

## Seminar Business Life

Organised thanks to the patronage  
of the following companies :

Air France  
Algoé<sup>2</sup>  
ANRT  
Arcelor  
Areva<sup>2</sup>  
Cabinet Regimbeau<sup>1</sup>  
Caisse des Dépôts et Consignations  
CEA  
Chaire "management de l'innovation"  
de l'École polytechnique  
Chambre de Commerce  
et d'Industrie de Paris  
CNRS  
Conseil Supérieur de l'Ordre  
des Experts Comptables  
Danone  
Deloitte  
École des mines de Paris  
EDF  
Entreprise & Personnel  
Fondation Charles Léopold Mayer  
pour le Progrès de l'Homme  
France Télécom  
FVA Management  
Roger Godino  
Groupe ESSEC  
HRA Pharma  
IDRH  
Institut de l'Entreprise  
La Poste  
Lafarge  
Ministère de l'Industrie,  
direction générale des Entreprises  
PSA Peugeot Citroën  
Reims Management School  
Renault  
Royal Canin  
Saint-Gobain  
Schneider Electric Industrie  
SNCF<sup>1</sup>  
Thales  
Total  
Unilog  
Ylios

<sup>1</sup> pour le séminaire  
Ressources Technologiques et Innovation  
<sup>2</sup> pour le séminaire Vie des Affaires

(liste at march 1, 2007)

## SEARCHING FOR THE WAY IN CHINA

by

**Dominique POIROUX**

Danone

October 12<sup>th</sup> 2006

Report by Pascal Lefebvre

Translation by Andrew Weal – Weal Traduction

### Overview

At the end of 2002, Dominique Poiroux left France to manage a Danone business unit in China, with nothing but a few basic ideas on the local lifestyle, the *Traité de l'efficacité (Treaty of Efficiency)* by François Jullien and the enigmatic blessing of Franck Riboud : "after all, you are a bit Chinese !" On arriving, he discovered the two-fold pressure that is permanently on the shoulders of all expatriate managers: achieving results and keeping your teams together. He then started on a daily quest for meaning, learning a very different rhythm than he had become used to at the École polytechnique, becoming aware of ideas such as listening and patience, discovering a cultural universe that was strangely similar and yet deeply foreign. Four years later, Dominique Poiroux has certainly not yet become Chinese, but he is definitely no longer entirely French.

*The 'Association des Amis de l'École de Paris du management' organises discussions and distributes the minutes ;  
these are the sole property of their authors.*

*The Association can also distribute the comments arising from these documents.*

## TALK : Dominique POIROUX

The process that led me to China was concluded, a little more than four years ago, with an interview with Franck Riboud who said to me : *“You'll see, you'll really like China : firstly, it's somewhere where you can do business today ; and Shanghai is a really vibrant city.”* And to end with, he said something to me that left me perplexed and that I only understood four years later : *“And then, after all, you are a bit Chinese !”*

So off I set. I have to admit I was stressed about what I was going to look for over there : it would certainly be a quest to find business, but also to find myself. And what Franck Riboud had said to me was intriguing. Gradually, this slow transformation process led me to change myself and to discover how to manage a Chinese team.

### Danone and China

In China, Danone represents sales of one billion two hundred million euros (turnover) and a quarter of the Group head count. China is Danone's third biggest market, after France and Spain, with 9 % of its worldwide turnover, which makes us highly exposed to the opportunities and risks inherent in the country.

China is a country with a great culture but also a strong tradition for isolation. Whilst 50 % of Chinese speak Mandarin, only a small fraction of them speak English. As for French, in spite of it being associated with love, the proportion of people who talk it is also very small. We therefore have to rely on our Chinese managers. This is a major challenge : reflecting Danone's dual commitment to business success and social responsibility, an expatriate executive must not only meet his business objectives but must also develop loyal Chinese high-potential managers. This is no small challenge, each Chinese member of an executive committee receives several calls from head hunting agencies every week, or even every day.

A brief word about Danone in China : it is a set of business units (BU), some of them recently acquired, others in the company for longer, but they are always very Chinese and the Danone management is more or less present in them. The BU that I managed is a small unit of around 100 million euros turnover with two thousand people, but it is an important BU because it is almost a Danone laboratory to understand China. Over the past fifteen years, Danone regularly sends its expatriates there (in twos or threes) and is gradually increasing control of the management. My predecessor stayed for five years ; I stayed for four.

Coming back to the loyalty of Chinese managers : the main reason for Chinese managers to leave a company is not for money (although, job offer is always backed up with a significant salary increase as well as a more prestigious job title) ; in fact, it is said that in China people tend to leave their boss more than their company. They leave a boss that they no longer admire, with whom they no longer feel they can develop and learn, key words for Chinese managers. And even if a Chinese person still has the impression that he is developing, and is offered an opportunity in which he could also learn, in the end he will choose to change, in line with the Chinese proverb : *“If you move a tree it dies, but if you move a person they get stronger.”* This is deeply anchored in the spirit of Chinese managers and is the daily task of a managing director (DG) to get people back on board who want to leave. I was given precious help in this task by my human resources director (DRH) : a Sciences-Po graduate, spending several years in France at Kronenbourg, he had a very clever way of analyzing things that allowed me to understand that this proverb was underpinning our managers' attitudes. The DRH therefore has a daily quest to identify signals or any sign of disinterest, any loss of appetite for the company.

In my quest, several management principles gradually became apparent. These are principles of managerial efficiency with a Chinese touch. Chinese people who see these principles implemented in their company will feel comfortable and confident and will have fewer reasons to switch to the competition.

I have decided to present eight of these principles, eight being the lucky number in China.

### **A hundred days to listen**

I arrived in China four years ago, very motivated (and supported in this way by Danone who always have an interest in the MD being very motivated) and with the idea that, whilst my predecessor had done many things very well, there were one or two points in which he had done less well and I was certainly going to do better and very quickly. This is the state of mind involved in the one hundred days principle : in one hundred days I am going to change things. *Veni, vidi, vici* : we say that we are going to listen – a little – and, above all, act – very quickly. And in fact, it doesn't work like that at all. You have to give yourself a hundred days to listen, and observe... and perhaps even two hundred !

I will often quote François Jullien and *Traité de l'efficacité (Treaty on Efficiency)* : I opened his book quite quickly when I arrived in China and – I am ashamed to say – put it down just as quickly. I found it very theoretical and a long way from my desire to stamp my mark on how things were. I opened it again a year later in a period when the business was struggling a little. It is when you suffer that you learn the most and you open up your mind to other ways. It then appeared incredibly relevant and close to management issues, although it was not at all written with this in mind.

Another example : when you arrive somewhere you are a little clumsy, even in terms of what you say. However words and attitudes are very important in China : therefore, if you say that you want to have stronger managers (which is fine), this can also mean that they are slightly weak. Every word and every action can be interpreted negatively : if you want to change something, it means that you are not happy with it. Therefore, my predecessor, starting with our premium product – in China we sell biscuits at 2.3 euros/kg – attempted to move towards the 1.5 euros/kg market. Naturally I only wanted one thing : to succeed where he had trouble (he succeeded on other fronts). We therefore created a *task force*. But my team was traumatized by the previous failure and had no desire to throw themselves into action again when they did not understand why they were going to succeed. We therefore had to give ourselves time.

### **Standing back**

The second principle came to me during discussions with a young manager for whom I was the mentor and with whom I spent several hours a month standing back, talking about Chinese culture and the interaction between Western and Chinese ways of looking at things. He was a remarkable lad who came from a poor province in China, who studied in Peking where he was identified among the best and recruited by Procter, before later moving to Coca-Cola. This young manager had therefore had remarkable training, but he felt better at Danone. And he explained why : “*What I like at Danone, he said, is that we're not totally obsessed by action, as opposed to other companies where, whatever we feel, we have to appear to be totally motivated, and even seem happy to confront the world every day and act for the company.*” François Jullien agrees with this young manager's ideas, stating : “*The peculiarity of heroes is that they stamp their actions on the world by confronting it ; the Chinese wise man does not act, he transforms.*” Thanks to this manager, among others, I was able to get a strong impression of this contrast between a heroic attitude, that is inherent in the Western world's genes, and a more Chinese attitude (and I would say one that is quite in line with Danone) trying to bring together conditions that will lead to a transformation and to success.

## Gaining time

The third point in my quest : if conditions are not ripe for victory, you have to gain time and prepare a new situation in which the chances of success will be greater. One of the challenges of growth is innovation : we therefore have to launch new biscuits as often as possible on a very competitive market, since our Chinese competitors are very aggressive and quickly copy us. We therefore wanted to launch something attractive and amusing for the children of Shanghai and major cities who are often stressed by their parents and their environment. To try and capture the attention of children, and avoid being quickly copied, we had to offer a particularly high-performance innovation in all respects : a unique biscuit, particularly good, a new and attractive icon and radically new packaging. It was quite difficult to identify because this target sector was not particularly well developed in major retailer aisles. In my executive committee I could therefore see two attitudes developing on a first project that we developed : one of them, quite Western, saying : *“In China, we have to launch things anyway, we have to experiment, we’ve seen others, let’s launch this new marketing mix – it’s not a problem if we withdraw it afterwards”* ; and another, much more circumspect, saying : *“Just making an effort for nothing is OK, but what we’re interested in is success, we don’t want to launch actions without thinking we have every chance of success and therefore, yes, we can do it if Dominique decides, but we don’t see it succeeding.”* faced with this situation, a certain number of chain-links were missing to make a decision. As is often the case in China, in the end the consensual decision was to launch a test. A small test in China can be carried out on a province of sixty million inhabitants !

We wanted to leave our analysis to mature, observe consumers and generate reactions both internally and externally. And indeed the environment changed : competitors reacted, tried to copy and we understood that our offer was not resolutely innovative enough. After six months spent with children, a new offer emerged, gradually and without stress. The astonishing thing is that the original project gradually died, whilst another door was opening, generating considerable enthusiasm. By giving ourselves time, we learned enough and we launched a new product with a totally new approach. A consensus was reached, we had found the right way to approach Shanghai’s children and here, in one bound, all of the Chinese managers were behind the project, in a way that we had never seen in the company.

Another quote from François Jullien sums up exactly what happened : *“You have to be rounded, mobile, open to different possibilities, without becoming set in any position before the situation develops. Once it has developed, and the direction is set, then you have to stand fast and prove your determination.”*

The Chinese market is more open than Europe to this type of approach. We are more inclined to launch things and observe. When Western people on the executive committee say to me : *“Dominique, it’s up to you to you decide. You’ve heard everyone : is it go or no go ?”*, I could say them : *“I don’t know. We have to develop the project and the environment. We’ll see things clearer in six months’ time.”*

### **If you can't stop the enemy, prepare an alliance**

Copying is the real problem in China. The following story illustrates our fourth principle : if you can't stop the enemy, prepare the conditions for an alliance. Our biscuits were very widely and very cleverly copied. Sometimes the only thing that differed was our logo : it has a smile, but in a very facetious way the Chinese turned down the corners of the mouth ! And this is where I stopped smiling ! The impact on the business was very difficult to measure and opinion was very divided concerning what we should do about it. I used everything I could imagine to stop the copying. Of course the Chinese anti-fraud authorities, with whom we had good relations, sometimes went into companies and took a few boxes, but we all knew that a week later, the production line would start back up again. We had a lot of sympathy from the consul and

all of his team wanted to help us : indeed they did some remarkable work, notably for French companies in the luxury goods sector, but nobody imagined that Danone would also be copied. They therefore helped us with strong letters of protest to the authorities in the provinces concerned. By chance, we were even able to present our case to the Chinese Minister for Overseas Trade when his French counterpart François Loos was on a visit. After listening to us, he said : *“Danone ? But I thought that you were Chinese !”* It was certainly a compliment. He also said : *“You know, I can’t do much. You have good relations with the local authorities ? That’s good ! That’s already worth a lot ! I take note of your complaint.”* Nothing miraculous happened and so the copiers continued to copy us.

A few months later, when we were thinking about increasing our production capacities, we were hesitating between installing an additional line and looking for *co-packers*. Naturally we carefully avoided going to see our copiers, who we assumed to not be very reliable. We knew that in a village in the south of the Zhejiang province, there were two hundred small biscuit factories and that this was the source of the copying. All of this was very mysterious for us and very worrying. The fraud agency itself dissuaded us from going there without protection. And yet one day I said to myself : *“Let’s still try !”* And so I sent one of our Chinese representatives, with a low profile, to meet the copiers. He came back with a magnificent photo of the main copier : a fine Chinese peasant who had started up his own biscuit factory. After a good lunch, the factory visit went very well and our representative complimented him on the cleanliness of his facility. Our rival then said to him : *“You know, you are my model at Danone. And I try to follow my model ! But I now understand better, now that you tell me, what problems this can cause you. So let’s discuss things !”* Negotiations firstly covered a few packaging modifications. And then during the discussion he ended up saying to us : *“But if you want, I can build you a factory and become one of your co-packers !”* We were still hesitant but the discussion remained open.

I remember the slight smile of some of my colleagues, not daring to say anything but thinking : *“He will wear himself out...”* In the end, we managed to balance the situation. And that is how, in contact with the reality of the Chinese ways, my state of mind, and that of my colleagues, was gradually changed.

### **Staying humble in your day-to-day activities**

Another principle that seems to be very commonplace : humility in your day-to-day activities. This involves showing that you want to learn from your Chinese friends, that you respect them, that you even admire what they do. This is not as obvious as it sounds. Being very strong in Shanghai, we wanted to change the perspective and open up to new regions, and in particular that of Peking, a stronghold of our major American competitor Kraft. I therefore went to meet small distributors, very simple people working with rustic business models who were also distributors of my competitors, a common practice in China. After spending some time together, they confided in me : *“You know, it’s very unusual for a managing director of a company to come and meet us. With Kraft, it’s the sector leader (four or five levels below the managing director). We’ve never met anyone above that.”*

Since they were good Chinese people, naturally they never abandoned Kraft : you never know what the future holds ! But I can tell you that after having made this direct contact with them, they delighted us with the energy and passion they gave us and which was very profitable for us !

**Half an effort, one hundred successes ; one hundred efforts, half a success**  
*(shi ban gong bei ; shi bei gong ban)*

A Chinese proverb says : *“Half an effort, one hundred successes ; one hundred efforts, half a success.”* Gradually I was able to judge to what extent this proverb was emblematic of the attitude of my best Chinese managers : that of permanently searching for the best balance of effort to get the best effect.

My Western managers had a great attitude, but which was quite different : generous in their action, convinced of the importance of personal commitment. For them, *“if you manage without difficulty, you triumph without glory.”* But these managers did not have the same strategic sense of situations, the same sense of preparing action to optimize the impact whilst minimizing the effort, that certain of my Chinese colleagues had. Since my management approach had changed, the Chinese managers at one point expressed it to me in a modern form – it is *smart management*. I spent some time with my Chinese teacher to find out what that meant. He asked me to describe which of my managers corresponded to this definition : immediately, the proverb came to him.

**Separating from a colleague, but staying on good terms**

Another adage that is important for good relations in China : *“If you have to go your separate ways from a colleague, keep him as a friend ; when the strategic environment changes he could again become a precious colleague.”* I experienced this with the Chinese industrial director in Hong Kong (the management mode there is different to that on the mainland), who spent his whole career very successfully in managing biscuit plants. But his virtually military management approach, very effective for managing a plant with problems, did not leave his teams any oxygen and did not create the conditions for developing future top managers. We discussed this in a very open manner and then one day he said to me : *“It’s true, I’m not very well suited to what Danone is looking for, so I think I should go away for a while.”*

He played the game magnificently : since he had a non-competition clause he gave himself a year in which he bought an apartment in Shanghai, he decorated everything and enjoyed life. Exactly one year later he contacted me again. He had been around the best low-cost biscuit manufacturers in China, as I had done myself a few months earlier to find partners. A very dynamic Chinese entrepreneur, but starting with a very low quality level, had finally proposed an operations director position, therefore confirming what I thought about his profile, perfect for bringing factories back into line. Within eight days he called me and, since we had stayed friends, we immediately trusted each other. Within fifteen days he helped me meet this Chinese leader of *low price* products, and within six months this led to Danone closing an agreement with the company through this contact with whom we have managed to keep a sense of mutual respect.

**Letting yourself be taken for a ride**  
*(man tian guo hai)*

The eighth principle will certainly surprise you : it is the story of an emperor who pursued an enemy with his troops. One evening his enemies crossed a river in storm and the emperor said to his troops : *“I’m not going to cross this river in these conditions, it’s too dangerous. We’ll wait for tomorrow, in any case they’re in full flight.”* His advisers told him : *“No they are not in flight, they are retreating. If we let them escape now, we will lose in the end.”* *“No, I will not cross in these conditions, it’s too dangerous, let’s rest.”* The advisers consulted one another and came back to see the emperor and said to him : *“You’re right, we’re going to rest tonight and we’ll use this time to introduce you to an old wise man from the next village. He’s extraordinary : he plays music, he reads poetry, and you will therefore spend an excellent evening with him.”* Happy with this, the emperor accompanied his men into a small tent and met the old wise man. The night went very well, with libations and poems.

In the early hours of the morning the emperor came out of the tent and realized that he was on the other side of the river : his advisers had very simply taken him for a ride, across the river !

Why do I tell this story ? Because it is a day to day management experience in China ! Your teams love to take you for a ride and I could add that it is a pleasure that you should take advantage of without worrying about it. You simply have to show that you are not stupid. I tended to start training seminars on internal control with this saying (*man tian guo hai*), which made the Chinese managers laugh a lot ! I said to them : “*Internal control is exactly the opposite !*” The ability to maintain rigorous internal control whilst leaving the Chinese to do what they want on certain non-fundamental subjects in which they are not necessarily at ease, is part of the game. It also lets a bit of humor into day-to-day life and can make a Chinese person more confident in his management team.

### Conclusion

What is the current situation today, after four years and a definite change in my management approach ?

Firstly, quantitative indicators have improved. The loss rate of managers, which was 20 % at the start (which is the average in Shanghai) gradually dropped to under 5 %, which is rare in China. Secondly, the internal recruitment level increased from 20 % to 50 %. With 20 % growth in volume per annum, we need new teams : at the moment half of the new managers are recruited internally. These are very young people that we promote into relatively high positions of responsibility and with whom we take risks. This is possible because we have developed together.

Now, what about quality ? In such an environment, certain Chinese people are not necessarily more comfortable than Western people. Here is an example : I wanted to recruit a marketing manager who would stay with us for a long time. I wanted to find a Chinese person from deepest China – Danone is increasingly interested in this profile as we are tending to make our ranges more accessible. I thought I had found someone special : from a small, rather unattractive town, a Chinese lady had gradually satisfied her thirst for development in the United States where she had accumulated a lot of know-how and competencies before coming back to China. We thought that we were made for each other. And yet I realized that she also wanted to change everything very quickly. In spite of all the signs that we tried to give her, she was not listening : she was suffering from the hero syndrome.

Even the best Chinese people cannot adapt in a day. Here is another example of the qualities of patience and listening that they must also have. A year ago I recruited our new marketing director : a Chinese lady from Colgate, who had a perfect knowledge of American management methods. This young lady carefully cultivated the specific Chinese features, dressing in a Chinese way, passionate about Chinese culture, even writing poetry and showing an absolute desire to keep connected in China. Today she is on the right way, but she has not yet won. Before I left she said to me : “*It’s incredible how Chinese Danone can be. Don’t you think I’m still just a little too direct ?*”

Therefore, patience but also attentive listening because in such an environment very high quality Chinese managers can be missed and even considered by human resources managers, with relatively little experience of China, as dull managers incapable of having an opinion and of asserting themselves in a meeting. As you have understood, this is not the profile of the Chinese leader who will never behave like that, trying instead to find strategic openings before acting. Any change in managing director renews these risks. I have now returned to Group headquarters and my successor, an Anglo-Saxon, is now experiencing what I experienced four years ago : for her as well, the greatest difficulty, as for all Western people in China, is not to give in to your desire to make an epic gesture,

the temptation to be a hero.

When I reached the end of the *Traité de l'efficacité* by François Jullien, I was extremely surprised by the last paragraph, which was not in line with the rest of the book, but which certainly touched on something deep-rooted for the author. I will therefore quote it as a conclusion : “*By confronting the world, we provide material for heroic stories and jubilation on the subject ; by resistance we create access to freedom ; and what if the best way of feeling alive was not efficiency, but in fact the opposite ?*”

## DICUSSION

### **The ideal thing would be for you to not come back !**

**Question :** *I am torn between two feelings : joy to see a French person who understood the communication rules with Chinese people and consternation to see that a company as intelligent as Danone drops its managers in the deep end like this : why does it continue to not prepare its expatriates ?*

**Dominique Poiroux :** Recently I said to our vice-president : “*I’ve only got one thing I regret, and that is that you didn’t send me for three months to the country to learn the language.*” How can you do marketing without knowing the language ? Thanks to my Mandarin teacher, I was able to gradually correct this and really become active, in his company, during consumer focus groups. I was prepared, but very briefly, and even if I heard a certain number of messages, I did not manage to take them on board. In the end, only experience in the field allows you to do this. Having said that, Danone gave me a small business unit and they accepted the risk. It is a deliberate approach from Danone to make people learn by experience.

**Q. :** *After the four years, Danone could have given you the whole company !*

**D. P. :** Before leaving Franck Riboud said to me : “*The ideal thing would be for you to not come back !*” I still felt that I wanted to come back for a while, which does not mean that I will not return again. Sometimes you have to stand back from China. It is a very demanding environment, work is everything, you work six days a week and thirteen hours a day !

**Q. :** *These difficulties make me think about the problem of taking up executive functions in industry : when an executive arrives unprepared in his functions, his predecessor has often already left. China is therefore not a special case in this more general situation.*

**D. P. :** I tried to take account of that in managing my departure : I shared a significant amount of transition time with my replacement, several weeks ; half way through, I left for a holiday and I left her to see how she would do on her own.... before coming back. Firstly, I talked and she listened ; then she experienced things and, in the second phase, she was the one who had all the questions ! We were therefore able to improve the process.

### **Small, agile, smart**

**Q. :** *These dimensions, that are very close to humanism, should be international as well as Chinese. Is Danone culture not particularly well suited to this management style ?*

**D. P. :** Indeed. It is not just by luck that Danone is developing strongly in China and feels particularly at home there. There is a real match between the Danone style and the practices that we find in China. Franck Riboud often says : “*We are small, agile and smart compared with the big monsters.*” Kraft and Nestlé are bigger than us but today we are growing quicker than them and making more profit. There are obvious ways in which Danone matches popular Chinese culture : among likeable figures there are very few



heroes, but we can find for example the monkey Sun Wu Kong who is agile, small and who opens the way very subtly.

**Q. :** *Danone's reputation is to have succeeded its entry in China via a low profile approach, the quality of its relations with its Chinese contacts, its capitalistic approach, and its strategy. However, and your difficulties are proof of this, whilst this is the best, how can we make the others move ?*

**D. P. :** Danone is not the only French company that has succeeded in China. It is one of a few euro-billionaire French companies along with Peugeot-Citroën, Carrefour and Alcatel. For example Carrefour also has management mode that is very well suited and a strong capacity to take advantage of the Chinese strategic potential. The Carrefour CEO often tells how he managed to extend his network of stores by playing with regulations which seemed not to really authorize him to do it. It is a major challenge for Danone since next to this small laboratory that I described to you there remain major parts of the business in the group that we run, but in which we still have to learn the management approach. The challenge is to train high-potential Chinese managers, and train enough of them to meet our needs and we still have a long way to go in this respect.

**Q. :** *like Carrefour Danone succeeds just as well in South America and Asia, but we have the impression that Danone does not really fit in the United States.*

**D. P. :** In Danone, when we talk of new frontiers, we mention China, Russia, Mexico, Indonesia ; we can also add Brazil, India and Turkey and then we add... the United States ! Since I have never worked in the United States I cannot really answer in terms of the culture shock but visibly we feel just as good in Shanghai as we do in New York !

**Q. :** *You have not talked about corruption, ecological risks, all types of difficulties that we hear about here. Can you tell us more ?*

**D. P. :** I deliberately chose to focus my talk on management. But yes, the environment is a major issue. When I visited the magnificent gardens of Su Zhou, a historic place where men and women of letters developed Chinese culture, it breaks your heart to see plastic bags flying everywhere, small black puddles where Chinese people beat their laundry in the middle of their trash etc. Today we have responsibility to do something in this respect. We are therefore working on this by developing biodegradable packaging. But the Chinese are looking for sectors in which they can become world champions and what I like with them is their ability to take the direct route. My intuition is that they will position themselves on certain strategic axes, including the environment, and will become leaders. As for corruption, I did not encounter this ; often it is more simply about a healthy way of forming ties of friendship and maintaining them in a suitable way.

### **Management and loyalty**

**Q. :** *Today, many Chinese people study in France : have you seen the impact of this ? When they go back, do they have good reasons to do business with French companies ?*

**D. P. :** I mentioned my human resources director : for this function, it is a luxury to work with a Chinese person who came to study in France, who has an understanding of the French culture and habits. But there are not many of them and they are not always very easy to manage because they have very high requirements. It is easy to find them in Shanghai, but Shanghai is a very small part of China. And when you focus on much more rustic business models, and you must do this in order to capture the full potential of China, these resources are not always adaptable.

**Q. :** *You talked about signals that you put out for Chinese managers, as well as their attachment to their boss : did you manage to institutionalize this for your management ?*

**D. P. :** There is a fundamental duo at Danone : the managing director and the human resources director. This duo works well in China when one of them is Chinese. I made a daily assessment of these signals with my DRH. This could be simply : *“I saw so and so in the corridor with his mobile phone, hiding away from the others to telephone : that’s a bad sign !”* We also feel a slight tension in the relations, rather fleeting attitudes, but that is not enough. We have all been tricked by a lack of signals, including my DRH, with colleagues smiling at you the day before saying : *“Thank you Danone for everything you’ve done for me, but I’ve found something else. Of course we’ll stay good friends.”*

In the face of this, we chose to empower the Chinese executive committee for coaching and monitoring. We encouraged them to have a frank and calm discussion with their teams. We made sure that each member was a mentor of young Chinese high-potential managers outside of their department, which allowed better matching between functions and which multiplied the source of signals. These monitoring sessions allowed us to really stand back : we were not focusing on the business, but extending the debate, talking about the family, etc. Another thing : Chinese people love to play. Through games we managed to get them to expose more of themselves. We created a sort of Monopoly where the Chinese people took a card, around the table, which asked a personal question. As much as they would never answer this type of question in front of their colleagues, in a games atmosphere they were ready to answer.

The challenge is therefore to increase the empowerment of the executive committee and a few high-potential managers. We spent a lot of effort on giving these colleagues a perspective : firstly a satisfactory short term perspective and then medium/long term perspectives. We take risks, we tell them where we see them in three to five years’ time and we meet very regularly to talk about this development plan.

**Q. :** *How does Chinese employment legislation help you or hinder you in running the company ?*

**D. P. :** Labor rights, like any subject in China, is a very fluctuating subject and difficult to understand. Today it is quite flexible, allowing strong seasonal tendencies to be absorbed : the major portion of our employees are employed by temping agencies and therefore shared with activities which have the opposite seasonal tendencies. Today a law is being discussed to remove a considerable amount of flexibility and impose a lifetime contract for all people employed in the company, even if it is only for a very short duration. My DRH was very concerned about this text, and rightly so, especially since, if it is voted, it risks being subject to a lot of diversity in the way it is applied and may only focus on multinationals.

**Q. :** *Is there a difference between French and Anglo-Saxons in the use of language at work ?*

**D. P. :** I often let working meetings with distributors take place in Mandarin, even if I did not understand all of the subtleties. You have to leave people time to talk and discuss things in Chinese ; in fact, you had to leave the Chinese to discuss things at length – which was sometimes very hard for my patience – before being able to move on. This is part of the cultural characteristics that we promote. Indeed, up to quite high management levels, I had Chinese people who did not speak English. With my Chinese executive committee, we always wanted to keep that. It is certainly quite different in Anglo-Saxon companies.

### **Being capable of succeeding in China**

**Q. :** *Supposing that Chinese companies set up in France, will they be able to surprise their competitors with radically different methods ?*

**D. P. :** In China, before there are any business discussions, you have to spend time with the person you are speaking to, and talk about something else, create a favorable environment. It is on that basis that you can build solid relationships. Chinese people can be formidable in this respect, through their discrete appearance and through their ability to

form networks based on friendship. I was impressed by the way that Li Ka-Shing took over Marionnaud, discretely whilst cultivating real relations of friendship up to the highest level in the State. I read that he offered a certain number of works of art to the musée Guimet, which touched certain people in high places who liked Asian art... This is a very Chinese way of doing things.

**Q. :** *Listening to you, it seems that each Chinese person considers themselves to be the center of a world that deserves respect and attention. Relative to this hypertrophy of the ego, the Japanese tend more to show an atrophy of the ego : focusing on belonging to a group. And yet, the most brutal and cruel collectivism has not been set up in Japan, where there is the most absolute liberalism, and it has been set up in China. It is not in these places that you would expect to find these solutions.*

**D. P. :** There was a very hard period of collectivism in China which is not completely over. Today, it is the reign of capitalism. But this is simply a return of things to how they were before : at the end of the XVIIIth century, China represented 30 % of the worldwide GDP (Gross Domestic Product), it was the most powerful country in the world with the cast of civil servants, that we know well, but also with very dynamic groups of merchants. As for relations between China and Japan, although I was asked several times by my colleagues about this, it remains a mystery for me. Even the most open-minded Chinese people feel pessimistic about their ability to get on with the Japanese.

**Q. :** *When I was working with you a few years ago, I remember that you were a model of rationality, efficiency and determination. You have come back and now justify taking your time, observing, patiently changing, etc. Are these two approaches so different ?*

**D. P. :** I have the impression that Danone has allowed me to develop the right hand side of my brain by sending me to China. So Danone has given me a lot. I do have the feeling that I have changed. The potential of China is considerable and there are still too few people in Danone and elsewhere who have actually been exposed to this.

**Q. :** *How is the name Danone translated in Chinese ?*

**D. P. :** It is *Da Neng* (being capable of succeeding), which positions Danone on the right track in China. But that is really a phonetic translation, and it does not hold any special importance for the Chinese ; basically what they understand is that Danone is a Chinese brand !

Presentation of the speaker :

Dominique Poiroux : engineer from the school of Mines, vice-president of Natural Active Health Partnerships in Groupe Danone, he was managing director of Danone Biscuits China from 2002 to 2006, and managing director of Research & Development (R&D) at Groupe Danone from 1999 to 2002 ; he was cabinet director to the Secretary of State for Research from 1995 to 1997.