Understanding French Management

An Honors Thesis (HONRS 499)

by

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April 27, 1993

Date of Graduation
May 8, 1993
Purpose of Thesis

This thesis deals with management practices and styles in France, from an American perspective. It should be useful to those hoping to gain a better understanding of the French and of management in their country, as well as give some small insight into how this information is relevant to Americans and specifically to Hoosiers. The main body of the thesis is a paper divided into several parts: First there is an introduction to French history, followed by a brief history of French business and an explanation of the government's role in the economy of France. Next is the main focus of the paper, with a discussion of French management style divided up into the categories of Education, Style through Language, The Business Lunch, Time, Authority, Control, Mobility, Compensation, and Future Trends. The thesis concludes with a short list of Indiana associations that support or facilitate French-Hoosier commerce, and Indiana companies that are either partly owned by the French, or that deal extensively with France. The information in this thesis is important in helping Americans have a better understanding of French management practices, so that business between these two countries will have a bright future.
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La FRANCE

INTRODUCTION:

There is a force in the world, an economic giant quietly competing in the great interdependent marketplace of today, that most Americans would never suspect had the power that it does. It is France. France is the fourth largest western industrialized economy, being outpowered by only the United States, Germany and Japan (United States Department of State, p.5). Today her people enjoy a standard of living among the highest in the world, with it being at a level on par with the U.S. and higher than most of her neighboring European Community (EC) countries.

Small by American standards, being only slightly larger than the state of Texas, France is the largest and the most geographically diverse of the European countries. Commonly described as a hexagon, She's bordered by mountains, water, and land. To the southeast are the Pyrenees mountains that form the border with Spain, and to the southwest is the Mediterranean Sea with its sunny coasts and tourist packed cities. To the East lie the famous Alps, whose snowcapped peaks are shared both by Italy and Switzerland. To the North-east France is protected by no natural boundary, explaining why attacks against her always came either directly from, or at least through, the countries of Germany, Luxembourg, and Belgium. To the Northwest lies the thin body of water known to us as the English channel but La Manche to the French. And finally, she is bordered on the West by the vast expanse of the Atlantic Ocean. Within these borders, the amount of
variety in climate and in culture is incredible, for France is at the same time a southern European and northern European country.

HISTORY:

France has a long history of war, power and glory. With the Celts firmly settled in the peninsula of Brittany, and the many tribes of the Gauls and later the Franks (thus the name France) inhabiting the greater part of the territory, France's recorded history did not actually begin until the Romans came across her on their quest to conquer the world. Cities all across the south and many in the north, including Paris, were originally Roman cities. Rome brought to France unity, law, an efficient network of roads, and the base for the language that has evolved to modern day French. With the fall of the Roman Empire came the first vestiges of a united and sovereign France.

Her early heroes included such characters as Clovis, who brought christianity, and Charlemagne who founded the Holy Roman Empire. During these early days of western civilization, France was already great, with the building of glorious gothic cathedrals and advancement in scholarly studies. In 987, the Capet family came to the throne, and for the next eight hundred years would be the rulers of France. During their reign France evolved and became strong, surviving the crusades in the eleventh and twelfth centuries, the hundred years war in the fourteenth and fifteenth centuries, the Renaissance, and the Reformation. Their long reign finally ended in revolution.
The revolution of 1789, commencing with the storming of the Bastille, marked a new era for France. Although the revolution had been by and for the people, the new powers to arise only upheld the ideas of centralized power and a class stratified society that the Capet kings had perpetuated. Napoleon and his successors were kings in their own right, but they were to contribute much to the power and world prestige of France, and contribute much to her advancement in architecture, literature, and the arts.

Since the revolution, the world has seen many changes, including the Industrial Revolution, the nationalist revolution, and even "the Sixties". France has been in the center of two world wars and a once great empire, and has seen the creation of many different governments (in stark contrast to the U.S.'s one.) This dynamic and glorious history has made the French a very proud and ethnocentric people. To them, history is not simply a part of the past but an integral part of each and every Frenchman.

THE HISTORY OF FRENCH BUSINESS:

The history of French industry and management has not been so glorious. When the Industrial Revolution that started in Britain swept across the western world in the early 1800s, it skipped France. One cannot say that no progress was made, but only that the word "revolution" did not describe the situation. There were many reasons for France's lack of progress. Claude Fohlen writes in his essay "The Industrial Revolution in France" that
France, a country of small and medium peasant proprietors reinforced by the revolution of 1789, did not have a labor force as abundant and, apparently, as miserable as England. A continental country, it lacked adequate transportation for a long time. A country of landowners, it was reluctant to use its capital in low-profit enterprises (p.225).

France suffered another stumbling block to the early industrializing movement. At a time when business owners and managers were gaining money and respect in countries like the U.S. and Britain, in France these very practices were looked down upon. Industry and the search for wealth were seen as dishonorable professions, and one in which the capital holding aristocracy were unwilling to take part.

Despite the cultural hurdles, industry and banking evolved in France, but the negative attitudes about business did not go away. These attitudes came to a head in World War II. Business ownership had never been accepted by the nobility, nor by the everyday people. Owners and managers were looked at as "blood suckers" (Barsoux and Lawrence, Management, p.119) and boss-bashing was common. But with WWII, this behind the scenes grumbling became direct confrontation, with many employers being accused of collaboration with the Germans. Many employers lost their holdings and several key companies, such as Renault, were nationalized. This was to be the low-point in French business history, for since WWII, the attitudes held about French business-people have done a complete turnaround. Ownership, and more specifically management, has been credited with the rebuilding of France after the devastation of the war.
GOVERNMENT STRATEGY AND CONTROL:

France's government is unique in its approach to encouraging the growth of the French economy. Whereas many countries, like the United States and Britain, have taken the path of free market practices and laissez faire economics, other countries, liked China and the former Soviet Union, have decided on an economy completely controlled by the state. France has taken a middle path. This is not actually a new policy because the French royalty had great control over the economy before the revolution, however the actual foundation of a policy of government control started with Napoleon. He created a strong military, an educational system, and took over many industries.

In modern days this has continued. After the Second World War, the government of France had already taken over key enterprises and "from 1944 to 1947, the electricity, gas and coal industries, the Banque de France, four deposit banks, 32 insurance companies and the Renault car firm were all nationalized" (Hough, p.191). And still the process has not slowed. After decades of conservative rule, France saw the instillment of a socialist government that brought sweeping changes to government and business. Even more industries were nationalized.

Another curious difference between France and other countries is in their involvement with private industry. This involvement is perpetuated in two ways. First of all, whereas in most western economies, industry is either privately owned or owned by the state, in France the government will often choose to invest and
take part in private industry. In this way the government either owns directly or has controlling interest in the industries of air transportation (Air France), the rail system (SNCF), the post and telephone systems, television and radio, as well as the industries of petroleum, construction, and chemicals (Hough, p.190). Secondly, because public industry in France is well respected and relatively profitable, private industry welcomes public employees who decide to switch over. This practice makes public industry into a sort of training ground for the private sector, and it also has the secondary effect of making the public and private sectors share similar goals and methods due to their similar backgrounds.

Although the French government directly controls some industries, all businesses in France come under its legislative rule. French regulations are in fact much like American regulations. The French have the right to organize and bargain collectively (antiunion discrimination being illegal). Forced or compulsory labor is prohibited, and children under the age of sixteen are not allowed to work (with a few exceptions for recognized apprenticeship programs). Also, acceptable working conditions are regulated by the government. There is a minimum wage that is revised when inflation rises, and the standard work week is 39 hours a week. Occupational health and safety regulations are very similar to those in other western countries (U.S. Department of Commerce, p.5). One unique legislative policy in France is that 1.1 percent of a company's payroll must be spent on continuing education (Barsoux and Lawrence, Management, p.41).
French government control also comes in the form of taxes. French taxes are in fact some of the highest in the European Economic Community (EEC), so much so that reforms have been found necessary to bring them more in line with those of the rest of the community nations. High taxes or not, the French have learned to use their tax system to influence French economy and promote certain sectors of industry. In conjunction with the government's influential economic policies and centralization, the government has decided to promote certain segments of the economy that it feels to be important for future success by giving generous tax discounts and exemptions. Also, in an effort to put France in a stronger position for the unified Europe, tax breaks were given to companies that were expanding by purchasing other companies.

MANAGEMENT IN FRANCE

"Management is not a learned skill, methodology, or technique, in France it is a state of mind"

anonymous quote

EDUCATION:

Education and management in France are so intertwined that one cannot be discussed without hitting upon the other. Whereas managers in the United States often get to their position through work experience, this is not often the case in France. A manager
is not necessarily a person that has learned the skills of management but is rather an educational elite that has been nurtured to their present position. Management does not commence with getting a job in or winning a promotion to such a position, but it starts upon acceptance to one of France's Grandes Ecoles.

The educational system in France corresponds roughly to the American system, from primary school all the way to the university level, but at this level of higher education the French system also has something called the Grandes Ecoles. The Grandes Ecoles have no direct equivalent to the American system. In the French system, students take a comprehensive, universally administered exam called the Bac at the end of their secondary education. Upon passing the Bac students are offered automatic acceptance to a French university. With the Grandes Ecoles, nothing is automatic. First of all, only students who excelled in the most mathematical of the Bac options will be accepted, and then, many of those students will go for an extra year or two of extra schooling before taking the exacting entrance exam which is necessary to get into any of the Grandes Ecoles.

The curriculum at the Grandes Ecoles is much different than that of the universities. It stresses mathematics and engineering over humanities. And, unlike the French universities, the Grandes Ecoles are able to limit their enrollment, maintain a low student to teacher ratio, and operate under a very organized and demanding structure. All these characteristics add up to intense recruitment of managers from these schools and consequently the Ecole
graduate's domination of the management field. Jean-Louis Barsoux and Peter Lawrence, in their article "The Making of a French Manager" write that companies recruit from these Grandes Ecoles because they believe that ability in mathematics is a good indicator of a person's ability to reason and to synthesize information, stating:

the depth and intensity of Grande Ecole training equips future managers with the mettle to cope with pressure and to work long hours. He or she develops a lengthy span of concentration and tested work methods. And, secure from an early age that they are heading into leadership positions, these students assume the values and poise of would-be leaders (p.64).

The latter part of the quote is especially relevant due to the self perpetuating nature of the system. Ecole graduates are an elite group taught from an early age that they are to succeed and that they are intellectually superior to other people, and thus it is only reasonable for them, once in a position of power, to hire Ecole graduates themselves. Ecole graduates are, however, not the only people perpetuating the Ecole dominance of French management. Practically any company would be honored to be able to recruit an ecole graduate into their organization, thus high starting salaries are offered to graduates to lure them to prospective employers. Very few industries actually choose to recruit normal university graduates into their management positions. The French often criticize this system of Grande Ecole dominated management, but it is such an ingrained part of the system that even those who complain about it end up supporting it.
Once a young French graduate receives his first appointment, the conditions, format and style of his work will be very different from that in America. Style is the appropriate word to use in this instance because it is not purely ability or experience by which a French manager is judged, but it is often by his or her style. The French are individualists, and in a world of individuals, it is one's ability to flatter, manipulate, or even trick others into cooperating that sets him apart. Probably the greatest expression of a French manager's style is through his or her usage of the language. The French are very particular about their language, and they hold little respect for those who use it badly (which naturally includes most foreigners.) The use of the language is of utmost importance to the French manager, for with it one is able to convey one's intellectual genius, one's hierarchical superiority, and also hundreds of subtle expressions of like/dislike, approval/disapproval and support/rivalry, all without ever having to actually say those words.

The French can also express this style in the written word. Memos and letters in French business correspondence are very formal. For instance, first names are rarely used in either spoken or written correspondence. One of the aspects of French management that frustrates many foreigners is that the spoken word has little lasting power in France. In order for anything to become real it must first be written down, thus promoting the proliferation of notes, memos, and all other sorts of written communication. One
french manager went so far as to say, "it wouldn't be too much of an exaggeration to say that until they are written, until they are entrusted to the blackboard, the notepad, or the flip chart, ideas have no reality for the French manager" (Barsoux and Lawrence, Management, p.62).

THE BUSINESS LUNCH:

For the French, language may be an expression of style, but food is an art. The business lunch is an intricate part of management and trade in France. The business lunch serves a dual purpose. One purpose it serves is that it is a way for an executive to reward those under him. Being invited to lunch with the President-directeur-general (PDG: the equivalent of chief executive officer and chairman of the board in one) is an honor, and one that everyone else notices. The second purpose of the business lunch, and definitely its most important, is to facilitate trade. "For the French, restaurants represent a place where business can be conducted at a relaxed pace in which participants can feel at ease with each other and develop a more open communication" ("Tradition", p.23).

Although the French business lunch may have the same purpose that a similar lunch would have in the U.S., its execution is totally different. First of all, one must realize the time involved. Whereas a typical American lunch would last forty-five minutes, French lunches typically last two or three hours. Conversation at these lunches invariably ends up a discussion of
food, making at least a moderate understanding of French cuisine an imperative for a successful lunch. Great pains are always taken to choose the right restaurant according to the mood desired and its correctness to the caliber of those invited. Business is only brought into the lunchtime conversation later on in the meal and only by the host. An astounding amount of business in France is taken from the boardroom to the dinner table, and thus the importance of the business lunch must never be underestimated.

TIME:

Time is a commodity of the highest value in the United States, thus the saying "time is money," which means that Americans prioritize and organize the time they have available to them. Americans see time as a linear progression that forces them to schedule appointments, plan out progress and give meetings strict agendas which are more often than not followed to the letter. Punctuality is a virtue, and no one likes to be "off schedule."

This linear perception of time has only an abstract reality to the French. Hall and Hall, in their book Understanding Cultural Differences, describe the French as polychronic. "This means they do many things at once; they can tolerate constant interruptions and are totally involved with people..." and "because they are polychronic, the French don't always adhere to schedules or appointments, delivery dates, or deadlines" (p. 88). This was backed up by a Frenchman working in the U.S., Eric Charoy, who said during an interview that "If this were France, people would be
stopping in every few minutes, and the phone would be ringing, but here the secretary stops all my calls and doesn't let anyone come in until after the meeting" (April 16). In fact, the French are often frustrated by the American tendency to stick to the agenda. They feel it restricts the flow of information and it stifles their creativity.

French time is also different from that in the U.S. in the hours that French managers maintain. Whereas it's pointless to attempt to conduct business in the U.S. after five p.m., it is very common for a French manager to call a counterpart in another division or company at seven o'clock in the evening and expect for him to be there. There are many reasons for these long hours. First of all, it is a vestige of their hard working school days. Secondly, it is in part necessary to make up for time lost during their long lunches; conducting business between the hours of twelve and two in the afternoon is next to impossible in France. Lastly, there is a belief in France that a superior should see his subordinates both arrive in the morning and leave in the evening, which means the higher up in the corporate hierarchy, the longer the hours.

AUTHORITY:

Authority in France is much different than the American ideal. In France authority does not rest in the person, as it does in the U.S., but rather it is vested in the position or title that the person holds. This is perhaps ironic, as French businesses, like
French government, are very autocratic and centralized. The education and performance of the top executive officer has great influence over the success or failure of a French company. French executives hold tight control over their companies, thus important decisions are only made at the highest levels of management, and delegation of tasks is lacking. French Executives are in such a respected position that Harris and Moran write "it takes poor performance for them to be challenged in their function by a board of directors or by subordinates" (p.469). For this reason, hierarchies are very developed and more strictly adhered to than in the U.S.

The French respect for authority can also be seen in the extensive use of formality in French business relations. To reiterate, first names are rarely, if ever used. The American expressions of backslapping and kidding are unheard of. This formality can be seen in French greetings where the superior manager, even of different companies, always offers his hand first. This formality is again seen in French business correspondence. Titles are used instead of names as well as whole paragraphs being used where an American might simply conclude with "sincerely".

**CONTROL:**

Control practices are also looked at differently in France. While individual performance and achievements are important to Americans, this is not so for the French. Instead, the French follow rules and work toward goals that have been handed down from
higher management levels. Although this may sound ironic in a country of individuals, it can be seen in conversations with the French; Harris and Moran write that the French "seldom put themselves forward or try to make themselves look good in conversations" (p.467).

But where a Frenchman gives up his individuality in taking credit for an achievement, he exercises it completely in the way he achieves it. This can make control procedures and rules difficult to enforce because "if a rule or regulation gets in the way of achieving a goal, the French will try to find some way to circumvent it" (Hall and Hall, p.106).

Finally, where control in the U.S. will often come in the form of feedback, this is not often the case in France. The French are both polychronic and very in touch with those around them. They expect colleagues to know what is going on and whether or not they are doing well. Robert Shanley, an American who does business in France, said, "You don't know if you succeed" (April 6).

MOBILITY:

Another aspect of French management that is unique, more similar to the Japanese model than the American one, is their views on company loyalty and company mobility. The French have a strong tendency to work for the same company for many years. When young, moving around is acceptable, but once a manager turns thirty-five or so, mobility can be seen as a weakness. Barsoux and Lawrence write that moving around makes a manager "slightly suspect and
places a question mark over his corporate loyalty" (Management, p.64). One major exception to this rule would be the common practice of moving from a position in a state owned firm to a private firm. It seems, however, that the managers that make it to the very top positions do move from company to company. This freedom is only for the top graduates of the prestigious Grandes Ecoles, whose success is practically guaranteed upon graduation.

Geographical mobility is also a possibility that a young French manager must be aware of. In large corporations all over the world, there is the need to send company personnel abroad to either represent the parent company culture or to simply maintain tighter control. In France, going abroad is one way for someone with a lesser Ecole degree to gain the respect needed to move up, but often it is also a step in the career progression of one labelled for the fast track. Barsoux and Lawrence write that for someone on the fast track, "Rotation and training through specific assignments is [also] characteristic..., especially in international markets" ("Making" p.66). But, the French are such an ethnocentric people, that being stationed abroad for long periods of time is rarely an attractive option.

COMPENSATION:

Employee compensation in France is in many ways unique. One must understand first of all the importance of money. To Americans, money is the gauge of success and prestige; In France this "Religion of Salaries" does not exist (Charoy, April 16).
Even for Ecole graduates, money is not a great motivator. A graduate will choose an employer that offers quick success and better contacts over one with a high salary. Even in modern France, the pursuit of wealth is not seen as honorable. A Frenchman instead takes greater pride in his position and the title given to that position, and of course the prestige of his peers for attaining it.

There are many ways for a company to reward a French manager for a job well done or for company loyalty. One way is through the distribution of bonuses. Ideas like stock options and retirement packages are primarily American concepts, so most French companies work on some bonus system. These bonuses, usually distributed according to salary and/or merit, can often add up to considerable sums of money. A second way is through continuing education. Government regulations make it mandatory that French companies contribute a certain percentage of their payroll to continuing education. The handing out of educational opportunities is both beneficial for the company and can be used as a means of rewarding good managers.

Perhaps the most important compensation method used by French companies is their policy of lifelong employment. This has two effects: First, lifelong employment means that a company must be committed to internal promotion. Second, lifelong employment means not laying off employees during hard times. This breeds company loyalty because many managers would be wary to take up a higher position in another company if it would mean giving up the lifetime
security that they enjoy in their present one. This commitment to lifelong employment also affects older managers. A company will put an old or burnt-out manager in an unimportant or even imaginary position, called a "garage", as a reward for having been with the company during earlier, hard times.

MODERN TRENDS:

There are many new trends in French management that have been sweeping that country in the last five to fifteen years. Change in France is not often an overnight activity, thus these new trends don't necessarily affect what has been written on this subject previously, nor the subject of this paper, but Americans do need to be made aware of some of the new attitudes and activities now taking place.

The first of these trends is in education. Although the Ecole system still dominates French management, and it will continue to do so for many years to come, the French university system is beginning to catch up. Some universities are offering business courses and programs that rival those of the Grandes Ecoles. Secondly, there is a new informality in France. Especially among younger managers, the use of titles is waning, and the use of first names is gaining, with this same attitude coming across in written business correspondence. The third of these phenomena is the decline of the business lunch. For health and monetary reasons, French managers are saving the heavy business lunches for special occasions, and replacing it with smaller lunches or bar lunches,
and even the American style working breakfast seems to be catching on (Barsoux and Lawrence, p.116). Lastly, corporate mobility, at least during a manager's early years, is slowly becoming more acceptable. Whereas the common belief goes that most Americans will switch careers seven times during their lifetime, three to four would be more acceptable for a Frenchman (Charoy, April 16). This last phenomenon may also be a side effect of the declining feasibility of lifelong employment in today's dog-eat-dog world market.

CONCLUSION:

The French are a proud and powerful people. Their quiet business dealings have put them at the head of many industries worldwide. They dominate industries from industrial gasses and tires, all through the spectrum of world trade to cosmetics and fashion. Although often discounted as a managerial model for other countries to emulate, many of France's practices and policies have contributed to her strong world position. France's education system is geared toward creating an educated and homogenous managerial class. Government policy and interaction direct and support France's economic future. The French interpretations of style, understandings of time and of authority give French management a unique environment. Even the French practices of control and of compensation separate it from other managerial world norms.
France's management practices are unique and varied, and there is much to be learned from any managerial system that is able to take a country completely devastated by a world war and turn it into the fourth largest western economy. For Americans, who already have a long and rich tradition of trade with Europe, the economic opportunities available with France abound. With France in such a strong economic position, and with the 1992 creation of a united European community, there has been no better time for Americans to pursue trade opportunities with France. And to take advantage of the many opportunities, it is imperative that Americans have a better understanding of French management practices, so that together we can make our economies and our futures bright.
Bibliography


Indiana-France Business Facilitators:

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College and 86th 317-255-9102

The Indiana Department of Commerce
Indiana Commerce Center 317-232-8800
One North Capital, Suite 700
Indianapolis, Indiana 46204-2288

Information 317-233-3762
International Trade Division

Ameri-France
P.O. Box 30001
Indianapolis, Indiana 46230-0001

French Owned and Operated Businesses in Indiana:

Thomson Consumer Electronics 317-267-
600 N. Sherman Drive/P.O. Box 1976
Indianapolis, Indiana 46206

GSF Safeway 317-262-1133
2911 W. Washington Street
Indianapolis, Indiana 46222

Indiana Businesses with Substantial French Investment:

Howmet Corporation 219-326-7400
926 Lincoln Way
Elkhart, Indiana 46514

Indiana Businesses Doing Substantial Business in France:

Eli Lilly & Co. 317-276-2000
Lilly Corporate Center
Indianapolis, Indiana 46285

Biomet Inc. 219-267-6639
Airport Industrial Park
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(List current as of April 27, 1993)