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[REDESIGNING THE HUMAN RESOURCES FUNCTION AT LAFARGE] *Research Paper*

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[Abstract]

This article describes the detailed process of redesigning and implementing the human resources (HR) function at Lafarge. The article argues that a well articulated and integrated approach of (1) recruitment, selection, and induction, (2) retraining and redeployment, (3) performance appraisal system, (4) compensation and reward mechanism, and (5) rightsizing is required to be aligned with the overall business strategy of the organization. It also reinforces that the foundation of a value-added HR function is a business strategy that relies on people as a source of competitive advantage. Key challenges for Lafarge in the future include (1) maintaining the change momentum, (2) fast and effective integration of acquired companies and transfer of "best practices", and (3) attracting and retaining a diverse workforce thorough their internationalization program.

[Introduction]

During the last 25 years, constant marketplace discontinuities and the accelerating pace of change have seen traditional businesses and organizations redesigning themselves for superior organizational performance (Huselid, 1995; Delaney and Huselid, 1996; Huselid, Jackson & Schuler., 1997). In this quest, for more than a decade human resource management (HRM) has aspired to be a business partner. There has been a continuous debate on how human resource strategy can be linked to the business strategy of the organization (Wright, McCormick, Sherman & McMahan, 1999; Ulrich, 1997; Martell and Carroll, 1995; Schuler, 1992; Pfeffer, 1994; Wright and McMahan, 1992). Recently there has been an emphasis among academics and practitioners on *people* (and people management systems) as a source of competitive advantage (Becker and Huselid, 1999; Ulrich, 1998, Bartlett and Ghoshal, 2002). Previous empirical research has given useful insights about the linkage of HRM with firm performance (Becker and Huselid, 1998) and has consistently found that more effective HR management is associated with superior financial performance. Yet data on how organizations actually manage people to provide a source of competitive advantage are scarce. What is still missing is a clearer understanding of *how* these processes operate, and subsequently, *how* organizations might actually manage their people (Becker and Huselid, 1999), and more importantly *how* organizations might redesign their human resource function to help provide a source of competitive advantage to keep up with the accelerating pace of change in the external and internal environment.

This article attempts to provide some insights into the redesigning of the HR functions at Lafarge through the presentation of a detailed case study describing the HRM strategies employed by Lafarge, which is known to be a leader in the management of people.

[Previous Research]

The study began with a review of previous literature on case studies of different organizations, which have reportedly understood HRM practices and the redesign of these practices to provide a source of competitive advantage.

A detailed case study of the redesign of the HR process and structure at Whirlpool Corporation saw a multidimensional model that integrated three redesign tactics: contracting out new roles with line management for a new role for HR, identifying and developing new HR competencies, and redesigning HR work, systems, and organization (Kesler, 1995). While in a case study of Albert Einstein Healthcare Network, the reason for designing and redesigning HR programs was to achieve organizational agility through contextual clarity, embedding core values, and enriching work practices (Shafer,Dyer, Kilty, Amos & Ericksen, 2001). In the case of Northern Telecom (Kochanski and Randall, 1994), the HR function tackled the task of changing the fundamental form of the organization by reducing costs and improving performance, employee effectiveness, and satisfaction through the development of a strategic architecture that integrated work flows, structures, and the competency enhancement process. During the revitalization of Eastman Kodak, the key competencies under the rubric of HR excellence, a small number of core competencies, and an even smaller number of leverage competencies applicable to HR roles were the source of competitive advantage (Blancero, Boroski & Dyer ., 1996). Similarly in the case study of 3M, an executive-level global competency model consisting of 12 competencies, such as developing people, inspiring others, customer orientation, nurturing innovation and others, was the source of competitive advantage (Alldredge and Nilan, 2000).

In the critical case-study analysis of Mercantile Bancorporation Inc., Forbringer and Oeth (1998) reported that HR practices made a significant impact on business results and provided a springboard for the HR department pursuant to the findings of Ulrich (1997). Some of their findings included HR initiatives to help identify, communicate, and support core cultural competencies; expand economic literacy; expand corporate knowledge or the capture of collective wisdom; play the role of a change agent (Ulrich, 1997; Ulrich, Brockbank, Yeung and Lake, 1995);and overall strive to be innovative. The linkage of employee needs satisfaction and organizational capability for competitive advantage in the case study of Southwest Airlines illustrated the role of human resources in creating and sustaining competitive advantage (Hallowell, 1996). The findings suggested that much of the value that Southwest creates was through employee satisfaction, which was converted to customer and shareholder value via organizational capabilities and was captured by the firm as a result of its cost advantage and superior service.

Becker and Huselid (1999) attempted to provide insights into the "state of practice" through the presentation of five detailed case studies describing HRM strategies employed by partnership firms (Herman Miller, Lucent, Praxair, Quantum, and Sears) known to be the leaders in the management of people. The lessons learned were (1) the foundation of *value-added* HR function is a business strategy that relies on people as a source of competitive advantage and a management culture that embraces that belief; (2) a value-added HR function will be characterized by operational excellence, a focus on client service for individual employees and managers, and delivery of these services at the lowest possible cost; (3) a value-added HR function requires HR managers that understand the human capital implications of business problems and can access or modify the HR system to solve those problems. In the case study of Hewlett Packard, Truss (2001) tried to contribute to this debate of the linkage of HRM and organizational performance by asking what HR policies and practices a financially successful organization like Hewlett Packard uses. Her findings seem to suggest that the notion of "good performance" needs to be disaggregated and compared and contrasted to individual and organizational-level performance parameters.

As helpful as the earlier research was in helping to identify the linkage of the role of HRM and firm performance, it also engendered several concerns. Most of the studies, for example, were anchored in the present, raising questions concerning current HR philosophies and HR practices, but not describing *how* the organizations redesigned their HR functions for competitive advantage and aligned their HR functions with overall business strategy for superior performance. Further, the studies tended to produce a list of HRM best practices or a framework for achieving HRM competencies for sustained competitive advantage. It seemed likely that there is a possible convergence of the above studies, and in particular that the assumptions within the best-practice and HRM-competency literature can produce a universalistic set of HR practices suitable for all situations. The studies provided no apparent basis for individual HR practices. Finally, it was not clear in some of the studies that the respondents in the studies (even though the studies were company specific) possessed the knowledge required to make accurate judgements about overall business strategy, HRM strategy, their linkage, and firm performance.

Given these concerns and keeping the limitations of the past case studies in mind, a conscious effort was made to build on previous efforts by conducting a company-specific longitudinal study of *how* an organization redesigns its HR functions for competitive advantage and aligns the HR function with the overall business strategy for superior performance.

[Methodology]

This study is exploratory in nature. Following Yin (1994) and Eisenhardt (1995) an embedded case-study design was found suitable for this study. A broad, qualitative method was deemed suitable to study the phenomenon of HRM, utilizing multiple sources that tap into the rationale of *how* an organization redesigns its HRM functions (Becker and Gerhart, 1996, Gerhart, 1999, Becker and Huselid, 1999; Truss, 2001).

This paper reports on the findings of a longitudinal case study of a French firm, Lafarge. Lafarge was chosen for analysis specifically because it is a successful organization in terms of financial performance (i.e., it was a leader within the industry of building materials, was growing at a steady rate, and had been profitable within industry standards); it has a reputation for being excellent in terms of human resource management in France and all over the globe; and it was willing to participate in the longitudinal study.

Data were collected over a two-year time period from December 2000 to February 2001 and from January to March 2003. More than 15 top management (including the president & CEO, regional president, executive vice president, vice president, general managers, and country heads) and 9 senior and middle management executives (senior managers and managers) including HR executives were interviewed using a detailed, semi-structured open-ended interview format. Open-ended questions involved *how* HR policies and practices evolved in the organization. A generic approach was adopted to analyze the HR practices, and data were collected on a wide range of HRM areas, including recruitment and selection, induction, retraining and redeployment, performance appraisal, compensation and rewards, career management, and rightsizing. The data were from the perspectives of both policy makers, that is the HR department, and practitioners such as staff and line and senior managers, recognizing that experiences are likely to vary between levels of staff. On an average each interview lasted from 1.5 hours to 2 hours. Extensive evaluation of archival data, company documents, media reports, consultant reports, and sector reports were undertaken. At both times, the research was carried out at the Lafarge head office in Paris.

[The Context : Changes at Lafarge]

Léon Orvin began producing industrial limestone in 1833 after acquiring a limestone quarry in southeastern France. He took over the business, acquired by his family in 1749, with the purchase of the Lafarge domain in southeastern France, an area known for generations for the quality of its limestone deposits. That was the history. From a local French cement company, Lafarge today is the world leader in construction materials, spanning 75 countries. The transformation was in no way an easy task. Bertrand Collomb, who is the chairman and CEO of Lafarge since 1989, points out the situation over the last decade:

> Following prolonged recession in Europe, which lasted from 1991 until 1996, and the Asian crisis of 1998, worldwide economic trends now appear positive. World growth was 4% in 2000, and is forecasted to continue at about 3% per year. But we must remain on our guard because interest rates are on an upward slope, oil prices are rocketing, growth in the United States is expected to slow, and the German construction market remains sluggish. Most importantly, the process of worldwide consolidation in our industries is gaining pace, and this is why it is necessary for us to ensure we have the means to stay among the top-ranking world groups and be the preeminent player in our sector. … In 2001, Lafarge strengthened its position as world leader in building materials thanks to a vigorous policy of

acquisition and development on every continent.

Over the last five years, sales increased from 6,413 million euros in FY 1997 to 14,610 million euros in FY 2002 while net income, Group share, increased from 371 million euros in FY 1997 to 756 million euros in FY 2002. Lafarge had 37,097 employees in 1997, while in 2002 it had 77,000 employees, a growth of more than 100%.

The Cement Industry, Globalization, and Business Strategy at Lafarge

The cement industry has been witnessing major shake-ups, takeovers, joint ventures, mergers, integration, and the formation of global conglomerates. The industry is also investing in alternative activities in order to protect itself from the economic impacts of business cycles. Lafarge, in the last decade, has invested heavily in newly industrializing countries that offer considerable medium to long-term growth potential, such as Turkey, Morocco, Eastern Europe, Brazil, Venezuela, China, and India. For Lafarge, globalization occurs in every strategic market by acquiring one or more cement producers in order to gain a significant market share. To gain market share, cement organizations in general are facing buyer bargaining power and have to deal with secret rebates, price-cutting, price discrimination, and competition on service quality.

In this scenario, markets have become global. Yet markets are inherently local: consumer tastes are diverse; business strategies of firms result in the fragmentation of markets according to product lines and location; trade and competition policies vary from country to country. For the cement industry, high transportation costs and low inventories together mean that there is no such thing as a worldwide, market-clearing price, as distinct from a global average price. In this sense, cement is a commodity, but not a commodity like grain or oil. It is not possible to build sustainable, worldwide competitive advantage by locating production in any one country. Supply and demand are matched on a local basis. At cyclical peaks and troughs the boundaries may become regional, but never global.

Keeping this globalization strategy in mind, the vision, mission, and values of Lafarge were as follows:

> Our vision is to offer the construction industry and the general public innovative solutions bringing greater safety, comfort and quality to their everyday surroundings. The consumer should be placed at the heart of Lafarge's preoccupations. This vision is to be achieved by offering all construction industry sectors - from architect to tradesman, from distributor to end user - a comprehensive range of products and solutions for each stage of the building process. The company values a "wait and see" philosophy and it includes a long term orientation with industrial efficiency, value creation, protection of the environment, respect for people and cultures and preservation of natural resources and energy. *(chairman and CEO)*

Five of the key issues it will need to address in the globalization process are (1) continuing development of its growth strategy, (2) managing its human resources which have doubled in the last five years, (3) further realization of the benefits from its restructuring program, (4) fast integration of the acquired companies to create synergy and hence value, and (5) internationalization of its workforce and development of managers willing to be mobile and able to operate successfully in a wide variety of markets and with people of diverse cultural backgrounds.

The strategic intent is to "keep growing and growing profitably." The three main goals followed by Lafarge were (1) doubling sales within 10 years (1997 to 2007) by development in emerging markets and through acquisition in mature markets, (2) growing more rapidly than its competitors with an objective of 60 to 80 Metric tons in increased capacity between now and 2005, and (3) integrating acquired units as quickly as possible.

The Lafarge Group did not focus only on emerging markets as did some of the other global players. In February 2000, it mounted a hostile bid for Britain's Blue Circle, the sixth-largest cement competitor and then in January 2001, Lafarge bought Blue Circle at a price of 3.8 billion euros to become the global leader in the construction business, with one tenth of the world market. Through this acquisition it aimed to achieve a certain size in order to remain visible and attractive to investors, to expand cash flow and geographic presence, and probably to dislodge Holceim from the top spot in the global cement industry. The Group's aim was indeed to become the world leader in cement.

> We [Lafarge] want to be the undisputed leader in all of our businesses, and, as such, the leader in construction materials through operational excellence, growth and the creation of value. Today a strong movement towards worldwide consolidation characterizes the construction materials market. Lafarge must be able to take advantage of the best acquisition opportunities that arise; there are currently many on the market. To finance this program, the Group has chosen to concentrate its resources on its major worldwide businesses. The introduction of financial partners will enable the Group to enjoy greater financial flexibility while maintaining strong links with the Division's businesses. *(chairman and CEO)*

For the Lafarge Group, strategy implies an ambition. The *Principles of Action* (Figure 1) was drawn up in consultation with all the stakeholders.

Restructuring for Internationalization

> International development can be fostered through diversity and innovation. If one wants to push international development one cannot manage it from the top. Hence maintaining a decentralized operation is very critical. Developing international executives is the best way to become more international. *(chairman and CEO)*

Lafarge initiated an organizational restructuring process with the help of McKinsey and Company. The implementation process began on January 1, 1999. The Group was divided into four divisions – cement, aggregates and concrete, roofing, and gypsum. A new organizational structure was drawn up to facilitate the change process. The clarification, simplification, and formalization of Group policy in the areas of finance, human resource, research and development (R&D), corporate communication, the environment, information systems, and purchasing and marketing have accompanied this decentralization. In addition, guidelines on the management style expected of all Lafarge managers have been set out in *The Lafarge Way* (Figure 2). Though, after two years, there have been many suggestions that have been proposed about the organizational structure and constant communication, top management's conviction has made it work.

Key Human Resource Initiatives and Activities

As Lafarge worked to create and broaden its identity and investor confidence, it became more innovative and proactive. The work environment was driven by a demand for operational excellence. The organization was restructured and streamlined and over 100% more employees were added to the group through new acquisitions. In support of these changes much of the corporate HR's time was focussed on career management, key-post management, development of high potential, internationalization, language skills, compensation and benefits, management development and training, post-merger integration, organizational development, employment, and safety and working conditions. The level of HR involvement in the development, redesign, and implementation of process changes, however, varied widely from one division to another, one business unit to another, and one region to another, reflecting Lafarge's regional business management approach. For example, the major focus in Asia was on business development, transfer of best practices, and quick integration of the acquired companies. In Europe and United States, support was provided largely through delivery of training, while in Africa, many of the change-oriented activities were integrated with or led by HR.

Implementing this process of HR redesign throughout the Group required uniform operating mechanisms that were emphasized and communicated worldwide through published policies such as *Lafarge HR Group Policy Manual* and *Career Management Manual*. In the words of the chairman, the priorities in the field of human resources were twofold – enhancing performance and investing in people. Lafarge plans to raise their investment in training by setting up a Group training program that will be an extension of the "Meet the Group" (**Figure 3**) integration seminar and to complement training packages run by the divisions and business units. Lafarge intends to standardize career interviews for managers once every three or four years, on the occasion of every transfer. Together with the above training programs, Lafarge is also working on the leadership profiles that the Group needs.

[HR at Lafarge]

Fundamentals of the Redesign of HR Infrastructure

The HR community at Lafarge has been widely identified as the single most important department in leading the change efforts internally and as well as externally, most of which have come about largely as a result of successful integration of acquired companies. The structure of HR at Lafarge has five layers: (1) headquarter-based corporate HR, (2) divisional HR – cement, aggregates and concrete, roofing, and gypsum, (3) regional HR, (4) country HR, and (5) plant HR. The plant HR is usually run by the local personnel supervised by the country HR (preferably from the same country but belonging to the HR network of Lafarge). The country HR reports to the regional HR manager. To achieve this goal, HR functions follow an integrated and aligned approach towards (1) recruitment, selection, and induction, (2) retraining and redeployment, (3) performance appraisal system, (4) compensation and reward mechanism, (5) rightsizing, and (6) integration.

Recruitment, Selection, and Induction

Lafarge competes for the best people in the labor market with a long-term view. It recruits diversified and international profiles, which have a potential to evolve. HR believes that career development is the responsibility of both the individual and of the Group. The recruitment function is decentralized. The HR directors of the regions take the initiatives, as they understand the local and regional markets better. The central recruitment department recruits staff for the headquarters in Paris.

The establishment of the Group in a number of newly industrialized countries (India, Korea, Egypt, Jordan, Philippines, etc.) is a source for a rich knowledge pool of international expertise and experiences. Employees of increasingly varied nationalities are being recruited and international mobility in career paths is being stepped up. These two factors will help to promote future growth and build up a pool of international managers trained to be business heads of Lafarge.

Seminars are organized, as a part of the induction program (Figure 3), on a regular basis in all five continents in the context of integration of newly acquired companies. Similarly, 400 recently hired managers participated in the "Meet the Group" seminar. These meetings are organized with the aim of presenting the Group, its values, its strategy, and its way of functioning.

Lafarge has special recruitment processes under three categories, which started in 1996:

1. Junior High Potentials – under the age of 40 and can reach the level of general manager before 41 years. (The "high potential", according to the Director, HR, is loosely defined as "those who will be the international managers of the Group in the future." Identified high potentials, if French, would invariably have a background from École Polytechnique, French "Grandes Écoles," or Ecolé Nationalé d'Administration, and for non-French personnel, preferably would be educated at one of the worldwide-reputed business schools in the United States, Europe, or Asia.)

2. High potentials – over 40 years and can reach the level of general managers by the age of 45.

3. "Viviers" – those who are under training in a mature country (like France, Spain, North America, Brazil, Germany, Austria) to inherit a particular position. The vivier policy allows new units to rapidly develop their competencies in different areas. The viviers can either be newly hired people or internal resources, generally trained outside the unit. Mature or existing units further develop their resources to assist in the development of the groups, complementing their immediate needs by proactive recruitment.

There is scope in Lafarge for internship and apprenticeship. The business school to company relationship has been forged over time as an ongoing initiative. Lafarge is in direct contact with the student population through a number of openings such as student fairs, presentations in colleges by Lafarge managers, and paid internships. Lafarge also offers limited-duration contracts to fresh graduates to provide them with professional experience, which also gives the Group a chance to talent-spot future managers.

Retraining and Redeployment

Lafarge has also done a good job in retraining and redeploying people. With 50% of its employees joining the Group through different acquisitions across the globe, redeployment was a necessity in order to share and train the Lafarge Way. For retraining and redeployment, Lafarge targets all its employees and looks for both technical expertise and management perspective – the ability to work in cross-cultural teams, ability to listen and to lead, language skills, adaptability to new environments, and an open mind-set to think in international terms. The company believes that it would be difficult to fit into the Lafarge Way without these attributes.

In addition to general training programs, specific training programs and opportunities are decided upon during the yearly appraisal and career management of individuals. The corporate headquarters, the divisions, and the business units share the training responsibilities.

Before the redesign of the HR functions, Lafarge had different training policies for top management, middle management, and lower management. The training program for the top management was under the corporate HR, which identified and provided individualized training schedules in top business schools under the executive development programs. The training programs for middle management were looked after by the respective divisions (cement, aggregate, etc.). Workers were given training at the plant level. After the redesign of HR in 1999, Lafarge now follows the learning organization methodology with an emphasis on learning on the job, learning from within the group, and coaching in the field. This is done through formation of networks and by internal consultancy. The training managers act as facilitators of learning and development and help managers to learn and cooperate on the job. Some of the examples of the new training policy are to talk about dreams, send invites for training objectives, and make the managers feel that they are responsible. The training program today wants to boost performance, the real challenge being how training changes the way people work and how it influences the business results. In the words of the Director, Training,

> We have to understand that we are an international organization and not the old French organization taking over companies all over the world like colonizing countries. Since we are growing, we have to find ways of learning and sharing the knowledge that comes with every acquisition. Budget is an important parameter and the new policy is to learn as much from the diverse experience that the Group has from its acquired companies. There is a lot of mobility in the Group. There are 400 expatriates all over the globe with 150 of international status. Usually the newly acquired companies wait and watch instead of working with a clean slate to harness benefits from Lafarge's huge wealth of resources by putting forward their competencies and best practices. This is where the learning will take place.

The retraining and redeployment cycle is critical in Lafarge. Redeployment is linked to career development, which means that an international assignment (see Figure 4 for process of internationalization) is taken as a career development tool rather than a reward. Expatriation or a transfer within the Group is meant to be a career move and taken as a means to gather international experience for further career growth. Compensation increases with an expatriation assignment. Employees are recruited for the home country because the Group wants to develop local people to work locally after gaining international experience if required. The home unit pays for all the costs including expatriation and training. For units still undergoing restoration (i.e., not yet up to division performance standards), requirements for the development of competencies are even more important. The newly acquired units will have to identify the necessary competencies required to be able to replace the expatriates present in their units.

Performance Appraisal System

Lafarge has recently tried to integrate the performance management system (PMS) and personal development plan (Figure 5) with the other elements (recruitment, selection, training, and compensation) of the HR system. From 1998 it has increased its emphasis on PMS and its linkage to career development. This has been the key focus area within Lafarge's new bonus plan, which started from 1999. All the HR directors from different divisions formed a central team, which is responsible for decision-making regarding the implementation of the redesigned HR policies and specifically PMS.

Like many organizations, Lafarge has shifted from a 180-degree performance appraisal system to a 360-degree performance appraisal system for key positions including senior managers and "cadres." Performance is reviewed according to set objectives. To deal with any potential negative consequence arising from the process, the corporate and divisional HR departments provide coaching and training to deal with negative feedback. Overall, this process has worked well at the administrative level, but some managers think that PMS is an American concept and more effective coaching and training is needed to accustom French managers to provide and receive direct feedback.

Compensation and Reward Mechanism

Lafarge believes that a strong compensation-performance relationship is an essential element of a strategy that relies on people as a source of competitive advantage. Lafarge wants to attract, motivate, and retain talented people by providing competitive total remuneration (base pay, variable pay, and benefits). Lafarge's compensation policy is to target total cash compensation (base salary and bonus) between the median and upper quartile of relevant companies. Lafarge follows the Hay Scale in its compensation policy.

To support the strategy of continual performance improvement and value creation, a new bonus plan has been implemented for managers. It introduced a set of new elements, such as (1) use of EVA (Economic Value Added) as a financial performance indicator (2) a greater focus on long-term value creation through the introduction of a long-term bonus and (3) a significant increase in the maximum bonus percentage, to allow differentiation between average performance and excellent performance. The bonus plan consists of two components – the annual bonus and the long-term bonus. The annual bonus is split into two equal parts where one part is based on the financial success measured through EVA for the year and the rest of the bonus is based on yearly personal objectives. The personal objectives are based on the SMART methodology (specific, measurable, accountable, realistic, and time). Based on financial and personal targets that aim to foster operational excellence in each of Lafarge's businesses, the new plan has been designed to accord recognition to superior performances and forms part of a policy of equitable and competitive global remuneration.

A new employee shareholding scheme (ESOP) called *Lafarge en action 99* was launched to give many employees the opportunity of becoming Lafarge shareholders, and 21,000 employees located in thirty-three countries participated, bringing total employee shareholders up to 28,000.

Rightsizing

Lafarge does not believe in downsizing but believes in an optimum workforce and invests in absorbing the excess workforce. Once the internal skills are developed in newly acquired units, redeployment schemes are offered. The employment units are a resource for counseling, out-placement, or retraining in order to acquire a new professional qualification. All employees who wish to start their own businesses are helped to do so at every stage, until completion of their project. Similarly, job creation is initiated and supervised by internal Lafarge teams. For example in Romania, there were 8,000 workers in three plants. With Lafarge practices in place, the workforce is now reduced to 2,500. Most of the workers who acquired new skill sets were relocated to other plants in Central and Eastern Europe. Optimization was achieved by subcontracting peripheral jobs such as regular cleaning and maintenance.

Innovation and Research and Development: A Storehouse of Best Practices

Lafarge is considered a storehouse of best practices and specialists who are the best in the industry. The specialists of the cement industry are in the CTI, the technical center of Lafarge under the cement performance department (DPC). The technical expertise is distributed in a two-tier structure – the central laboratory, which provides a source for the pooling of scientific knowledge and the development synergies between materials and the decentralized network of over 25 applications laboratories supplemented by division, business, and unit technical centers. The technical expertise is divided further into three professional fields of manufacturing, technical support, and research and development. The technical experts are from sixteen areas of expertise – geology, quarry management, process, manufacturing, product quality, cement applications, engineering (mechanical /electrical), control, industrial process automation, maintenance, management of engineering projects, project design and studies, technical economic audits, performance audits, and environment. The cement performance department coordinates the technical expertise with the departments of investment, industrial performance, knowledge management, process, technology, and products.

Corporate Social Responsibility and Environmental Protection

Lafarge places a high value on corporate social responsibility through the wealth it produces, the jobs it creates, the training it provides, or the community-oriented social, educational, and cultural initiatives that it supports. Lafarge actively participates in the development of communities that surround its employees. It is on this principle that Lafarge has founded its employment policy. For example, in October 2000, Hurricane Mitch battered Honduras and neighboring countries in Central America with torrential rains. The Direction Générale at Lafarge decided to make an initial emergency donation, and at the request of scores of employees, an appeal fund was launched enabling the Group's personnel to contribute some 190,000 euros ($ 200,000) to the emergency relief effort. Of the total 5,000 tons of cement donated by the Group, 1,500 tons were used by non-governmental organizations for reconstruction, while 3,500 tons were handed over to a national foundation, Maria, which was headed by First Lady Maria Flores, wife of the president of Honduras, to enable a hospital to be built.

Lafarge has also signed a partnership agreement with WWF (Word Wildlife Fund), to contribute towards the protection of biodiversity and to raise awareness levels. Lafarge is in fact the first industrial group to sign an agreement of this type.

[Challenges Facing the Redesign of HR at Lafarge]

Maintaining the Change Management

While Lafarge faced a number of issues in 2002, the most important concern was how to sustain the internal change process. Lafarge's large-scale acquisitions in China, India, South Korea, Indonesia, Malaysia, Philippines, and Blue Circle stirred some concerns about the difficulties of working across different cultures, different languages, and different mind-sets.

Aligning with the overall business strategy of the company of growth and performance, the key challenge for HR, according to the Vice President, HR is to support international growth keeping in mind the professional and technical skill sets required by the Group. Huge effort has been put in place to hire the right people and improve their international capability. Encouragement and reward mechanisms are in place for both career and personal development through promoting, training, and coaching. The effective linkage between HR and business strategy is being constantly maintained and upgraded by means of the HR action plan at the corporate level. The HR action plan states the business needs of the individual HR business units. The cumulative plan of the different HR business units throughout the globe is reviewed to form the three-year action plan to match with the mid- and long-term strategy of the company.

The momentum of change leads to the creation of divisions. But sometimes it is felt that the role of the corporate HR and the division HR are somewhat diffused. Better integrating mechanisms between the corporate HR and the division HR are being debated. One of the senior vice presidents reflected that overall the HR policies and practices of the Lafarge Group are excellent and can perhaps not only be compared to the best in the industry but to the best companies in the world. What remains to be done is quick diffusion and implementation of those policies and practices.

Substantial steps have been taken in the HR redesign process like the use of dual language within the Group. The common background of engineering or technical education of most of the top-management team was in itself a language of sorts. Extensive internal and external communication within the Group and above all Lafarge's continuous policy of respect and care for its employees could serve as a path to manage the transition and transformation of

Lafarge from a local French cement company to a global leader.

Fast and Effective Postacquisition Integration of Acquired Companies and Transfer of Best Practices

One of the regional presidents portrayed the overall view of the HR role in postacquisition integration.

> HR is a scarce resource for achieving success. It is more so when companies have to be integrated into Lafarge. Lafarge would like to see the acquired companies integrated as fast as possible to give returns on its investments. Often there is a wide gap in what was perceived and the reality that one encounters in the acquired companies. One has to look into the style of management, hire new blood and train them. There is a lot of pressure during the implementation stage and the wide gap between theory and practice is felt acutely during this process. Integration has a key role to play as it has direct linkages with the capital deployed and the ROI which in turn is directly linked to improving operations, creating value and its reflection in the stock exchanges.

Postacquisition integration at Lafarge means getting a new unit to attain the performance levels fixed at the time of the investment, to meet Lafarge standards of operational excellence, and to assimilate an acquired company within the Group's fold to attain the Lafarge standard of performance. The redesign of the HR function in the Group witnessed the creation of an integration department in 1999 headed by an integration director, and the creation of an integration manual and an integration toolkit. The integration toolkit will provide the newly acquired companies with full information about the "Lafarge Way" and the best practices in areas like maintenance, HR, organization, safety, environment, process, quality, logistics, and in business functions like communication, marketing and sales, control and information technology (IT), purchasing, and technical centers.

From the HR point of view, postacquisition integration is a crucial issue. The Integration Director [Director, Integration?] expressed that the key success factor in a postacquisition integration phase is to keep the right balance between the transfer of softer skills such as shared values and culture and harder skill sets such as technical excellence. The right balance is critical to the success of an integration mission.

Lafarge culture is predominantly French, as its roots are French. But during postacquisition integration, Lafarge feels that the culture and values of the acquired company cannot be ignored. This feeling portrays that *shared culture* is perhaps more critical than putting the systems, procedures, policies, and practices in place. Once the shared culture is taken into consideration and there is enough respect for the acquired company by placing trust in good and talented people, the rest of the system processes are not too difficult to implement. Lafarge best practices can be transferred smoothly to make the unit at par with Lafarge standards.

While the integration department is new, Lafarge's primary concern is to find the right balance between a fast and a slow postacquisition integration process. The ongoing debate seems to be the choice between the fast, harsh, and forceful way of integration that one of Lafarge's competitors practices and the original Lafarge Way of integrating acquired companies. Historically integration by the Lafarge Way has been a slow process. Lafarge, after acquisition, starts the integration process by speaking to all the stakeholders and tries to incorporate an action plan. When the rules of the game are put in place Lafarge invites the acquired company to play the game together according to the rules. Some of the concern is that too much time is spent on minute details, technical matters, and transfer of best practices which results in delay in achieving the bottom line. For example, Lafarge gives a

10–15-year horizon and a long-term commitment for plowback, compared to its closest competitor, which has a 5–10-year cycle. But the general view at Lafarge is that there is enough room for local people and local culture to be integrated within the Group's fold. Also, Lafarge, does not believe in firing people: it takes time to find out ways and means to invest again to absorb the excess workforce (for example as has been done in Poland, Germany, and Czechoslovakia). One of the regional presidents commented that Germany had been very well integrated by the slow process and that the country manager did a very good job together with the then regional president. Good integration has been possible in Spain, Brazil, Czechoslovakia, Poland, and Austria. With the business environment becoming harsh and fierce competition in the industry, Lafarge has to quickly heed this issue in the near future.

Attracting and Retaining a Diverse Workforce thorough their Internationalization Program

Perhaps the biggest challenge for HR is to keep pace with Lafarge's growth strategy in its quest to shift from a French cement company to a global leader in the building-construction industry. This shift requires an ability not just to respond to business-strategy requirements, but to understand global business trends so that HR can work in partnership with top-management objectives to recruit the right people, train them with the right skills, develop the right mind-set, and profitably navigate growth opportunities efficiently. HR believes that a productive environment built upon its strong culture and values will enhance its ability to attract and retain talent.

The challenge the company faces is the fast rate of expansion and the ability to keep pace with incoming people from the acquired units, determine their placement, and at the same time do strategic recruitment without getting overstaffed or understaffed in the process. While Lafarge has made significant progress in this area, some managers feel that there are not enough HR interventions regarding recruitment of bright people in comparison to the pace at which the Group is growing. Due to lack of talent in some specific areas, integration of the newly acquired companies perhaps takes too much time.

[Lessons for Redesigning the HRM Function]

Clearly, the implications of the Lafarge case study (and the experience of other large corporations) revolve around the ability to redesign the HRM function and align it to the overall business strategy of the organization. Notwithstanding the limitations of the study (noted below), the present study holds a number of lessons that are potentially important for researchers and practitioners, who are, or will be, trying to redesign HRM functions in the years to come.

Lafarge's successful redesigning of its HRM function speaks consistently of top management's commitment toward change and constant internal and external communication with its stakeholders regarding the change process. The philosophies at Lafarge (*Principles of Action* and *The Lafarge Way*) have been successfully transformed to HRM practices. Thus, the first implication of this study is that *deep top-management commitment and constant communication of that commitment are the key links to transform philosophies (mission, vision, goals, and business strategy) into practices.*

The second implication focuses on *the importance of alignment or fit of the redesigned HR strategy with the overall business strategy of the organization*. HRM function at Lafarge has been successfully redesigned to fit the overall ambition of Lafarge (*Principles of Action*).

The third implication of the case study is that *HR must design and redesign effective methods to anticipate business needs and provide strong leadership*. Finding the right balance between corporate, divisional, regional, country, and local HR issues is critical within the framework of today's highly competitive internal and external environment. For HR to design effective methods and provide strong leadership, appropriate skills and competencies are required: to know the business, to know how to translate the business needs to HR goals, to manage uncertainties by being present in the market, to forecast changes, and be able to integrate and grow to create value in terms of human potential.

The fourth implication focuses *on the effort of the organization to expand the role of HR to that of a strategic partner and a change agent, without sacrificing the traditional role of HR (administrative expert and employee champion).* This finding is supported by the studies of Ulrich (1997) and later Becker and Huselid (1999).

As a corollary to the fourth implication, the fifth implication *reinforces the role of HR in change management and explains how HR can redesign itself and the organization to create a culture that supports the change process and spearheads the change momentum.*

The sixth and the final implication follows from the resource-based view which argues that having unique, inimitable resources and the effective deployment of these resources are key to achieving sustained competitive advantage (Barney, 1991). *Competitive advantage through people and culturally entrenched HR practices is difficult to achieve and even more difficult to sustain, but once achieved, it is not easy to duplicate.* Here it is important to mention that redesigning the collective competencies of an entire HRM function is a Herculean task that requires the effective cooperation of the line managers, credibility of the redesign process, willingness of the HRM department to actively pursue the redesign process. As any change process suggests, generating short-term wins to consolidate gains and produce more change anchors the new approaches in the culture (Kotter, 1995).

There are, inevitably, limitations to this study. The lessons are, of course, based on the data of a single case study and there is a problem of generalizability.

[Conclusion]

This case study explained how an organization redesigns its human resource function to help provide a source of competitive advantage to keep up with the accelerating pace of change in the external and internal environments. As HR becomes more aligned to the business needs of organizations it becomes a competence that organizations can leverage to provide sustaining value to the needs of the organization. Three specific needs identified for Lafarge were to maintain the change momentum, to create a fast and effective postacquisition integration mechanism for acquired companies and for the transfer of best practices, and to attract and retain a diverse workforce thorough their internationalization program.

[Bio]

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Figure 1. *Principles of Action*

For the Lafarge Group, strategy implies an ambition, some demands and a sense of responsibility. It is only when these components are brought together, that actions become sustainable and long-term.

Our principles of action have been drawn up and worked on in consultation with all concerned. They epitomize our ambitions, our convictions, our code of conduct and our values.

OUR AMBITION

- To be a world leader in construction materials
- Be recognized as an important participant and shape the future of our businesses through our capacity to innovate
- Be a leader in a competitive environment
- Pursue long-term strategies
- Adopt an international approach

OUR RESPONSIBILITIES

To anticipate and meet our customers' needs

- Create a perceived difference and be the supplier of choice
- Serve our customers better by knowing them better
- Contribute to the development and progress of the construction industry

To enhance the value of our shareholders' investments and gain their trust

- To provide shareholders with a competitive return on their investment
- To provide them with clear information
- To respect the interests of our partners and minority shareholders

To make our employees the heart of our company

- To base legitimate authority on the ability to contribute to the company's success
- To develop mutual respect and trust
- To provide employees with equitable compensation and a fulfilling professional environment

To gain from our increasing diversity

- To make our cultural diversity an asset
- To delegate responsibility with accountability and control
- To develop an effective cross-operational management approach
- To make use of synergies and share know-how

To respect the common interest

- To participate in the life of the communities where we operate
- To operate responsibly toward the environment
- To be guided by the principles of integrity, openness and respect in our commitments

Source: Internal Company Documents, Paris

Figure 2. Lafarge's Management Style *The Lafarge Way*

Lafarge's management style is defined as "participative". But this concept has sometimes been misunderstood as "management by consensus". Either that or participation has been forgotten because of business or time pressures. In any case the Group has changed so much recently – half of Lafarge's employees were not in the Group two years ago – that it is time to redefine its management style.

Create value while respecting the Group's guiding principles
Our "Principles of Action" have not changed, and define our responsibilities: our overriding objective is to create value for our shareholders. To achieve this objective, we must first meet the needs of our customers. Lafarge's identity and success is also based on the importance we give to our employees, and on the strength and benefits of being a group.

Clarify our strategies & our organization
To be successful as a Group, we need shared values, clear strategies, common information and reporting systems and performance measurement criteria. Today, we have started to develop a number of these systems, such as the Cement Operations Reporting Project (CORP), Top 2000 for our ready-mix concrete, as well as the EVA (Economic Value Added) project, to improve our performance measurement and compensation systems. We are now redefining the Group's organization, by rationalizing the role of the corporate function and giving the five divisions (Cement, Aggregates & Concrete, Roofing, Gypsum & Specialty Products) more direct responsibility for strategic development and performance improvement.

To allow more decentralized initiative ….with better decision processes
Our aim is to create a management framework that allows more decentralization and individual empowerment. This requires trust in people, as well as clarity if the decision processes. We need to determine at what level a decision should be taken, who is accountable and on what basis, in order to avoid pushing the decision upwards, or diluting responsibilities through a slow inefficient process.

True participation, but not necessarily a consensus
Participative management is not decision by consensus. Rather, it means involving all those who can contribute to a better decision, while clearly recognizing who has the ultimate responsibility to decide. In this regard, our proposed reorganization is meant to streamline our decision making processes.

Managers leading by examples
Even more important that this organizational framework is the attitude of our employees. We especially want managers who are true leaders, able to drive their organizations to the highest performance level. Individuals who practice what they say, respect group disciplines, share information, and who are professional in managing employee evaluation, career management and the compensation system. Hence the renewed importance we want to give to open frank two-way discussions in the evaluation interviews.

Innovative and willing to contribute to the Group's success
We also need individuals able to innovate, to take initiative and to act decisively within their realm of responsibility. Finally we want individuals who look beyond their particular objectives, and who are ready to contribute the attainment of Group synergies and overall goals.

A management "model"
In summary, the main components of our management philosophy are:

- An organized and coherent Group, with shared values and clear strategies, well defined procedures, systems and rules
- Confident in a decentralized and participative management process
- With managers who lead by example, take initiatives and who want to contribute to the overall success of the Group

Source: Internal Company Documents**,** Paris

Figure 3. Induction Program - *"Meet the Group"*

After more than 20 years, the "Meet the Group" seminar has been given fresh impetus and will now reflect the growing size of the Group. The new program, which will be identical on every continent, takes the "Lafarge Way" as its central thread. These seminars target managers who have been in their jobs for between 6 and 18 months, whether they are recently recruited or have been promoted internally, along with managers who come into the Group as a result of an acquisition. The objective is to enable them to acquire a better knowledge and understanding of all the Group's businesses, the challenges it faces and its priorities for the future, to identify ways of implementing the Lafarge Way concretely, to help with the improvement of businesses by making use of Group best practices, and to develop a network beyond the frontiers of their own Business Unit and their Division people.

What has changed?

The new formula is highly interactive and is based on the participation of the group members, who are the leading players in their own training. Each session is sponsored by an operational manager who is the seminar leader, representing the Group and participating throughout the 3-day program, assisted by a professional facilitator.

The program is built on the following sequences: "Getting to know the Group", "Knowing the products and their applications", "The Lafarge manager" (a team leader and change agent, HR and career manager), "Improving the performance of our businesses", and "Creating value". After an "Exchange with the Direction Générale", the seminar ends with a sequence called "Proposals for the future".

Source: Internal Company Documents, Paris

Figure 4. Internationalization

Why Internationalize?

Internationalization is an essential strategic element. Its aim is to:

- Bring together the human resources necessary to take in hand the new activities and developments of the Group and the search for new opportunities. Taking into account our development objectives we want to double the number of managers in international situations in the next five years
- Diffuse accumulated know-how and expertise throughout the Group's diverse Operating units.
- Integrate men and women of different nationalities, origins and professions.
- Develop a management style based on networking in the different domains of the company's management
- Increase the awareness, within our management ranks, including non-expatriates, of the "international" reality of the Group's strategy, activities and way of functioning.

Whom to Internationalize?

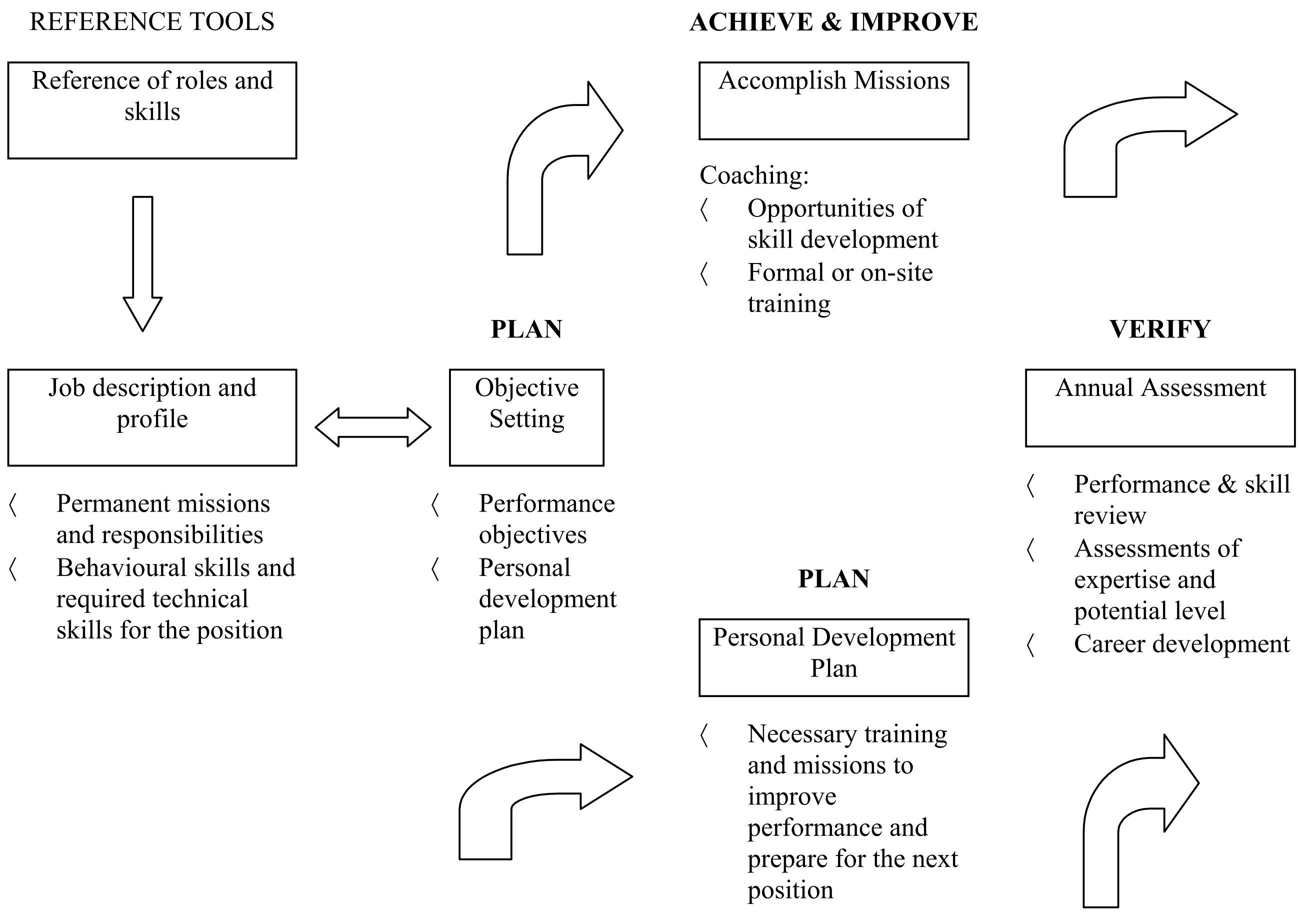
- Internationalization must be a success not only for the Group but for the person who is internationalized.
- Expatriates for international assignments should have a desire to go overseas and have a recognized level of performance. The priority us t offer career development opportunities to managers and experts who have an important development potential.
- Internationalization is not only reserved for technical people.
- It is also important to diversify the origins (nationality and culture…….) of expatriates in order to have the necessary human resources in place, avoid the difficulties of reinsertion in the home country and make up international teams who have good local roots.
- Internationalization also concerns the expatriate's family.

How to Internationalize?

- The Group has made a policy decision to encourage international exposure to greater number of employees as possible. Internationalization can take many diverse forms depending on the objective required:
- Classic expatriation for 3-5 year period in respect to career development
- Expatriation to professionals in order to respond to precise operational needs due to international needs of the Group
- Assignments of reasonably short duration

Source: Internal Company Documents**,** Paris

Figure 5. Individual Assessment Methodology: *Appraisal and Personal Development Plan*



Source: Internal Company Documents, Paris