# Building Sustainable Organizations through Restructuring: Role of Organizational Character in France and India

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## Abstract

In today's era of hyper competition and change, one of the crucial challenges facing organizations is to build sustainable competitive organizations. Changing environment necessitates a change in strategic initiatives. The change in strategic initiatives like mergers and acquisitions, new product and market strategy, joint ventures, strategic alliances, diversification, and outsourcing calls for organizational restructuring and emplace an integrative mechanism that cements this changes. Few empirical studies have been done to date regarding the role of organizational character during an organizational restructuring process. Organizational character which is embedded in the vision, mission, goals, values and leadership can be explained in terms of history, culture, collective memory, knowledge, politics, habits, emotions and policies of the organization. An extensive in-depth study of four large, complex manufacturing organizations and market leaders in France and India, support our belief that the role of organizational character defined by human resource policies and the linkage between the vision, mission, goals, values and leadership of the organization are the key success factors during an organizational restructuring process. Based on both specific policies and the actual practices as perceived by the top management (those who formulate those policies) and middle management (those that implement them), the article presents a contingency framework, which offers valuable insights of the role of organizational character during an restructuring process.



Key words: Restructuring, Organizational character, Human Resource Management, Change

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## Introduction

The current worldwide economic pattern is showing in a dramatic fashion how organizations across the globe are facing intense competition and change. Though globalization has pervaded most of the countries of the world it seems fair enough to suggest that markets of the world are coming together. Developed countries like France are facing the blunt of globalization whereas developing countries to cope with globalization have started to liberalize. Both globalization and liberalization entails changing hyper competitive environments. Organizations to cope with these changes in the environment restructure themselves to be competitive and create sustainable organizations. Markides and Singh (1997) [1] observed that organizations restructure in response to external forces such as globalization, deregulation and strategic innovation by competitors, to nullify past managerial mistakes or prepare for the future whereas Khandwalla (2001)[2] postulated that organizations restructure to turnaround from sickness.

## Role of Organizational Restructuring

Corporate restructuring is broadly used to denote significant changes in the structural components of organizations through conscious management action. Bowman and Singh (1990[3], 1993[4]) postulated that restructuring is aimed at achieving personal, financial, strategic and/or operational objectives and categorized corporate restructuring into portfolio restructuring, financial restructuring and organizational restructuring while Venkiteswaran

(1997)[5] differentiates restructuring into external (Asset-based/portfolio restructuring, financial/capital restructuring and changes in ownership structure) and internal (closure/sale for cost reduction and management/organizational restructuring). Portfolio restructuring involves changes in the configuration of businesses in which a firm is operating in through acquisitions and/or divestiture, financial restructuring include debt-equity changes, ownership changes like leveraged buyouts and management buyouts whereas organizational restructuring denotes changes in the organizational structure for increasing the efficiency and effectiveness.

Research findings (Bowman and Singh, 1999; Markides and Singh, 1997; Bowman and Singh, 1993, 1999; Khandwalla, 2001[6]) converge on the phenomenon of building sustainable organizations through organizational restructuring. Organizational restructuring could be by way of changing the vision of the future, changing the corporate culture, changing the management style, changing managerial mistakes by changing competitive strategies or human resource strategies.

In this article we focus our study to organizational restructuring which are changes in the organizational characteristics through conscious and planned management action. Khandwalla (2001)[6] defines restructuring as orchestrated systemic changes which is "not incremental, *ad hoc,* or partial…..nor a mere alteration of the organizational chart…..is a major realignment of the culture, vision, values, strategy, structure, management systems, management styles, technologies and staff skills".

The core argument in this paper is that dramatic shifts in the environment like globalization and liberalization creates an uncertainty in the environment. Uncertainty necessitates changing strategic initiatives like new product-market strategy, creating joint ventures and alliances, mergers & acquisitions which calls for organizational restructuring. We try to unravel the role of organizational character during the organizational restructuring process by comparing and contrasting four organizations in France and India. Our observation suggests that organizations which understands the significance of their character are more likely to navigate the seas of change successfully through restructuring by building sustainable organizations.

**What is organizational character?**

Organizational character in organizational theory literature is an enigma. Organizational theorists have tried to describe organizations in diverse ways. It started with Weber, Fayol and Taylor who thought organizations strived in pursuit of collective goals and operated writing a framework of logic later coined as "scientific" management. Speaking of organizational character Wright (1968)[7] described organizations as "contrived formal grouping of people in social system to cooperate in tasks toward specific goals exacted on the system as a whole from authority centers". Later organizational theorists described organizations as contingent where organizations shape themselves due to contextual forces that act as constraints (Thompson, 1967[8]; and Lawrence and Lorsch, 1967[9]), garbage can where organizations are seen as organized anarchy's and are meant to be vehicles for solving well-defined problems or structures in which conflict is resolved through bargaining (Cohen, March and Oslen, 1972[10]), loosely coupled (Weick, 1976[11]), adaptive organizations following the rule of selection to survive (Hannan and Freeman, 1977[12]), isomorphous and mimic successful organizations (DiMaggio and Powell, 1983[13]), closed systems driven by their own goals, needs and resources (Pfeffer and Salancilk, 1984[14]), fairly stable systems punctuated with few episodes of change (Tushman and Romanelli, 1985[15]) and of networks

(Morgan, 1989[16], Nohria & Eccles, 1992[17]). Summarizing, Bouchikhi (1998)[18] beliefs that organizations are best defined as social spaces continuously torn by members in multiple and contradictory directions such as differentiation-integration, cooperation-competition, conservation-innovation, control-autonomy, and expansion-contraction.

While organization theorists have tried to explain the divergent perspectives of organizations an adequate explanation of organizational character is yet to be proposed. Synthesizing the views of different organizational theorists it seems fair to define organizational character as a mix of differential aspects in which the organization functions and integrative aspects that binds the organization together (Khandwalla, 1973[19], 1977[20], Lawrence & Lorsch, 1967, Miller & Friesen, 1984[21]). The differential aspects encompass vision, mission, goals, values and leadership which can be explained in terms of history, culture, collective memory, knowledge, politics, habits, emotions and policies of the organization. The integrative aspects can be defined as culture and climate of the organization, style of top management, co-ordination & liaison activities, formation of committees, cross-functional teams, communication and control systems.

**Globalization and Liberalization: The Hyper-Competitive environment in France and India**

The global business environment is in a flux. The definition of 'globalization' is a moot point in academic literature. An economist based definition views globalization as integration across national boundaries which yields the potential for firm-level economies of scale and/or global brand. Giddens (1999)[22]definition is much broader in scope, when he defines globalization as "the worldwide interconnection at the cultural, political and economical level resulting from the elimination of communication and trade barriers". Though it is a moot point. Rugman and Hodgetts (2001)[23] broadly agree that simply it can be described as providing the same output everywhere. To provide the same output everywhere organizations are competing with themselves across and within their borders. This intense competition is what we describe as hyper-competition. With the creation of the European Union (EU) France like other members of the EU is facing intense competition. Smith (1998)[24] reckon that with the pressures of global competition, which require increased economic efficiency often accompanied by massive layoffs, France chose a "market-adapting" approach which entails an increased role of the market and a gradual increase in competition for previously sheltered sectors in combination with measures to cushion the effects of the consequent job reductions.

Economic liberalization started in 1991 with a balance of payment crisis and fuelled by long-running fiscal deficit. The then government of India introduced reforms designed to decrease government control in the economy and move towards an increasingly market based economy. India started its phased economic restructuring to provide domestic organizations the time and competencies to face greater competition. With this wake of decreasing government control and impending liberalization corporate India started restructuring. A recently concluded study of 54 Indian corporate reveals that out of eight items of rated change in the business environment over the past five years, the four largest perceived changes were: greater turbulence in the product market environment characterized by many unexpected changes, more intense competition, greater buoyancy and growth potential and greater requirement for technological sophistication (Som, 2002)[25].

**Method**

The methodological approach in this study was to focus on a limited number of organizations which have reported in the business press and academic journals to have undergone organizational restructuring. Due to the exploratory nature of research on organizational character and its role in organizational restructuring an in-depth analysis of four, large, complex manufacturing organizations and market leaders in France and India were undertaken. A deliberate choice was made to focus on depth rather than breadth (Mintzberg, 1979[26]) where description is the major goal.

Four organizations were examined in depth. The organizations were selected according to the following criteria:

- Large organizations who are leaders in their business were selected to provide complexity
- Only successful organizations who have undergone restructuring, were profitable and were growing at a steady rate was considered
- Organizations who were willing to participate in our study

An important methodological question that needs to be addressed is why organizations in France and India. A research context of both developed economy and an emerging economy which are facing globalization and liberalization choice of this two countries were convenient. An organization belonging to a developed country is a benchmark for its competitors from the emerging economy (issues that have already been faced by organizations from a developed country could be faced by their emerging economy counterparts in the future when market develops) whereas it is important for the same organization to be fully well verse with the market, systems and practices in the emerging economies. The purpose of using two countries for case studies was the scope of an anchor for country modeling.

France was the last country to liberalize in Europe through privatization during early eighties, where government interventions were high, similar to that in India. India started its liberalization process in 1991. The issues that have already been faced by organizations in France which could be faced by Indian industries in the future.

The companies that we studied included: Bharat Petroleum Corporation Limited (BPCL), a former subsidiary of Burmah Shell, which was nationalized several decades back and a highly competitive and profitable government-owned oil company in India. EDF the last major state-run electricity organization in France, which enjoys a domestic monopoly and a highly profitable organization. Clariant, a subsidiary Clariant AG, Switzerland is a leading player in the specialty chemical business and has been consistently improving its market share. Renault the state-owned automobile organization which has a joint venture with Nissan of Japan, reported in the academic and business press as a story of successful organizational restructuring.

A two pronged methodology was used to study the four organizations described. First, articles and documents concerning each firm were reviewed such as documents from the firm, annual reports, industry and 10K reports, industry analyses and data regarding differential aspects such as vision, mission, goals, values, leadership, history and policies of the organization
Second, semi-structured interviews were carried out, wherever possible, the executives focussed on the history of the organization, nature of business, competitive environment, collective memory, knowledge, politics, habits, emotions, culture and climate of the organization, style of top management, co-ordination & liaison activities, formation of committees, cross-functional teams, communication and MIS & control systems.

The data were analyzed based on the review of formal documents, information reported in the academic and business press and interviews where ever possible. A case analysis of each firm was then completed. This summarized all the organizational character of each organization focussing on the globalization and liberalization process, environmental constraints, strategic initiatives, organizational restructuring process, human resource processes and performance parameters. The data from the interviews were analyzed objectively and corroborated by comparing and contrasting across secondary data across the organization.

## Results: The Role of Organizational Character

### BPCL

BPCL is a petroleum refining and petroleum products company and operated in India under the administered price regime. It was nationalized by the Government of India in 1976. The former subsidiary of Burmah Shell started to restructure in the late 1990s. The restructuring decision was put in place in response to impending deregulation of the hydrocarbon sector and making BPCL ready for competition by making it more customer savvy. The deregulation of the hydrocarbon sector in India was started in mid-1990s and was scheduled to be fully deregulated by 2002. With an annual sales of about US$ 8 billion, the large, complex organization started its process of organizational restructuring in mid-1998 with the help of Arthur D. Little, an international management consultant of repute, which unlike others operating in India, strongly emphasized innovation, linkage between vision-mission-goals-values-leadership together with particpative management (Som, 2002; Khandwalla, 2002[27]).

The top-management first sought to rethink about the vision, mission and goal of the company. They formed a Project Group with over 30 people drawn from all the functions and regions with a GM as leader. It was called Project CUSECS, abbreviation for customer satisfaction. Together with the top management almost 3000 managers and stakeholders participated in the exercise to re-look and redefine its own organization character in terms of differential and integrative aspects. The consultants compared the vision-mission-goal statement was of the top 30 managers with the 3000 odd stakeholders and a common vision-mission-goals statement accepted to all was developed.

From an administered price controlled environment where there was no competition now the main thrust area was better customer service, profitability, creation of SBUs and dividing the organization into regions. The restructuring of BPCL saw the change of the organization structure from a functional one to one that of divisional one with strategic business units. Six internal teams were formed to report on the structures of the five proposed SBUs - refinery, industrial/commercial, lubricants, LPG (cooking gas cylinders) and aviation and for support and management services. This resulted in an Change Plan (of 1600 pages) which redefined compared and assessed the past, current reality and the future scenario. The Change Plan spoke about the history of the organization, the shift in the culture that is required for the organization, and policies of the organization. It incorporated the changes in the organizational values that was envisaged by the 3000 odd stakeholders and provided a guiding map for each of the SBUs, the vision for each of the SBUs and how the vision can be translated into realty.

The Change Plan spoke about the integrative changes of culture and climate of the organization. An action plan was developed to transform the organization harping on customer satisfaction. The conservative and bureaucratic style of top-management was questioned (which was operating till 1995 before the deregulation started in the industry) and emphasis was given on organic, professional and particpative management. BPCL acquired two refineries to expand its existing refining capacity. It launched innovative products like petrocard (to earn petro miles), ebharatgas (online customer service) etc. Several JVs, new R&D centers are being developed Co-ordination, liason activities and cross functional teams was revamped after the restructuring. Management councils  have been put in place for co-ordination between the Board of Directors and stakeholders. Consistent communication policies have been formalised to the rest of the organisation in terms of strategy, plans, progress, policies, standards, and receiving suggestions and feedback. Control systems was overhauled. The company's operating systems and communication has been integrated through a centralized computerized system which is connected to the ERP, SAP.

With the overhaul of organizational character during its organizational restructuring once a conservative and bureaucratic organization now is more resilient, flexible, innovative and participative. Human resource policies have been revamped to facilitate the restructuring process. BPCL was ranked among the top ten employers in India who had really charged the emotional and intellectual energy of their employees. BPCL's effective value-based HR processes for development of people and their organisational capabilities with a view to provide them with a competitive edge and also to realise their personal vision in tandem with the corporate vision. The thrust areas included:

- Performance Management which links business goals with individual performance goals
- Recognising competencies and capabilities of the staff through Competency Modelling to help identify and place the right person in the right job
- Identifying competency gaps and bridging such gaps through appropriate training and developmental programmes

- Multi-skilling to encourage employees to take up new initiatives in the areas of Enhanced Fuel Proposition, Add-on Stores, One Stop Truck Shops, Grocery and Fast Food Stores.

Bharat Petroleum has been conferred the National HRD Award - 2000 by National HRD Network for making Outstanding Contribution to HRD. At the National Petroleum Management Programme (NPMP) on Excellence in Creativity & Innovation (1999-2000).

The post-redesign performance of BPCL speaks for itself. The gross sales have doubled from Rs. 4.3 billions in FY97 to Rs. 7.2 billions in FY2000. BPCL became a place proud to be in and a great place to work.

**Clariant**

Clariant (India) came into existence, on July 1, 1995, on account of de-merger of Sandoz (India). It is a 51% subsidiary of Clariant AG, with its headquarters in Muttenz, Switzerland - a leading player in the global specialty chemicals segment. Clariant (India) operates mainly in two specialized divisions - Textile, leather and Paper Chemicals (TLP) and Masterbatches. The TLP division of the company comprises four independent business units - textile chemicals, textile dyes, leather and paper. With the de-merger there was turbulence in the organization, deficiencies in managing the new organization and uncertainty about the future. A veteran Mr. Prakash R Rastogi, having a background in marketing and corporate planning took over as the CEO of the 1500 strong organization. In its quest for being customer focus, product innovative and competent in providing solutions to customers through process know-how and expert technical service, the organization started restructuring itself.

A new vision and identity was created by way of participation of 170 key executives. The main question they wanted to address is how do they perceive their organization three years later to its stakeholders. What evolved in this exercise was a shared core value which denoted a customer-focussed organization with the mission of being quality-driven. During the restructuring managers at Clariant (India) Ltd., had several new areas of responsibility despite the unfamiliarity of the task. Several efforts were initiated by the top-management to reduce the uncertainty. A top-down communications program was launched explaining the change process and feedback was solicited from the employees about the change process. The top-management visited the factories to have a first-hand contact to see how the change process was continuing. The once hierarchical, functional differentiated culture was slowly and effectively dismantled by a program that guided the restructuring process. Transparency was considered a part of the core value. Executives could share information horizontally and vertically throughout the organization. Priorities were set and reviewed every month.

This transition process was guided through the CLAP (CLAriant Participation to improve Profitability through Performance and People) program. The genesis of CLAP was  from the expression of success, the hand – CLAP, signifying active participation and involvement wholeheartedly by people. The CLAP program was inculcated to "change the mental process" as the situation at the time of the demerger there was certain amount of uncertainty and fear – the fear of change. The program focussed on ideas like - From "We & They" to "Do It Together"; From "Top Down Close Communication" to "Up Down Open Communication"; Production not as a Cost Center but part of a Value Chain; From "Control" to "Leading & Managing". Key elements of business strategy was defined as "to provide solutions to customer's problems". The organizational competence was tried to be build through involvement and development of people as well as installing effective systems for improving productivity & quality. The strategy of change – was “To unlearn the past and adjust to new realities”. It involved direction, organizational climate for involvement and participation, communication & transparency. They attributed “Velocity of change = Energy X People”. The CLAP program activated suggestion from the employees in a questionnaire “You Tell Us”. To increase motivation Goal Setting program were started. It is conducted at the beginning of the year where corporate goals are broken down to functional goals and the individual goals. This is followed by setting of corporate and functional priorities on a monthly basis where by 230 executives set 4 priorities to bridge the gap between the business and organization focus. Then quarterly target meets takes place where the goals, priorities are committed and reviewed. In line with changing external and internal environment the three new focus of CLAP are 3Ps – Think Processes, Work Through Processes, and Increase Proficiency.

This active involvement and participation was to strengthen the business focus in all support function. The organizational transformation program focused on developing individual as well as functional competence towards releasing increased customer satisfaction. Stakeholders were invited to the factories to suggest methods of improvement and provide greater accountability. To build the bridge between managers and workers, separate canteen system was abolished. Together the managers and workers communicated their concerns, their apprehensions of Clariant's transformed character to the external stakeholders. Cross-functional teams paved the way of better understanding between departments and the end-users. The needs of the end-users were understood better and complexities were getting simplified with speed and service.

All the programs are spearheaded by the HR Department. The Personnel Department was mostly involved with administration but now it was supposed to be playing the role of a catalyzer, supplier of information, facilitator and a developmental role. It was no longer a maintenance job as it used to be before. It is tuned to developing human capital through training and enhancing skills of people. The HR tries to identify organizational capabilities and sustain business competence through people.

The success of CLAP program is testified by the fact that the employees who were once handling multidivisional responsibilities demonstrated remarkable flexibility in unlearning the past and adjusting to new realities. Possibly because of its sustainable initiatives during restructuring, Clariant India has announced a 24 per cent increase in net profit at Rs. 502 million for the first quarter ended June 30, 2001 as against Rs. 406 million in the corresponding period last year. Sales turnover was up at Rs. 7296 million (Rs. 6481 million). Addressing shareholders at the company's annual general meeting (AGM) in Mumbai, Mr. P. R. Rastogi, managing director, said that Clariant has been able to perform well in a tough industry environment which has been recording negative growth.

**EDF**

EDF has 31 million customers, a sales revenue of over 34 billion Euros (including 23% outside France) for a power output of nearly 470 billion kWh which makes the EG Group one of the world's leading energy groups. Since its creation in 1946, EG Group has been responsible for generating, transmitting and distributing electricity throughout the country. After the Liberation, under the Act of 8$^{th}$ April, 1946, EG Group replaced the odd thousand private companies to a public undertaking with an industrial and commercial nature. The fusion of numerous companies into a single entity was a difficult challenge. Roger Gespard, who was the general manager from, 1947 to 1962, successfully carried out this ardous task. With the change in environment from a strong state ownership to widespread privatization, liberalization of the economy, increasing pace of M&A and hostile corporate takeovers EDF decided to restructure itself to brace with the competition in the European Union and emerge as one of the major players in its field.

EDF is the last major state-run electricity monopoly in the EU and while enjoying its domestic monopoly it has taken up an aggressive strategy of growth by acquisition in the neighboring open markets. Some of the major acquisitions of EDF in the past few years are in the UK (London Electricity, SWEB), in Italy (Montedison) and Germany (EnBW). With its current international portfolio and bracing globalization, the once state-owned French organization announced its restructuring plans on the 18th of January, 2002.

Barsoux and Lawrence (1991) in their study of eleven large and medium sized French organization came to the conclusion that,

> "Management is France is a 'state of mind' with 'cadres' from 'grandes ecoles' making the cream of the French executives…… French managers see their work as an intellectual challenge, requiring remorseless application of individual brainpower. They do not share the Anglo-Saxon view of management as an interpersonally demanding exerise, where plans have to be constantly 'sold' upward or downward using personal skills. The bias is for intellect rather than action……Communication or interpersonal skills are tacked on at the end, if they appear at all…..France has a long tradition of centralization, of hierarchical rigidity, and of individual respect for authority….and the helm of French companies is the PDG, who decides, executes and controls the company policy…..There is a clear connection between the intellectual

manager and organization centralization. Senior executives in France believe that they owe their high position to their intelligence and cunning. It therefore follow that they should be told everything so they can check other people's decisions. …"

Som (2002) in his study of the redesign of two French organizations had similar findings regarding the role of management during restructuring. Though lot of improvements have taken place in the last decade in terms of internal and external communication, internationalization of organizations and HR, still much effort needs to put forward in terms of decentralization, communication, role of 'cadre' and old-boy network from 'grand ecole' for better, fast and efficient decision making process. With this 'state of mind' it seems to be an challenging task for a restructuring process to be visible.

The restated mission of EDF emphasizes on individuals and groups to help EDF optimize energy efficiency, while conserving natural resources and reducing pollution, to meet with exponential demands of a growing population without threatening environment. The goals focus on strong profitability with impending privatization, innovation for all stakeholders, continuous economic and environmental development with solidarity and corporate social responsibility on the basis of social cohesion.

The new management structure implemented is organized around group activities within seven branches according to synergies relating to either geographic markets (Central Europe; Western Europe, Mediterranean and Africa; America and Asia-Pacific) or business expertise energy, sales, joint-services). The branches and divisions are profit centers with assigned objective at economic, social and environmental levels. Keeping with the synergy in mission the goals for the restructuring are to improve speed and efficiency to market, achieve sustained profitability, focus on core skills and businesses, build an integrated energy company in Europe and to create a strong common purpose and corporate responsibility. To facilitate the change process cross-cultural top-management teams are being set up which deviates from the generalized findings of Barsoux and Lawrence (1991)[28]. Tow out of seven branch managers are foreign. Bo Kallstrand, Swedish by origin and Director of Western Europe, Mediterranean and African Branch speaks eight languages and Fernando Ponasso, an Argentinian, Director of the American Branch participates in top-management teams.

The organizational character of EDF has a long lasting policy implication on the restructuring program. Modifying and changing the organization structure is time consuming, especially when it involves changing the deeply embedded organizational culture which is linked to the national culture. All the stakeholders has to participate and be involved at some point in the restructuring program and the cost of implementation seems to be very high with downsizing of workforce, creation of international competencies and internationalization of EDF, and shift from a hierarchical, bureaucratic, technology oriented mind-set to that of market-driven commercial culture.

EDF now operates under uncertainty. The shift from a monopolistic environment to that of a growing concurrency with that of worldwide actors is the key concern. The first challenge is time and EDF has to be responsive and efficient in handling risks. The risks are in terms of all the stakeholders in general and specifically with the employees who are working under uncertainty without being able to align themselves with the newly formed goals of the organization of sustained profitability, innovation, economic development and social responsibility. The second challenge is in 2004, when the energy sector will be deregulated and the organization faces partial privatization and has to compete with new entrants. EDF has been state owned and the organization had looked for nation-wide consensus in the past as has been the culture of state-owned enterprises in France like SNCF, Air France. The majority of French people doesn't approve of changes in "their" electricity company and changing the public-opinion is the next challenge. As with most restructuring programs, the change agent and the support of the top management is crucial (Kotter, 1995; Ulrich, 1997). The process of making the employees accountable and responsible for the results is the third challenge. The transition from the "old" way to the "new" way is difficult with the old-blood as they might perceive the "new" ways as a threat to their methods and rules of working which has continued for generations. The fourth challenge is to cement the idealogy of profit-center, performance based pay and decentralized working environment. In France, most employees are habituated to life-time employment and favours higher quality of life (35 hour week) instead of higher pay. The implementation of a performance-based compensation system will possibly be perceived as a threat to most employees. The fifth challenge is the role of unions in negotiation. The collaboration with unions in EDF, as in most French state-owned enterprises, are crucial for any change especially changes like restructuring which involve rightsizing (Som, 2002).

EDF unveiled a 26 per cent slump in net profit to €841 million (£526 million) in its end-of-year figures in FY 2002, caused mainly by the group's exposure to the Latin American markets. Foreign exchange losses in Argentina and Brazil drove the company's operations in those countries into a loss of €545 million. Group turnover was up 18.3 per cent to €40.7 billion. Sales outside France rose 35 per cent. The company has a target of 50 per cent of its business coming from outside France by 2005.

**Renault**

The story of Renault is the story of a man with an unusual destiny. Back in 1898, Louis Renault, a keen mechanic, decided that he preferred dirty oil and complex moving parts to the fabrics and buttons of the prosperous family business. He started one of the famous automobile companies in Europe, more than 100 years old, in Paris, amid the profusion of technical discoveries that took place at the end of the 19th century. Renault is the parent company of the Renault Group and the principal operating entity for passenger cars and light commercial vehicle businesses in France.

Renault's vision has been profitable growth worldwide. The alliance with Nissan of Japan has transformed Renault from a local player in the European market to an international major. The new vision of Renault translates into the mission to continue to advance on all fronts, notably in the New Distribution system, and integration of e-commerce within the business strategy, both of which are seen as a strategic challenge for the group. Delivering high-quality products and services at the best price and increasing customer satisfaction while consolidating shareholder confidence remains the key business focus. To synergise with the new vision and mission, the core values of the Group were expressed in three words - Bold (Liberty of Speech), Visionary (Creativity & Innovation) and Warm. Since business conditions were becoming increasingly complex and competitive with rapid changes in the automobile market, particularly in the field of emergence of new contenders, new technologies and growing power of the electronic media  Renault decided to restructure its operations by cutting costs, internationalizing its workforce, becoming customer-driven and focussing on innovation.

Renault, started its restructuring process in 1998, just prior to its alliance with Nissan of Japan. The motto of redesign was to be profitable and competitive. Sales & Marketing, Distribution and Human Resource departments were the key areas where redesigning initiatives have been taken right from the beginning. Creation of two new entities to broaden the notion of service and incorporate the functions of the former after-sales department, was an important step taken by Renault right at the beginning of the redesigning process in 1998. The new Service department supports Renault's offerings together with consolidating existing strengths and developing new expertise in areas like network engineering, relationship marketing and e-business. The new Distribution Project was launched at the end of 1998, to guarantee customers delivery of the car of their choice within two weeks of their placing their order, together with reducing the inventory by 50% at the end of 2001. Key themes during restructuring included international expansion and staff mobility, management of skills, resources, management development and implementation of the agreement on employment work schedules and reduction of work hours.

The top-most committee begins with Global Alliance Committee, jointly presided by Chairman of Renault and Nissan. Next are 12 cross-company teams where synergies are discussed between the two alliance partners. The investor relations department bridges the gap between Renault and its shareholders by means of transparency, quality of information and equality of treatment. Renault pursues an active communication exercise with its internal and external stakeholders, providing information and visibility through regular contacts and innovative ways of communication. Suggestion scheme was overhauled at Renault, in collaboration with the trade unions, in an effort to reach an agreement on fostering Renault employees initiative and creativity. In 1999, 4.2 suggestions per employee were registered and implemented in the Automobile Division, generating savings of 62 million Euro in the first year of application.

Rapid changes in both scale and international scope of business required Renault to pursue in-depth changes in habits, organization and management processes. One example in that direction, is a special effort is being made to develop foreign language skills, particularly in English which is now the official language of the Renault - Nissan alliance. All new recruits are required to achieve a score of at least 750 on TOEIC (Test of English for International Communication).

Renault is pursuing a strategy of profitable growth. In 1999-2000, this resulted in worldwide sales reaching record levels of 2.4 million passenger cars, revenues amounting to 37.6 billion Euros and operating margin of 2.2 billion Euros. This was a 7.3% rise in revenues, 15% rise in operating margins compared to FY 98. The share prices rose 25.1% at the end of the Jan 2000 at a price of 47.86 Euros.

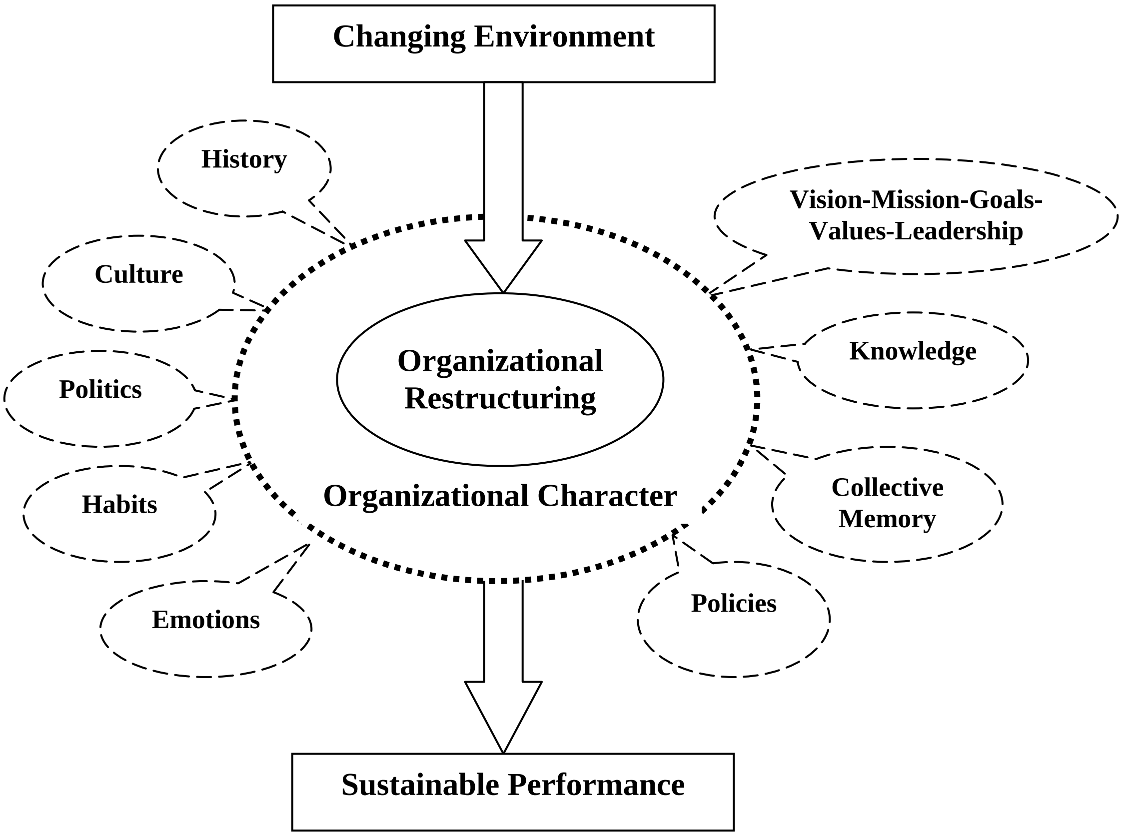
**Discussion**

Conceptually research based on organizational character is sound but there are also serious limitations. First, the concept is diffused and sometimes an elusive abstraction. It deals with everything and is related to everything. Secondly, a vast number of variables are involved and to do justice to even a fraction of the variables needs enormous amount of data. To do a quantitative modeling even the most complex simultaneous equations would defy logic. Perhaps this is why case study methodology is better suited in this arena. Also, perhaps our knowledge is incomplete and too divergent on the taxonomy of the critical variables that shape the character of the organization.

Based on the four case studies of BPCL and Clariant from India and EDF and Renault from France, we hypothesize that changes in environment like liberalization and globalization necessitates a change in the organizational restructuring process for sustainable performance (Figure 1). The sustainable success and/or failure of the organizational restructuring process is perhaps linked with the organizational character of the organization. When there is a radical shift in the environment as the role of organizational character becomes critical as the character defines the path that the organization ultimately takes. Managers hence should continuously access the degree of fit of the restructuring process and the organizational identity of the organization. Both BPCL and EDF are organizations that are state-owned and represent traditional sector of oil and energy. To restructure the organizations in the face of liberalization and competition the process that the organizations have taken are entirely different. BPCL tried to achieve a participative, stakeholder view of restructuring while EDF tried to take the hard, logical, rational way. Clariant, a de-merged multinational company broke away from the traditional structure and tried to restructure itself in a participative way by involving its stakeholders while Renault, an epitome of French state-owned organization, after learning through mistakes for the past two decades took a stakeholder view of restructuring. The results are still evolving but there is a definitive trend that powerful organizational characters require powerful leaders who articulate a simple, consistent and compelling vision, mission, goal framework for its internal and external stakeholder.

There is a saying in China that "the only way is that there is no way" and it is yet to be tested which is the right way during an organizational restructuring process.

Figure 1. Building Sustainable Organisations



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