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<sup>1</sup> For the "Technical resources  
and innovation" seminar

<sup>2</sup> For the "Business life" seminar

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## MANAGEMENT IN CHINA : THE LAFARGE EXPERIENCE

by

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Report by Sylvie Chevrier

### Overview

Should foreign companies which invest in China adopt the Chinese way of management and 'guanxi', the networks of contacts, it relies on, or should they (and can they) adopt Western management methods ? The way in which Chinese staff reacted to the method of management which Lafarge introduced in China highlights this question. The Lafarge style of management by a system is deemed to be more humane than traditional management by people, which is seen to be synonymous with favouritism. The concept is that power is fair and nurturing, that it cannot be challenged and it listens to people's opinions, all of which can be found in Chinese culture. Nevertheless, in China, Lafarge has been unable to make its method of managing disagreements by open discussion acceptable. Lafarge's experience shows that global companies should neither imitate local management methods nor export their own. They should carefully develop management practices which are in keeping with their own principles and simultaneously with the culture of the host country.

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## INTRODUCTION : Christian Herrault

Since the 1990s, the Lafarge group has deliberately implemented a management strategy of increasing its presence worldwide, notably by the acquisition of Redland and Blue Circle. Having developed its activities in Eastern Europe, the group set up a factory in Beijing in 1994. Every five to seven years, Lafarge reappraises its *Principles of action* and reflects on its adequacy to the various cultural backgrounds represented in the Group. Particular attention is paid to the human role in the group, but how should this be achieved in different countries ? In 2003, we launched a project entitled 'Leader for Tomorrow' which aimed to contribute to the development of a corporate Lafarge culture in all countries where the group is present. Philippe d'Iribarne contributed his views on several countries, including China. I was very interested by the idea behind his book 'Successful companies in the developing world' (*Le tiers-monde qui réussit, 2003*) which emphasises the potential for modernisation in different cultures. Companies ought to make use of this potential rather than impose their own culture. His forthcoming book which discusses Lafarge's experiences<sup>1</sup> shows how coherence around corporate values can, in spite of cultural diversity, be reached in an international company with clear humanistic values.

## TALK : Philippe d'Iribarne

Our study took place in China in 2007 on three sites of the Lafarge cement division. The first unit was Lafarge's oldest site in China which previously had been a state-run company. It was here that Lafarge began its activities in China, and after a few initial difficulties, managed to find a satisfactory working arrangement. The second site was a factory which Lafarge built from scratch. The third was the result of a recent acquisition, which was in the throes of being integrated into the group. The Chinese managers on this site followed traditional Chinese methods of management and were wary of Lafarge. Each factory was managed by a manager whose background and style were different from the others. The first was strictly dressed and acted modestly. The second (who was to leave Lafarge a few days after we met) wore a flashy tie and was very forthcoming. The third had recruited a management team which consisted entirely of women.

In this presentation, I will discuss three main topics : power in China ; the reactions of the Chinese staff to Lafarge ; and how the Lafarge management was perceived by the Chinese in their culture.

### Relationships to power

At first sight, in China, authority appears to be regimented and overpowering. It is therefore not surprising that considering Lafarge principles of action as grounds for criticising Lafarge management seemed unheard of. One manager, who had been with Lafarge from the beginning and was married to a Frenchman, said that even the idea of questioning something which a superior had said, had always seemed unthinkable to her. It was only recently that she was starting to believe that if a superior expressed his opinion, this might make her think about it, rather than let him have the last word. As far as our Chinese interpreter was concerned, he modified questions which he thought might be considered aggressive. Having heard of St Thomas Aquinas' principle that if our conscience tells us one thing and the Pope tells us another, then we should follow our conscience, this interpreter questioned how a society could survive if everyone followed this rule of thumb. The following anecdote illustrates another aspect of the Chinese style of authority. A human resources manager, who

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<sup>1</sup> Philippe d'Iribarne, *L'épreuve des différences. L'expérience d'une entreprise mondiale* (Seuil, 2009).

had just given a talk about the importance of human relations, left the building where it had taken place without so much as looking at the guard who stood to attention as he walked by.

Even though authority should be firm, there are limits. It is a fact that it would be considered aggressive for a subordinate to express his wish for promotion directly, but he can make it known. If a Chinese in a superior position cannot be contradicted, there is little that he can do if a subordinate wants to leave the company if he is offered a better job elsewhere. Those in power must be prepared to listen to others. Furthermore, the superior should set an example and accompany his team in the field.

In the West, power is thought in the opposing terms of autocracy and democracy, whereas in China, the prevailing opposition is between harmony and confrontation ; in other words, one does not want to take the risk of creating a situation which may degenerate. Anything which may be construed as confrontation or constructive criticism is avoided between superior and subordinate to preserve the good terms of their relation.

### **The perception of Lafarge in China**

Lafarge is seen as a 'good power' which listens to its employees and encourages the personal development of its subordinates. All those questioned emphasised the fact that Lafarge's management style was unusual in China. Generally speaking, Chinese public companies work according to a network system ('guanxi') which requires that one gets on well with those in charge. A great deal of attention is focussed on the company's senior members and much less on newly recruited employees. Chinese managers give orders and do not listen very much. This is the opposite of what happens at Lafarge : Lafarge employees said that before changing jobs, they appreciated having competitive examinations and interviews, whereby suggestions are considered and rewarded, and the fact that jobs available in the company are posted on a bulletin board. Lafarge is seen to be a strong power, but also fair and nurturing. At Lafarge, employees' expectations and the culture of the performance of the company come together. Whereas in France performance indicators are not treated with great importance, everyone in China takes them very seriously. These indicators have helped to establish a move away from favouritism towards a fairer system. Management by people is judged to be inhumane whereas management by a system is considered more humane ! Management by a system promotes order thereby avoiding chaos, and provides support for those who want to succeed. In this respect, Chinese employees emphasised part of a speech which Bertrand Collomb, the former president of Lafarge, gave in China, when he stated that the company was in favour of personal development. Safety policies also exist in the framework of personal development. As a result of these policies, the number of accidents has been reduced fivefold.

Lafarge has also caused reactions which are less positive, notably from the president of a company which was recently bought by the group, as well as the manager of a factory who has since left the group. They claimed that Lafarge is in the process of implementing a bureaucracy, whereas one ought to choose people and give them a free hand, which might help them build ties with local authorities and increase rights for Lafarge to operate quarries. Lafarge does not have access to certain markets because it lacks client contact. Therefore, it seems that even though the operators are satisfied, the sales and marketing teams are less enthusiastic and the Chongqing Business Unit is proving hard to penetrate.

### **Chinese interpretation of the Lafarge management**

The image of a 'good power' is part of traditional Chinese culture. For example, Confucius advocates authority without tyranny. However, this model of good power, which is not always applied in the political world, is not usually used in the corporate world.

In the West, one takes a dim view of so-called paternalistic companies because they deny confrontational social relations. However, their vision is in keeping with a strong expectation

in China and in other countries where power is not contested, but where leaders are expected to provide of their own accord what, in the West, is sought after through social struggle. The survey carried out by Lafarge among its staff shows a confrontational situation in France and in the United States, whereas in China, Malaysia and Jordan, there are expectations about authority which contradict our view of democracy”.

Therefore, it is clearly nonsense to view the management strategy of a company which establishes itself abroad as a choice between implementing the company’s culture and that of the host country. The two cultures (corporate and national) are not on the same level. The culture of a country defines what is a ‘good power’, whereas the corporate culture defines the use – either good or bad – which is made of that power. Lafarge is successful in China without imitating Chinese companies, but by being in keeping with the Chinese vision of good power.

## DISCUSSION

**Question :** *Some time ago, I attended a conference in China where I advocated a non-rational approach, suggested that controversy was worthwhile, and that the American model was ridiculous ! I now understand why these proposals were received with luke-warm enthusiasm because I had tried to promote ideas which were the exact opposite of Chinese culture.*

### A long adaptation process

**Q. :** *What was the key factor which enabled the introduction of the Lafarge management method to be compatible with Chinese context ?*

**Christian Herrault :** There are certain affinities between French and Chinese culture, such as the value of university degrees and intellectual studies, and the principle of meritocracy. However, the congruence between our Principles of action and Chinese ideals must not be overestimated. There is a gap here which needs to be narrowed. One decisive factor in Lafarge’s success in China was its autocratic leader. The man who managed the transition period was trained according to Lafarge management principles in order for his natural ‘autocratic despotism’ to be directed along other lines. History is constantly being written. Time plays an important role. We worked by trial and error for a long time before our humanistic values managed to encounter the ‘good Chinese power’, to coin Philippe d’Iribarne’s phrase. Hierarchical relationships are always very complicated, not only in China. In the United States, when we introduced a formal feed-back process from subordinates to their superiors, many people told us that they were not prepared to tell their boss what they thought of him since he was the one who decided whether they were going to get their bonus or not !

Three factors appear to be common : recognition of completed work ; belonging to a fair organisation and understanding the rules of the game ; and finally, taking part in something which goes beyond the company (and which is linked to humanism). The value of Philippe d’Iribarne’s work is to show how these three factors can operate everywhere in order that employees will support the company.

**Q. :** *Marx emphasised the importance of close ties between production and authority. Is the gap between the world of Lafarge and the Chinese the result of the relative slowness of the production process in this industry, something which is not the case for Danone or Carrefour ?*

**Philippe d’Iribarne :** In the commercial world, when the tempo of events is not particularly slow, one can also find non-transparent markets governed by the workings of networks, as well as very regulated markets, with calls for tender.

**C. H. :** The Lafarge group has always been in it for the long-term. From the outset, the company adopted 'sustainable development' methods even when this term had not yet been coined. Our activity obliges us to maintain good relationships with the village next to the quarry. We have always managed to maintain neighbourly relations which are in keeping with our values and are also the requirements of our business.

**Q. :** *Why does this sort of adaptation not succeed more often ?*

**C. H. :** Once one moves away from mechanical management by numbers, 'one learns from one's mistakes', as a Chinese proverb says. The main difficulty is to make people aware of the impact of their behaviour. It is not a case of being inauthentic, but making connections. One of Lafarge's strengths is to put managers in different situations so that they can appreciate the impact of their behaviour in different environments, and therefore be in a position to be able to create connections in different cultures.

### **True success or toeing the party line ?**

**Q. :** *In what language did the interviews take place ?*

**P. d'I. :** Two-thirds took place in Chinese with an interpreter, and one-third in English. During our analysis, we had to go back over the translation of some Chinese words, such as 'to consult'.

**Q. :** *There are some characteristics which France and China share. However in China I cannot see any dissidents, or people trying to bend the rules or manipulate power, or complainers, in other words, I see no signs of a struggle against the 'baddies' in power.*

**P. d'I. :** There are examples of Chinese people being crafty with their superiors. A Chinese manager wrote a letter to the local authorities which finished politely asking for help. The expatriate superior, reading the English version of the letter, asked for this form of address to be removed. It was deleted from the English version, but not the Chinese version, and was sent... The French tend to judge this sort of situation in terms of whether people submit to power or not. However, the Chinese see the need to ensure that there is harmony both with their superiors and the authorities. If it is legitimate to try to beat down a bad power in the face of a good power, one is tempted to find another, more indirect way.

**Q. :** *From your experience, what role did tricks play ? How did you carry out this study ?*

**P. d'I. :** They realised that I was someone who could pass on messages within the company. The people we had interviewed knew that their comments would be summarised.

**Q. :** *Did the people whom you interviewed express their satisfaction as you 'party had expected ? Are there indicators which assess the Lafarge management's efficiency, such as the turnover rate ? Is the Lafarge model known outside the company ?*

**C. H. :** As well as the sociological method, there was also a massive survey carried out between 2005 and 2006 in all the countries where Lafarge operates. We had an exceptional response rate of more than 80 %. The most recent converts were the most enthusiastic about the Lafarge management methods, and France was the country which was most critical about certain aspects. When the turnover rate is more than 10 to 15 %, we become concerned. It increases when there are no development prospects, for example, this rate reached 15 % at Chinefarge (a Lafarge joint venture in Beijing). When a new development project was launched there, the rate dropped to 5 %. We assess the cases of former employees who want to return to work for the company according to the same conditions they enjoyed when they left. I should add that we were protected from high turnover rates in China because we are present in the interior of the country. As far as our recognition is concerned, we have a good

image and we received the Dual Love Award from the Chinese government. This is awarded to a company which has a good relationship with its employees.

**Q. :** *Are the bonuses awarded to deserving employees in China different to those in other countries ?*

**C. H. :** Merit is recognised both symbolically and financially. At the top of the hierarchy, earnings are standardised within the group, but, at lower levels, each country is free to adopt its own management methods. China is the first country to have introduced bonuses throughout the pay scale. Therefore in China, everyone has a variable part to his pay.

### **Hierarchy, losing face and order**

**Chloé Ascencio** (consultant, author of *Manager en Chine*) : *Paternalism is one of the keys to understanding China. It is based on filial respect and the fact that the family takes precedence over the law. The manager embodies the father figure, according to Confucius. What is referred to as Chinese humanism is not a case of individualism, but caring paternalism. The post-Cultural Revolution Chinese expect two things : recognition, achieved through the transparency of criteria which allows one to free oneself from a tyranny ; and good-quality relations with one's direct superior. Unlike the Japanese, the Chinese work for themselves, never for a company. Lastly, the desire not to lose face means that conflicts do not arise, and people do not openly disagree in the presence of their superiors. Each employee remains in a job which he does not contest. The problem with companies which function like this is that it is hard to have truly productive meetings.*

**P. d'I. :** Some answers from the study show that Lafarge has found ways of doing things which are unusual, but which do not let the people concerned to lose face. What can be perceived as threatening for one's face can also be considered as positive when looked at from the point of view of self-training. For example, when I challenged a manager about the questionable behaviour of another manager, his instant reply was 'Here it is normal to talk about positive things', thereby reacting to the situation from the point of view of losing face. However, the following day, she came back to thank me for the useful feed-back of my remark. Confucius maintains that, even though criticism is difficult to accept, criticism enables one to progress and one has to find different ways in order to criticise.

**Q. :** *I was once in charge of training in China. I had thought that authoritarianism was normal in China, and yet the workgroup is intense even if authoritarianism is encouraged by the hierarchy. Similarly, one might think that role play would threaten one with losing face. However, this takes place without any problem once one has found people to take part in the exercise. There is a thin line between respecting order and lack of discipline. This questions our prejudices.*

**P. d'I. :** The importance given to order can be justified precisely by the inclination to lack discipline !

**Q. :** *How do you handle problems related to alcohol (especially its consumption during meetings) as well as corruption and disciplinary measures ?*

**C. H. :** Just as we have safety rules, we have rules for alcohol. Alcohol is banned from all our sites. It is difficult to control outside the site, but to our knowledge, we have not heard of any problem within the company. In terms of safety, we have made progress, and, in the end, people have started adhering to the concept and looking after each other's safety. In terms of backhanders or bribes, the system has to be transparent, and everyone should talk to their superior if they come across problems relating to the code of ethics. As far as disciplinary measures are concerned, this question is relevant today, not just in China. We are currently debating the number of reasonable warnings which should be given before disciplinary action is taken. One must also be sure that the person knows the rules so that the disciplinary action is seen to be 'fair'.

**Q. :** *Do you plan management progression strategies for your key executives ?*

**C. H. :** We manage groups of employees rather than specific positions or individuals. It is difficult to predict precise appointments some years in advance. For example, we were thinking of sending someone to one of our Chinese sites, but having read on the Internet that the town was polluted and that there was no French school, he refused. We operate a centralised management system, which handles a group of about 350 people, as well as the management of the technical staff.

### **Differences between the Chinese**

**Q. :** *Are there any differences in behaviour in the new generations of Chinese who are the living result of the 'one-child' policy ? Are they more comparable to young French people than traditional Chinese people ?*

**P. d'I. :** In terms of democracy, the opinions of the new generations do not seem to be very different from those of their elders. The study's interpreter, who was about 30 years old and had studied for a PhD in France, found France remarkable because we know how to suppress demonstrations without bloodshed ! He was shocked that a programme of co-operation between the French and Chinese police, aimed to transfer this savoir-faire, was terminated abruptly after events in Tibet.

**C. H. :** One must also make the distinction between Beijing, the Chinese interior, and the Chinese in Shanghai. It is a fact that the young people of today did not experience the Cultural Revolution, but there is a sort of cultural influence which transcends generations. The ideals remain the same.

**Q. :** *The behaviour you describe seems very different to that of Chinese people living in France.*

**P. d'I. :** Chinese society is very individualistic, but power exerts a strong pressure on people. When this pressure lessens, people change their behaviour.

### **International management**

**Q. :** *As an expatriate, when one speaks the local language – even if one does not speak it very well – it is easier to understand people 'in the field' than to transmit ideas to the company hierarchy. If the HQs of large French groups want to improve, they must appoint expatriates or foreigners to management positions.*

**C. H. :** You are right, and Lafarge's Parisian HQ is indeed a melting pot. This is the group's policy. The difficulty comes in trying to advance quickly while simultaneously respecting a long enough time in Lafarge for a given person to have to the necessary awareness of other cultures. Today, our cement activities in China are run by a Korean who trained in the United States and managed our gypsum division in Asia before being appointed to the cement division. The executive committee of the group includes ten people of whom there are two Americans, one Spaniard and one Italian. Asia is not yet represented, but having already been expatriated it is a prerequisite in order to be the head of a business unit. Today, we put more emphasis on appointments in difficult countries, including those in the Middle East, Africa, Asia or Latin America. A dual professional experience of expatriation and management of a business unit is often required before being sent to a difficult country. The balance between work which needs to be completed in the short term or the long-term has to be constantly monitored.

**Q. :** *Has the Lafarge management changed as a result of this Chinese experience ? How does one bring to light elements which have been inspired by local genius ? Will China demonstrate management principles which are substitutes for American principles ?*

**C. H. :** China is quite similar to France. It is not as foreign as other countries. Approximately 10,000 people work for Lafarge in China, but this is not the core of the group. Contrary to other acquisitions, there was no transfer of management tools from the new units to the rest of the group.

**P. d'I. :** In terms of management practices, one must distinguish universal principles, such as the desire for justice, and methods used to put them into practice (being fair, for example), which may vary greatly from one society to another. In many countries, there is a pattern in society of what is a good power, for example, the brotherhood in Morocco. The company can introduce in-house means of functioning which are inspired by such examples. The problem for international management is to reconcile very different ways of putting values that one comes across everywhere into practice.

**C. H. :** The most important qualities when one is working abroad are the ability to mingle with the local population and create ties. There is a Chinese proverb which states 'If you do not know how to smile, do not open up your shop.' One must choose people who are 'people-friendly' and who know how to create social ties. Americans often think that their model can be applied across the board because they consider the United States as a melting pot. I ran a work session with the thirty top Lafarge managers dealing with the problem of delegation and control. Americans cannot see the problem since the logic behind the formal contract dominates, but elsewhere it is more complex. The Chinese agree about the principle of delegation, but they feel attacked if they are controlled. A certain amount of time is necessary in order to calmly translate the idea of delegation and control into Chinese practices.

Presentation of the speakers :

Christian Herrault : engineering graduate (École des Mines). Having worked for several years in public administration and at the INRA (Institut national de la recherche agronomique), he joined Lafarge in 1985 and has had various operational positions both in France and abroad. He has been a member of the group's executive committee since 1998, having been in charge of the company's organisational and human resources divisions. Today, he is in charge of the gypsum division.

Philippe d'Iribarne : engineering graduate (École des Mines). He is a research director at the CNRS. He created and runs the Gestion & Société workgroup. His publications include *La logique de l'honneur* (pub. Seuil, 1989), *Cultures et mondialisation* (pub. Seuil, 1998), *Le Tiers-Monde qui réussit* (pub. Odile Jacob, 2003), *L'étrangeté française* (pub. Seuil, 2006), *Penser la diversité du monde* (pub. Seuil, 2009) and *L'épreuve des différences. L'expérience d'une entreprise mondiale* (Seuil, 2009).

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