Financial holding, independent divisions</td>
<td>Independent national markets</td>
<td>Imposition of French expatriates in the UK</td>
<td>Two-way; Expats; No manuals</td>
<td>Increasing transparency between France &amp; UK</td>
<td>Proactive</td>
</tr>
</tbody>
</table>

*Note: The table provides a summary of the organisational structures and modes of corporate control for several companies, highlighting key aspects such as degree of centralisation, corporate structures, management style, links, and the ability to change.*

---

*Table adapted for clarity and readability.*
Globalisation of corporate structures

Notes:

a. The case of Crédit Lyonnais is not presented here, because the financial crisis of the group from 1993 onwards has drastically disrupted the group’s modes of functioning and thus no generality can be drawn. Prior to this, it shared features of a typically French regime of control with little devolution of responsibilities, with a strong degree of centralisation and an expatriate-based control system.

b. Upwards flows of information: the information flows upwards for the Centre to make decisions. Top-down: the information is communicated from the top to bottom and implemented, this characterises the typical American firm. When the information flows both ways, the operating company takes part in central decision-making and is kept informed from the Centre, more characteristic of the ‘global’ firm.

As Peugeot began opening up to internationalisation, it moved towards a policy of common platforms and of integrating its international manufacturing units. At home, the group had long operated on a highly centralised mode of control under an autocratic leader. As the group moved towards a functionally integrated corporate structure, it exerted tight control over the operating company, thereby replicating its domestic structures.

Total is illustrative of the difficulties encountered by French companies to reform their organisations, as it made an unsuccessful attempt at decentralising its traditionally highly hierarchical structures. In the mid-1990s, the group attempted for the first time a major reform of its organisation in order to enhance its market-responsiveness and efficiency. Management brought in Anglo-Saxon consultants and embarked upon a process of decentralisation. However, the group decentralised decision-making throughout the organisation without considering each operating company’s specific situation. Thus, it gave greater autonomy to operating companies which were coming to maturity and which presented little investment opportunities. General managers as a result used their autonomy in a way that did not fit group strategy, and the group was eventually forced to withdraw its financial delegation. Following this unsuccessful attempt, the group went back to its previous mode of control.

Similarly, Schneider attempted to move towards a product line structure in the 1990s but did not vigorously try to reform its old multi-domestic structure and integrate its foreign operations. The group was managed by a financial holding
detached from the management of operations which lacked understanding of market
trends. Thus, whilst the BDs were officially given a global remit for product strategy,
in reality they did not have full powers, as they were denied profit and loss
responsibility which remained in the hands of the regions, whilst countries retained
significant decision-making powers. As a result, the matrix structure remained highly
complex, half-way through a country-based structure, and was riddled with conflicts,
lengthy decision making processes and poor communication. The global business
divisions were unable to assume effectively their role of optimisation of their
businesses worldwide: within the UK for example, no fundamental re-organisation
was undertaken to align itself on the product lines, as the country was faced with a
legacy of structures which had piled up over the long history of Schneider in the
country³. In this case, one thus sees a strong continuity in existing structures⁴.

Whilst some companies experienced difficulties introducing product lines
structures and moving away from their centralised hierarchies, others had leaner
structures and smaller centres. Thus, AXA, La Redoute and Vinci were generally
non-interventionist and the role of the Centre was one of coordination rather than
control. Operating companies benefited from a large degree of autonomy in the
development of their strategies, and the British local management team had been left
in place. The main link with the parent remained through financial control, and major
investment decisions required approval from France. There were very few central
guidelines, though they were gradually developing as groups were implementing
product line structures. Similarly, Danone's operating companies had a long tradition
of operational autonomy as the group was up until recently organised along country-
baselines, but the organisation was distinctive in that the group was exercising strong

³ Schneider UK was composed of many companies, which had been acquired since the 1970s. Group
Schneider acquired two major French electrical equipment suppliers, Merlin Gérin and Télémécanique
in 1976 and 1988 respectively, who each expanded in the UK as early as the 1960s. In the UK,
Schneider also acquired Yorkshire Switchgear in the late 1980s and inherited the UK subsidiaries of
the American group Square D which was acquired by Schneider in the early 1990s.
⁴ At the time of writing, the group was beginning to evolve its headquarters towards a more specialist
centre, closer to markets, as it included the heads of Business Divisions in the group executive
committee.
control over its human resources policies, which contributed to creating a certain cohesion within the group.

Vivendi Water also showed market-responsiveness, as reflected in its ability to adapt its structures to local markets. As will be recalled from Chapter 5, Vivendi Water delegated significant decision-making power to the UK operation by establishing a small structure within the UK, General Utilities (GU), whose role was the management and control of the water companies. In addition, the technical resources of the UK water companies were grouped into a single structure, General Utilities Projects (GUP), which was responsible for major capital investment decisions whilst water companies were left with operational responsibility for their implementation and the running of the water operations. The UK operation functioned through a kind of triangular relationship with strategies elaborated through a negotiation process between GU, GUP and the water companies, and financial control of water companies exerted by GU. Therefore, the arrangement was such that key decisions were driven by GU within the UK and validated with the Centre, which enabled decisions to be tailored to the local market needs. However, Vivendi did not fully devolve responsibilities within the UK as key functions were in the hands of a few expatriate managers.

Figure 6-2: The organisation structure of Vivendi Water in the UK
The strong diversity in structures and control approach of firms studied was linked to several factors. It was partly the result of the variety of companies’ domestic structures. It indeed appears that firms have tended to duplicate their approach and retained their strong corporate cultures. For instance, Saint Gobain, Peugeot and Total who were monolithic entities and had legacies of hierarchical and bureaucratic structures, have tended to impose their approach upon the operating companies. In contrast, Vivendi was a holding structure, each operation having a certain degree of independence and having its own management methods; this is a factor which explains the group’s adaptative approach to the UK market.

The domestic sectoral governance regime is a further factor that explains some of the variations in firms’ responses. Those that emerged from the predominant state-led institutional arrangement such as Peugeot and Total have had greater difficulties adapting themselves, for the rules of their domestic markets contradict those of international markets. Companies that were in the private sphere displayed different kind of features from their counterparts and have shown greater agility. Thus, one sees a strong flexibility in the family group Danone for example, reflected in the rapid structural changes it has undertaken. Similarly, Vivendi Water retained an open-mind, as, from the outset, it found an arrangement to remain close to the UK market.

The period in which firms internationalised plays a fundamental role by shaping their international vision, which in turn underpins their control philosophy. Total and Schneider, internationalised for decades, have retained a kind of colonial mentality and still view their operating companies as subsidiaries as opposed to international entities. They have inherited long-established and cumbersome international structures, which they have had greater difficulty reforming to adapt to today’s fast changing international environment. By contrast, new international entrants, such as the retailer La Redoute and the insurer AXA, are unencumbered by
Key Account Management

In line with their strategies of globalisation, companies have begun creating divisions that cut across product divisions and focus on providing a range of services to their large industrial customers. French companies are beginning to evolve towards the concept of a ‘one-stop’ shop where their customers can easily buy an integrated service from them. Schneider for example has recently created a cross-functional structure which serves its major industrial clients internationally and offers complete solutions from design to the installation and maintenance of its products. Saint Gobain has also begun expanding into distribution and services through acquisitions.

The setting up of key account managements is a significant development amongst French firms and is reflective of a gradual shift away from a producer-led towards a more customer-driven approach. The creation of key account managements is part of a broader logic of expanding into the service side of their business, itself the corollary of companies’ repositioning strategies. By doing so, companies are seeking to enhance profits by concentrating on the high margin business of large clients, which in many cases, account for the bulk of growth of turnover. Companies also aim at gaining greater control of their market shares by being present downstream, and meet increasingly diversified and global demands of their clients. In addition, key account managements are a means of creating a group identity by enabling the development of synergies and sharing of expertise across divisions.

5 The implications of this filter, period of internationalisation, will be further looked at in Chapter 7.
Creating a group identity

Accompanying the introduction of global product lines, French firms have been seeking to create a group identity. These changes have taken place more or less rapidly and easily and multinationals are at different stages of advancement.

All companies have introduced a number of initiatives as part of a drive to create a coherent company. This includes efforts to build up an internationally recognised brand. Companies have worked on remoulding their corporate image. Thus, Danone, previously called BSN, is seeking to apply its main brand name to an increasing product range. Compagnie Générale des eaux changed its name to Vivendi to mark the group's evolution towards media and telecommunications away from the traditional environmental businesses of the group. One also sees an increasing coordination of functions at corporate level, which were previously organised on a national basis, and whose role is to create group-wide synergies. For instance, many companies are creating procurements functions. The creation of KAMs, detailed above, also takes place within this objective of seeking to developing a global, consistent and more efficient approach towards large customers.

By doing so, companies are firstly seeking to be recognised as a global and powerful group to respond to the demands of their customers which are becoming increasingly global. They also seek to achieve economies of scale in marketing and other functions, as well as simplify the internal management of the organisation by concentrating on a few brands.

Whilst all companies are seeking to develop a common group identity, they are at different stages of maturity because of their historical development and the way they control their organisations. There exists different kinds of corporate culture amongst companies. We saw through the case of Alcatel that the fully globalised firm is integrated through a strong, international corporate culture, strongly driven by the Centre, which is neither home nor host dominated (Ohmae 1990). On the other
hand, one finds companies that are bound by a strong culture internationally but which is not the fruit of a strategy but rather the result of history. For example, Total has a long-established, powerful corporate culture which has developed as a result of a history of having long relied upon expatriate managers, and a Centre which was strongly involved in the management of its operating companies. Similarly, through their centralised mode of management, Saint Gobain and Peugeot have developed strong corporate cultures. Thus, in these companies, a kind of innate, natural corporate culture has developed over the years, which is strongly marked by French culture.

Other companies encounter difficulties in creating a group culture because of their young age internationally. AXA and La Redoute for example do not have an international culture. Previously their main focus was upon domestic markets, and they have grown extremely rapidly in the space of a few years mainly via acquisitions. They thus remain constituted of disparate organisations with very little synergies. The lack of an international corporate culture in these companies is also due to the highly local nature of their sector which means companies remain more centered upon their local requirements than the benefits of the group.

French companies' legacies do not facilitate the creation of a common group identity. Developing a group identity implies a culture of transparency, of developing collaboration and trust within the organisation. French firms' long secretive nature runs counter to internal and external openness and organisation-wide information circulation, and remains a major obstacle to developing synergies within companies. All firms encountered strong internal resistance from managers exchanging information about their practices, for fear of consolidation and rationalisation which might follow.
Benchmarking, characterised as the ‘process of continually searching for the best methods, practices, and processes and either adopting or adapting their good features and implementing them to become the ‘best of the best’’ (Bélanger et al. 1999: 52) is an indicator of a firm’s international maturity. Global firms, in their search for optimum productivity, use systems of benchmarking, in tandem with worldwide management programmes of international standardisation, in order to achieve global standards of performance throughout the organisation.

We noted that Alcatel had a well developed system of international best practice. Central functions had a responsibility for searching for the most efficient practices internally and externally. Each department was functioning as a kind of communication forum, where policies, methodologies and processes were developed and tested by international project teams drawn from throughout the group and operating in networks. Once a consensus was reached on what was regarded as the most efficient method, those were standardised and formalised in manuals, before being implemented within BDs under the monitoring of the Centre. When exchange of practice did not lead to full standardisation, at the very least standards were set in the Centre, for example in terms of inventory ratios, time-to-order, etc., towards which BDs were expected to converge. Central experts provided large flows of information and guidance to the operational managements, in the form of internal performance league tables and benchmarking against competitors, and the business divisions were expected to ‘self-regulate’ themselves and decide upon the most appropriate course of action to improve their productivity.

Benchmarking remains largely underdeveloped in other French companies, as none had a well-defined policy of systematically exchanging best practice throughout the corporation. Often brought in by Anglo-Saxon consultants, this management practice was introduced in the 1990s, but evidence shows that it was implemented very slowly and unsystematically. For example, what some companies called
benchmarking was in fact an exercise of collecting data concerning competitors, but which was not furthered by analysis of lags in firms’ performance internally or by exchanges of information among operational teams: benchmarking therefore remained largely sterile. In other firms whilst there were some exchange of ideas through meetings or visits to various sites, this was done on an ad hoc and piecemeal basis. There was a lack of coherent strategy from top management in implementing this type of method. No French groups had dedicated central functions to perform this role, nor had they developed the expertise to be working on business processes.

Further, benchmarking is tightly linked to business process analysis (Hammer et al. 1993), which in turn is underpinned by a philosophy of minimising costs and maximising efficiency. French firms are still in the embryonic stage of maximising the efficiency of their modes of operations, and, although they put increasing emphasis upon maximising profitability, their notion of profit maximisation is not as heightened as American firms’. Further, as we noted above, French companies are not used to circulating information throughout the organisation, and this is required for a policy of exchanging best practice to function effectively.

Control through expatriate managers

We have noted above that companies do use expatriate managers to control their operations. This constitutes a common feature. As indicated in Table 6 – 2, over half the companies studied use home nationals in key management positions, usually those of general managements, finance, and, to a lesser extent, production.

Apart from the case of Alcatel as discussed above, the exceptions to this pattern are AXA, La Redoute and Vinci. AXA and La Redoute, as a result of their young age internationally, did not have the philosophy nor the means to deploy expatriate managers. In the case of Vinci, the nature of the industry barred it from using expatriates. Construction, being a sector which is very local in nature, based on traditions and customs, requires an intimate knowledge of the local marketplace,
leaving no other option but to rely on local nationals. The sector variable thus does
have an influence on companies’ approach, but where it is less constraining, French
firms’ preferred mode of control is through expatriates. Given the centrality of
expatriate managers in French firms, it is important to examine in greater detail their
roles.

Table 6–2: Companies’ prevailing approach to staffing

<table>
<thead>
<tr>
<th></th>
<th>Expatriates in key positions</th>
<th>No philosophy of using expatriates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alcatel</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>AXA</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Crédit Lyonnais</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Danone</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>La Redoute</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Peugeot</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Saint Gobain</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Schneider</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Vinci</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Vivendi Water</td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>

The common denominator behind their use is that they enable central
decisions and policies to be transmitted to the operating company as well as
information to be communicated back to headquarters thereby giving the parent a
vision of the operating company’s activities. Their use is also linked to maintaining
the French trust-based management system. Finally, they are the key means through
which the group culture is created within companies.

A strong characteristic of the use of expatriate managers within French
companies is that they cumulate roles and responsibilities. Thus, one often finds a
high concentration of powers in the hands of a few key individuals in the UK
operating companies. Thus, in one instance, a French expatriate manager was
heading a global business division whilst managing the UK operating company and
handling various international projects. In another, a French expatriate manager in
addition to his responsibilities as general manager of the UK operating company, was
representing the group operations in the UK, was responsible for the international development of the group in parts of the world and was overseeing the integration of major group acquisitions. The numbers of expatriates is thus not proportional to the power they exert. Whilst logically a greater number of expatriates tend to be associated with greater influence within the operating company, in fact a single individual could weigh heavily upon the firm’s management.

The concentration of decision-making in the hands of a few in some cases led to tensions with British managements who did not feel fully integrated within the core management process, as a British manager explains:

‘In fact the majority of the Board was French. And there was certainly, what we called the A team and the B team. The A team was alleged to have detailed discussions on how to run the company after 6.30 at night when the English had gone home. And there was the B team, which was me and the marketing director. (...) It was the French that decided the important things’.

This also led to problems of communication with the rest of the organisation, as information did not flow well throughout. This was further heightened by the fact that, in contrast with American multinationals, who are known to be highly formalised, with a qualified, detailed, explicit management style, relying upon formal authority hierarchy and procedures, French firms’ management style was informal. Indeed, French companies did not tend to resort to formalised manuals to communicate information downwards and expatriate managers remained the key link.

Whilst there were common reasons behind the use expatriate managers, no general conclusion could be drawn as to the role these managers play, as we found that firms used them in various ways depending upon a number of factors. Three roles have been identified ranging from ‘strategic control’, ‘operational control’ or ‘gate-keeper’. The table presents a simple two-by-two matrix, positioning firms identified in the table above as tending to operate through expatriate managers. The two main contextual variables include the degree of integration of the national unit within the group and the country’s role within group strategy, bearing in mind that in
Globalisation of corporate structures

reality the picture is akin to other circumstances so that one may find variations within those roles.

High Centralisation

Operational control
(Peugeot, Saint Gobain, Total)

Strategic / operational control
(Danone)

Low

Strategic control
(Schneider, Vivendi Water)

Gate-Keeper
(Vinci)

Country’s Strategic Importance

Figure 6–3: The roles of expatriate managers

Expatriate managers’ role will focus upon having ‘strategic control’, that is a decision-making role in the management of the foreign operation, in cases where the operating company benefits from a large degree of autonomy and represents a major market for the group, as in the case of Schneider and Vivendi Water. French managers make key decisions about the operating company regarding business development, investments and conveys the country’s perspective to the Centre, who mainly acts in a validating capacity.

The expatriate will play a role of operational management, if the national unit is integrated within group operations. Three cases fall within this definition, namely Saint Gobain, Total, and, more recently, Peugeot, which all exert a high degree of centralisation over the operating company and strong control over their expatriate managers. French nationals dispose of few powers, their role is essentially that of an implementer of corporate strategies and policies and a day-to-day interpreter of the local market situation, eventually having some input into central decisions. Their proximity to the Centre tends to be more marked than the strategic controllers’.
Finally, the French expatriate manager will act as a ‘gate-keeper’ when the firm cannot rely on any other means of control upon the national unit, as in the case of the construction sector where the French parent was forced to rely on British management. Vinci was dependent upon three French managers to transmit information over the running of the operation, and have an understanding and a transparency over the operations. Whilst two were operating at corporate level, the other kept an eye on the production costs of construction sites. However, in this type of situation, the expatriate managers have no decision-making power, their role being limited to maintaining a link between France and England, contributing to creating trust between both sides, and, at most, influencing local management in their decisions.

Within those categories, depending on other factors, one will find various degrees within those roles, some being more or less strategic or more or less operational. The evolution of corporate structures towards integrated worldwide product lines described earlier implies that expatriates’ role is shifting away from that of country ‘barons’ towards that of an interface between the Centre and the national unit, and which is becoming increasingly ‘operational’ rather than ‘strategic’. At present in many firms studied, the model is still in the process of evolution, with ‘operational’ and ‘strategic’ control co-habiting.

Two further particular instances have been identified, which take place in specific circumstances, the first, from the perspective of developing managers, and the second, at key strategic times. We found that French companies do use their British operations as a development ground for their managers. Many groups studied send their managers for a temporary assignment in the UK with a view to exposing them to an Anglo-Saxon economy. The second case where a firm might send a greater number of expatriates than otherwise is at a time of significant change within a national unit, for example the integration phase of a newly acquired firm, an

---

6 The important role of Britain as a learning platform for French managements will be the subject of more detailed examination in chapter 8.
overhaul of an operation in financial difficulty, or the transfer of specific competence. Expatriates in this case bring a professional competence and their knowledge of group methods. We saw for instance in Chapter 5 that French firms sent many expatriate managers in technical functions after having acquired their British operations.

6.3. National traits

We argue here that the historical and cultural background of French firms exerts an important influence upon the ways in which they internationalise. This section discusses the traits which appear to characterise the ways in which French companies evolve towards an international model.

As part of the general evolution towards worldwide product lines, all firms have strengthened the role of the Centre. Yet, a characteristic feature of this evolution is that it is has taken place within a mindset of controlling foreign operations and imposing a French approach rather than devolving responsibilities. This trait is most manifested in Peugeot, Saint Gobain and Total, where managements retained key decision-making power and managed through a core of French expatriate managers. Whilst Vivendi Water did not impose its approach from the outset, as it first adapted to the UK market by decentralising strategic decision-making, it has nonetheless retained control by subsequently placing expatriates in key positions.

This has led some firms to impose their group methods inappropriately. In Peugeot and Saint Gobain, for example, the tight control from the parent has at times led to tensions with the local teams as companies lacked sensitivity to the specificities of the local market (cf. also Chapter 5). This need for imposing group methods is partly linked to French companies’ single vision, centered upon their firm. As French firms have long been closed upon themselves, not only from an external point of view where they have long lived in a quasi state of autarky, but also internally, with French managements being imbued in the same culture and having spent their career within
the same group, this has contributed to creating an inward-looking vision among its management.

This points to the potentially contradictory logic of relying on expatriate managers. Whilst on the one hand they can facilitate the implementation of group policies, on the other hand, they can restrict the local company’s thinking. The expatriate can facilitate the integration of the operating company into the parent. On the other hand, he can impose group methods ill-adapted to local circumstances, for he lacks sufficient distance from the parent ways of operating, to be able to strike a balance between the need for integration and the need to adapt to the local situation.

Nonetheless, this trait itself is lessening as companies evolve towards a global model and are beginning to devolve responsibilities to foreign operations, reflected in the establishment of centres of competence outside France in some cases. This is indicative of a growing awareness by French managements that a global corporation cannot be managed from the Centre and an increasing legitimisation of a diversity of perspectives. Together, this constitutes a sign of maturity as French companies proceed towards globalisation.

A further characteristic trait that emerges is the weight of managers in French companies’ mode of functioning. Our evidence has shown French multinationals’ strong tendency to operate through expatriate managers, with comprehensive powers and responsibilities. It is through managers that foreign operations are controlled, that group culture is created and know-how transmitted. Even when firms relied on manuals and procedures to transmitting their policies, expatriate managers were used to transmit the reporting for example in Saint Gobain. We also came across cases where expatriate managers even occupied functions of operational control, rather than highly strategic positions.

Underlying French firms’ mode of management is thus the presence of a strong, informal and implicit culture amongst French managements, based on trust,
which has developed through expatriate managers, their internal labour markets and job-for-life policies. This type of culture, which has developed naturally, contrasts with the Anglo-Saxon type of corporate culture which the organisation purposively creates so that the organisation as a whole conforms, and which is explicit and formalised. The key advantage of the presence of this strong culture is that it allows for effective communications amongst management. However, lack of transparency results from companies' informal mode of management, as power being in the hands of a few, means that responsibilities are not clearly defined. As they are strongly identifying with their group culture and operate in closed networks, French managements have had little need for integrating British management as stated by this British manager:

"That is difficult, in the lack of discipline of French business atmosphere, they tend to have informal meetings that occur, people just congregate in a corridor or an office, and talk about something and make a decision amongst the people that are there. Whereas the English would put up some agenda and would summon people to a meeting and that group of people would be considered to be the right group to make a specific decision. There will be no minutes, the only way you will actually know that it happened is to have been there or subsequently talk to somebody who was there. That’s why it is actually very important to spend a lot of time in France at Head Office, because the only way you actually find out what is going on is to be there."

Further, because French firms rely upon trusted managers, one does not find a well-developed culture of performance management in the Anglo-Saxon sense where, senior managers are given significant autonomy and are evaluated mainly on the basis of their financial performance. If targets are not met, managers are given a set time scale within which to put the operations back to profitability or else face being sanctioned. In our sample of companies, when financial results of an operation deteriorate the group takes necessary action, but rarely are sanctions taken against executives. Managers are fully trusted by the Centre and as they monopolise responsibilities, their authority is not questioned within their group.

---

7 Peters et al. (1982) have for example cited the case of Disney, which through its recruitment procedures, its apprenticeship programme, its numerous formalised and detailed rules, informal socialisation mechanisms, strong performance management system, as well as mission statements, inculcated Disney values.
The analysis of how French firms adapt themselves to the demands of the global environment reveals a limited ability to integrate international methods in their structures. This was apparent in Peugeot, Saint Gobain, Schneider and Total which faced difficulties reforming their cumbersome structures. French companies, having emerged from a stable institutional context, have not been used to reacting quickly. Alcatel for instance was forced to create a flexible culture through a corporate 'hi-speed' transformation programme to try and instill change in the behaviour of its employees, and gain in agility. French firms' reluctance to undergo fundamental change was also evident in their tendency to duplicate their structures abroad. As already noted, except from Vivendi Water, which did not hesitate to create new structures in order to be close to the UK market, we saw that Peugeot, Saint Gobain and Total implemented their group methods unilaterally in foreign operations, sometimes without sufficiently taking into account the specificities of the local environment.

Our findings show that it is often under outside pressures that French firms engage in the change process, such as a crisis situation or under the influence of a dynamic company leader or a powerful new acquisition. Thus, Alcatel was surprised by the changes in the telecommunications market in the mid-1990s, and it was the shock of a financial crisis, together with a change in leader that forced it to undertake a radical corporate restructuring. In the same way, after resisting globalisation for over a decade, Peugeot begun changing its strategy under a new leadership. In other cases, the acquisition of a major pole has forced firms to initiate change. In Schneider, the acquisition of a major American firm, Square D, has challenged the status quo that existed between the different companies that Schneider acquired, which up until then fiercely sought to maintain their independence, and forced greater cooperation amongst each other. In group Total, it is managers who were brought in from outside who were behind the introduction of the organisational reform, whereas hitherto the group had remained inward-looking. Those external factors acted as catalysts, provoking change within the firm.
One sees, in addition to a reluctance to undertake fundamental change, a partial vision amongst French managements of how to integrate certain kind of international management methods. This is demonstrated in the case of Total, in the way the decentralisation exercise was approached. Whilst management rightly pointed to the need for evolving its structures in order to face changing international markets, the exercise was implemented in a piecemeal fashion, reflecting a partial understanding of the philosophy behind the practice of decentralisation. Management attempted to follow consultants’ Anglo-Saxon methods and to decentralise overnight without first adapting its structures and the behaviour of employees, who had operated in a highly centralised fashion for decades. The exercise, being incompatible with the group’s existing structures was eventually counterproductive. Similarly, we have come across companies that, in their search for more rigour, have radically shifted their approach and adopted highly structured financial control systems. As this manager points out, a too radical shift could go against the grain of the existing system and be detrimental:

‘One should not fall into the other extreme, one can have very good reporting and nonetheless lose sense of the business’.

These traits are not immutable however. Our findings point to a clear tendency towards a global model of organisation in French firms’ strategies and structures. All have gained an increasingly global vision of their business. This in turn denotes an increasing market-responsiveness amongst previously insulated French companies, and a growing awareness and openness to the outside world, in a now global and competitive environment. French firms are also seeking to gain a more structured, rigorous, transparent and performance-oriented mode of management. However this takes place painfully, and goes against the grain of their established ways of operating. In some extreme cases, there is incremental change and a strong continuity in firms’ modes of functioning as exemplified in the case of Schneider, which faced difficulties clarifying its corporate structures.
6.4. Conclusion

French multinationals’ internationalisation clearly takes place within a broad pattern of Anglo-Saxonisation. Indeed under strong global competitive pressures, French firms have deployed global product strategies, re-focused on core strengths, reflecting a new concern for maximising profitability. They have also in the process evolved their structures towards an integrated worldwide organisation model. However, our findings have also shown that within this overall evolution, they have retained a number of distinctive features. We can thus conclude to an internationalisation à la française.

Whilst they retained marked French specificities, the international French model is highly diverse. Companies have tended to duplicate their structures and retain strong corporate cultures abroad, and thus, one does not find a systematic French management model, in contrast with the standardised American model or the Japanese lean manufacturing model. The lack of a well established management model can be traced to the French business context, as noted in Chapter 4: because the French firm has remained relatively insular and has been developed under the sole authority of their CEOs who managed their group in a highly personal way; because French firms do not have the benefit of a vast domestic market unlike US firms, which had led them to standardise their management methods to benefit from economies of scale; and finally, as their management model has not been subjected to strong competitive pressures, the French domestic model has evolved in its own ways. The emerging international French model is thus complex.

Whilst French firms are seeking to emulate the global model, they remain far from attaining the attributes of this model. Only Alcatel has reached a high level of

---

8 Even though these are idealised abstractions, they none the less capture key features of the American and Japanese cases.
9 We will note that this point contradicts the predominant view within the institutionalist strand, which argue that the US-UK model is more diverse than the continental model because it is less regulated. In reality, the UK-US model is governed by the rules of markets and hence impose a common logic of efficiency upon firms, ultimately leading to a standardisation of their practices.
globalisation, but this in turn is explained by many factors. First, in contrast with other French firms that have internationalised from a strong French base, Alcatel was propelled to a position of a highly internationalised group thanks to the acquisition of the European telecommunications arm of the American group ITT in 1986. Its R&D centres and productive capacity were overnight dispersed throughout Europe, with France no longer being the technological centre of the group nor its main market, representing under thirty per cent of group turnover. Still the product of the French statist high-technology system, this enabled Alcatel to escape the rigidities of its home environment and effect drastic changes as it did not have the weight of a predominant French base on its shoulders, unlike the majority of others.

The extremely rapid evolution which has taken place in the telecommunications industry has been another key driver for change. Telecommunications has evolved from a traditionally protected and national industry into a highly competitive, global and complex industry in the space of ten years, as a result of the liberalisation of telecommunications markets worldwide and extremely rapid technological developments. The sector has imposed significant pressures on firms to be innovative, market responsive as well as highly efficient. This has forced a radical overhaul of Alcatel’s modes of functioning in order to be able to survive. Except from the highly competitive car industry, the other firms have not been subjected to the same kind of constraints, which in turn partly explains the slower pace and lesser degree to which they have undergone change. For example, unlike the telecommunications industry, the oil sector is characterised by an oligopolistic environment, and a much longer and stable cyclical business pattern spanning more than five years.

An additional element behind Alcatel’s organisational transformation is the influence of stock markets, which is itself partially linked to the industry. Large financing needs explain the fact that telecommunications firms are particularly dependent on financial markets and thus under strong pressures to maximise short-term profitability. These new, real constraints were brought into perspective during
September 1998, as the group fell victim to attacks from financial investors and saw its share price plummet by forty per cent in one day, on the announcement of less than expected yearly profits by the CEO. Following that traumatic day for the group, quarterly reporting of financial results and new internal information systems were introduced, enabling faster and more accurate flows of financial information.

Further, the profitability crisis which hit the group in 1994 was a catalyst to the change process. As we saw in the previous chapter, Alcatel’s profitability was severely hit by changes in the competitive environment of telecommunications in the early 1990s, which saw the end of the exclusive and long-term relationships of telecommunications manufacturers with national operators as a result of liberalisation, with the latter considerably reducing the overall level of their investments as well as putting strong downward pressures on prices. On top of the financial crisis, a management crisis erupted as Alcatel’s then CEO, Pierre Suard, was brought under investigation by the French justice department into allegations of corruption which eventually led to its resignation. This created an emergency situation and gave the incoming CEO the opportunity to instil change among disoriented management and staff.

Finally, the leader has played a fundamental role in the successful transformation of the group. Alcatel has pursued a rigorous, coherent and energetic policy in terms of reforming its organisation culture since the mid-1990s, with the introduction of a market oriented product line, a radical cost-cutting programme, together with the implementation of an ongoing programme of transformation of the group culture. Its new CEO, Serge Tchuruk, who took the helm of the group in 1995 is French, but having spent a major part of his career in American groups, had experience of managing according to Anglo-Saxon principles. In France more than anywhere else, the leader exerts a strong influence upon the performance of their group, given their highly centralised nature and, for a long time, their relative insulation from outside pressures.
Historical background, degree of internationalisation, industry, financial investors, top management: there are many conditions which have made possible Alcatel's break away from its national model. The features of the global firm are incompatible with French companies' national features, and as a result are not automatically transferable to the French model. In creating a genuinely global entity, there is thus an issue of possibility as well as management will, which the proponents of the 'global model' such as Ohmae (1990) tend to overlook. Alcatel therefore is likely to remain the French exception. The most likely way that French companies may evolve is towards a hybrid model, which will have both international traits and French specificities. However, this model remains successful, as, Saint Gobain for example, continues to manage in a French way, but, given the competitive conditions it faces, remains appropriate.
THE MANAGEMENT OF HUMAN RESOURCES IN FRENCH COMPANIES
THROUGH THEIR INTERNATIONALISATION
Chapter VII

THE MANAGEMENT OF HUMAN RESOURCES IN FRENCH COMPANIES THROUGH THEIR INTERNATIONALISATION

7.1. Introduction

This chapter examines French multinationals’ approach to managing their human resources through their international development. We have mentioned in previous chapters that French companies began internationalising at different stages. This notion will be examined here in greater detail, for it appears that French companies’ international development pattern exerts a significant influence upon their current behaviour, and in particular the management of their human resources. The concept of a staged approach to French companies’ internationalisation is also strongly linked to their national character, as French companies tend to be reactive, often responding to outside pressures rather than being trend-setters, hence a pattern of stage-by-stage evolution.

We have identified three main chronological stages in companies’ international development, as indicated in Table 7–1. The first phase took place prior to the 1970s, in a context characterised by lesser competition and limited internationalisation. Internationalisation took place with a colonial frame of mind towards the host environments as, typically, companies imposed their home products and methods, and sent their home country nationals to head their subsidiaries which
were subsequently ran like a fiefdom. The oil group Total, which internationalised in order to exploit natural resources, established an operation in the North Sea in the early 1960s. In electrical equipment, Group Schneider was internationally active in the UK as early as the 1960s through its two main divisions Télémécanique and Merlin Gérin, the former having developed mainly through acquisitions and the other, via internal growth. Though not part of an international expansion strategy, Peugeot also shares characteristic features from the ‘old’ internationalisers. It inherited its British manufacturing operation following the acquisition of the European operations of Chrysler in the mid-1970s which it mainly bought for its French operations, leaving the integration of the UK unit until the 1990s.

Table 7–1: French multinationals’ stages of internationalisation

<table>
<thead>
<tr>
<th>Period of foundation / International context</th>
<th>Pre-1970s</th>
<th>Mid-1980s</th>
<th>Mid-1990s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-1970s:</td>
<td>Peugeot</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>Little internationalisation</td>
<td>Schneider</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Little competition</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Colonialism; no group synergies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980s:</td>
<td>Alcatel</td>
<td>AXA</td>
<td></td>
</tr>
<tr>
<td>International deregulation</td>
<td>Crédit Lyonnais</td>
<td></td>
<td></td>
</tr>
<tr>
<td>First steps abroad</td>
<td>Danone</td>
<td>La Redoute</td>
<td></td>
</tr>
<tr>
<td>1990s:</td>
<td>Saint Gobain</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strong international pressures</td>
<td>Vinci</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rapid internationalisation</td>
<td>Vivendi Water</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Integration of structures</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The second phase took place in the late 1980s and marks the beginning of the internationalisation of French companies on a large scale. In the context of

1 Schneider acquired the two French electrical equipment manufacturers, Merlin Gérin and Télémécanique in 1976 and 1988 respectively, and which it merged into Schneider Electric in 1994.
2 Crédit Lyonnais established a subsidiary in the UK in the late 19th century, as banks followed multinationals abroad (Jones 1996), but its behaviour remains closer to companies that internationalised in the 1980s as the group begun an ambitious global development in the late 1980s. In the UK, the group acquired operations which were much larger than its original subsidiary.
worldwide deregulation, French companies began internationalising in the UK, albeit in a cautious and sceptical manner as we saw in Chapter 5.

The last and current period we have identified in the evolution of French companies began in the latter half of the 1990s and has been marked by a rapid acceleration of internationalisation under powerful imperatives of globalisation. The accelerating process of regional integration, the increasing opening up of national markets worldwide in response to liberalisation and deregulatory trends and the globalisation of competition have forced companies to internationalise in order to be able to survive the cut-throat competitive environment. All sectors have been taken in by the spiral of globalisation and worldwide consolidation, even those previously purely national. French companies, which were previously not concerned by internationalisation, such as the insurer AXA and the retailer La Redoute, began to rush abroad, whilst those that left their borders ten years earlier accelerated their global development.

The period at which firms adopted internationalisation appears to have a direct effect upon their behaviour and the way they react to the demands of the international environment, as well as upon the strength and number of French features that emerge abroad. As we saw in Chapter 6, French firms which have been in the UK for more than twenty years have well-established, more cumbersome structures and tend to be less receptive to change, and overall display a French style of behaviour. In group Schneider, the strong and lasting influence of the French parent on the behaviour of UK operating company made it more difficult to integrate its disparate operations, and as a result, created problems for the subsidiary to properly evolve in the competitive UK market. Total faced difficulties in reforming its organisation structures, given its long-established, highly centralised and hierarchical structures. Peugeot also considered its UK operation as an appendage to group operations and faced some resistance from the local management teams when it moved to integrate the operation, the legacy of its long international history.
In contrast, the newcomers on the international scene have had little difficulties adapting themselves because they did not have the weight of history upon their shoulders. One observes a freshness in the behaviour of AXA and La Redoute, as reflected in their rapidity to act, their open-mindedness and diversity. These companies have had the advantage firstly of being on virgin ground abroad as well as developing at a time when all firms are internationalising and where the basic rules and methods of success abroad are increasingly known and shared amongst companies. These new companies are no longer the pioneers of internationalisation in the way that those who left their borders ten years ago were. Further, their behaviour is dictated by strong international competitive pressures. AXA and La Redoute are thus more malleable in today’s fast-changing international markets. One finds that French features are much less marked than in the group of oldest international companies.

The group of companies that internationalised in the second period are midway between these groups. They benefit from an international experience while not having had time to export their cumbersome French structures in the operating companies. They departed from their domestic environment cautiously and have gained both their French culture and an international culture and thus benefit from an international experience which is highly pertinent for their development in today’s international markets. Like the young ones, they find themselves market responsive and flexible.

In this chapter, we will thus explore how companies have responded to the HR challenges posed by their rapid internationalisation, and the effects of their

---

3 The conclusions we draw from firms’ period of internationalisation disproves a number of statements and typologies found in the literature. Perlmutter’s long-established typology whereby companies would develop through various stages from an ethnocentric through a polycentric to a geocentric approach are not grounded. ‘Length of international experience’ does not imply ‘international maturity’ - by that we mean familiarity with Anglo-Saxon rules of behaviour: companies that internationalise in today’s context adopt a global frame of mind very rapidly as exemplified by AXA or La Redoute, when those that internationalised thirty years ago are in no better position to respond to current challenges. Developing a geocentric organisation is not natural as Perlmutter’s typology suggests, and depend upon a much more complex set of factors (cf. for example Chapter 6 and the case of Alcatel).
international background upon their responses. Given that French firms have evolved in a static and closed labour market at home, this raises the issue as to whether they have developed a strategic approach to managing their human resources abroad. The chapter begins with an examination of the profiles of French companies' international managers and how they are developed, pointing to a highly distinctive, elitist approach. It then considers companies' responses to developing international systems of career development, examining their evolution through their internationalisation.

7.2. Specificities of French companies' international managers

In this part, we consider who are French companies' international managers, first examining their profile and secondly how companies develop them. The profile of international managers is highly distinctive and strongly specific to French companies. They are by and large constituted of French executives. These individuals belong to a group, which is a small, highly skilled elite with concentrated power and responsibilities.

In the early stages of their internationalisation, French companies relied upon their own managers to handle their international development. Vivendi Water and Saint Gobain are illustrative cases. Both companies had very few internationally skilled staff when they began internationalising in the late 1980s and sent their own French executives to take responsibility for overhauling their British operations. The period of integration of their acquisitions was a highly strategic phase as companies launched significant restructuring and investment projects. Relying upon home nationals enabled them to ensure changes could be carried out within group requirements, as well as ensuring a transfer of their technical expertise and group methods. Further, it enabled French managements, who had little international experience, to imbue themselves into an international culture.

As Bauer and Cohen (1981) showed, French executives are selected within a very restricted pool and form a small elite (cf. Chapter 4). They are drawn from the
top administrative and engineering schools, they occupy executive positions from the outset, and they are intensively socialised to the group. They thereby constitute a team of managers who are imbued in the same culture, share the same values and have a common vision of business and, having spent their careers within the group, are very attached to it.

After the initial phase of integration, French companies continued to manage through a core of managers. These managers, having gained precious international skills to their group, were then entrusted with key responsibilities. Rather than implementing structures that would enable them to be replaced by local nationals, one finds that French companies have tended to multiply the responsibilities of incumbent French managers. We showed in Chapter 6 that French expatriate managers cumulated sometimes three or four roles. One also sees companies using their trained international managers to support their international expansion in other regions of the world. Gradually, these managers acquired unique skills, becoming almost irreplaceable. Thus, French companies have developed international managers, but who are essentially French nationals and in small numbers, thereby reproducing the same pattern as in their domestic operations.

Depending upon their length of international experience, there are variations across companies however, some having more or less international managers, and more or less French nationals. Total which has operated abroad for many years and operates in a highly internationalised sector, has a much larger population of international managers - totalling around 1000 in the oil exploration division which accounts for about a fifth of the division's total workforce. None the less, one finds a similar elitist vision of management development in the group. Thus, its high potential managers are part of an elite who have been recruited as high potential managers. These managers have an international vision, they have had several spells abroad, are multi-skilled and capable of operating in diverse international environments. The bulk of Total's international managers is constituted by French nationals, although the group has over time developed a number of British managers.
amongst its senior managers given the long involvement of the group in the North Sea.

Companies that are young internationally have a more diverse international management profile. In AXA and La Redoute, international mobility is embryonic, but one finds a far greater proportion of foreign managers in posts of responsibility. For example, two-thirds of AXA's top 400 executives are foreign managers. Alcatel, which as we saw has had a distinctive international development from other French companies, also has a highly internationalised cadre of international managers with around two-thirds of its top 500 managers being non-French.

The development of French companies' international managers

As a result of their distinctive traits, international managers à la Française are developed gradually and slowly. The development of high potentials in the majority of French firms will be carefully planned over several years through succession planning and French companies put significant resources into their development.

The predominant philosophy found across companies is to develop managers who are polyvalent and highly socialised. For example, in Saint Gobain, managers considered as high potential managers are extensively rotated across functions throughout the group. Although not systematic, the career path of an individual will typically include a stay in corporate planning functions so that they can gain an understanding of strategy development and key strategic issues facing the group; an operational responsibility such as that of heading a manufacturing operation. The group will also seek to give its key managers specific experiences such as managing large teams or putting them in a crisis type of situation, for example a company facing a strike, which the company sees as a way of evaluating managers' ability to react in complex situations. High potential managers will also be exposed to various management training programmes.
Through these experiences, French companies seek to develop well-rounded executives, with an in-depth knowledge of the company. Having been rotated extensively and having held a large number of responsibilities within the group, they are multi-functional. They have a command of the key issues the business is faced with, and of highly complex strategic, financial or technological issues, as well as an extensive networks of relations within the group.

Total has, in addition, a distinctive policy of placing an emphasis upon international mobility for developing its top managers. The group sees it as the main way to create highly skilled managers capable of adapting to any given situation. Senior managers are systematically rotated geographically but they are also rotated across functions on average every three years, and if a manager is not available for mobility, he is no longer considered to be a high potential manager. Foreign managers who are seen as having the potential to be group managers are strongly socialised: they will systematically be sent on assignment at headquarters so that the group can assess their competence and ability to fit into the group culture.

Whilst French international managers are carefully and well-developed, their career development is not part of a strategy and, rather, takes place largely on a case-by-case basis. The career development of individuals often remains under the discretion of their superior, and thus depend upon criteria which remain subjective. One also finds that it takes place mostly through an evolutionary career path rather than via training programmes. Given French companies’ elitist vision of management development, most French companies do not have a management development policy that covers the entire managerial population. Management development policy is mostly reserved for managers who have already been selected as high potential managers. Companies do offer training programmes that target a broader population of managers but their purpose is to develop information exchange and integration rather than real development. For example, Crédit Lyonnais developed a programme ‘Crédit Lyonnais Global View’ targeted at different categories of managers, which is a short course providing a general introduction to participants about the different
activities of the group and is aimed at developing participants’ sense of belonging to the group. Real development programmes are mostly restricted to high potential managers.

French firms’ approach to management development contrasts with Alcatel’s, for example. The group has radically overhauled its development approach and its policy is now integrated into corporate strategy. The corporate training programmes are aimed at reinforcing the group core values and allow for an integrated individual career path. Thus, the group development policy covers all managerial levels, including executive managers, young high potential managers who have three to five years experience, as well as key managers, such as Key Account Managers and other specific expert roles. Alcatel has placed much emphasis on acquiring key behaviours, which have been clearly defined and do not solely focus upon technical skills: they include team work, cross-functional decision making, mutual trust, sense of common goals, quick decision making and an international spirit, as well as key competencies of customer orientation, financial awareness and leadership and also an orientation towards performance management. For each managerial level and function seen as strategic to the group, Alcatel develops its managers within a well-defined policy. For example, Key Account Managers develop a global vision of the group, leadership skills, the capability to assess their relationship to customers and shorten the sale cycle. Thus in contrast with French companies, the group has a clear and global view of the competences of its managers.

Conclusion

At present, French companies’ philosophy with regards to the development of international managers is to develop a kind of ‘super-elite’, made up mostly of French managers who are highly skilled, strongly committed to the group, and who are the pillars upon which the organisation depends. As a result, it takes many years to develop them. Consequently, this kind of approach does not enable the development of international managers on a large scale. As French companies step up their
internationalisation and need an increasing number of international managers, their policy, based on non-objective criteria and highly specific to the firm, is likely to conflict with their requirements internationally. In addition, their approach of developing an individual seen as high potential over many years, whilst being satisfactory in a stable environment, is less suited to a fast changing environment where skills are constantly changing and one cannot predict the kind of skills that will be needed tomorrow.

French companies’ philosophy is also in opposition to the vision of the global firm ABB, which, as stated by its CEO, is to give managers at all levels of the organisation a global outlook through a formative international assignment⁴ (see also Bélanger et al. 1999). ABB’s policy is to organise transfers on a massive scale and in a systematic fashion, so that managers will return in their country having learnt a different culture, a language, a different perspective of their job, which will enable them to be more competent in their own country. Out of this large base, ABB can identify managers who have the potential to be among the top 500 managers. In this way, the group is not only developing the elite, but competences at all levels of the organisation, and is thereby a way of creating an international culture. One can see that, relying upon a restricted pool of international managers is unlikely to be sustainable in an international firm over the longer-term, and French firms are likely to have difficulties developing managers with such specific profiles, and may eventually face problems of shortage, an issue we will come back to in the next section.

7.3. The development of an international human resources policy

This section deals with how French companies have responded to implementing an international system of HRM, in order to enable the development of managers throughout the firm, and the identification of high potential managers. One can distinguish two phases of development: in the first phase spanning the late 1980s

to the early 1990s, French companies began to emphasise the internationalisation of their human resources, but one sees little tangible results. It is only from the late 1990s onwards, as globalisation accelerates, that companies begin to develop a more strategic vision of the development of their human resources internationally.

1. An embryonic IHR function

The starting point to implementing a strategic IHR system is to create an international vision in the HR function. In French companies, the HR function is still young internationally. Within the companies that began internationalising in the late 1980s, HR issues were not given priority and were not subject to a reflection on the part of companies, as managers focused solely upon operational issues. As noted above, French executives handled HR issues at this stage. They personally identified and nominated the managers to be placed in key positions abroad, and continued to manage a core network of managers. In those companies, the HR function was not involved. For example, Vivendi did not have a corporate HR function with international responsibilities until the mid-1990s. Further, one finds that HR managers often had little international experience and tended to remain centered upon their domestic operations.

Total however, which had long been internationalised, possessed a professional international HR function. It had a well-developed IHR structure both at corporate and divisional level; a key element of which was a strong network of gestionnaires de carrières, who were responsible for international mobility and management career development worldwide. The group had a well-defined IHR recruitment, management development and international mobility policy. The group’s logistics was capable of handling around 1000 international assignments in its exploration division alone and of rotating managers every three years, on a systematic basis.
However, even in this case, one found that line management played a prominent role and was not independent of the HR systems and structures. Operational managers in the centre retained powers over key decisions relating to recruitment, promotion decisions, and remuneration according to criteria which remained subjective. The group HR function was limited to handling non-strategic HR issues, and administering a certain number of formalised processes, which included yearly appraisals with the hierarchical superior together with reviews of identification and assessment of high potential managers.

Whilst there has been a growing awareness amongst French companies of the importance of taking responsibility for the training of their employees rather than relying on the education system over the last decade, which has led to a greater professionalisation of the personnel function under the concept of ‘gestion des compétences’, and has seen the development of more formalised tools such as individual appraisal systems\(^5\), there is broad evidence that there remain dysfunctional tendencies as line managements retain a predominant role in the management of individuals and there is still little transparency as to the conditions of promotion and development of individual managers (Roussillon 1998). This French manager outlines the difficulty of changing mentalities:

‘End-of-year performance appraisals are of no use if people are not courageous: it is courageous to say to someone we like to work with and who one is comfortable working with, ‘you have to think about your future career, you have to change job or division’. And it is courageous to say to someone who is not performing well that ‘there is a problem’, that we will help him, I do not mean necessarily to leave the group, but perhaps retraining him, so that precisely the individual is not handicapped subsequently. Line managers do not all have this attitude, but they should have. So, bosses must be good managers.’

Thus, at this stage, the HR function within the bulk of French organisations remained in the shadow of operational managers. By handling the development of a restricted number of individuals, operational managers encroached upon the role of

the HR function and prevented it from conducting its role in recruiting, developing and identifying individuals throughout the whole organisation, in a systematic fashion. The function lacked the powers and financial means to be able to implement policies. As a result, one still does not find a well-defined HR policy in terms of recruitment, promotion and identification of managers abroad.

French companies have thus not reached the stage of maturity of a strategic HR function of the kind found in Anglo-Saxon firms, where increasingly, the HR function is seen as a ‘business partner’ and its role is to align HR strategies and policies to business strategy, and is given clearly defined powers and responsibilities to develop and implement HR policies (Ulrich 1996; Dolan and Schuler 1995). Developing a strategic IHR function would also demand HR managers, who have a different kind of competence than that found in traditional personnel functions, and who have a good understanding of the business and its human resources implications.

2. The implementation of an international HR system

Up until recently, French companies put little emphasis on finding non-French international managers. As noted above, as French multinationals developed abroad, managers who handled the development and subsequent integration of acquired operations were French and they formed the bulk of companies’ pool of international managers. This constituted what can be characterised as the first stage of the internationalisation of human resources in French companies.

However, from the early 1990s onwards, companies, as their internationalisation accelerated, became more aware of the need to internationalise a broader group of managers. Thus, all have intended to change the profile of their international managers and set themselves objectives of internationalising non-French managers. Crédit Lyonnais, for example, had 400 expatriate managers out of whom less than 10% were foreigners and aimed at raising that proportion to 50%. Total aimed at doubling the number of non-French top 200 managers from 50 to about 100.
Some companies had developed clear ambitions. For example, Crédit Lyonnais, Schneider and AXA developed charters for the internationalisation of management, which emphasised their political will to become truly multinational, to give managements an international dimension, to create an international mobility and delegate responsibilities to local managers. They also created an HR department with international responsibilities, and resorted to consultants.

However across all companies, one finds that those ambitions were not realised. Companies’ principles, more or less clearly defined, were not always followed by an action plan for a variety of reasons and companies came up against problems in either formulating or implementing a coherent IHR policy. Firstly, one notes a lack of willingness amongst French managements to put the structures in place because of a lack of outside pressures. Vivendi Water and Saint Gobain for instance, after having overhauled their British operations, continued to rely upon a handful of French managers to head their international operations, multiplying responsibilities upon them, which postponed the need for developing a larger pool of international managers. During this period, there was thus little commitment within those firms for setting up international management development structures.

Secondly, in other cases, the heavy French corporate structures were a barrier to the effective implementation of corporate policies. One often came across internal political games blocking the development or implementation of an IHR policy. For example in one company, following a change at the head of a corporate HR function, the HR director stopped a number of corporate IHR projects which had been launched because he sought to minimise group interference in his area of responsibility. In another company, the implementation of a common job evaluation system eventually fell by the wayside, as it was disputed by a French executive who disagreed with his departments’ classification.

---

6 Out of concern of confidentiality of individual managers, we anonymise those cases.
These examples are not exceptional cases within our sample of companies. In one company, the Centre launched an ambitious programme of international mobility aimed at developing 1000 international managers. But, when the British HR team proposed the centre to do roadshows in the UK to advertise the programme to UK managers, their French counterparts backed off asking British managers to wait, as it begun to grapple with the issue of who should bear the cost of mobility and how the group should go on about marketing its policy. Further problems arose, inherent to the French structure and its highly hierarchical organisation. Whilst corporate HR directors were prioritising international objectives, middle managements, not used to taking decisions at their level, did not have the competence or decision-making authority to translate those objectives into effective policies. Thus, a lack of commitment for change from top managements, and cumbersome structures which were ill-adapted to receiving changes, constituted a handicap for French multinationals in implementing IHR structures.

Whilst some companies remained at the stage of philosophical ideas, others made unconvincing attempts to internationalise their HR policies as they implemented policies partially or inappropriately. Some companies began implementing career systems by identifying high performing managers in their operating companies, but whose role was limited as they were not part of an integrated central structure. For example, Danone set up career committees where local high potential managers were identified by the operating company and the centre, but these had limited capacities because selection criteria and methods of identification of high potential managers were not clearly defined and the career development of high potential local managers was not followed up at group level. Similarly, Schneider set up ‘people reviews’ within local operating companies, but without setting up a formalised or active tracking system of the career paths of these local managers at corporate level.

Companies also launched a number of initiatives which included advertising senior international positions across the world, or compiling extensive databases of
managers of their operating companies on their French model but which had little functionality and remained mainly a source of information. A number of firms initiated young managers’ development programmes, but on an ad hoc basis. For example, groups would recruit young Europeans through their operating companies, and send them on temporary assignment in France so that they could be sent back to their country of origin or in other regions. These addressed specific needs rather than being part of an international recruitment policy.

Some companies sought to impose a French approach to management development, with varying degrees of success. Peugeot implemented its system of management development in the UK operating company, but was forced to backtrack shortly after, as its system proved ill-adapted to the specificities of the UK labour market. The system was based upon a French vision of career management development, that is managers’ careers were planned ahead over several years and remuneration was a function of individuals’ seniority, concepts which were not common the British labour market where pay was increasingly linked to the job and managers’ current performance on the job. Under the Peugeot career management system, the UK company found that it lacked the flexibility to adapt its remuneration policies to attract and retain staff to UK competitors, and the group was eventually forced to withdraw the system.

There was thus at the time a lack of comprehension of how to develop a coordinated HR function. In this case, Peugeot was also misled by previous experience within its Spanish subsidiary, in which it had successfully implemented group policies without encountering major cultural issues. The situation was different however as firstly the Spanish labour market was not as competitive and secondly, the operating company did not have at the time a well-established career management system, and thus the system was of benefit to the Spanish operating company.

Compared with other companies which were in the embryonic stage of an IHR policy, Total had a well-developed international human resources policy, which is
explained by its long international history. But, paradoxically it also showed a backward side and its French approach remained strongly marked. Thus, it established criteria of identification of high potential managers which were subjective or too specific to the French context, such as judging the potential of a manager to move two levels above the present post within five years; strict age limits; and a willingness to be mobile. The process of identification was done in a collegial manner, based on the cross-judgement of several executive managers at corporate level, helped by the corporate HR function together with the national unit, rather than relying upon objective criteria. French managements favoured this process over one based on a set of competencies often found in Anglo-Saxon firms for it was based on proximity and the intimate knowledge of managers identified, as a French manager explains:

“This enables us to develop an opinion on people. To the extent that people rotate every three years, in a Management Committee of say eight to ten people, it is very rare that people being considered are not known to some of them, either because one has worked with the person considered. It enables us to have several opinions, so, so and so will say ‘X would be suitable for the job’, and somebody else will add ‘well, I worked with him, I think he lacks this and this’.

Further, the system of promotion of Total was obscure and secretive, as those considered to be high potential managers were not told that they were being managed by the group, and promotion criteria were not clearly established nor given to managers.

The identification of high potential managers was strongly biased, as it was within a restricted pool that companies were selecting their future key managers. In Total, to be considered as high potential, the candidate had to be recruited as a high potential, the company’s selection criteria remained highly restrictive. Further, individuals’ career was carefully planned over five years, via systems of succession planning, whereby on key positions, several potential successors were considered as managerial replacements whilst the managers’ next move was planned ahead.
In Total, this French-based approach was rejected by its British management who saw the process as being highly subjective and further, saw it as not providing managers clear possibilities of career development within the group. However, it was these managers who the company had difficulties retaining in a highly dynamic labour market. The British unit amended the parent policies and added behavioural competencies to its evaluation system so that the individual managers could be assessed on a common basis, as well as on their ability to demonstrate a number of managerial competencies such as their leadership skills. It also added other categories of high potentials to those of the parent which focused upon high potential from 35 years of age onwards, to include a definition of young high potential managers who were less than 30 years old, as well as a category of expert professionals who, whilst not being necessarily considered as high potentials were highly skilled and seen as capable of undertaking expatriates assignments.

During this initial phase, one generally finds that companies had a French vision of the management of human resources, and a lack of understanding of the dynamics of the UK labour market. For example, French managements remained strongly attached to the loyalty of managers to the group and the notion of paying managers as a function of seniority rather than performance. As a result some lacked sensitivity to the issue of staff retention in the UK market. When a British manager resigned from the organisation, a common trait in the UK as managers seek to accelerate their careers (cf. Chapter 5), it was seen as a betrayal by French managers. French companies’ restricted vision was also explained by the importance given to education credentials obtained by managers and the emphasis upon technical competence of managers over other skills such as leadership and management skills. Thus, during this period, French companies lacked an open mind towards identifying British managers’ potential.

One also sees among some companies a lack of trust and a willingness to delegate responsibilities to competent non-French managers, which explains companies’ difficulties in reaching their targets of internationalisation of non-French
managers. As we saw in Chapter 6, for a long time, power and control remained in French managements' hands. Though also evident amongst companies that internationalised ten years ago, this is especially marked in the 'old' group of companies, where one sees French expatriate managers succeeding another over several generations rather than delegating responsibilities to local managers. Total which had a long international experience abroad had over time promoted a sizeable number of British managers as cadres dirigeants. But, these had been extensively socialised within the group and were considered part of the group. One found that promotions of other non-French managers, as part of the company's policy of internationalisation of management was taking place on a case-by-case basis. Further, Total retained decision-making power over the appointments of national units' entire senior management teams and the identification of high potential managers, as well as retaining a say in the appointments of the level of managers at the levels below. Thus, in the centre, functional heads were given global responsibilities for the identification and promotion of their managers worldwide, and were backed by a network of 'gestionnaire de carrières' responsible for the administering of the movements of staff as well as collection of information upon each individuals.

Similarly, as Schneider begun to internationalise its human resources policies, it did promote some British managers to senior positions in its UK operating company but these remained exceptional cases. The establishment of trust thus remained a slow process within this group of companies, and as a result they have had very low quotas of foreign managers in their management ranks. Total and Schneider still had an overwhelming proportion of French managers amongst their pool of international managers.

It is noticeable that whilst French companies were mainly concerned with the issue of internationalising their managements during this period, Danone's human resources policies abroad also dealt with the management of non-managerial grades, although the group remained an exceptional case within our sample. This response
was linked to the group founder's distinctive socio-political orientations. The CEO of the group, Antoine Riboud, was convinced that economic and social aspects were inextricably linked in an organisation, and that in order to prosper, companies must seek to reconcile both the interests of managements and individual employees. These values formed the basis of the group social policy, the 'Double Projet Economique et Social' which was developed in the 1970s and was highly progressive at the time.

The dual project carried these principles to all areas of personnel management, from industrial relations, training, remuneration to work organisation (Riboud 1987). Central elements to the group policy were the obligation to recognise and work with a representative body of the workforce, and in case of redundancies the need to find employees made redundant alternative employment. The group's remuneration policy also included profit-sharing, which it saw as a way of involving workers in the company's financial results.

As Danone begun to internationalise in the late 1980s, very rapidly, the group decided to transfer its social policy abroad (Mendes 1994). In order to implement Danone policies within national units, the group created an Organisation-Formation function in each national unit, based on the French model, whose role was to work with operational managers on issues of work organisation. The corporate HR function, relayed by regional HR 'coordinators', established very regular liaisons in all key areas with foreign operating companies' personnel managers. Danone also established relations with the International Foodworkers Union from the mid-1980s onwards and set up a European Works Council at a very early stage.

Danone remains unique in its willingness to develop a strong social policy abroad. In spite of the philosophy having sometimes restricted applicability abroad, for example in aspects such as industrial relations or workforce remuneration given the very local nature of HR issues the group touched upon, the importance attached to the personnel function within the group none the less contributed to the development of a coherence across the group operations, and to give weight to local personnel functions through their intensive contacts with the Centre.
Thus, during the period from the late 1980s to the early 1990s, French companies' attempts at implementing an IHR function met with mixed success. One sees a slow period of gestation between firms' ideas and their actual implementation. Their partial vision of management development together with their lack of willingness to delegate responsibilities and centrality of trust in their management style has acted as a brake upon the internationalisation of competences and the implementation of international structures for management development.

One sees implications in the behaviour of each group of companies. Companies that have internationalised for more than twenty years have more developed policies but also more marked national features, as one finds a reluctance to delegate responsibilities with the desire to impose a French model upon the operating company. In the group of companies that internationalised over the last ten years, in addition to having a similar elitist mentality of people development as the others, their young international age and lack of pressures they faced for implementing an IHR policy, all together explain their under-developed or absence of IHR structures.

If French managements' elitist conception of management development has acted as a brake upon the development of international managers, there are also purely practical obstacles due to the French context which have not facilitated companies' task of developing foreign managers. With the exception of Total and Alcatel, there were only few cases of British managers who were sent to the headquarters in order to be developed, and, according to French and British managements alike, this exercise met with only limited success. Language and the substantial differences in culture between France and other countries have acted as two deterrents to integrating foreign managers into French companies. Only Alcatel has adopted English as the official language and all meetings are conducted in English. Whilst other French companies have begun to recognise both French and English as working languages, in reality meetings were overwhelmingly conducted in
French. According to HR managers, the complex social and legal environment also makes the practicalities of expatriation such as pay strategy more difficult.

An additional factor which explains why French managements have not been inclined to send foreign managers to their French operations is that, since their home market has reached maturity, there is little that foreigners can add in terms of expertise in France. Companies’ focus in the early stages of their internationalisation was to turn round their acquisitions and thus they concentrated their best human resources in Britain. Subsequently, as acquisitions were overhauled, companies’ strategic priorities shifted to their global development, and competent non-French managers have tended to be used in other parts of the world to manage the development of companies in those regions. Furthermore, as companies are currently seeking to reduce employment at home, they face difficulties in securing the return of their French expatriate managers, let alone of foreign managers. It therefore would require a very long-term vision and strong commitment on the part of companies to develop foreign managers. Total was the only company which was rotating to headquarters foreign managers seen as having high potential, systematically and on a significant scale.

A final point is that the integration of foreign managers into the French structure remained difficult because of aspects of the French corporate culture. As a British manager explains:

‘This is difficult for them (foreign managers) to integrate into the environment. Collaboration is an issue (...), there is this business about confidentiality, (the UK) is more opened. They are not given much information, they are not sure what it is they are to produce’.

Thus, the obstacles due to their domestic context have also constrained French companies’ ability to develop foreign managers. This is particularly problematic for them, for, because of the still overwhelming importance of the Centre in strategic decision making as well as the informal and network-based French management system, it is almost impossible to conceive developing a high potential manager
without a period at head office. This factor also explains why French companies have
in turn extensively used their French expatriate managers, as they find themselves
being the only trained international managers.

In conclusion, the period spanning the late 1980s to the first half of the 1990s
represents a growing awareness amongst French companies of the need to develop
international HR structures, with the implementation of some elements of
internationalism. This period is however marked by a lack of experience of the HR
function internationally and the lack of an open mind, as French multinationals tend
to look for ideas among themselves. As a result, implementation has remained
chaotic. One sees a patchwork of policies rather than an integrated and coherent IHR
strategy, itself reflecting a partial comprehension at this stage of a strategic HR
function and the structures that are required to implement an effective system. One
sees a tendency towards addressing the issues linked to their IRH needs, but a set of
national features prevent them from either developing or implementing strategic
responses.

3. Shift towards a strategic IRH function

In recent years, there are signs that the IHR function has evolved towards a
more strategic approach within French companies and that they have begun to
implement an IHR policy, mainly in response to the pressures of accelerating
internationalisation.

Companies that internationalised ten years ago in particular have in the
current period had to deal with the repercussions of their prevailing vision of
management development and have been faced with a shortage of skills abroad.
Relying upon a handful of highly competent managers who belonged to the group
worked well in the early years of their internationalisation. But, once
internationalisation became more significant and companies reached a significant size
abroad, it stretched their human resources to their limits. Danone exemplifies the
consequences of companies' ten-year-long restricted approach to management development. As the group stepped up its internationalisation in the late 1990s, it found itself facing difficulties in staffing its national units because highly skilled French managers accumulated responsibilities until reaching their limits, without putting in place succession planning structures to develop local managers capable of taking over from them. In response to this, Danone has over the last few years radically shifted its management development policy and placed priority upon quickly identifying and developing locals with the potential to take over from expatriate managers.

On their own domestic markets, the international system is gaining pace and also challenging French companies' approach to people development. For instance, the concept of 'employability' - the need for workers to maintain their competence to remain employable by the organisation and outside - is emerging as the notion of job for life is beginning to erode and with it workers' attachment to their firm. Increasingly, employees are no longer expecting a career for life with the group they join as in the past, and are taking responsibility for advancing their own careers. Together, these developments have rendered aspects of French companies' approach to people development obsolete and laid bare some of their excesses.

In response to these pressures, many companies are giving themselves the means to change and implement an effective IHR policy. Companies have increased the financial resources allocated to the HR function. A number of companies are also bringing in outside expertise and in particular tapping into managers with an Anglo-Saxon perspective of HRM. Group Redoute brought in an HR director who spent part of his career in an Anglo-Saxon group. Vivendi resorted to one of its Spanish HR managers with experience of multinationals, as a consultant in order to develop its IHR policy. Danone also introduced a number of outsiders with Anglo-Saxon backgrounds in its HR department marking a break with the traditional policy of the group and a willingness to radically re-position the role of the function to address
more strategic needs. Further, French firms are increasingly looking for best practices in IHRM in other international companies.

Consequently, there are signs that the HR function in French companies has begun to address more strategic concerns. For example, Danone, faced with difficulties resourcing its foreign units, has implemented policies aimed at internationalising the profile of its managers as rapidly as possible and inculcating a group culture. These have included the creation at European level of a management development position, responsible for staffing positions across European units and identifying mobile professionals and high potential managers. Operating units' general managers have been set objectives for developing local resources internationally and given clear guidelines for the promotion and the identification of high potential managers. The group has also implemented a policy for graduate development in each region of the world, Europe, Americas and Asia, which consists of recruiting graduates with international profiles and putting them on a fast management development track, that includes an assignment outside of their home country in the first two years. Since its inception in 1997, the group has trained more than 150 graduates in Europe. Finally, with the view of 'danonising' local managers, Danone has begun internationalising its training programmes and setting up training facilities in some of the countries it is established in. Along similar lines, Vivendi Water and Peugeot, for long under little pressure to develop international HR policies, have begun questioning their IHR policy and establishing elements of international management development structures. Saint Gobain also began to feel the strains of internationalisation upon its existing HR resources and is now prioritising the internationalisation of its function.

Alcatel has also radically shifted the focus of its policy. Following the re-organisation of the group into global product lines, the company has created a position of management development at Business Division level as well as reinforced the structures and financial means of the corporate HR function. The Centre has also begun to actively involve itself into organisation and succession planning reviews of
its business divisions by setting up regular reviews, as well as implementing a formalised and fine-tuned tracking of high potential managers' career development that is closely integrated with group strategy (Falcoz 1998). The group is in the process of developing a common performance management system for high potential managers so as to give a framework to operating companies as to the kind of future managers they should be seeking to develop locally. Further, moving away from an approach where the group was handling the career of individuals, Alcatel is actively encouraging individuals to be proactive in terms of managing their careers by making available directly to them all posts available as well as training opportunities through the company's Intranet, thereby reflecting a willingness to enlarge its base of identification of high potential managers.

Further, in order to regenerate their management structures and prepare their future international managers, companies, which put a halt on recruitment for over a decade with only minor incoming flows, have launched large-scale recruitment campaigns. They have also begun opening up their traditionally closed sources of recruitment internationally. For example, Schneider is developing liaisons with national units as well as established partnerships with universities and business schools, often across regions to help recruit high calibre and internationally-minded graduates. Faced with a decline of their image among graduates, French companies have also initiated actions to promote a positive image and selling themselves to this population. The development of the Internet as a recruitment tool has developed rapidly, and has accelerated the broadening of their recruitment base.

These recent developments amongst French firms indicate that they are on the way to adopting a more efficient approach to developing their human resources internationally. Yet, at this stage, it is too early to assess the effects of the policies companies are putting in place. On the one hand, thanks to the experience gained over the first few years as well as their more strategic focus, the partiality encountered in the previous period may be less apparent. Changes also appear to be taking place more rapidly within some firms than in others. Thus, the young
companies, AXA and La Redoute show greater responsiveness as they have not hesitated resorting to expertise from outside and have rapidly delegated responsibilities to British managers. Alcatel, because of its international maturity (cf. Chapter 6), has moved more speedily towards a strategic IHR function.

On the other hand, there are still underlying problems in developing a strategic IHR approach. Firstly, French companies remain confronted with difficult challenges in developing local managers. Training a local manager is a slow process, not only does it require developing someone’s competence on the job, but it also involves inculcating group methods and culture. As companies relied upon their French managers who were loyal to the group, the inculcation of values was automatic, but they found that training a local manager is an entirely different matter. Companies estimate that it takes two generations of expatriate managers to develop a local manager. In wanting to delegate competence too early, one of the companies which entrusted local managers with a group project encountered problems in the implementation of the project, because local nationals were not sufficiently trained to understand group requirements.

Secondly, companies are facing strong internal resistance to changing existing hierarchical structures. Even though some are bringing in outside expertise, they still face challenges in integrating change. For example, in one case, the introduction of a young managers’ fast track development programme was badly perceived by senior managers who felt bypassed by incoming young managers, given the still important notion of seniority in French organisations.

Thirdly and finally, implementing a strategic system from recruitment to promotion affects all aspects of a firm’s modes of functioning and will imply a profound cultural change for French multinationals. The case of La Redoute where the new head of HR, trained in Anglo-Saxon practices, is in the process of implementing an Anglo-Saxon model of HRM in the French company, is revealing. The basic principles upon which such a system is based are the existence of intensive
cross-functional mobility at all levels, significant investment in training and development and the delegation of responsibilities at an early stage: these elements run counter to the established practices of French companies.

The key characteristics of the model implemented by La Redoute is firstly to delegate responsibilities early to individuals, and ensure they have under them all the key levers required to perform their job, which in turn are the pre-requisites for having lean organisations. This requires individuals to have a global vision of business, hence a strong emphasis is placed upon cross-functional mobility at all levels of the organisation, a point confirmed by Derr and Briscoe (1998). A manager must be rotated across different functions after a minimum of three to a maximum of seven years, except for highly technical jobs which do not account for more than 10% of the whole population.

Secondly, individuals must be promoted rapidly on the basis of their performance and their potential. In this way, mobility at all levels within the organisation is created, enabling the constant regeneration of skills: an individual in a team will learn a specific role, then is promoted to another domain, the head of the team leaves and the manager underneath is promoted. Through this process, everyone can learn a role in a kind of a domino effect. Whilst one individual might not possess all the skills, the team as a whole can compensate, hence a greater sharing of skills throughout the organisation. In such a system, internal mobility together with a much higher personnel turnover implies that to be effective and to compensate, there is a need to have a regular and larger flow of graduates.

Thus the system places emphasis upon the development of competence at all levels of the organisation, and gives each employee the means to develop his potential by giving him clear promotion criteria, as well as well defined career paths that can be followed, potentially, up to executive level. The organisation will put in place the systems to identify high performers and will develop their competence, filter out more individuals and so on and so forth. This requires a degree of uniformisation of
management development policies within an international group to ensure that local companies have a framework as to the kind of managers they should be looking to develop and that the whole population will be covered. At operating company level, this can be limited to strong guidelines, for example with regard to the development of their local high potential managers. Then, as managers are filtered through different levels, the centre can manage the top management population.

Thus, in contrast with French organisations that focus upon a small number of individuals, an integrated HR system starts from a large pool of individuals who will progressively be filtered out at different stages until they reach the top of the organisation (figure 7 – 1). Derr and Briscoe (1998) liken it to a funnel turned upside down. This enables the organisation to have competent individuals whilst being able to identify high performers, and for individuals to develop their competence and therefore have portable skills within the organisation and outside.

Figure 7 – 1: Typical Anglo-Saxon and French management development philosophies

In such a system, the organisation’s role and in particular the HR function’s role is to think through the development of each category of individuals depending
upon both their performance and potential, as well as to help line managers and individuals develop good processes and practices.

The case of La Redoute gives some indications of future HR developments within French companies. It shows that a French national can be taught Anglo-Saxon practices, and therefore the difficulties of implementation are not so much due to cultural determinism as one of comprehension and experience. Nonetheless, introducing this type of system still requires a degree of maturity, as the whole Anglo-Saxon philosophy to people development is opposed to that of French companies. At La Redoute, the HR Director was in the process of implementing this system in the group, but in spite of having an ideal background for introducing change - as he has an international experience and is a French national, and benefiting from a young and dynamic culture internationally, he still faces hurdles and the process of change is likely to take several years.

There are significant obstacles to be overcome both in terms of definition of policies as well as mentality. Firstly, it would require French companies to possess operational managers that accept delegating powers for the management of human resources to a strong HR function. It would demand a shift from a technical culture to a managerial culture whereby managers are assessed, developed and promoted not solely on their technical competence but on their leadership skills. As a French HR manager puts it:

‘One must appreciate a manager on his ability to manage. When one will show them that they are not good managers, that they guarantee power and a sphere that does not rely upon their competence to manage people, one will break that (technical) logic. If a manager, when he has good people keeps them for himself, or if he keeps complaining about the work of his people, he is a bad manager. (...) Being a manager is something that needs to be taught, the firm must believe in this and help young people learn these things’.

Secondly, to create a dynamic internal labour market where everyone is continuously developed and high performers identified, it would require an awareness
by firms of the importance of internal training and development and a vision which sees everyone in the organisation as having the capability, if trained and given the means to, to become competent. This stands in opposition to French companies’ notion of development whereby the focus is upon a small group of individuals. As Bauer and Cohen (1981) argue, the lack of delegation of competence in French companies and the monopolisation of skills by a small number of individuals at the top of the organisation, and the lack of mobility of managers underneath them, are a key reason for the perpetuation of hierarchical structures. As long as a system is static, the HR function cannot play a strategic role.

7.4. Conclusion

French companies have belatedly begun to shift their elitist vision of management development, becoming aware that the long-term issue is to give and develop competence locally. For a long time, they have relied upon a handful of French managers to handle their international development. As they were young internationally, the partiality of their development policy abroad was not apparent. Nonetheless, as their internationalisation accelerated, French multinationals have reached the limits of their expatriate-based system.

One can thus speak of a two-phase awareness in French firms’ internationalisation of their human resources. In a first phase, one sees the beginning of an awareness of the importance of managing their human resources internationally but there was a gap between companies’ realisation of their needs and the actual implementation as a result a lack of experience, difficulties of introducing change in the French organisation and a partial vision due to their French context and their notion of people development. It is when faced with a drying up of their pool of international managers in a context of rapidly accelerating internationalisation and the benefits of experience, that a more coherent and strategic vision of HR abroad emerges, thereby marking a second phase. Thus, whilst the previous period could be characterised as one of integration and change in companies’ structure, in the latter
half of the 1990s one can speak of a change in mentality occurring in French companies. This is also a time of instability and incoherence as firms are in the process of questioning their management development approaches.

Implementing a strategic HR system calls for a different paradigm from traditional French firms' conceptions, and there thus remain structural obstacles to the development of international managers, that is an understanding of what is an international manager, how to identify and develop them, and even handling their development.

During the last decade, one finds that French multinationals have intended to transfer as many French features as they possibly could. In the current period however, under the intensifying pressures of globalisation, some of these French features have lessened. Therefore, to say French multinationals have such and such features is both partial and out of fashion. But, adopting this contextual approach, we can make generalisations about the behaviour of French managements abroad: we pinpoint specific features of the French approach, which, on one hand, belong to a time period, and on the other can be indicative of a propensity of the French companies to behave in a particular way in the future.
VIII

THE ANGLO-SAXONISATION OF FRENCH MULTINATIONALS:
GREAT-BRITAIN AS A LEARNING PLATFORM
Chapter VIII

THE ANGLO-SAXONISATION OF FRENCH MULTINATIONALS:
GREAT-BRITAIN AS A LEARNING PLATFORM

8.1. Introduction

In Chapter 5, we showed how French companies have had to discover and adapt themselves to the UK environment. Having evolved in the bosom of the State and long been shielded from international competition in their domestic environment, they had no prior experience of an Anglo-Saxon economic system. They proceeded largely through trial and error and adopted various responses in order to survive in the British environment. Through this process, whilst some French features transpired, others diminished due to the influences of the local filters they were confronted with, thereby denoting that French managements underwent a degree of learning. It is important to note that in the course of this process, in addition to adapting some of their existing features, French managements have gained features which they did not have previously, and which they have integrated in various aspects of their modes of functioning. This chapter focuses on exploring in greater detail the forms and dimensions of this learning process, illustrating how French managements have integrated this newly gained experience for their ongoing international development. This issue has also led us to explore the interactions between French multinational companies and their domestic environment, as French managements have even used their international experience at home. We thus come full circle, as the French
business system is not only a starting point for French multinational companies, but also a finishing point.

It is important to note that the issue examined in this chapter is the learning process of internationalisation by French managements resulting in them adapting some of their national features as well as gaining others, rather than being concerned with the phenomenon of diffusion of best practice throughout the organisation. This was addressed in Chapter 6 where it was revealed that French firms are at an embryonic stage. The literature on the diffusion of best practice has shown how multiple direction learning processes can develop within the multinational firm, which may create a dynamic of its own leading to the ‘learning organisation’ (Bartlett and Goshal 1990; Bélanger et al. 1999). Whilst our findings point to a general trend across French firms suggesting the importance of the experience they have gained from their British operating companies and thus how the influence has worked from the operating company to the Centre, the phenomenon can only be demonstrated on a case-by-case basis and does not constitute a policy of exchange of best practice throughout the organisation.

The first section presents the forms and characteristics of French managements' learning experience of Anglo-Saxonisation with regard to their international development, where the attractiveness of the British model over other countries to French companies is emphasised. Secondly, the nature of the influence of French multinational companies upon their own environment is examined, and their actual impact discussed, drawing attention to some of the key problems companies are confronted with on their home ground.

8.2. The Anglo-Saxonisation of French Managements

Britain has provided French managements with real life experiences of a market-based governance regime, thereby giving them their first experience of internationalisation influenced by the Anglo-Saxon model. French managements
have via the contact with their British counterparts learnt new skills, which they were not familiar with in the past or did not fully understand. Firstly, French managements have learnt the English language, which, though a basic issue, is the universal business language of today and a fundamental requirement in order to be able to operate internationally. French managements did not possess strong language skills when they first set foot in the UK, which we saw was an obstacle to their effective integration. So important are language skills that French companies usually send their managers on intensive English courses in order for them to become proficient in English. Thus, being able to acquire those linguistic skills in an English-speaking country is a strong asset for French companies. The second area where the learning process has been important to French companies is the economy. As Britain achieved a much more advanced degree of marketisation than most other countries, it constituted a rich source of learning by observation for French managements. Faced with fierce foreign competition for many years, British companies had long placed emphasis upon customer service, cost effectiveness as well as market-responsiveness and had thus gained strong competitive advantages at this level.

Acquiring an Anglo-Saxon conception of conducting business has been all the more important to French companies since it has become the reference model worldwide over the last decade. Initially, Britain was the first country along with the USA to embark upon a wholesale economic liberalisation and certainly well before global forces began impacting upon Continental Europe in the mid-1980s. The British response from the late 1970s onwards did not come about as a result of a worldwide trend of liberalisation as is the case today, but emerged from an economic, political and cultural context specific to the UK: it was initiated by a pro-market Conservative government, supported by a strong industrial lobby, which sought to stop the economic decline of Britain by resorting to market-led solutions, which themselves were in the continuity of a long tradition of minimalist state intervention (cf. Chapter 5). Today however, the liberal model is no longer confined to UK borders as deregulation trends are spreading worldwide pushed by powerful technological, economic and political forces. Following the collapse of the Soviet
Union, together with the failed attempts in South America and Asia to maintain protectionism, the rules of free trade have imposed themselves upon the majority of countries, who are increasingly adopting the similar responses of opening up their markets, deregulating and privatising. Throughout Europe, the deregulation of utilities is taking place in telecommunications, transport and energy. In response to the globalisation of competition, firms are also adopting common responses by maximising efficiency, diversifying their products and services, globalising their operations through mergers and acquisitions, responding quickly to fast-changing markets: overall, they are behaving more like typical Anglo-Saxon firms.

In the new globalised context of the 1990s, the skills French managements have gained in the UK have in turn been applied to their international development. As the current context marked by the globalisation of competition forces firms to engage in the relentless pursuit of growth to ensure their survival, one has seen French companies’ international growth rapidly accelerate as indicated in table 8-1, and acquisitions growing exponentially: overall, in the year 1999, mergers and acquisitions by French companies have increased by more than 120%1. Whilst Europe accounted for more than two thirds of their total investment flows between 1988 and 1994, French firms have significantly increased their investments in the US market whilst beginning to invest in Asia-Pacific, where they were lagging behind other multinational companies2. One thus sees a surge in the confidence of French companies in the way they respond to global competition, in contrast to their caution of the 1980s. This reflects the fact that Anglo-Saxon characteristics have become more integrated into their modes of functioning. A few case studies illustrate the mechanisms at work in firms currently undertaking global strategies, and how they have benefited from the entry of a British unit within their group to establish a worldwide presence.

2 The share of the European Union declined steadily since the mid-1990s, accounting for 46% in 1998. The USA was the first recipient country of French companies’ investments in 1997 and 1998, accounting for 19% of the total; investment flows in South-East Asia doubled to 9.3bnFF over 1997 (Bulletin de la Banque de France, Les Flux d’Investissements Directs de la France avec l’Etranger en 1998, June 1999, Nb 66).
Since the mid-1990s Vivendi Water, pursuing a new strategy of triadisation, has rapidly expanding in the US, Australia, and South-East Asian markets in response to the globalisation of the water industry. The industry has become global in recent years as developed countries, faced with increasing difficulties in meeting their growing needs for financing services under budgetary constraints, have responded by either privatising their water services along the lines of the UK model or giving long-term contracts to private companies to manage and operate their services along the lines of the French business model. Developing countries are also resorting to private capital to help meet their huge infrastructure needs. As in the utilities, Britain pioneered the introduction of competition as well as innovative arrangements to supervise industries, in particular the creation of economic regulators acting independently from the government and charged with protecting competition, controlling prices and ensuring quality. Vivendi Water through its ten-year long involvement in Britain developed knowledge of this model and its rules of economic governance, and the kind of monitoring by an economic regulator over a utilities firm's strategy. The group has used the expertise it has gained from the UK marketplace to access firstly the Australian market in 1996 and then the US market in 1999. As a French senior manager of the group explains:

Table 8 - 1: French FDI Outflows 1995-1998

<table>
<thead>
<tr>
<th>Year</th>
<th>FDI Outflows (bnFF)</th>
<th>Year-on-year % increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>78.6</td>
<td></td>
</tr>
<tr>
<td>1996</td>
<td>155.6</td>
<td>+ 98%</td>
</tr>
<tr>
<td>1997</td>
<td>207.7</td>
<td>+ 33%</td>
</tr>
<tr>
<td>1998</td>
<td>239.4</td>
<td>+ 15%</td>
</tr>
</tbody>
</table>

'In Australia), we found people speaking the same language I mean not only in linguistic terms, but also in terms of economic regulation, it has been important in approaching the market. And also our British companies had established cooperative links with Australia for a number of years (before we acquired an operation over there), this has been very helpful.'

The group is now seeking to use its Australian base as a stepping stone in Asian markets. Subsequently in 1999, the group was able to acquire the largest US water distribution company US Filter, in response to the privatisation and liberalisation of the industry there during the late 1990s. Its counterpart Lyonnaise des eaux has similarly tapped into the expertise of its British operations, as it was through one of its British subsidiaries that it purchased United Water in the US, in 1998. Thus, in addition to their initial lead in terms of internationalisation which were established thanks to the features they inherited from their domestic environment (cf. Chapter 5), French water companies' experience of privatised and regulated British markets has given them a headstart in responding to the deregulatory trends taking place worldwide throughout the water industry. This has reinforced their global pre-eminence: Vivendi Water and Lyonnaise des eaux together won more than half of the biggest private sector contracts awarded between 1993 and 1997.

In the construction industry, after having dragged the French group Vinci to its knees financially, Norwest Holst has become a strong asset in the new construction context of the 1990s. The Anglo-American type of construction contract, based on the separation of design and construction, is indeed gaining momentum in Europe and other parts of the world, under the powerful influence of large and globalising British and American engineering-design companies (OECD 1995). As Vinci had been used to the Continental contractual model, the experience it has gained from operating in the UK construction marketplace has been beneficial. Thus, Vinci cooperates closely with Britain on international contracts in Anglophile countries, for example by tapping into the British operating company's managers in order to use their

---

4 This type of indirect targeting of markets through third-country bases is likely to become more frequent as multinational companies are seeking to establish a presence in all the major markets of the Triad.
commercial skills in drawing up contractual terms, which demand highly sophisticated legal skills. One of the responsibilities of French expatriate managers posted in the UK is to facilitate networking between both sides on international matters. French managers claim the acquisition of these type of commercial skills, which hitherto were alien to them, has enabled them to respond very promptly and effectively to international construction projects. Thus, whilst Vinci initially adapted itself with difficulty to the UK environment, it has now built upon this experience.

The retail group Redoute has also put the lessons gained from its acquisition of Empire Stores to maximum use in deploying its global strategy. The retail industry, multi-domestic until the mid-1990s, recently became global, and La Redoute has pursued an aggressive international expansion. It acquired one of the largest American home-shopping companies Brylane in 1998, after acquiring British Empire Stores six years earlier. One of the French expatriate managers, which was subsequently selected to co-head the international expansion of the group headed the negotiations and relied on several key British managers through the negotiation phase. Some now sit on the Board of Brylane in order to oversee its integration within the group. La Redoute is also repeating the success formula that has emerged thanks to its British operation in the United States and elsewhere, whereby it uses the resources and management approach of acquired companies to introduce its own product catalogues into the host markets, as opposed to launching its products through its own means as it had unsuccessfully attempted in the UK. It was found that the second approach taken by the group enabled it to maximise synergies as well as fit the requirements of each market. The highly competitive home-shopping US market shared similarities with the British system, in terms of an aggressive commercial approach and high segmentation of customer markets, which gave French managements a strong advantage in defining its marketing approach. Thus, La Redoute who adapted itself from the outset to the UK environment ten years ago is now replicating this form of adaptation in its international development.

5 Cf. Footnote 3.
The acquisition of STC by the telecommunications group Alcatel has also turned out to be more than an acquisition for the French group. The international division of its corporate marketing department in its submarine division was split into two parts, with the British side being given responsibility for all the countries having natural affinities with the UK and the French side overseeing the rest of the world. By doing so, the group sought to respond more effectively to the needs of global telecommunications groups, most of which have their headquarters or are located in the UK market. The shift reflects a recognition of the significant lead the UK market has taken in terms of creating a highly competitive and sophisticated telecommunications market.

As these examples suggest, having gained their first experience of internationalisation in the Anglo-Saxon style, French managements used their newly gained skills and experience extensively to help gain access to foreign markets which shared similarities in their modes of governance with Britain, noticeably the difficult and highly competitive US market. The significant benefits of French companies’ passage through Britain are further demonstrated by the fact that, historically, their attempts to penetrate the US market had been unsuccessful (Wilkins 1993), whereas now, they are succeeding.

A further reflection of the importance for French managements of acquiring this first Anglo-Saxon experience to buttress their global expansion is that companies use their British operating units as a development ground for their French managers. Managers can learn the language, be trained to Anglo-Saxon techniques of management and imbue themselves in the culture, and subsequently be sent to other parts of the world in order to spearhead the international development of their firms. For example, in Vivendi Water, General Utilities has been a training school in deregulated markets to many French engineers. The head of the Australian unit of Vivendi Water for example is a French national who was previously on assignment in General Utilities, whilst the team that is searching for new markets in Asia is led by a French national who had been assigned to General Utilities for a number of years.
The banking group Crédit Lyonnais maintains an extensive number of French managers in its UK operations on two to three year assignments in order to expose them to the unique expertise of the London financial industry. As a French senior manager put it:

'It seems to me essential that our (French) managers get to know this world, for Britain is in many ways a better base for the internationalisation of the group than the US where we do not yet have an experience as well-rounded. And I insisted that my successor (as head of the division) sit on the board of our British companies for this very reason'.

British managers also constitute a valuable pool of competence for French companies since they have a number of natural advantages over their French counterparts, namely the language and their knowledge of the Anglo-Saxon way of conducting business. This makes them more readily exportable to certain regions of the world.

One also increasingly sees international responsibilities being delegated to the UK operations. In the building materials group Saint Gobain, Stanton is involved in establishing the group in the US and South Africa. The banking group Crédit Lyonnais, capitalising on the expertise of the City of London and its status as the leading international centre, established its London operation as one of its three global centers of competence, from which it is heading a number of business divisions worldwide. The UK operation of Vivendi Water was also given responsibility for building up a presence in countries of the old Commonwealth, namely India and Pakistan. The food group, Danone which sold its grocery division in 1996 as part of its re-positioning strategy, did retain its UK operation, HP Sauce which it had acquired in 1988, specifically to use it as a channel to develop its market share in China which is one of the major export markets of the British company, and to export Asian products back into the UK and European markets in order to respond to the growing demand for oriental food, a trend in which the UK market is in the lead. There is thus an economic reason behind French firms managing their international expansion in certain regions of the world from their UK base rather than
from France: they have taken advantage not only of the British expertise of deregulated markets, but also the country’s traditional trade links with the US and Asia-Pacific, notably Hong-Kong and Australia, a legacy of its imperial power and its colonial empire. French managements’ efforts to federate their foreign operations underlie a significant change in perspective as they become increasingly aware of the potential of their British base and its unique positioning in the international economic order. Though for a long time French companies did not see much point in investing in Britain, their British experience has contributed to opening up their inward-looking vision and giving them a more global outlook.

French companies’ UK experience has not only played a significant role in their approach to making acquisitions, but, in some cases, has facilitated the process of integration itself. Saint-Gobain’s integration of two recent acquisitions made in the UK, as part of a strategy to develop its leadership in water pipe systems manufacturing, stands in marked contrast to that of Stanton ten years ago. Senior managers from Stanton, French and British national managers, were given responsibility by the group to integrate the two companies. From the outset, managements took firm control of the companies, reshuffled the senior management teams and defined a restructuring planning within several weeks which was promptly implemented. The rate of absorption of companies was much quicker as, within less than two years, the companies were considered overhauled and integrated by French managements when Stanton’s integration spread well over five years. The learning curve of Saint Gobain from the integration of Stanton is thus obvious.

There are several levels at which the experience gained by Saint Gobain and other companies has been felt. Their experience has led to them first and foremost developing a strategy. As globalisation of markets accelerates, under the process of European integration with the advent of the Single Currency and the full liberalisation of specific sectors, the opening up of Asian markets following the 1997 financial crisis, internationalisation has become a priority for French groups, which have a clearly-defined strategy of setting foot in all the major markets of the Triad. When
acquiring a company, managements know where it will fit within the group strategy, in terms of cost, commercial or manufacturing synergies, an aspect which was lacking ten years ago.

In addition to bringing them a strategy, French firms have also a more defined mode of integration. Even if it remains an adaptative shift rather than a radical change in approach in that none of our case studies has turned à la GE where all aspects of integration are measured, codified and nothing is left to chance (Ashkenas 1998), French managements are more able to anticipate critical factors that can have an influence and mould them in order to mitigate their impact, as they have gained an understanding of the issues involved in integrating foreign operations thanks to their prior experience in Britain. This is clearly demonstrated in the case of Saint Gobain, where senior managements have acted upon the selection of the host management team, the pace of integration and the extent of communication. As Hubbard (1999) notes, whilst all factors can not be foreseen (e.g. market downturn), some are nonetheless under a company’s control, in particular those related to the management of the integration process. The apparently greater ease with which acquired firms have been integrated perhaps also reflects the fact that greater time is given to pre-study acquisitions by companies, an element we saw was critically missing from their strategies in the late 1980s. Indeed, if French firms are moving faster they are also more careful: for example, prior to the acquisition of its British companies, Saint Gobain had carefully examined their competitive situation and determined a strategic plan of integration. Pre-acquisition preparation enabled management firstly to assess the risks involved and secondly to evaluate the feasibility of overhauling the target: this allowed them to minimise the risk of a bad purchase, and having delimited the problems, management were able to move quickly in the integration phase.

An additional element which plays a role in making French managements more efficient with regards to handling acquisitions is familiarity with the host environment itself. For example, French managements have experimented with the flexibility of the British institutional environment, and are now aware that they can
conduct radical restructuring of firms in a short space of time to make a company more efficient, which according to our interviewees, is a factor which can affect decisions to buy as well as the subsequent strategy adopted towards the acquired company, as this French senior manager explains:

'The strategy of the group is clearly to be the leader on its markets, if we are considering acquiring a firm that is in poor competitive conditions, in the UK we will not hesitate to buy it, in France, we would think twice'.

A further element which might also explain the easing of the integration of acquisitions by French companies is that French managements' features are evolving on their own ground. Indeed, as discussed below, the French institutional context has evolved towards a more market-based regime over the last decade and therefore aspects of the Anglo-Saxon system are increasingly learnt in France, which contributes to narrowing the cultural gaps between the nations. French managements are importing a more 'adapted French model', both as a result of the features they have evolved abroad and the influence of their own environment, so that the clashes of culture are not as strong, thereby facilitating the process of integration.

However, whilst experience of acquisitions enhances the probability of success in integrating an operation, too much experience can have negative consequences as managements can become too confident of their expertise of integrating acquisitions, losing its open mind and overlooking the acquired companies' strengths. There is then the risk of bulldozing, so to speak, the acquired company. This has been observed in some of our case studies, and remains a possibility knowing French managements' ingrained desire for retaining control.

---

6 This, if needed, confirms the openness of the UK as double-edged from the point of view of the country's economic welfare, as it remains vulnerable to foreign multinational companies' investment decisions and economic cycles. In addition, the UK is not beyond a reversal in its fortunes as one of the most hospitable host countries to foreign investment in particular to manufacturing industries, first because it no longer holds a unique advantage as it competes with other European nations for capital in the globalised world economy, secondly because of the effects of the persistent high pound upon firms' competitiveness, itself a feature of the UK business system and its bias towards the interests of the services industry; it has been highlighted in recent moves by major Japanese manufacturers to source a greater proportion of components from the continent, or decisions by multinational car companies to close off operations to respond to the global car market downturn.
It also has to be noted that the overall economic context within which French groups operate has also evolved, in turn affecting a number of factors that have undoubtedly had an impact upon the handling of acquisitions. Thus, whilst in the 1980s cross-border mergers and acquisitions were rare, today information about companies’ situation is widely available - the nature of the problems affecting Rover or Nissan are well-known – and the ‘do’s and don’ts’ for integrating acquisitions are widely shared amongst companies. Further local management reticence, strong ten years ago, is lessening as the benefits and the necessity of being part of a large group are now recognised. Similarly French management’s fears of being misled and losing control are also reducing, helping to facilitate the establishment of trust in the relationship between both sides. On the other hand, the globalising economic context introduces new difficulties, with markets becoming increasingly competitive and dynamic. As we saw in our study of the telecommunications industry, the effects of such ‘moving’ filters are likely to become stronger, thereby creating new obstacles to companies in the process of integration.

Conclusions

For those companies which have been involved in the UK, Britain has given them their first experience of internationalisation in the Anglo-Saxon style and as such has acted as a springboard for their subsequent international expansion. One can thus speak of a learning process for French managements in the UK, which in turn denotes a newly gained receptivity. Whereas they began from a position of disadvantage and were not equipped to evolve within a business environment governed by market principles ten years ago, French managements have acquired Anglo-Saxon skills. They are now able to function effectively under the rules of the global international order, as reflected in their responsiveness, the greater facility with which they are making acquisitions, and, in some cases, integrating them.

The arrival of French firms in the UK ten years ago has thus been a key stage in this learning process. The fact that Britain had effected its transition to a market-
Britain as a learning platform

oriented regime more than ten years before most countries has been beneficial for French companies, as this time-lag has enabled them to offset their being unfamiliar with Anglo-Saxon ways. Their prior experience of international operations in Africa or Southern Europe was not the kind of internationalisation that gave them the means to operate in the current international context, because the African model is not that of the rest of the world. But, their experience of the British marketplace has given them a headstart and prepared them for European and global competition.

8.3. Interactions of French multinationals and their domestic business system: the 'boomerang effect'

France is not only a starting point for French multinational companies, but also a finishing point. Indeed, French managements have been found to use the international experience they have gained not only for their global expansion but back in their own market.

The French governance regime has undergone significant change over the last ten years and evolved away from being state-led to a more market-based system: this has been reflected in an increasingly arm’s length relation between the State and industry, the introduction of competition in a number of spheres of the French business system as well as growing internationalisation (Cohen 1996; Schmidt 1996; Boyer 1997). Under the pressures of global competition, arising from deregulatory trends within the European Union and world-wide which have hardened in the last few years, a spate of French companies have begun to be privatised in many segments of the public sector which were at the heart of the French statist industrial policy (telecommunications; air transport; defence; banking; insurance). Further, in the traditionally large French public sector, some degree of competition has been introduced in telecommunications and electricity, as the European-wide liberalisation of those sectors has become effective since the late 1990s, leaving an increasingly large proportion of the French business system exposed to competition. As a consequence of these developments, France has also seen a rapid and dynamic rise in
foreign direct investment\(^7\). Thus, the traditionally closed and protected French business system has begun to crumble under the intensifying pressures of globalisation.

These pressures in turn force French companies to be increasingly transparent in their business practices and relations with the State and more accountable to third parties, in particular shareholders and customers. No longer being able to rely on statist and national institutions for business, they are forced to become more competitive, as well as adopt a more short-term focus in defining their business strategies and priorities. Strikingly therefore, as a result of the changes the French governance system is currently undergoing under the constraints of globalisation, French companies are being forced to move in the direction of an Anglo-Saxon model, which directly attacks features we defined as distinctively French, namely their secrecy, their lack of performance-orientation and their engineering-ethos.

As the French institutional environment is evolving towards a market-based system, the experience which French multinational companies have gained at the point of contact with British managements who have long had to deal with these kind of rules, has facilitated their adaptation to the new French context. In particular, French managements have imported back elements of British strategic flexibility, a concept which was very different from what they were accustomed at home and from which they have drawn lessons. French companies have gained a new perspective on managing organisations, which has in turn prompted them to re-think the optimisation of their own French operations, through a return effect which can be referred to as the 'boomerang effect'.

In the past as we saw in Chapter 4 a whole context had led French companies not to act and react upon their organisations. Operating within constraining social and organisational environments, the general attitude among French managements

Britain has long been to avoid touching their organisations for a number of complex reasons: the rigidities of their organisations, a focus on technical issues at the expense of the managerial aspects of their organisation, the fear of creating social conflict which might tarnish their social image in France, added to the fact that organisations are embedded in a set of relations with suppliers and customers. The weight of national institutions together with French managements' reluctance to change their organisations reinforced one another over time to create institutional inertia.

French managements’ rationalities as they set foot in Britain were conditioned by their domestic institutional context, but their British experience has opened their eyes to flexibility. As Britain has a very malleable institutional environment, French managements were able to experiment with all facets of organisational change. We can recall for example, how Saint Gobain’s radical restructuring of Stanton helped to restore its competitiveness, through a rationalisation of the factories which were split into small units specialised by product, a significant downsizing and delayering of the organisation structure. In addition, flexible working-time agreements gave the British operation a significant capacity to respond to changes in business cycles. Having effected a successful turnaround and even surpassed its sister units as productivity has doubled, Stanton was seen as a model for its market-responsiveness and cost effectiveness. Vivendi Water also successfully undertook two waves of organisational restructuring of its UK operations which enabled it to make significant efficiency gains. French companies were thus able to successfully restore the competitiveness of their British operations in a relatively short space of time.

This first-hand experience of conducting significant organisational restructuring has helped French managements realised that not only could restructuring actually be carried out, but it could also be achieved with relative ease, thereby challenging their implicit norms and understandings and enabling them to come out of a frame of mind where change was impossible at home. As this French manager explains:
‘One of the things we found out in Britain is that we could through restructuring organisations make productivity savings. Whereas in France, for a long time our philosophy basically was market growth. For each contract, we were of course looking for an overall level of profit, 10, 20 or 30%, but once an operation was up and running, we did not really seek to maximise its efficiency. (...) So in Britain we saw that if we got down to the task, we could restructure organisations. Hence, the restructuring of our French organisation which we launched less than two years ago’.

The following cases are concrete examples of the benefits brought about by companies’ international experience. Vivendi Water recently launched the first major restructuring of its French operations in order to respond to the growing competitive pressures it faced as a result of its increasingly arm’s length relations with municipalities which themselves were subject to tighter budget constraints; the anticipation of the arrival of foreign utilities group on their market threatening the company’s market share; as well as the introduction of media and public attention into its traditionally secretive business practices. The lack of dynamism in the company’s organisation structure showed itself via the fact that a multitude of structures acquired over the years through external or internal growth had mushroomed without ever being rationalised. The restructuring involved the merging of all these companies and the rationalisation of key functions. With the help of American consultants, a three-tiered organisational structure was implemented: all key functions were consolidated within ten ‘regions’, whose role was to ensure the co-ordination of fifty ‘operational centres’ in turn overseeing 140 so-called ‘agencies’. The re-organisation also involved the introduction of measures aimed at improving customer satisfaction, marking a shift away from the group’s engineering-driven approach. These included call centres, Chartre Clients and other customer initiatives. According to managements, these measures were directly inspired by the example of its British water companies which were more advanced in terms of customer relations management under the regulatory regime in place.

In Saint Gobain, management had continued to live on its bureaucratic and hierarchical system throughout the postwar period. The group recently undertook the first major reform to the organisation of its French operations, which aimed at
improving the overall competitiveness of the operation in the face of the globalisation of competition. Saint Gobain senior management looked to Stanton’s lean and reactive structures as a model of organisation, and in particular aimed along similar lines at splitting its main manufacturing operations into small units specialised by product lines. The group assigned the head of manufacturing in its British operation, who was a British national, as head of R&D in France to oversee the restructuring of the group’s factories and technical functions in France, thereby reflecting the company’s intentions to tap into its managerial expertise. Further, changes were pushed through by senior production managers, who had been posted a few years earlier to Stanton with a remit to implement the restructuring of the British operation. Under the influence of those French and British managers, a near-revolution was taking place within factories, as the company was seeking to move away from its highly centralised and bureaucratic mode of control: factory managers for the first time were granted autonomy for determining their own budgets, and for the management of their production lines (work organisation; staffing) which had previously been the prerogative of central corporate functions.

Our findings thus point to significant management-led reform taking place within French organisations under the strong pressures of globalisation of France’s own international firms. The radical character of the organisation reforms which are being introduced following a long period of organisational stability and gradual adjustments, demonstrate that French managements, long blinded by their environments, have woken up to the necessity of making themselves more competitive within their own markets, because sooner or later they will no longer be able to rely on their national institutions for business, and it is no less than their survival on their own market that is at stake.

However indications from our case studies suggest that reforms are taking place slowly and with difficulty, all the more so since they have taken place belatedly. Managements’ restructuring plans have provoked fierce reactions from managers and employees alike. The tensions encountered are reflective of two conflicting logics,
that of efficiency maximisation within a still conservative corporate culture. Thus, our observations show the transition to a more competitive organisation model is far from being automatic and that there are obstacles on the way of managements.

One of the difficulties in undertaking the reforms is linked to the opacity of operations, the legacy of hierarchical organisations. The typical French factory was in fact a 'black box'. Because there was little delegation of responsibility within the factory and little emphasis on maximising efficiency, managements and workers had limited knowledge and management tools, which would have helped them to identify the sources of productivity gains. Management is at present, confronted with the problem of gaining an understanding of how responsibilities are allocated and of existing business processes.

Changes also challenge the deep-seated technical culture of French firms. Whilst engineers traditionally occupied a central position in French firms' decision-making processes increasingly, the engineering function is no longer the key but part of the production process, under the combined influences of the 'boomerang effect' and the growing emphasis upon services resulting from changes in market conditions. Thus, the sacrosanct status of the French engineer is being eroded as other functions, namely finance and marketing, are assuming increasing importance. The shift in logic is further evidenced by signs of appointments of managers with a business background in those companies, which traditionally leaned quite heavily towards the recruitment of managers from the French engineering Schools. Thus, this is a further indication that one might be witnessing the gradual dissolution of an engineering-driven culture and a transformation into an efficiency-oriented one.

Further, the moves by managements to create more performance-oriented organisations turn the notion of seniority and a job-for-life upside down, and thus are resisted by managers and employees. Resistance to change within the French organisation is also explained by the high average age of their workforce, which in some companies stands at 45-50 years old, itself the consequence of employment
policies within French companies that have been pursued over the years as they stopped hiring in order to reduce their employment structures, given the difficulties of making employees redundant. The lack of movement in and out of the organisation in turn leads to strong clashes of culture between the few recruits and the long-serving employees. In addition, within the still important, though lessening, seniority-based culture, French managements have little flexibility to replace senior managements by fear of hurting sensibilities: some pro-change managements complained of hesitant top managements in making new appointments at senior management level that could have accelerated the change process. Finally, managements’ efforts to make their organisations more efficient are further constrained by the social environment, as we saw in Chapter 4. Whilst our case study firms face over-staffing and high labour costs, they are also required by the Government and the unions to maintain levels of employment.

French managements in both organisations, faced with those challenges, have slowed down the pace of reforms. In Saint Gobain, for example, managements managed to introduce greater decentralisation within the factories, but put the second phase of the restructuring of factories on hold. Vivendi Water has undergone organisation-wide reform but this has been limited during the first phase to regional consolidation due to social and local political pressures to retain jobs. The way French managements approach change however is indicative of the benefits of international experience gained. Senior managements have phased in their reform process, as opposed to imposing reforms in one block, reflecting an awareness of the capacity of their organisations for absorbing change. Thus, whilst they are conducting the change process within an Anglo-Saxon frame of mind, they nonetheless retain a French sensitivity.

Through these cases, one thus finds that French managements have learnt from the capacity of change allowed by the British environment and have imported back some of these concepts into their own environment. Figure 8 – 1 recapitulates the key relationships identified in this chapter.
Within the new French context, the ‘boomerang effect’ has been beneficial to French multinational companies, as it has put them in a better position to react to competitive pressures they now face. Given the radical differences between the French and the market-based system, those French multinational companies who have ventured outside of their borders are more likely to adapt themselves successfully to the new French context and restructure their organisations, than ‘local’ French companies that have little in common with the Anglo-Saxon system and to which competition might come as a greater shock. This is all the more so since we know that the management of change is not a distinctive French feature. Firstly, internationalised French companies have the advantage of having gained a different perspective on conducting business generally, enabling them to look at their organisation with a fresh eye. Secondly, French managements’ Anglo-Saxon
experience has influenced chosen methods of restructuring to reduce costs, namely a greater emphasis upon maximising the use of existing assets, through consolidating and rationalising work processes, as well as the development of the service side of the business. Thirdly, having a first-hand experience of conducting restructurings, companies are also likely to be more capable of positively evolving their organisational structures, because they are knowledgeable about the ins and outs of restructuring issues.

One final point is that the 'boomerang effect' underlies features which we have encountered throughout this study, in particular the attitude of French managements towards change and innovation. It is indeed paradoxical that it is international French companies as opposed to 'local' ones which are bringing about changes to the French national business system. The French institutional business system is undertaking reforms under the constraints of outside pressures, rather than evolving from within. The current phase which French firms are going through can be characterised as a period of destabilisation and incoherency. After having evolved for many years in a protected environment, a number of taboos are being broken within organisations. As seen against a long period of stability and incremental organisational change, even more than a learning process, it is a revolution which is occurring at present within French organisations.

8.4. Conclusions

French companies lagged behind in terms of Anglo-Saxonisation as they left their protected environment in the late 1980s. However, our findings reveal that overall they have adapted well to the international context, and have thus proven to be good learners. Gradually, French managements have integrated some Anglo-Saxon methods in their modes of functioning. When ten years ago, they were clearly ill-equipped to operate in a market-regulated system, today they are proceeding fast and with confidence, taking an active part in the globalisation trend. Britain has given them their first experience of internationalisation in the Anglo-Saxon style, and its
ten-years lead in implementing a market-oriented framework has facilitated their evolution towards an international model.

Our findings show that the adaptation of the French management model to the globalised international order is currently taking place under the combined pressures of growing competition arising from the opening up of its markets, and its own international firms'. However, the move towards a more efficient and service-led model is taking place at a pace which the French institutional context can tolerate: because they have long evolved in a closed and hierarchical model, neither structures nor people's behaviour have yet adjusted to the current changes that are sweeping through French organisations.

This lack of local dynamism is a handicap for French multinational companies' competitiveness as they are competing globally and are required to be highly productive, though this is likely to weigh increasingly less upon their performance. Indeed, as French companies have embarked upon a strategy of globalisation, the French base is becoming less preponderant accounting for sometimes less than half their turnover. Their domestic operation is no longer a priority because their market is mature and stable. The 'big' weight of French institutions is thus becoming a 'little' weight.
CONCLUSION: FRENCH MULTINATIONALS' INTERNATIONAL STRATEGY,
NATIONAL SPECIFICITIES AND INTERNATIONAL DIMENSIONS
Conclusion: French Multinationals’ International Strategy, National Specificities and International Dimensions

Introduction

Our study of French multinationals’ international strategies has enabled us to identify and characterise the existence of a distinctive management style abroad. By doing so, we attempted to throw some light on debates as to whether international firms’ national identity is being eroded by the forces of global competition. Our approach has been to define a ‘mode of thinking’, characteristic of French managements abroad, which will influence how French managements react, independently of the time or space conditions they operate in. This behaviour was identified through the examination of a diverse sample of French multinationals and a dynamic analysis of their international strategies over the last decade.

The first section summarises the features, which together characterise French managements’ behaviour abroad. A discussion of the strengths and weaknesses of the French management model as French companies are becoming global, then follows. The theoretical implications of our findings are then addressed, before raising a number of questions as to the evolution of the French international model in tomorrow’s global environment.
9.1. French managements' behaviour abroad

The study of French companies' international strategies has permitted an identification of a distinctive French management model. One cannot speak of a French management model in the strict sense of the term however, in the same way as the academic literature has been able to define a Japanese and American model, constituted of a set of well-defined management methods. Our findings have nonetheless revealed a distinctive national character, but that this national influence varies across firms.

One of the key features which underpins French managements' actions is a long-term vision, which they have retained when operating abroad. Managements are attached to their firm and driven by the desire to ensure the success and long-term viability of their business, rather than solely maximising profits. Rarely do French managements leave their operating companies without direction, and it is common for them to institute an overall set of philosophies and commit long-term financial and managerial resources.

A further, related, characteristic is that French managements retain a strong technological identity that, consciously or unconsciously, guides them in the development and implementation of their international strategies. French managements' long-term vision together with their engineering ethos implies a desire to involve themselves in the running of the operations and understand their functioning in detail. This style of management is apparent not only at strategic level but also at operational level, in particular in technical matters.

Characteristically, it is through managers that French companies control their operations. French firms have the cult of the manager. At the heart of their modes of operating abroad, one finds a core of powerful, highly skilled, executive managers, who are fully entrusted by the Centre and monopolise functions and responsibilities. Moulded in the same culture, this small elite is strongly attached to their group, and it
is through them that a group culture is created. The system permits an informal type of management between the Centre and the operating company, effective communication amongst them and a rapid decision-making process. However, it implies a degree of secrecy and opacity within the firm, as responsibilities remain concentrated in the hands of a few individuals and the system remains based on trust.

Driven by a desire to be successful operators, French managements show perseverance in their work. Even in difficult situations, one finds within French managements a determination to overcome obstacles and find long-term solutions. This, together with their hands-on management style, has enabled French companies over time to acquire a distinctive form of integration and adaptability to the situations they encounter. This is reflected in the fact that they have learnt from the British marketplace as well as been receptive to Anglo-Saxon methods.

Although it is evident that French managements’ capacity of adaptation has increased with international experience, French companies’ approach to change still remains un-natural as one finds a lingering resistance to change. A first facet of this trait is that French companies are rarely proactive in undertaking change, often reacting to outside pressures instead, and, further, are often reluctant to address the more fundamental implications that undertaking a change process would require internally. Secondly, this feature implies a partial vision of the problems that management are faced with, which prevents them from understanding a problem in its totality and / or implementing an effective solution. Finally, French firms’ resistance to change arises from the lack of an open mind and a vision centred upon their firm, which result in managements’ keen attachment to implement their group methods abroad.

Relatedly, whilst French companies move forward within a long-term vision, they rarely take uncalculated risks. Faced with a new situation, one will find French managements proceeding cautiously, step by step and pondering the situation before deciding the course of action to be followed. A corollary of this trait is a certain lack
of initiative evident in the French corporate culture. Consequently, as the examination of French firms' evolution through the 1980s and part of the 1990s has shown, they have tended to adopt 'followers' strategies' rather than being 'trendsetters', and tended to evolve through a stage-by-stage approach rather than progressively.

Thus, the examination of French firms' strategies has revealed the existence of a distinctive management style. However, French companies are simultaneously evolving towards an international model of organisation, as some of their traits have lessened whilst they have acquired Anglo-Saxon characteristics.

9.2. Strengths and weaknesses of the French management model

The French management model has been found to be globally successful. Over the last decade, French companies have successfully adapted to the demands of international markets. Some of their features have helped their transition to an international organisation model, even though others have constituted more of a handicap. This section discusses the advantages and disadvantages of the French international management model in today’s global marketplace.

French firms departed from a difficult environment in the late 1980s, which had long been protected and resistant to liberalisation. They entered the UK in a cautious way, without experience of a market-based economy. However, their management system has turned out to possess a capacity of adaptation, enabling them to adapt to the international environment and catching up in terms of international management methods.

Initially, French companies did not demonstrate a strong adaptability however, and their resistance to change was strongly marked. Strongly attached to their nationality, they lacked an open mind, which led some of them to set foot in the UK with colonial inclinations. Some companies made mistakes by excessively
seeking to retain control and to implement group practices which were ill-adapted to
the British context. As a result, French firms suffered reverses, which created
tensions with British managements and sometimes delayed the integration of their
operations.

However, in spite of the negative aspects of their interventionist style of
control, French managements’ key strength has been the ability to persist as they have
worked durably with their British operations. This has helped them overcome
adverse situations, and gradually learn from and integrate into the UK environment.
They have taken advantage of the knowledge they gained from the British
evironment, and have been able to incorporate it effectively into their modes of
functioning.

This learning process has manifested itself via the fact that French
managements have gained in responsiveness, and in their ability to make and, even,
integrate acquisitions rapidly and effectively. Their newly gained receptivity has also
facilitated their adaptation to their own domestic market, which in recent years has
been faced with increasing competitive pressures, as the French system itself has
begun opening up under the forces of globalisation. Thus, through a ‘boomerang
effect’, French managements have incorporated Anglo-Saxon concepts of flexibility,
hitherto unfamiliar to their contexts, and have re-thought the optimisation of their
operations and appreciated the need to undertake organisation reforms.

French firms are thus more receptive, less ‘colonial’ and more willing to trust
and delegate responsibilities to foreign managers. In addition to acquiring Anglo-
Saxon traits, some of their features have begun to evolve. French firms’ prudence,
strongly marked in the early stages of their internationalisation, is now much less
evident. Further, in contrast with their autarky from the past, one finds that French
firms are increasingly opening up to the outside world and becoming less secretive.
One also notes a desire to gain in rigour and clarity, as firms set up global product
lines and introduce more formalised modes of management systems. However, this
trait is likely to evolve slowly and be resilient, as the French management system remains informal and essentially based on trust.

Some features have also been abandoned through the course of their internationalisation. It is noticeable that features of their IR scene were by and large not exported because they were not viable abroad. There was however evidence in the early stages of firms' internationalisation of a concern for preserving a social ethos, even though, one might expect this specificity to lessen over time, as companies are faced with intensifying competitive pressures.

Some of French companies' national traits have thus helped them adapt to the international environment. Companies have gained an international maturity over the last decade, that put them in a strong position to respond to globalisation. Thus, the 'failure' of French companies abroad which one could have expected as they departed from a domestic environment which was still relatively closed and far behind the market-based international economic order, has not taken place. Their lagging behind has been a mixed blessing in a way, since it has eventually enabled French managements to be more receptive, enabling it to progress and gradually integrate Anglo-Saxon methods. In addition, although French firms were lagging behind in terms of Anglo-Saxon methods, which is the dominant model at present, they inherited a sound technological base, which has enabled them to maintain a consistent level of competitiveness and contributed to their success abroad.

Even so companies' resistance to change is lessening and is gradually making way to an increasing capacity of adaptation as French companies have gained an international experience, this trait remains marked in the 'older' and the 'younger' firms alike. Our findings have revealed that French companies' resistance to change still has numerous repercussions in a wide range of domains, and has led managements, confronted with change, to react belatedly or partially implement new management methods. Thus, confronted with the need for change, one often finds a gap between managements' capacity to identify a problem and their implementing an
effective policy. Whilst French managements are able to see the problems they are faced with, one very often sees that they do not give themselves the means to implement solutions, and that fundamental change only takes place when outside pressure is such that there is a necessity to change.

The analysis of French companies’ responses to implementing a strategic international human resources system, which is a new field to them, illustrated the dynamics of change à la française. One will have to wait a decade after French managements’ initial awareness for the need to internationalise their human resources in the early 1990s, before French companies really begin putting in place international structures of management development and accept the delegation of responsibilities to foreigners. Our evidence shows that companies have continued to rely upon a closed cadre of international French managers and have not changed their policy, until faced with shortage of qualified international managers, as their internationalisation accelerated and their pool of international managers failed to grow quickly enough to meet their growing international HR needs.

Even if in recent years, as internationalisation has accelerated, one sees a growing awareness amongst firms for the need for a more strategic IHR function, they remain faced with the challenges of implementation. The specificities of their approach to management development have acted as a brake upon the implementation of effective IHR structures. In spite of managements’ will for developing international managers, firms have retained an elitist vision of management development, and, as a result, experienced difficulties in developing a comprehensive IHR policy from recruitment to promotion, and career development.

Thus, as French firms’ approach to implementing IHR structures illustrates, certain traits are likely to be a handicap, for they can prevent French managements from either understanding or implementing certain kind of changes that are required in the international environment. Implementing a strategic HR function affects all aspects of the firm and requires a system where responsibilities are delegated; a
mobility is created, individuals are developed on a wider basis, from which an international elite can be identified. This approach still stands in opposition with French firms'. The reliance upon a small elite is an ingrained trait that French companies will have difficulties getting rid of, and, in our view, goes against the grain of an efficient management system in an international organisation. The centrality of managers is indeed a double-edged strength, for although French companies possess very strong human resources competence, they remain in very small numbers and the system remains dependent upon them for its successful functioning.

Further, if French managements have successfully adapted to the international environment, they are encountering greater difficulty in adapting their domestic organisations to the international arena, where their strategic maneuverability is still constrained by the broader political, institutional and organisational environments in which they operate. Our findings have revealed that French managements are taking advantage of the opportunity that the French business system is under pressure to change as well as their international experience of restructuring organisations, to push through changes within their domestic organisations. But, the process of putting domestic operations to the level of international best practice is taking place slowly. If this lack of local dynamism remains a handicap for French firms, the weight of national institutions upon firms' performance is none the less declining, as an increasing number of French multinationals are now pursuing global strategies and make more than half their turnover abroad.

The French model is thus successful globally, as certain traits have provided French managements with distinctive strengths, in particular it has acquired a capacity of adaptation whilst being able to retain its nationality. Paradoxically, what is a source of strength is also source of fragility. Other traits have put French firms at a disadvantage in implementing certain international questions of a strategic nature.
9.3. Theoretical implications

This research proposed to throw light on the arguments as to whether the nationality of multinational firms is likely to disappear under international market pressures as writers such as Ohmae claim, or alternatively, whether firms’ national model is resilient and, as a result, unlikely to depart significantly from pre-existing organisation patterns as the culturalist and institutionalist perspectives argue. Our findings actually reveal a mixed pattern. French companies evolve towards an international model as a result of the globalisation of competition, as some of their traits have lessened whilst they have acquired Anglo-Saxon characteristics. Paradoxically, their evolution takes place within a French pattern as they retain distinctive features. The French model is globally successful, and its distinctiveness has been a source of advantage on the international scene. There thus exists a French ‘third way’ in between those two extreme predictions, and contrary to the globalist perspective, there is no ‘one best way’ to success.

The transition to an international model of organisation is neither automatic nor unilaterally determined by market pressures, as the globalist strand of literature assumes. The French model is radically different, in its philosophies, culture, and structures from the way the Anglo-Saxon system works and its efficiency. Those contradictions have inevitably influenced the ways and means through which French companies have adapted to international markets. They have retained distinctive features and have not reached the stage of globalisation of firms like ABB, who have become nearly a-cultural in their search for maximising efficiency. Alcatel was the only firm within our sample, which did break away from its domestic model and transform its organisation into a global model, but we saw that its internationalisation path was the outcome of a large number of factors and remained exceptional.

The emerging international model can best be described as a kind of ‘hybrid’ model, which can no longer be regarded as French, but which is not Anglo-Saxon either. It is a mixed pattern, constituted of both French specificities and Anglo-Saxon
characteristics. It is noticeable that French firms are becoming more like Anglo-
Saxon firms under the pressures of international markets, whereas evidence suggests
that Anglo-American firms, although becoming more global, fundamentally retain
their basic philosophies and management approach. In this respect, French
companies follow a similar path of internationalisation to German multinationals
(Femer and Quintanilla 1998; Femer and Varul 1999).

The situation is not static with regard to the effects of national identity upon
international firms, and a number of developments combine to gradually reduce the
importance of national institutions. Firstly, as we saw French companies are evolving
towards an international model. If they remain attached to their environment of
origin, where they maintain their headquarters and major operations, they are
nonetheless increasingly distancing themselves from their domestic markets. As they
are now committed to a strategy of globalisation, the predominance of their domestic
base is declining, and often accounts for less than half of their total turnover. Alcatel,
for example is the product of the French statist production system, which has enabled
the emergence of a powerful national actor and a strong engineering capability. But,
today, the group can no longer be considered as a state-owned firm: its domestic base
accounts for less than 30 per cent of group turnover; its research centres are dispersed
worldwide; and its interests, long tied to the nation’s, are increasingly purely
economic. The family firm Danone makes over fifty per cent of its turnover abroad,
and is increasingly managed according to shareholders values and no longer
according to its founder’s values. These developments are manifested in the growing
tensions between firms and the constituents of their domestic environments
(governments, unions and local communities), as companies, operating under the
constraints of international markets, are increasingly having to make economic
decisions which go against the interests of their home market.

In addition, and increasingly, new generations of French managements are
exposed to internationalisation at a very early stage and will, as a result, tend to be
less indoctrinated by their domestic system than previous generations. Finally, the
French business environment is itself evolving towards a more market-oriented system under intensifying global pressures. Together, these developments are likely to lead to a gradual lessening of internal forces within the French system.

If firms are becoming increasingly detached from their nation of origin, the most enduring aspect of national identity is national managements’ character however. As we found, French managements continue to retain control of their firms: their domestic environment remains protectionist and does not enable trouble-free take-overs of national flagships, whilst managements remain reluctant to promoting foreign managers to strategic positions. As managers obtain the bulk of their business education in their country of origin, they continue to have a distinctive influence on their firms’ international operations. Thus, although aspects of nationality are lessening under international market forces, others are likely to persist and the nationality variable remains an important explanatory variable of firms’ behaviour at an international level.

In the same way as our research has demonstrated the continuing influence of national culture upon firms’ behaviour, the analysis of the mechanisms of adaptation of French multinationals to the UK context has shown that local specificities remain, and cannot be ignored by international firms. In contrast with claims from the globalist strand of literature, local cultures are not only residues in a global garden. Nonetheless, the actual strength of this filter will vary depending upon other intermediate variables, and international firms can use a range of strategies to alleviate the impact of local factors.

The analysis of the interplay of ‘national’ and ‘host’ cultures has enabled us to define more precisely, the role that national cultures play in cross-border operations. In contrast to conventional arguments that cultural differences are a major cause of failure in cross-national mergers (Cartwright and Cooper 1992), we argued that whilst being an important variable, it is not the catalyst of the failure - or indeed success - of a cross-border acquisition, and that other factors play a more prominent role. For
example, some the difficulties experienced by French companies as they set foot in the UK ten years ago could be attributed to local managements’ receptivity which demonstrated a reluctance to be acquired at the time, as well as the international context of the 1980s where internationalisation was less common, rather than cultural factors. Whilst not being an initial condition, cultural differences can none the less facilitate or hinder the process of integration by affecting other variables. Eventually however, cultural differences are not set in concrete and firms can adapt to a local environment. A cultural clash can be recognised and overcome, and further, companies can benefit from it.

A ‘behavioural’ approach to examining the nationality effect in international firms

In order to analyse the nationality effect upon French multinationals’ mode of management, our approach has been to define a ‘mode of thinking’, or ‘managements’ behaviour’, which is composed of a set of features, which will exert an influence upon how French managements react abroad independently of when, where or in which sector they operate.

This behaviour will not express itself in identical forms in practice however, as, depending upon the international filters that are met, it may filter through at varying degrees of intensity. One can then distinguish between three kinds of cases: firstly, traits can emerge in their entirety; they can also filter through occasionally, as they can be diminished or prevented from going through. Finally, the firm can acquire new traits through the course of its international experience, which can become part of its behaviour abroad. A national managements’ behaviour can thus be regarded as potential set of features, which will express itself, if allowed to under a given context.

For example, our findings revealed that the technological identity of French firms invariably transpired abroad, irrespective of the filters met. French managements’ resistance to change was a feature, which was more marked in some
contexts than others, however. For example, it varied depending upon the period of internationalisation: firms that internationalised over twenty years ago, during a period in which they duplicated their structures abroad, were generally more imprinted by a distinctive French behaviour than ‘younger’ international firms, which were highly responsive and open to the outside world, as they internationalised in the highly competitive international context of the mid-1990s. Even in young firms however, this trait remains ingrained, and thus can potentially re-appear in a different set of circumstances. French firms’ caution, strongly marked ten years ago, has now lessened as French companies have gained international experience.

Further, whilst all French companies have sought to retain control and implement group methods, one finds a wide variety of outcomes and very different forms of imposition across firms as each has had to contend with different kind of filters. In the absence of constraining filters, Saint Gobain was able to implement its approach in its entirety. Vivendi Water however had to refrain from imposing a French ethos because of the local nature of its sector, but eventually it managed to circumvent this filter and export its approach. La Redoute, because of its young international age, still lacked the infrastructure, and was thus content with controlling its British operation at arm’s length; the trait was thus not apparent in this instance. Having identified this feature, one can thus predict how French managements, left to itself, will tend to react in a given situation. This tendency however will express itself in practice, if international filters that are met allow it to.

Our approach also enables us to take account of new traits which the firm may gain through the course of its international experience. Thus, we found that through its ten-year long international experience, French managements have gained a distinctive receptivity, which it now uses abroad, and this constitutes a new feature of its behaviour abroad.
This concept of national managements’ behaviour abroad, enables us to address the shortcomings of the existing theoretical approaches to the study of the nationality effect upon international firms. Compared with culturalist analyses, which conceptualised national culture as deep-seated and essential values that managements will retain abroad, our approach takes account of the evolution of managements’ features abroad, as it introduces the notion of variability in the extent with which features may filter through abroad. The culturalist approach, whilst having the advantage of emphasising the pervasive and intangible influence of national culture, does not account for the evolution of features as managements depart from their environment of origin to the international arena. Whilst we know which national features firms initially possess, our approach does not make them an arrival point, but is able to specify which features will filter through, and with what strength. For instance, we established that French firms by their nature will manage through managers, but they have not always been able to do so depending upon the context in which they operate: the construction firm, Vinci for example was constrained by the highly localised nature of the sector it operated in and was consequently forced to operate at arm’s length. National features will potentially express themselves under certain conditions, and thus abroad, one will find a mixture of features in their initial forms and features which have been lessened.

It also marks a theoretical advance on the institutionalist approach, which did not address the issue of the generalisability of its conclusions to all firms of a given nation. By taking into account a small number of parameters, its conclusions were constrained by the spatial or temporal contingencies of the firms they studied. It risked omit ‘potential features’ which filter through occasionally. For example, in the construction firm, Vinci, management’s national traits led it initially to seek to gain control and implement its own approach. However, the sectoral variable dictated otherwise and management was not able to do so eventually. Even though it could not be observed in this particular case, this trait remains part of French managements’ character and can potentially manifest itself in a different context. Only a method of research that considers a comprehensive number of international filters, can enable
the identification of managements' features abroad in a comprehensive and systematic fashion, and thus go beyond the filters. By detaching ourselves from the practical level to obtain a mode of thinking of management, our approach has the advantage of drawing a behaviour, which is independent of the filters met, and thus applicable to other French firms which have internationalised at the same time as our own case study firms, as well as to companies that will internationalise in the future.

The main limitations to the applicability of this method of research however is the necessity to be sensitive to the nationality of origin of the multinationals studied, because of the necessity to go beyond subjective judgement and stereotypes. Nor does this method of research lend itself to quantitative, survey-based studies: identifying a behaviour requires a dynamic analysis and a global understanding of firms' strategies over time, as well as the integration of a large number of intermediate variables in order to identify their potential impact upon the passage of national features.

Having characterised a French management style internationally, conducting studies of multinationals from other countries, using this conceptual approach, would enhance our understanding of their national traits, and how they evolve under the influence of international factors. Studies could focus upon other European firms to remedy the bias of the management literature towards Anglo-American and Japanese multinationals, and focus upon countries which have distinctive institutional and cultural legacies.

9.4. French multinationals' national identity in tomorrow's global environment

Qualifying the phenomenon of globalisation and emphasising the continuing presence of national specificities is not to deny the profound evolution currently taking place in the international economy. On the contrary, by gaining an appreciation of the complex influences of national identity upon their modes of functioning abroad, firms can become more aware of their own cultural dimension,
and even that of the countries in which they operate. It then becomes possible to understand which parts of the model can be adapted to international competition and the borrowing of international best practices. It also points to which national tendencies can be detrimental to the overall efficiency of the model and ought to be avoided, as well as to those that are sources of advantage and should be emphasised.

Global pressures have intensified since the mid-1990s, as worldwide deregulatory trends have accelerated, the process of regional integration deepened, and trade intensified. In addition, French firms have increasingly had to contend with shareholders, an emerging filter, which we have not examined in this research. Shareholders have grown in importance, being less and less accommodating and increasingly looking to maximise the returns on their investments. Their growing influence upon firms' strategies marks a new era after that of rationalisation and cost reductions, as they force companies to go one step further in the search for maximisation of profits and in finding new ways of maximising efficiency.

French companies have thus had to respond to these strong pressures, and have rapidly adopted a strategy of internationalisation to remain competitive. Their model at present is thus going through a profound mutation. The question is how will French companies' international management model evolve and what degree of internationalisation will it reach. Up until now, French companies have followed a 'third way', but it is still not clear what kind of model is going to emerge. Will French companies manage to find a way to accommodate shareholders' pressures whilst maintaining their identity or is there a risk that they disown their identity in the search for profit-maximisation? Will companies manage to 'choose' their shareholders or will they be under their yoke? Are we heading, as evidence from the car industry seems to indicate, towards a policy of common platforms and producing the same product under different brands, or will French companies' distinctive engineering vision remain?
This raises the question of how this new phase of globalisation should be approached, and as to the possibility and desirability for French firms to abandon their model in favour of an Anglo-Saxon one. At a time when the pace of change in international markets is extremely quick and all firms spiral towards globalisation, it is important that firms remain aware that cultural differences do exist and of the consequences of making certain changes which would be running against any ingrained specificities of their system. Some elements of the Anglo-Saxon system which impose themselves upon French firms, go against the grain of their own cultural traits and are not adapted to French specificities. Adopting features which contradict their nature in a sudden and abrupt fashion could lead to clashes with the existing system. For example, the global environment exerts severe pressures and imposes a financial vision upon companies. A radical shift to a financial culture could fragilise French companies’ technological base, which has so far contributed greatly to their success. French managements have not been used to managing a business according to purely financial indicators, which in turn requires a certain degree of maturity. Similarly, size is a new concern to French multinationals, which have made a large number of acquisitions in recent years. As French managements’ preferred way of operating is through managers and that managing through financial control systems is not in their nature, one could expect problems of integration of their newly acquired firms. Further, French companies normally approach change in a cautious manner. In the current environment, if French companies disown their prudence, this raises questions as to whether the system as a whole will adapt to the change, given firms inherit a culture of resistance to change.

These questions are legitimate when we know that, when French companies have sought to emulate Anglo-Saxon concepts without first understanding the nature of change and aligning the rest of the system to international best practices, the changes were eventually counter-productive. The French management model in its present form is radically different and incompatible with an Anglo-Saxon model of competition, and as such, bringing in Anglo-Saxon concepts in French companies is a delicate matter.
In today’s global markets, our conclusion is that there is space for a French way to internationalisation, and for French companies to manage and respond to international markets through distinctive means which are as effective as the Anglo-Saxon model. The question for the future is whether French companies will be under the yoke of globalisation.
APPENDIX: RESEARCH METHODOLOGY

This section outlines in greater detail the process of data collection in each French multinational, and the issues that were investigated in the companies.

As discussed in the methodology chapter, the number of interviews conducted varied from a minimum of around ten interviews up to twenty per company, and a well-balanced number of interviews was carried out at headquarters and operating company level. The table below indicates details of interviews conducted in each company. It also specifies the number of French expatriate managers who were interviewed within the UK operating company.

<table>
<thead>
<tr>
<th></th>
<th>Headquarters</th>
<th>Operating Company</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>French expatriates</td>
</tr>
<tr>
<td>1. Alcatel</td>
<td>11</td>
<td>12</td>
<td>-</td>
</tr>
<tr>
<td>2. AXA</td>
<td>4</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td>3. Crédit Lyonnais</td>
<td>5</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>4. Danone</td>
<td>6</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>5. La Redoute (PPR)</td>
<td>4</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>6. Peugeot</td>
<td>5</td>
<td>9</td>
<td>1</td>
</tr>
<tr>
<td>7. Saint Gobain</td>
<td>9</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td>8. Schneider</td>
<td>9</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td>9. Total</td>
<td>9</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>10. Vinci (Vivendi)</td>
<td>6</td>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>11. Vivendi Water (Vivendi)</td>
<td>7</td>
<td>11</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>75</td>
<td>87</td>
<td>18</td>
</tr>
</tbody>
</table>
French companies' international strategies were examined through four key issues: firstly, the process of integration of their British acquisitions; secondly, the internationalisation of their corporate structures and modes of control; thirdly, the internationalisation of their human resources and finally, what French multinationals gained from their experience in the British market. We present here the questions that were asked to all companies. It has to be borne in mind, however, that the interview questionnaire was semi-structured, and that we retained a degree of flexibility to allow for important issues to emerge in each company and be followed up in greater detail.

We will note that all interviews were taped on conditions of anonymity of individuals interviewees. Similar questions were asked to managers across different functions and at different levels of the organisation, which enabled us to reconstitute the whole picture of French firms' international strategies in an impartial way.

1. The integration of British acquisitions

Questions were asked to French managers, who were responsible for the UK market, and who had been directly involved in the acquisition and integration of the British acquisitions we considered, about the history of their UK acquisitions from the very beginning of their entry in the British market, from the late 1980s onwards. We thus inquired about their motivations for implementing themselves in Great Britain, what entry strategy they adopted and what were the reasons for this. We then followed through the management process of the integration of their British acquisitions. We thus asked French managers what were their strategies upstream, that is what were their initial intentions, what were their degree of knowledge of managing abroad and in the UK specifically, how they approached the issue of integration and what aspects they prioritised.

We then investigated how French managements went about implementing their strategies: as we were seeking to identify typical traits of character, we were
concerned not only with the details of what was being implemented, but also with the obstacles that French managements encountered in the UK market, how they then responded to the difficulties that they met, and what were the actual consequences of corporate strategy upon the UK operation.

The issues surrounding the actual implementation of French multinationals’ strategies were pursued with French corporate managements at product line level, the British executive management team, as well as French expatriate managers who had been assigned to the UK unit, for the latter were knowledgeable about both corporate philosophies and the cultural and organisational context of the local unit. Further, in functions where it emerged during the course of research that French policies were introduced, we examined in greater detail how policies were perceived and implemented, by interviewing British middle managers, for example plant managers and specific operational managers.

Finally, those questions were asked to managers across the major functions (finance, human resources, marketing, production and engineering), for we aimed to understand French companies’ international strategies as a whole, and not only in specific functional areas. Indeed, we realised that, as French managements were in the early stages of the integration of their acquisitions, they were implementing many changes in all the key functions and therefore it was crucial to gain a comprehensive understanding of their international strategies, to understand the specificities of French managements’ approach.

2. Internationalisation of corporate structures and modes of corporate control

A second major theme dealt with the evolution of French companies’ corporate structures in response to international market pressures as well as their modes of corporate control.
We followed through how French firms responded to the globalisation of competition in their respective industry both in terms of their product strategies and their corporate structures, as we found French multinationals were going through a process of fundamental change in order to align their corporate structures to the global environment. Here, we investigated the type of organisation model French firms were evolving towards; the kind of organisational changes companies introduced; the philosophy behind those changes; what were the key organising principles of the global product line structures which firms were putting in place (i.e. the roles of each level in the organisation structure); the difficulties that were encountered and how French managers were effectively able to operate within this kind of structure. Depending upon the organisation structure of each of our case study firm, those questions were asked to managers at corporate headquarters who were directly involved in the restructuring process and to managers in key selected functions which were found to take on a global role; we also asked similar questions to the senior management team at product line level and at Area level; and finally to the executive management team at national level.

We also aimed to characterise each company’s mode of corporate control and management process. Thus, questions at different levels of the organisations dealt with the operating company’s degree of autonomy in all the major functions, and the modalities of control used by headquarters, including: the use of expatriation, the existence of formal mechanisms, and corporate policy with regards to the circulation of information throughout the organisation.

Given the centrality of the human rapport in French firms’ modes of functioning, we put emphasis upon understanding firms’ internal structures of power and control. We thus conducted intensive interviews with French executives, French expatriate managers, but also British managers, about how French expatriate managers operated, what were their actual roles within the organisation, what were the reasons behind their use, as well as the question of succession planning of the
British senior management team. This enabled us to gain an intimate knowledge of French managers’ roles and informal ways of operating in each company.

3. The international management of human resources

The third issue focused upon the strategic management of human resources management at the international level. Our study focused on how French companies developed their international managers as well as how they created an international culture, rather than dealing with the management of non-managerial personnel, for it was found that, as French companies were new internationally, they did not focus upon developing a comprehensive IHR policy from top management to workforce levels, and those issues were by and large left to local discretion.

We asked what were the key changes that companies made in their IHR policies throughout the course of their internationalisation, so as to follow through the development of their IHR function from the very beginning - which took place ten years ago in the majority of French multinationals. We looked at the role of the corporate human resources function at an international level; how companies conceived the development and career management of their international managers and what were their policies in the field of recruitment, development and promotion of international managers. We investigated those issues with French HR managers responsible for international HRM as well as for management development; with HR managers at the UK operating company level; and finally with French executives, for they were found to play a prominent role in the management of people internationally.

We finally followed up on how successful the implementation of these policies were, the problems French firms were confronted with, and the outcomes of corporate policies, by interviewing the management team at operating company level.
4. Britain as a learning platform

Finally, we sought to understand the extent and ways in which the experience that French managements gained in the UK was useful for their internationalisation, for it emerged through the course of fieldwork that French companies were learning a great deal from their British experience. We thus asked corporate managements' views on the issue, and to point to the concrete examples in which they used their international experience within their organisation, and how they went about implementing it. French expatriate managers were also questioned with particular attention on that issue, as bearing both French and Anglo-Saxon cultures, they turned out to be used extensively by their organisation to disseminate their knowledge of internationalisation to other parts of the group.

We also followed up the question of the extent to which the international experience which French managements acquired, influenced their management approach on their own domestic market. We asked French executives, who were also overseeing the French market, whether they applied their international knowledge to their domestic operations, and if so, the changes that they sought to introduce; how they handled the change process in France; and the issues they encountered throughout the process.

In order to gain a greater sense of the kind of changes introduced as well as the extent and ways in which Anglo-Saxon concepts were indeed incorporated into the existing French organisation structures, we interviewed French senior managers who had sole responsibility for the French market and were involved in the restructuring process, about how they perceived the changes introduced by top management and the challenges which they were confronted with in implementing them in France.
REFERENCES


246
References

Trompenaars, F. (1992), Riding the Waves of Culture. London: Nicholas Brealey.