

# ALTRAD

**LES CHEMINS  
DU POSSIBLE**

CHARTRE DES VALEURS

**PATHWAYS TO  
THE POSSIBLE**

A CODE OF VALUES







# LES CHEMINS DU POSSIBLE



ALTRAD GROUP

PATHWAYS  
TO THE POSSIBLE

A Code of values



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## Frame of Reference

This Charter is a unique feature for an international group. It aims to promote the culture of the Altrad Group, in particular:

- its agile and original matrix organization, able to cope with both upswings and downturns of the market;
- entrepreneurship and the principle of subsidiarity through the autonomy of subsidiaries;
- development, sharing and innovation through progress units (see box on page 345);
- its techniques for securing a strong group, based on robust cash management\* and reporting\* processes;
- the value attached to cultural differences.

Since the first edition in 2006, the Group has been transformed. New subsidiaries have been acquired with remarkable know-how that has been totally or partially integrated into Group functions. The changes of dimension of the Group and its new experience have caused certain practices to evolve.

This Charter of values is an evolution of the original Charter. It is written in the continuity of the first edition.

This book is organized into three parts to allow different levels of reading and facilitate the dissemination of the ideas and rules that are contained therein:

- The first part describes what the Altrad Group is in essence. This is a first reading level essential to a new arrival – whether subsidiary or associate.
- The second part presents the fundamentals of Altrad management, the framework in which the actors operate. From the holding company\* to the subsidiary, the company head to managers, everyone is concerned by these “free or imposed figures” of the Altrad Group.
- The third part focuses on the way the Altrad Group is organized. We define in detail the matrix organization of the Group, the roles and responsibilities of the different actors: the holding company and its departments, subsidiaries, progress units...

This structure in separate parts is designed, like the operation of the Group, to respond to a need for “agility”: access to quick information (point vision) while keeping the essential global vision. There is, in fact, some overlap. It aims to create meaning and bonds between the various links in the chain of the Altrad Group.

## Preface

*The desert cannot be visited. Only lived. For some it tells fables of sand. For others, it is mute, silent and indifferent to moods. For some it is the soul. It is a return to the source and a source of inspiration. It is author and poet, an inventor of chimeras, a purveyor of legends. For some, the desert is like a second birth. It gives them birth.*

*For others, the desert is nothing but a large cemetery. It buries them.*

*For some, it represents purity, the absolute. For others, it is suffering, sin, hell. Indeed, the desert is an exceptional indicator of human character.*

JACQUES LANZMANN  
*L'empire du silence*

To understand the unique nature of the Altrad Group it is necessary to understand the personality of its founder, the man who leads it today.

The story of Mohed Altrad is firstly a human story, a story that combines the desires of a child with the courage, competence and intuition of an entrepreneur.

Indeed, as with any human history we need to look at the origin of a journey that may, without emphasis, be called romantic or, in any case, exemplary.

Born into a nomadic tribe in Syria, Mohed Altrad was soon to become an orphan. The desert and poverty were his first companions. Difficulties of all kinds weighed on a particularly difficult and lonely childhood.

Mohed Altrad gained strength from this situation that put him to the test and forced him to meditate.

This Badawi (Bedouin), who today enjoys both economic and literary success, was denied access to school. But he had a taste for work and wanted to succeed. It needed great strength of character to pursue his studies in the nearest town and obtain his Baccalaureate at age 17. Known for his qualities and his determination, he won a scholarship that allowed him to study in France. Thus began an academic career that led, after several degrees, to a Ph.D. in computer science.

Occupying successively the positions of engineer at Alcatel and Thomson, he worked for four years for ADNOC (Abu Dhabi National Oil Company).

Back in France, he founded, with a partner, a computer company that was sold to Matra. Through this sale, in 1985, he bought an SME specializing in scaffolding in the Hérault. In this Department and from this operation, the Altrad saga found an origin, a foundation and territory from which it would flourish on all continents.

It is in this period that a taste for enterprise and innovation arose and developed in this man. Thus, after being a wage earner, after creating a company where he invented the first mobile system (in a case) for remote order entry, success led him, as previously stated, to the Matra group.

He then took the decision to reinvest all of the proceeds in the Mefran project that would become the Group of today.

Already the foundations of the company that bears his name were based on the principles and action that would mark his public and personal life: a taste for encouraging initiative, commitment to collective work, the development of an original

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concept of management, but also a focus on sport and a passion for literature.

We need to pause for a moment on this last point. Because it is rare to encounter a man who both runs a large international company and who also publishes successfully (through the publishers Actes Sud) books with real literary qualities. Badawi, Mohed Altrad's first novel, has been recommended to French students by the National Ministry of Education. Teachers have made a DVD to accompany this autobiographical work, where we discover that the author had to teach himself to read and has constructed, from the memory of the desert of his youth, a vision of astonishing acuity about the world and about death.

And then other books followed: *La Promesse d'Annah* ("The promise of Annah"), *L'Hypothèse de Dieu* ("The hypothesis of God")... Mohed Altrad speaks with a voice that we like to listen to about this East that we call "Near" because in fact it is a part of us.

Presence of the other, lucidity and detachment from death and its inevitability, all this can give the appearance of hardness. From reading this we understood that life – which is a form of resistance – sometimes takes the most surprising paths. We learn too – this is the law of the desert – that resources are always scarce and that their management is the challenge of survival.

And then there is sport and Montpellier Hérault Rugby Club, of which Mohed Altrad has become President! This club is an unexpected arrival in the entrepreneur's world. In fact it is only seemingly unexpected because rugby is probably, in its nobility, the sport whose values are closest to those that should or could be the values of the company. Here again, the man made his mark by overturning the existing order of things and knowing how to surround himself with the talents he needed. Initially he was a partner in this venture with Louis

Nicollin, the emblematic football Chairman of Montpellier Hérault Sport Club. However, they soon parted because of a divergence of views.

Mohed Altrad has invested in rugby using his personal funds, thus avoiding his personal choices causing any risk to his business. He opted for sound financial management of the club and a business model that is at odds with the mercenary logic of some Top 14 clubs. Indeed, Mohed Altrad runs the club as a business, that is to say a complex team founded on financial rigour and plain speech. The sports world is not accustomed to this. His interviews in the sports newspaper *Midi Olympique*, popularly known as *le Jaune* (the yellow one), always create a stir as they are committed and sometimes controversial.

Finally, it is unusual for an entrepreneur to leave space for the emotional and personal sphere but it is primordial for Mohed Altrad. He has installed his headquarters within his own property, in an adjoining outbuilding, in order to live with and near to his relatives and to be able to see his children grow. The Group's holding company takes the form of a family home where everyone knows one another, people listen and life is good. Imagine the surprise of bankers when, during negotiations, his granddaughter pushes open the door and comes in to disturb things without this bothering the President. Once the surprise passes, misunderstanding changes into sharing and conviviality. Because such is life: surprising and generous... Life within the Altrad Group definitely favours the real over the apparent.

A complex man? Certainly! But isn't that an asset? Because in his character, born of a singularly testing life, there is a large dose of pragmatism, an extremely operational vision and great concentration that all his co-workers and all his partners both inside and outside the company find striking. Indeed, what this man will never forget is that what the desert has given the world is silence, and that all spirituality, all transcendence, are derived from this silence.

High standards; the words come spontaneously to mind: setting high standards for oneself, each person being the entrepreneur of his own life, but also expecting them of others, without whom nothing can be done.

This obsession with “the other person” (whether customer, vendor, employee, fellow worker or someone to whom one “passes the ball” so he can make the group succeed) is one of the hallmarks, and without doubt one of the most striking hallmarks, of the strategy of the company and the quality of its management.

“Affable but remote” according to one of the main evening newspapers, Mohed Altrad diverges from the business or political world to assert rules in which he believes, simply because they are understood, practised and respected by the whole Group, who see in them, the reason for its success.

Whether within the holding company – a very small team compared to the number of subsidiaries – or in the subsidiaries themselves, the rules are demanding, dry and simple: the principle of subsidiarity, rigour about results and behaviours, trust (but rejection of procrastination), individual responsibility, respect for interlocutors.

Company head, writer in exile, anxious to assume a true discretion, Mohed Altrad, according to Jean Delrieu, an adviser to the Group and former external auditor, “embodies the Group and has transformed his life into a destiny. I think that he has also diffused about him, a spirit of conquest that is not unlike what, in rugby terms is self-control, respect for others and the elegance of a collective game.”

FRANÇOIS LEOTARD



## Foreword

It all started, in a village in the Hérault, with a small company in difficulty, operating in a market sector in crisis – the building trade. I knew nothing about this sector, even less about scaffolding manufacture. Florensac! I remember the shock I had, coming from information technology and miniaturization, to discover factories which transform and treat steel with their presses, metal-forming machines, acid baths and heavy equipment – this world of pure force which I had to master. I did better: I learned to love the building trade!

In the following year, there was an opportunity for growth coming from the takeover of the assets of another local company and the creation of a subsidiary in Italy – a logic that became established over the next five years, at a rate of one or two acquisitions per year. Each of these, because it represented an opportunity rather than conforming to a pre-determined strategy, was a unique operation requiring special attention and a specific treatment and as such, each occupies a special place in my heart. Mefran, Socform, Mib, Mag, Etem, Sodetub, Ateliers de Saint-Denis – not forgetting any of the others that followed – will never be mere names on a list: they are individual entities, each with its own personality; they are the members

of a family, *our* family, better known today under the name of the Altrad Group.

The 1990s started with a deep crisis. Turnover declined and France was in recession. These were painful years but years when the human factor became particularly important. Obviously a company needs to be profitable – this is a minimum requirement for its survival – but it is above all made by and for men and women. For me, looking after our staff has been and still is the most important thing because without them profit cannot exist.

In this way, our family of companies was able to overcome this critical phase and was able, in 1993 to resume its development – this time abroad.

From the start, with the creation of an Italian subsidiary, I knew, without having prepared a detailed strategy, that logic dictated that, sooner or later, we would have to acquire companies abroad. But stronger still was the evidence coming from my own past and my own experience: in travelling from desert wilderness to urban civilization I have been able to measure the immense richness which can come from encountering a foreign culture, discovering it and learning to respect and love it. A company is not just – and this was my first discovery – an economic instrument: rather, it has a cultural dimension within its community, a dimension which it must assume so as not to separate itself from the men and women – and this was my second lesson – who are its flesh and blood. Thus it seemed doubly important to me – from both economic and human considerations – to extend the activities of the Altrad family internationally.

In this way, with the purchase of about a hundred companies or businesses across Europe and with the creation of numerous others, this family has become the Altrad Group. This is a logical development, in line with the past, but at the same time a step up in scale. Where, in the past, helped by experience, the arrival of each new member of the family could be rationalized

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and accelerated, this group status has meant more of the same, but at the same time, something new and unexpected. To grow, it is also necessary to change.

How to respond to this internal challenge? Following the line that I have always taken so far, I have proposed a dynamic principle, a principle of life and growth in which, the achievements of all being preserved, everyone is asked to open up to others and to seize the opportunity – and risk – of improvement.

The artificial barriers have now disappeared between our companies, and multiple transverse communications have laid the foundations for a mutual knowledge base that we should, now and in the future, discover and share within the Group. Unlike with earlier companies, hostages to their certainties and prisoners of their obsessions about identity, the spreading and blossoming of the companies in our Group is now opening the way to a new dimension, built on the attraction of others and the love of difference. Far from the feeling of purity, a factor which leads to exclusion, we should make this taste for diversity evident and give form to the fundamental plurality of creation. Now is the moment, amongst ourselves, to combine the one and the many, to define, outside our respective limits, the values needed to institute social skills and to make our imaginations work together to see new horizons beyond the frontiers of yesterday. And give another face to the future.

MOHED ALTRAD



## PART 1

# THE IDENTITY OF THE ALTRAD GROUP

## Understand the uniqueness of the Group

*There is no way other than the singularity of relentless diversification: never believe you have arrived, never stop making branches, which themselves produce tiny twigs.*

MONA CHOLLET,  
*La Tyrannie de la réalité* (2004)



## Chapter 1 DISCOVER THE ALTRAD GROUP

### 1.1 THE ALTRAD GROUP

Founded in 1985 by Mohed Altrad following the takeover of the Mefran company, the Altrad Group became a key player in the field of safe access solutions for industry, building and public works.

The Altrad Group sells and rents the scaffolding, props and shoring which it manufactures. It carries out erection and disassembly of this equipment as well as associated services such as insulation and painting. The Altrad Group is also market leader in the field of concrete mixers and offers a complete range of wheelbarrows, compaction equipment and tubular products for local councils. The Group has its headquarters in Montpellier, France. The Group is very well represented internationally. Its 6,500 employees are located in 16 countries and it has a commercial presence in over 100 countries.

The Group's services and products are marketed through its own brands characterized by a common logo and an umbrella trademark\*. The Altrad Group has more than one million customers worldwide and has made itself a reference through a wide range of products and innovative services. This privileged position allows us to adapt to any type of client and application and it also allows us to respond to an irreversible trend in

the requirements of distributors: the reduction in the number of their suppliers. The Group's customer base is diversified and composed of large companies, DIY superstores, builders' merchants, small craftsmen and SMEs and, more rarely, public bodies.

The innovative solutions offered by the Group enable our customers to reduce their capital investment (through rental) and refocus on their added value by subcontracting work other than their core business\* (assembly/disassembly, insulation, painting...). The Altrad Group thus plays the role of partner in the interest of its clients – something that is particularly appreciated in times of crisis.

## 1.2 THE MARKETS OF THE ALTRAD GROUP

### 1.2.1 In Europe, underlying markets on the path to recovery...

The markets for scaffolding, props, shoring, wheelbarrows and cement mixers are associated with four principal markets; new buildings, residential and non-residential; building renovation, residential and non-residential; civil engineering; industrial maintenance and new industrial work.

Except for the industrial sector, where demand has stayed constant, these markets have been strongly affected by cyclical shocks since 2008. A stagnation of the economy and the end of support for housing plans have been associated with hardening of the conditions of finance for households. This period has been marked by an increase in the ratio of mortgage debt in Western countries, inducing austerity measures and a reduction in public investment.

The European Commission foresees the beginnings of a recovery in the Euro zone for 2014, with a growth in GDP of 1.1%, and an acceleration in 2015 with a growth of 1.7%. This upturn is stronger in the United Kingdom, and an expected

growth of 2.2% in 2014 and 2.4% in 2015 validates, in retrospect, the Altrad Group's choice of developing this market strongly since 2011.

According to the Euroconstruct Institute, the various sectors of construction (residential and non-residential new construction, civil engineering, renovation) that have been significantly affected by the crisis since 2008 should experience growth similar to that of GDP from 2014. Industrial maintenance, relatively stable during the crisis, should grow at a moderate pace while new industrial work should – according to the BIPE\* – experience a catch-up effect.

1.2.2 ... which should favour groups who offer rental and services...

Rental solutions are attractive to clients in times of economic uncertainty. Insufficient visibility limits projects of acquisition of new equipment and tightening conditions of access to credit sometimes eliminates them.

Industrial groups tend to disengage from peripheral activities to concentrate on their core business, and as such seek out integrated access solutions for their new work (provision of equipment, rental, installation, dismantling, additional work notably insulation) and their maintenance operations.

1.2.3 ... particularly if they have an international scope

At a global level, the sector of construction and industrial new work should experience an extremely strong growth of more than 5% on average until 2020, according to a study by Oxford Economics.

This growth will come mainly from emerging countries, notably the “Asian Tigers” (India, China, Indonesia, Vietnam, Thailand, and Malaysia) and Africa (Nigeria), as well as (to a lesser extent) the Middle East and Brazil.

### 1.3 THE ACCESS SOLUTIONS OFFERED BY THE ALTRAD GROUP

The market for access solutions is mature in developed countries and is growing strongly in emerging countries. It is dominated by a few big players able to impose their standards (equipment not being, for the most part, compatible between manufacturers for technical or regulatory reasons).

Manufacturing of entry-level scaffolding, props and shoring was relocated some time ago to Asia and/or to low-cost countries\*. Generally intended for industry or major works, more sophisticated systems are manufactured in Europe for the European market.

Rental and services represent a local market in which is found:

- global industry and building services groups, for which scaffolding is one activity among others;
- many local actors, often family businesses.

With a few exceptions, manufacturers and rental/services companies are not structurally integrated.

### 1.4 THE CEMENT MIXER AND WHEELBARROW MARKETS

Three types of actors are involved in the markets of cement mixers and wheelbarrows:

- leaders, who have an international presence and who have strengthened their market positions through the acquisition of local players. These groups offer sophisticated products to professionals, as well as to retail customers;
- local players, who generally have a single production unit and who distribute their products to national retailers;
- Asian manufacturers, who address the entry-level market and who distribute their products globally and, in particular, in Europe.

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Today, Altrad is the world leader in the cement mixer market. We are also one of the main players in the European wheelbarrow market. Our main competitors are national players. Our main clients in these markets are professional, DIY and gardening superstores.

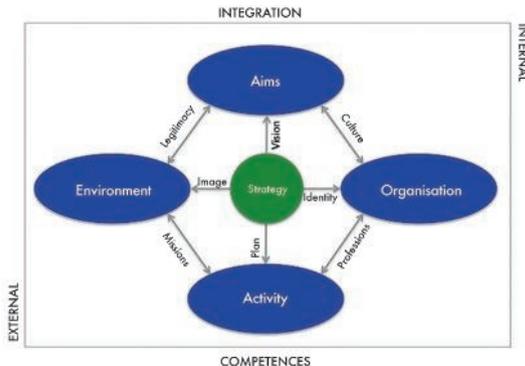


## Chapter 2 THE STRATEGY OF THE ALTRAD GROUP

### 2.1 BASIC PRINCIPLES

During the 2013 Altrad seminar, Henri Giscard d'Estaing, CEO of Club Méditerranée, described strategy as “a clear vision, a form of management and an organization that gives time (time which is not available if one is alone) to implement proposed changes”. This definition highlights the dimensions of sustainable development (within the stability of the Group) and vulnerability reduction, dear to Altrad.

A strategy takes into account four dimensions (goals; organization; environment and activities), which can be described using the following schema:



It consists therefore of piloting all the relationships between a company and its environment; this strategy allows choices to be made about actions intended to gain a sustainable competitive advantage.

Thus it can be described as follows:

- The Altrad Group activities are well known to all. Worldwide, the Group provides its customers with a complete range of solutions in the fields of scaffolding, props and shoring, concrete mixers and wheelbarrows.
- The Altrad Group aims to become world leader in all its business sectors, while preserving a strong return on invested capital, by providing the best products and services in the market and by increasing recurring revenues and profits. This is therefore a sustainable development objective.
- The Group has a singular organisation: it is composed of independent subsidiaries with a strong entrepreneurial culture and a head office in charge of strategic decisions, financial control and the implementation of cross-company projects. The matrix structure and relative lack of hierarchy allow interactive local management and transparent governance.
- The Group's environment is rather turbulent. It is characterized by a context of emergence from economic crisis, increasing competition (particularly from Asian countries whose prices are lower), significant fluctuations in the price of raw materials (steel, energy and even labour) and increasing regulatory constraints.

The strategy is driven by General Management through the holding company but it involves everyone. It is accompanied by progress units that integrate strategic issues into their deliberations.

The head of each subsidiary company has the responsibility of explaining and communicating Group policy so that the majority of employees understand and comply with it. It is in fact an element of motivation for the staff which increases

their involvement and their feelings of belonging and trust. In this respect, an internal investigation revealed that employees would like to have more information about the Altrad Group. Explaining the merits of the results achieved by the strategy in the past legitimizes the actions undertaken but also gives confidence in the future. A source of serenity, confidence and therefore of involvement, the credibility of the current and future strategies justifies the actions carried out and makes them comprehensible.

### **Progress units: an optimization tool**

Continual improvement of its processes is included in the Altrad Group's management philosophy. It is essentially based on progress units.

Composed of representatives of subsidiaries, matrix staff and external consultants, expert in their field, they are designed to work on specific themes so as:

- to develop the presence of the Group in its markets;
- to increase competitiveness;
- to reduce costs;
- to stimulate innovation;
- to preserve the unity of the Group;
- to favour communication with and the integration of new subsidiaries;
- to promote exchanges between staff and collaborative working.

Each progress unit is coordinated by a manager who is either a project leader or a Group manager depending on whether it is temporary or permanent in nature.

At present there are sixteen progress units of which eleven are permanent. The main issues looked at are:

- logistics: optimize logistic costs at Group level while improving the quality of service;

- commerce: solve the issues of internal competition, delimiting the field of action of each subsidiary;
- industrial problems: considerations about the optimization of production capacity and rationalization of existing sites;
- information systems: optimization and homogenization;
- services: coordinate the commercial approach to large customers and optimize the management of rental equipment stock.

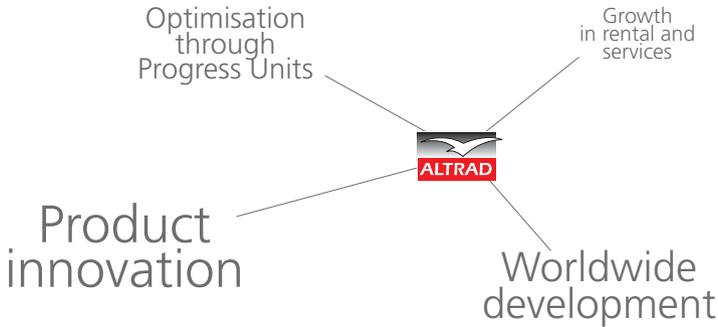
Through progress units, the Altrad Group is continuously looking for improvement levers to optimize efficiency and the profitability of invested capital.

## 2.2 MISSION AND VISION OF THE ALTRAD GROUP

The Altrad Group is implementing a strategy to become a world leader in its core businesses while maintaining strong profitability on invested capital and providing the best products and services on the market. Our goal is to reach a turnover of nearly EUR 1,150 million by the year 2017, while improving current rates of profitability and increasing the recurring revenues and profits of the Group.

## 2.3 THE PILLARS OF THE STRATEGY OF THE ALTRAD GROUP

The Altrad Group's strategy rests on four pillars described in the following paragraphs.



### 2.3.1 Worldwide development

The Altrad Group is present worldwide, but its position is especially strong in Europe. Within the European area, certain geographical areas such as Germany (for services) and Scandinavia are insufficiently covered by the Group and have interesting potential due to their healthy economic situation.

Southern Europe, in particular Italy, is now in crisis, and this provides the Group with opportunities to take strong competitive positions at an attractive price, in order to be able to take advantage of a future rebound.

The United States, the leading world economic power, represents a considerable market for our products and services.

The emerging countries have important growth potential especially for the Altrad Group because of their growth and size, their current underdevelopment in terms of scaffolding, props and shoring and the lack of competitors offering quality products that meet technical and security criteria.

Altrad has a strategy which aims at increasing our presence by acquisitions in those economic areas that are currently

insufficiently covered (parts of Europe, emerging markets and the United States).

Wider geographic coverage will allow the Altrad Group to have:

- an activity that is more regular and less exposed to cyclical variations in any particular country or geographic area;
- the opportunity of deploying our resources in areas of strong growth;
- the ability to support global customers, particularly industrial clients in the petrochemical and energy sectors;
- the ability to benefit from the competitive advantages of each country, especially in terms of the cost of production and sourcing\*.

### 2.3.2 Growth in rental and services

Through significant acquisitions, the Altrad Group has strengthened its presence in the sector of rental and services related to scaffolding, props and shoring.

The rental and services activities of the Altrad Group currently cover only a part of Europe, and we should be able to develop many other countries through targeted acquisitions.

The Group's deployment in rental and services allows it:

- to profit from an activity that is more recurrent and resilient than manufacturing/sales;
- to improve, via optimal geographical coverage, our responsiveness and presence for clients seeking integrated related services;
- to optimize the profitability of invested capital;
- to benefit from the synergies between production activities and rental/services;
- to optimize the workload and throughput of production plants.

### 2.3.3 Innovation in products and services

The Altrad Group invests heavily in the development and deployment of products and services with high added value.

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This is based on three complementary structures of research and development within the subsidiaries that allow specific work on technological innovations and products to be carried out:

- product design office: supports the development or modification of existing products;
- project design office: in charge of studies of work sites, load calculations, etc., so as to provide configuration solutions to Group clients;
- production engineering: in charge of the conception of the tools required by manufacturing to improve the productivity of sites. It is the interface between production facilities and the product design office.

The Group dedicates nearly 15% of its total resources to innovation, not counting the resources allocated to progress units.

The Altrad Group pursues an active policy in terms of innovation, which allows it:

- to differentiate itself from the competition otherwise than by price;
- to open new market segments that have unmet needs;
- to improve its competitiveness and its efficiency;
- to ensure the safety of users of Altrad equipment;
- to keep one step ahead of *low-cost* producers.

### *2.3.3.1 Product innovations*

The Altrad Group invests in the development and the deployment of products with high added value. This is based on project teams within the progress units that include production engineers and sales and marketing specialists.

Their job is to develop products to meet applications, market segments or characteristics not covered by existing products, as well as to modify existing products to improve performance, reduce costs and respond to changes in norms.

Some examples of developments representative of innovation within the Group are:

- large-capacity concrete mixers for the Russian market;
- low-cost ranges (mixers, wheelbarrows, props);
- compaction equipment (rammers, rollers...);
- rolling scaffolds that are specially designed to ensure safe assembly and disassembly;
- a range of professional cutting machines.

### *2.3.3.2 Innovations in services*

Innovation in the service trades can be of several forms:

- Studies and preparation of building sites. This is an important step, particularly for complex sites, because a bad study can lead to a bad calculation of requirements, resulting in either an overstatement of the equipment needed (thus not making an attractive offer and losing the contract), or an understatement with the risk of reducing the profitability of a project. In this area, there have been many advances in recent years, with the development in many Group design offices of increasingly sophisticated 3D computer tools. This will remain an important innovation focus.
- Innovation in the materials used. These advances have two main objectives: improving the safety of operators and the optimization of erection and disassembly times.
- Innovation in management tools. Some installed systems, for example, monitor rental equipment stocks in real time, or follow the margins achieved by a project, in order to better control the activity.

## 2.4 THE STRATEGY OVER TIME HAS DEFINED THE DNA OF THE GROUP

The policy of external conquest combined with a continuous search for synergy and rationalization has allowed the Group

to become initially the leader in France and then one of the European leaders in the sale and rental of equipment for construction and industry.

But for thirty years the Altrad Group has existed in environments that have not always been favourable to its growth. The two main periods of crisis that the Group has known however, allowed it to develop a capacity for resilience by consolidating its DNA through the collective learning that was necessary for its survival and sustainable development.

The European crisis of 1992-1993 followed five good years associated with the setting up of the European market that gave rise to real (utopian?) hopes for the economy. Everywhere, the plethora of resources engaged generated excellent results. As early as the spring of 1992, the stability of the European monetary system (EMS) began to be questioned. Markets became aware of the lack of real convergence of the economies. Currencies collapsed, starting with the lira in Italy, where the Group had invested early in its first international development. The survival of the Group was not certain during this crisis and this black period is still a real trauma for the Group and its leaders. This first great crisis allowed the Altrad Group to integrate sustainably the following concepts:

- operational effectiveness;
- accurate evaluation and limitation of fixed costs;
- stringency of budgetary management.

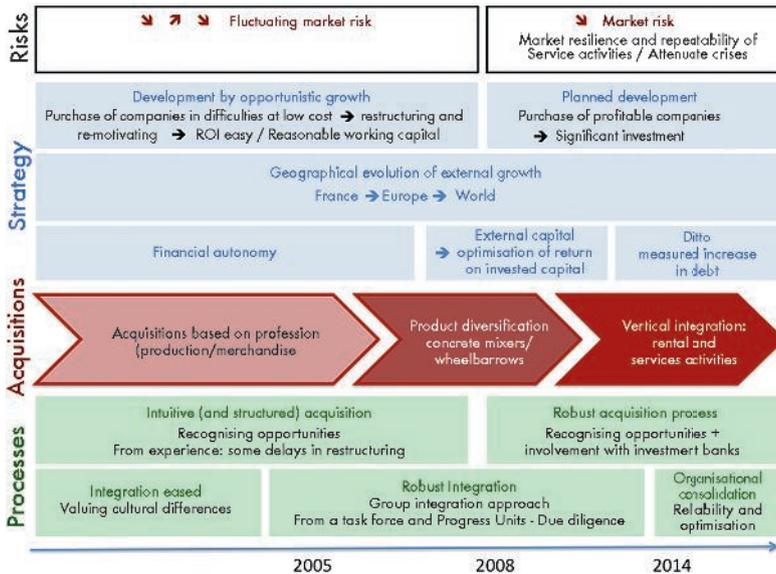
The global economic crisis of 2008 has been a “great recession” that has affected most of the industrialized countries of the world as a result of the crash in the autumn of 2008 following the subprime crisis\* of 2006 - 2007. Turnover and EBITDA\* however, continued to progress despite the crisis. Their growth is strong and profitable.

The Group’s multi-channel distribution\* was an undeniable advantage as was its international presence, certain national

markets having reached the threshold of maturity. More than two thirds of EBITDA was thus achieved in international trade.

The managers of the Altrad Group have observed that service activities are more resilient and have founded its strategy and its organization on the basis of this observation. An aggressive strategy of developing resilient business, consistent with a spirit of conquest, was developed with support from commercial banks. Looking for congruence between two apparent contradictions: “How to develop the Group?” and “How to master risks in a sustained crisis?” become a new dialectic: managing risk (through resilient activities) should allow the development of the activities of the Group (value creating).

These two crises have developed Altrad’s ability to sense systemic risk and take it into account.



Experience shows that the Altrad Group has, over time, developed new and modern skills, essential to its survival in an uncertain and complex environment: they allow us to control

variability (in an environment where everything changes very quickly), to develop agility and an ability to make quick decisions and to anticipate in order to be able to evolve favourably in the context of a crisis.



## Chapter 3

### THE KEY FACTORS OF SUCCESS

The history of the Group cannot be summed up simply by the acquisition of new subsidiaries. To go from 100 to 7,000 employees requires great adaptability, nourished by a capacity for self-examination and for crossing those structural boundaries that often block the growth of enterprises. The spirit of conquest that has driven the Group since its inception is not enough to explain its success. Many companies have failed by poorly managing the processes of internal and external growth.

The newspaper *Les Échos* said, in its edition of 29 April 2008 that:

*Numerous studies have demonstrated the failure of acquisitions. As early as 1987, Michael Porter, Professor at Harvard, observed that between 50% and 60% of acquisitions failed. Gradually, studies mounted up, always with the same result. In 1995, the firm Mercer Management Consulting found that between 1984 and 1994 60% of the companies in "Business Week 500" which had carried out significant acquisitions were less profitable than their competitors. In 2004, McKinsey estimated that only 23% of acquisitions have a positive ROI. Academic research has refined these findings, noting that acquisitions destroy value for the shareholders of the acquirer, while they create value for those of the target, and this was confirmed again by a recent study by the Boston Consulting Group (2007).*

In these circumstances, it is important to understand the basis of the success and sustainable development of the Altrad Group.

### 3.1 THE CUSTOMER AT THE HEART OF OUR THINKING

“The company is a human construction made by and for men”; this is the motto of the Altrad Group, which since its creation has been built around strong and singular values that put the client at the heart of its thinking, in a humanistic conception of management that includes respect for individuals and cultural differences.

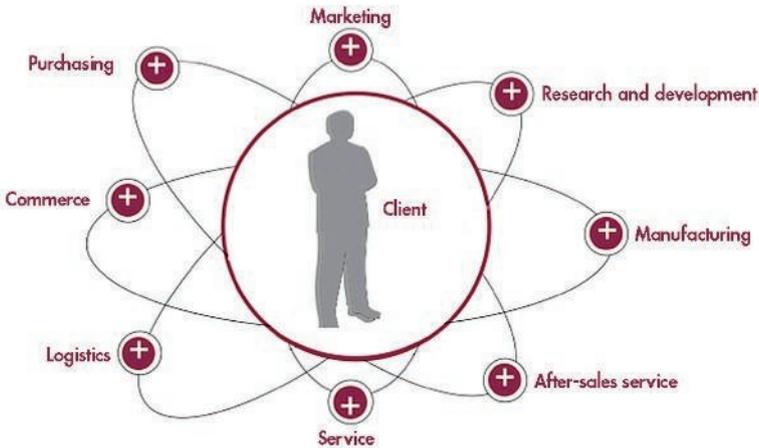
These values define relationships with customers through a declaration of intent which aims to guarantee the quality of service and to engage and adapt behaviours of everyone at all times in all places and with complete transparency:

- Professional expertise, experience and responsibility guarantee customers receive products and services of high quality at a competitive price and in compliance with laws and standards.
- Involvement and cohesion are embodied by impeccable customer service.
- Entrepreneurship provides a constantly renewed determination to adapt skills, products and services to the needs and expectations of the customer.
- The Group’s ethics reflect a willingness to strengthen its leading position, always in the interests of the client, as regards quality, safety, the quality/price ratio, being attentive, and transparency.
- Independence (toward financial markets in particular) allows long-term vision, innovation and business growth while respecting the men and women in the enterprise and all its partners, mainly customers.
- International expansion is built on respect for cultural differences and diversity, ensuring proximity with the clients

and adaptation to their needs, expectations and local customs.

- The sense of anticipation allows the Group to be reactive in an environment where customer requirements are changing rapidly.
- Openness guarantees customers empathy and availability.

#### THE ALTRAD GROUP PHILOSOPHY



Each pole of competence within the Altrad Group complies with these general principles, applying them according to the philosophy of the primacy of the client:

- The Purchasing Department provides top-quality material with emphasis on the quality/price ratio. It is a service provider for other business functions and integrates the requirements of the Group to serve the client optimally.
- The Marketing Department studies the needs of customers and aims to establish a relationship of trust through clear and accurate information and transparent and honest communications. This aims to improve relations between the Altrad Group and its customers, going beyond a simple buyer/seller relationship. The analysis of the information collected about

the client allows us to review our product range in order to meet customer expectations more accurately.

- Commercial services establish durable customer relationships based on proximity, mutual respect and listening. Our philosophy is centred on client satisfaction rather than on maximizing sales: we should *serve* before selling as a pledge of real and permanent trust. The sustainability of the relationship with the client depends on this.
- Research and development guarantees the customer innovative products and high reliability. The diversification of our offer of products and services increases customer satisfaction.
- Production facilities ensure the manufacture of high-quality products conforming to strict safety standards and focused on ease of use.
- Service teams (installation, removal, insulation, etc.) provide design and installation of complex structures through direct and close interaction with customers in order to be able to respond more effectively to their needs. The culture of service translates into a proactive approach by the teams for the provision of customized solutions and responsive, adaptable and bespoke implementation.
- The after-sales service (ASS) undertakes to be attentive to the customer and to provide honest, knowledgeable and appropriate information. Dialogue is the key to a relationship of trust; any criticisms should be accepted. ASS must respond to a customer within a time limit of three working days and must try to solve problems as soon as possible.
- The logistics service offers transport solutions to customers and undertakes to deliver products according to agreed deadlines. Flexibility and the availability of products increase customer satisfaction.

In the Altrad Group seminars, the importance of the relationship with the customer and his satisfaction was discussed.

Satisfaction surveys have provided interesting results and suggested improvements.

Reflection also focuses on a singular aspect of the Group and its structure: the Group client (or internal customer). Its main characteristic is to be “captive”: it is under an obligation to purchase from companies within the Altrad Group and cannot purchase from the competition. This is an extraordinary opportunity that we should appreciate and not let pass.

Obtaining captive customers is a goal sought after – and dreamed of! – by many companies, which develop numerous programs and strategies for customer retention.

### 3.2 THE STRENGTH OF AN INTEGRATED GROUP

In its main business line (access solutions), the Group is present in all three areas of the value chain: manufacturing, distribution (rental and sales) and services (assembly/disassembly, industrial maintenance, insulation, painting...). The Altrad Group is one of the few companies in the sector to occupy these three levels.

In a win-win logic, this integration has significantly increased the satisfaction of customers. It has helped to develop the flourishing rental and services market.



Our presence in all these areas provides Altrad with several competitive advantages:

<b>Integration production/rental</b>	<b>Integration rental/services</b>
Takes advantage of the profitable and resilient rental market	Meets the demand of large industrial customers for full service (rental/assembly-disassembly/painting-insulation)
Allows the Group rental companies to benefit from the provision of materials of the highest quality at the best price, thus improving the return on capital invested	Means we are in direct contact with end customers (users) and can anticipate their future needs
Allows us to differentiate ourselves from other rental companies by offering innovative products	Provides an outlet to the Group rental companies in order to optimize the rate of use of equipment
Provides opportunities for the Group's industrial companies and optimizes production capacity utilization	
Mixed sales/rental offers are attractive to many customers	

This integrated approach distinguishes us from all other groups in the sector. Altrad is the only one to have chosen this path.

### 3.3 PARTNERSHIP-BASED GOVERNANCE

The concept of corporate governance should not be confused with that of management: management concerns the way in which leaders govern, while governance refers to the way in which they are themselves governed.

The Altrad Group is strongly committed to the principles of good corporate governance. We have opted for a governance structure adhering to the principles of the French Autorité des Marchés Financiers (financial market authority), even though the parent company is not listed.

This system of governance rests on solid foundations (transparency of financial information, risk management, ethics, a system of internal control...) reinforcing the independence of administrators from the President and increasing transparency towards shareholders.

The Board relies on a large number of independent directors who provide a counter-power and guarantee the objectivity of deliberations. An independent director has no executive function in the company; in addition, he or she will neither be a significant shareholder in the Group, nor the leader or a recent former director of a company that is a significant shareholder, nor a client nor a major supplier; he or she will have no contractual arrangement with the company outside his or her directorship. In addition to these criteria of independence common to most of the texts relating to the governance of business in the United States and Europe, an independent administrator must meet criteria of professionalism (including strategy and finance) and will be informed, experienced, active, and available. Finally, and above all, he or she must feel involved.

These independent directors contribute significantly to the quality of strategic choices through relevant advice; their objectivity and their experience in the business world are particularly useful when taking decisions about investment, restructuring, business recovery, etc. The facts demonstrate that the presence of competent and well-known directors attracts investors and allows capital to be raised at lower cost.

The Altrad Group has also created the position of observers who attend Board meetings under the same conditions and with the same level of information as directors but who do not vote.

The Board also relies on specialized committees (finance & strategy, human resources, audit, progress unit...), charged with reflecting on strategic topics:

- strengthening progress units as a managerial tool;
- improving the management of the Group, particularly the control of overheads, working capital and cash requirements;

- studying external growth opportunities and financing development, etc.

The global scope of the Altrad Group governance is defined by the composition of its shareholders, its legal framework and its specific governance bodies.

The shareholding is typical of entrepreneurial capitalism, top institutional investors having joined the founder in holding slightly more than 20% of the capital. The company therefore had to develop governance that reflects the requirements of shareholders; these dictate the role of the Board of Directors and the care that is taken over its composition.

This good governance, supported and validated by the choices made and the results achieved, is, together with the business model\* and the charisma of the President, a powerful asset for the Group, praised by the economic world. It has:

- attracted prestigious investors who wish to enter the capital;
- obtained bond offerings (Euro PP\*) with major investors;
- been awarded the “innovative funding 2013” prize by the Option Finance Group presented early in 2014 by Bernard Cazeneuve, Minister delegate to the Ministry of Economy and Finance, in charge of the Budget.

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### 3.4 AN AGILE FUNCTIONAL AND MATRIX ORGANIZATION

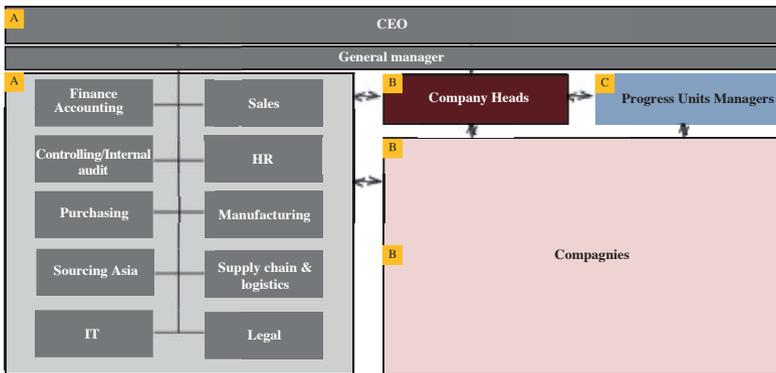
#### 3.4.1 Matrix structure and transverse management

To better serve its clients, the Altrad Group has, since its inception, sought to permanently advance its organization and its

decision-making processes. The novel management mode is thus:

- a matrix organization;
- autonomous, giving freedom of action to subsidiaries within a coordinated framework;
- a head office which supports strategic decisions, financial control and the implementation of transverse projects.

The following table outlines the organization of the Group.



- The holding company, a light, non-pyramidal structure of about thirty people carries the vision, values and strategy of the Altrad Group and motivates the management of all the subsidiaries. It brings together all the expertise necessary for driving the Group.
- The subsidiaries of the Group, whose cultures are respected and valued, have great freedom of action. The principle of subsidiarity is expressed through the concepts of red zone and green zones (see page 58, section 3.5.2).
- Progress units include both officials of subsidiaries and executives of the holding company.

### 3.4.2 Singularity of the matrix structure of the Altrad Group

So that its values and principles are a reality and are applied every day, the Altrad Group has adopted a matrix structure and transverse management where hierarchies are non-existent.

Usually, matrix organizations are defined in terms of:

- products and functions;
- projects and functions;
- markets and products;
- mix: markets and products and functions.

The Altrad Group is singled out by an original matrix structure that obviously ends the unicity of hierarchical links but also integrates all the aspects that are partially present in the matrix organization shown above. Another type of segmentation is thus defined to integrate products, functions, projects and diverse markets:

- The holding company corresponds to functions (accounting/consolidation, purchasing, finance, human resources, etc.).
- The heads of subsidiaries correspond to market segments and products.
- Group managers correspond to products and projects developed within the framework of the progress units.

This structure has many advantages:

- control of workflow through better synergies and interactivity between subsidiaries;
- optimization of productivity, harmonization and improvement of practices by applying the principle of subsidiarity, a form of internal versatility;
- leaner and more efficient communications;
- a friendly, manageable size, fostering better relationships;
- capitalization of the Group's experience.

Responsibilities are decentralized, which increases reactivity and stimulates creativity and inventiveness. Decision-making

is faster and information flows more easily. In a moving and unstable economic context, transverse management provides suppleness to the organization, allows flexibility and constant adaptation and promotes collective intelligence and innovation.

This type of organization surprises because it does not correspond to what the collective unconscious conveys; the idea of a mandatory, archetypal hierarchy in a corporate culture.

This flexibility, this reactivity and this suppleness can increase customer satisfaction and reduce costs through, among other things:

- synergies;
- economies of scale;
- the mutualization of means and competences.

These factors also reduce inconsistencies and strengthen team spirit, mainly because of the sharing of responsibilities and a heightened sense of initiative. All business functions combine and complement each other in order to achieve a common goal in the interest of all.

The system is reliable, easy to understand and not cumbersome. The structure is scalable, adaptive and integrative: new functions, progress units and subsidiaries can be incorporated infinitely; the organization remains viable, functional, effective and sustainable.

### 3.5 CO-RESPONSIBLE MANAGEMENT

#### 3.5.1 The Group policy of subsidiarity

The success and development of the Altrad Group is based on an original and unique design of management associated with a strong set of values. The Group consists of many subsidiaries, whose cultures are respected and valued and which have great freedom of action. This is the policy of subsidiarity of the Group.

The holding company owns shares in its various operating companies (production, trade, services) and ensures the overall cohesion necessary, in particular, to achieve the expected synergies during multiple external growth operations. In this context, the holding company has a role driving and managing this large community. It is therefore not a passive body that just provides capital and waits for profits, but rather it is an entity running and animating the management of all its subsidiaries.

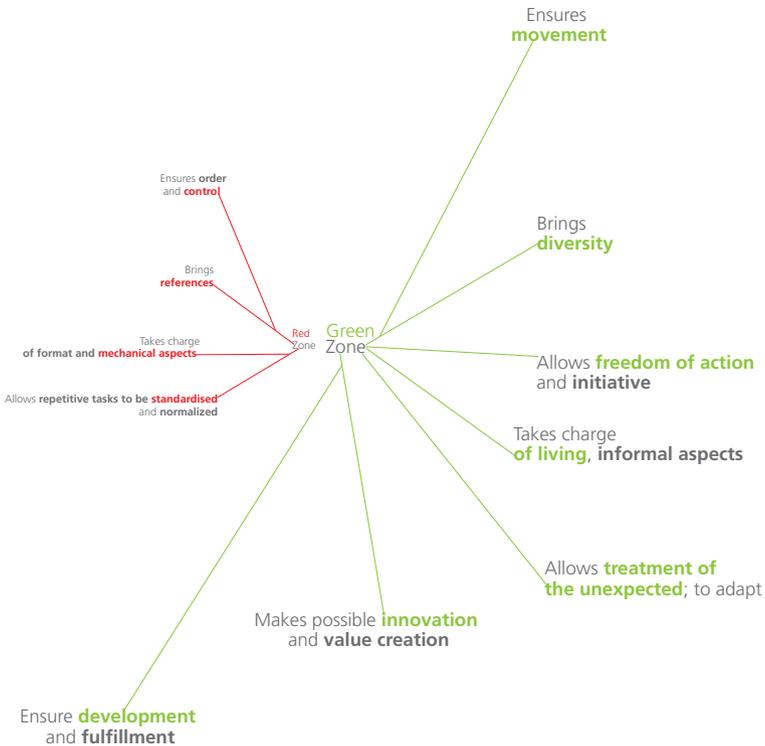
The holding company therefore carries the vision, values and strategy of the Altrad Group. It is a deliberately light (and therefore reactive) structure that is at the service of the subsidiaries as well being there to encourage and control them. This removes neither consistency nor effectiveness.

### 3.5.2 A clear definition of areas of responsibility

The Group's management system relies on a fundamental and essential notion: red and green zones.

The red zone corresponds to the principles and values of the Group as well as to all its rules, standards and procedures. It is defined and implemented by the holding company. Standards are needed to organize, control and verify the good operation of the Altrad Group. In the red zone, each entity is under the strict control of the Group. It represents the zone of coordination of the Group and brings together all the rules and procedures that must be met by each manager in the context of the overall coherence of the Group. The Altrad Group standards are deliberately limited in number.

The green zone is therefore defined by default: it consists of the area of freedom of each subsidiary. This area is the more important of the two; entrepreneurial freedom can be expressed fully within it. It embodies the margin of cooperation and freedom, autonomy and innovation left to each business leader.

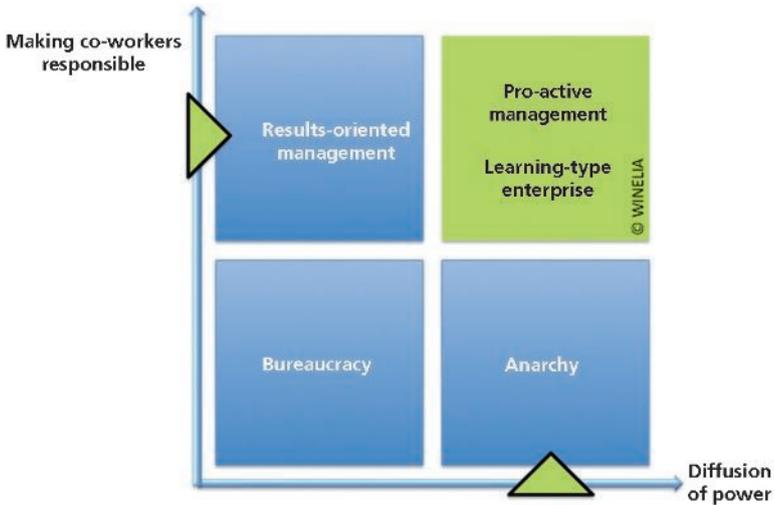


Such principles and values do not thrive in a pyramid structure that destroys freedom and the taking of initiatives. Continuous change, dear to the Altrad Group, requires flexibility. Freedom, respect and autonomy require a highly developed green zone. This philosophy explains the matrix structure and the low personnel level of the holding company.

The policy of subsidiarity clearly establishes areas of responsibility. There are a few areas that the Group wishes to keep under its own control. The rest are dealt with by the subsidiaries.

The model integrates all of the values of the Group relating to day-to-day operations, illustrated by the green zone, which is estimated to be between 80 and 95% of management.

Coordination simplifies relations and imposes rules; cooperation is a source of freedom and innovation. The Altrad Group prefers the green zone without however giving up the framework that defines the red zone. The green zone is much wider than the red zone even if a good knowledge of the latter and strict compliance with it are essential to the functioning of the Group. The following diagram presents this succinctly.



The Altrad Group has chosen working practices based on a principle of shared responsibility, with, on the one hand, power-sharing, and on the other hand, the accountability of actors. Power-sharing translates into the principles of subsidiarity of affiliates and a more limited red zone. The accountability of actors (green zone) is inseparable from power-sharing. There follows a proactive management of “learning company” type that is essential to innovation.

### 3.5.3 Evaluation of performance adapted to the proposed system

Managing a business consists of organizing it, distributing tasks, responsibilities and powers in order to produce goods and services that ensure profitability. Management methods can be very different and thus a company defines itself primarily by its style of management. It is clear that every management methodology has its drawbacks and benefits.

In a Group that encourages initiative, commitment, responsibility and risk-taking, it may seem paradoxical to develop a system of procedures (red zone) to govern aspects as diverse as recruitment, investment, profit-sharing, forecasting and monitoring the need for working capital, the establishment and control of budgets or various trade and financial indicators. The philosophy behind this method of management can be summed up in one phrase: “Control with men and not in spite of them”. It is inspired in part by MBO (management by objectives), which recommends that goals should be set for senior executives of the Group while giving them the necessary means to carry out their mission and a certain autonomy of decision to achieve them – and above all by PMBO (participatory management by objectives), which also allows executives to discuss their goals and, possibly, the resources available to achieve them.

The Group’s mode of management retains some features of PMBO:

- participation: targets are set in an interactive mode; overall objectives orient those of each unit, which can in turn influence the overall objectives;
- bottom-up orientation: each company or unit in the Group contributes to its overall objectives within the framework of a clearly defined division of roles and must be able to estimate its contribution to the results of the Group and the working of the whole, avoiding overlap and duplication;

- objectives, both ambitious and realistic, clearly and precisely defined in terms of intention (purpose), proportion (amount) and time (end date);
- the primacy of results in the view of the Group, which gives its companies and units a margin of freedom in the choice of means;
- the *a priori* trust of the Group in the seriousness, honesty and competence of its company leaders, to whom it delegates significant responsibilities within a negotiated programme;
- the monitoring and exchange of information: the differences between objectives and results are regularly calculated and allow consideration of remedial action and the exchange of expertise between businesses;
- a system of rewards (pecuniary or otherwise) highlighting the achievement of objectives and compliance with procedures.

These methods alone cannot guarantee the dynamic and harmonious evolution of the Group that was formed by active external growth and that has chosen to transcend – without ignoring them – political, linguistic and cultural boundaries:

- On the one hand, faced with the geographical dispersion of the companies in the Group, the plurality of working languages, different cultures and political, legal, economic, sociological, technical environments, etc. (all elements that tend to make informal contacts rarer, more difficult and shallower than in a “monolithic” company), it is important to ensure the construction of values common to all these companies and the primacy of a Group spirit.
- On the other hand, any long-term approach presupposes that every Group member can envisage (also in the long term) its own professional development and its being able to flourish within the Group; these are key to a determined acceptance of these unifying values.

It is this double concern that the Altrad management mode aims to favour – beyond the simple principles of MBO – through

two approaches (the management procedures system and regular meetings), which do not represent an attempt to control things tightly, but very explicitly aim to promote an expectation of planning, stimulation, exchange and sharing.

#### 3.5.4 Rights and duties that favour the collective interest

A company – and *a fortiori* an industrial and services group like the Altrad Group, with its diversity and its international dimension – is similar to a human group in the service of a common goal. While every employee should adhere to the company and should invest all his strengths and his conviction therein, it is necessary that he perceives the rules of the game and its purpose. As one of the main principles of the management of the Group philosophy underlines: “Wealth is individual but the community organizes it”.

The community’s mission is to interest the individual, to make him participate and to release his potential, while respecting his uniqueness. Where the usefulness of the Group, of the community lies, is in developing the value of each of its members – a usefulness that it must demonstrate with regard to its mission and the expertise that it makes available to its members and its entities.

Relations between the individual and the community are both conflictual and cooperative: conflictual because of the freedom that the individual wants (and needs) to safeguard; cooperative because of the benefits that he will derive from the sustainability of the Group and its development, the fruits of loyal cooperation between its members.

Similarly, if a decision is necessarily individual because it implies the responsibility of each person, its preparation should be collective and consensual so that it likely to be shared. The practice of genuine delegation preserves the freedom of all: “Enrich yourselves from the differences of others”.

If the green zone, envisaged by the Altrad Group as the right of everyone to be able to express his talent, represents

the affiliates' area of freedom, the red zone, on the other hand, is a corpus of rigid rules that must not be transgressed as a matter of duty. More specifically, it is necessary:

- to embody/live with one's functions;
- to honour commitments;
- to ensure consistency, reliability and accuracy of reporting so that management control can enable quick and reliable decisions to be taken in order to take advantage of opportunities that develop and make the Altrad Group stronger;
- to respect the rules of cash management which provide the strength and sustainability of the Altrad Group;
- not to submit to changes in the environment without being proactive (anticipating the consequences) or reactive (taking charge of things/engaging remedial actions necessary to reduce costs so as to limit any loss of profitability).

These duties should be seen as the price of freedom for subsidiaries and a guarantee of sustainability and financial strength for the Group; this in turn, protects the freedom of the subsidiaries.

These strict rules may seem difficult for a company head. A new leader will try to avoid red zones and try to be creative in the green areas. As a manager, his greatest difficulty arises from a sense of loss of power because he has had the habit of making very quick decisions, often alone or with a steering committee.

If *a priori* confidence allows acceptance of errors, the repetition of these is not acceptable because it immobilizes the whole system. If just one single company leader does not follow the reporting process (data not transmitted or not in time, unreliable, etc.), the overall decision-making process is rendered ineffective and, therefore, is quickly called into question. The inertia of the system it creates, potentially affects the life of the Group, and therefore the survival of its subsidiary.

And there is an exact converse: the holding company has a duty to take into consideration the company head, issues that arise and requests for assistance which he expresses explicitly or implicitly.

In his relationship with others, the President has developed active listening and an immediate availability (time, kairos) that sometimes surprise. His “impatience” to help others to solve the problems that arise translates into a collective requirement for empathy and active listening among the members of the Group.

This availability to others is necessarily marked by a sense of reality. Everything still has to be done on a daily basis, in an environment of complexity with low real and immediate availability. Everyone, from the head of a subsidiary to an employee of the holding company, is responsible for the quality of the relationship that he establishes with others, understanding the existing interdependence (systemic approach), in the interests of overall effectiveness – nobody loses sight of the aims of the Group – and with good awareness of situations. It is a sort of development within the Group of the new skills of agility and mastery of variability, of which the ability to detect signs of weakness is one of the essentials.

### 3.6 STRINGENT CASH MANAGEMENT

This objective of international leadership has allowed the Altrad Group to develop regularly since 1985. According to David Brault and Michel Sion in their book ,*Objectif cash*, published in 2008:

Rapidly growing businesses [...] need to finance the increase in their working capital. They strive to remove all loss of energy. Cash generation is also a necessary condition for taking over companies.

The spirit of conquest of the Altrad Group therefore necessitates a culture of relentless cash management to finance its working capital increase.

In the introduction to their book, David Brault and Michel Sion pose the essential issues of cash management. Some translated excerpts allow the scope to be understood:

Its operational cash flow measures the economic performance of the company and strengthens its financial independence. It is vital to invest, to get out of debt and to remunerate the shareholders.

The cash project is a cross-cutting process which concerns all functions.

The battle for cash is fought in large part by operational staff (sales representatives, credit comptrollers, stock managers) who should be mobilized and made to work together.

When the cash situation is tight, inaction even endangers the continuity of the operation of the business. The absence of strategic projects linked to this situation makes the business unattractive and puts the company in a defensive situation. Mismanagement leads to overconsumption of financial resources.

Analyses have shown that merger/acquisition operations paid for in cash prove more profitable than those paid for by share swaps (often overpaid). When it pays cash, a company tends to be more demanding about what it buys.

Cash management is an illustration of the limits of subsidiarity given to affiliates. The Group seeks to optimize its processes. It is, indeed, a priority – a priority common to the affiliate (controlling the components of the working capital) and the Group that possesses all the data needed to operate cash management. It is neither coercive nor a case of divergent interests.

Some procedures and rules defined by the Group in the area of cash management are sometimes seen by company leaders

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as incomprehensible and not consistent with the principle of subsidiarity:

- A double signature to confirm commitments. The company leader is free to place an order but not to authorize its payment; the control of this remains the prerogative of the holding company, after checking the availability of cash and updating the relevance of the disbursement according to the evolutions of the market and the respect of objectives.
- When paying the suppliers of a subsidiary, its company head (or its commercial team) might be tempted to facilitate the conditions of payment to favour future purchases.

Subsidiarity and *a priori* confidence underlie the fact that the Group doesn't exist to manage in place of its subsidiaries, therefore not to substitute itself for them. And *a contrario*, the Group does not allow subsidiaries to pay invoices while authorizing purchases *a priori*.

Rigorous cash management is the *sine qua non* for the development of the Group by the control of working capital. All subsidiaries benefit from the good financial health of the Group, in particular those that were in a poor financial situation prior to their acquisition.

This facet of the Group also allows it to protect itself in times of crisis or strong uncertainty.



## Chapter 4

### THE HUMANISTIC VALUES OF THE ALTRAD GROUP

The values and philosophy of the Altrad Group explain its original management style and are the basis of its success.

The Altrad Group has become, after more than a quarter-century of existence, a major player in its field. This success is based on a singular history and strong values instilled by its President and shared by all employees – values that build and strengthen both the image and reputation of the Group. These values are essentially human qualities; not all are yet fully achieved but they are motivating objectives. Also, they are not just ideals but translate concretely into the Altrad Group management mode. They are therefore a reality in the life of the Group, including the matrix organization and the reduced number of hierarchical levels that give all employees greater autonomy and freedom of action:

- **Integrity and loyalty:** the company is a large family where the general interest dominates and does not come into conflict with individual interests.
- **Honesty and mutual trust:** the Group trusts employees, in particular the inexperienced, and legitimately expects that this trust is shared. This trust is given *a priori*. These qualities are apparent within the Group, but also with all

external stakeholders. Trust establishes a favourable working climate guaranteeing efficiency; it is synonymous with selective mutual dependence.

- **Liberty and passion:** the doctrine “Dare to do” is synonymous with entrepreneurial freedom and promotion of a sense of initiative. Freedom is possible because of the Group’s implicit trust.
- **Valorization of cultural differences:** it consists of respect for all, for differences and an interest in others. It is a strong value expressed in concrete terms in the field, sometimes at the expense of immediate effectiveness: barriers of language and culture are often invoked as a cause of delay by employees of centralized functions who would always like to go faster in the service of those same people who seem to slow them down. Most international groups harmonize their rules and resources, and, first and foremost, their ways of thinking. They find it easy to extend their operations when it comes to markets and customers with the logic of “mass customization”, but respect for cultural differences is rarely implemented in such a way. Respect and trust are highly interdependent.
- **Humanistic design of the company:** “The company is a human construction, made by people and for people.” Individuals flourish therein.
- **Cohesion and team spirit:** collaboration, sharing of knowledge and know-how predominate so that the result exceeds the simple sum of individual skills; all forces must be mobilized. Solidarity and loyalty arise from these qualities.
- **Culture of change:** “Change is in our genes”; continuous improvement is a source of progress for all and the turbulent environment requires, more than ever, flexibility, adaptability and responsiveness within the Group. The challenge is therefore perpetual.

- **Strong vision for the future:** a positive spirit always focused towards the future and the progress of the Group. The central objective of the Group is sustainability; its vision looks to the long term to be able to modify the famous adage about globalization to “think long-term and act now”.

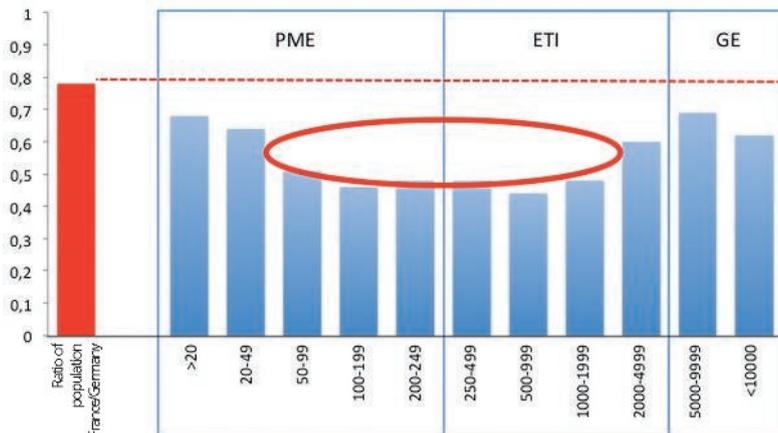


## Chapter 5

### THE ALTRAD GROUP: A “HIDDEN CHAMPION” LIKE THE GERMAN MITTELSTAND\*?

France questions its competitiveness and reveals competition rather than integration between its business categories (sizes). The comparison between the French situation, which sees an inexorable erosion of the position of its industry, and the German model is unfavourable to French companies and, for many, is a source of inspiration and solutions.

#### The number of companies in France with a given number of employees compared with Germany



Source : INSEE, Destatis 2008, Calculs KOHLER Consulting&Coaching.

German patriarchal companies, long derided in France, eventually became models for our industry and our leaders. Worse, the weakness of midmarket companies (MMCs) in France (in number and competitive position) has transformed the market into a fool's game: the clay pot (MMCs) against the iron pot (major groups). The latest episode we are experiencing is the demand by major French groups to their French subcontractors to reduce margins created by the French tax credit for competitiveness and employment (CICE). Incredible, when seen from abroad. Incredible, full stop.

Being an MMC in France is in itself unusual. For Jean-Yves Gilet, Director General of the Strategic Investment Fund (FSI):

[the lack of MMCs in France compared with the German Mittelstand] is considered by many as one of the reasons for the decline of French industry.

The report to the Strategic Investment Fund 2012, *Pour un nouveau regard sur le Mittelstand* ("A new look at the Mittelstand (German)", points to a recent (2008) awareness in France of the concept of MMCs. In his preface, Louis Gallois indicates that:

the thrust of this report is also to shed light on the factors leading to the success of the Mittelstand. Not to copy them, but to take inspiration from the "virtuous circle" of the Mittelstand based on the strategic independence of enterprises, a niche and high-end position, innovation, the quality of human capital, an efficient ecosystem and high margins.

The Altrad Group is positioned in the upper category of higher Mittelstand, i.e. businesses which have a turnover of between 250 and 1,000 million euros (0.19% of them):

The hidden champions are the third face of the German Mittelstand and it is largely thanks to them that the Mittelstand is considered one of the determining factors of German competitiveness.

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The report refers to the key factors of success of “hidden champions”. According to Hermann Simon (2009) these are:

1. Specialization in niche markets:
  - Markets are defined as niches in which strong positions can be constructed (typically 70 to 100% market share).
  - Niches are above all identified by perceived needs and client-oriented criteria. Products and technology are additional elements.
  - Hidden champions are very knowledgeable about these niches.
2. The construction of a market position:
  - Growth and market leadership are the dominant objectives, expressed extremely ambitiously and formulated early.
  - Market share is won without reducing margins, through superior performance and not by price reductions.
  - A clear, unequivocal and shared strategy is defined by long-term objectives.
3. The defence of market position:
  - A part of the value chain is perfectly mastered through specialized skills and a search for perfection, a strategy of small steps that creates barriers to entry.
  - Close and regular interactions with clients, valued by management, stimulate innovation and quality of service.
  - An ambition for leadership that does not focus only on the conquest of market share, but embraces technology, innovation, quality and reputation.
  - Innovation is not limited to products and technology but includes all aspects of the offer and searches for all opportunities for improvement.
  - Incremental innovation (rather than a rupture) is particularly effective in the improvement of production processes.
  - A leading position is consolidated internationally by business investment: early opening of subsidiaries in foreign markets and direct relationships with end customers.

Three major principles underlie these key success factors:

- the economy and the concentration of resources;

- the consistency of targets and objectives;
- the constant interaction between the identification of the client’s needs and internal innovation capacity.

Like our “low-cost/high-ambition” holding company, Mittelstand companies have low management ratios: 4.6 in Germany against 9.4 in France, according to Alfred Kieser and Peter Walgenbach (2010):

This enlightened family capitalism also relies on a form of informal communication and on trust and mutual loyalty, giving a strong sense of cohesion within the company. Values are often those of the “patriarch” that he disseminates and embodies within the company.

The essence of the Mittelstand can be expressed in five points, (qualities and values that are also to the fore in the Altrad Group):

- entrepreneurship;
- autonomy;
- sustainability/durability;
- social responsibility;
- local roots,

to which should be added an appetite for work well done and love of the sector (see preface).

A reading of the report on the Mittelstand, in other words on the competitiveness of the German model, shows a convergence with the model developed in the long term by the Altrad Group. However, the conditions for development in which the Altrad Group operates are not as favourable as those of the Mittelstand. The ecosystem, cooperation between businesses and ease of access to finance are all points that are very unfavourable to the development of a group like Altrad.

This explains the fundamentals of the financial culture of the Altrad Group (strict reporting and ruthless cash management) that support a spirit of conquest for the Group’s sustainable development, as is the case of the German Würth Group. The

FSI report cites, for example, a few aphorisms underpinning the corporate culture of the Würth Group:

- The company that grows by less than 10% per year is dead.
- It is not me who employs my people; it is the customers.
- The more he achieves significant successes, the greater the degree of freedom of the employee.
- Power moves towards he who makes progress.
- Knowledge is soporific; power is in action.
- Every time, a little bit better.

This context allows us understand why the rights of managers of subsidiaries are associated with very strict duties.

In contrast to the “hidden champions” of the German Mittelstand that cultivate secrecy and do not publish their accounts, the Altrad Group has developed a culture of financial disclosure and partnership-based governance. This translates into a willingness to disseminate quality financial information to relevant stakeholders. Examples include:

- applying IFRS<sup>1</sup> accounting rules for the last four or five years, even though we have no obligation to do so;
- in 2013, making the “Strategic Memorandum” available to stakeholders.

In the same spirit, Mohed Altrad likes to say that he is in a minority on the Board of Directors since the vote is based on the principle of “one man, one vote”.

1. The International Financial Reporting Standards, or IFRS, are accounting standards developed by the International Accounting Standards Board or IASB for listed companies or companies seeking investors, in order to harmonize the presentation and clarity of their statements.

Following the financial scandals of the early 2000s in Europe and the United States (Enron, WorldCom...), public authorities have been committed to enhancing the quality of financial communication in order to restore the confidence of the public, savers and investors. This important movement is reflected in the adoption of a set of texts whose common goal is the improvement of financial security.

Any other company would have emphasized this important component of corporate social responsibility (CSR). In the Altrad Group, the term CSR is not defined since only actions are important; it is the job of the media or researchers to describe all the dispositions of the Group as socially responsible, or not.

It is however certain that the Group, through all its policies and provisions, aims for the same sustainable development as the Mittelstand groups.

PART II

THE FOUNDATIONS OF THE MANAGEMENT  
OF THE ALTRAD GROUP

For the release of constructive energies

*To trust always contributes to self-confidence.*

HERVÉ BAZIN (1911-1996)

*I cut out of the stone the statue that is inside it.*

MICHELANGELO (1475-1564)



## Chapter 1

# INTERCULTURAL MANAGEMENT OF AN INTERNATIONAL GROUP

### 1.1 WHAT STRATEGY TO ADOPT FACED WITH CULTURAL DIFFERENCES?

To act on internal and transverse relationships as well as those between companies within the Altrad Group, there was an *a priori* choice of five basic attitudes, often referred to as strategies by the theorists.

#### 1.1.1 Basic attitudes

##### *1.1.1.1 Ignore the diversity of cultures*

This approach is not worth considering. It is basically not a strategy but blindness, indifference or, even worse, the deliberate application of the “ostrich” policy. This attitude is obviously foreign to the values that underpin the traditions of the Group.

##### *1.1.1.2 Deny cultural differences*

This second approach is scarcely better than the first. One can easily see what it means in practice. It consists of imposing a single language for internal communications, centralizing procedures and standardizing tools, products and attitudes.

In short, globalization in the poorest sense, of which everyone now knows the deplorable perverse effects: disintegration of links, dispossession of things, and demotivation of human beings.

To unify, homogenize and simplify can be a virtue for mundane things. But neither men nor communities – including businesses – are mundane! For a group like Altrad, to inflict a dominant culture on men and women who are rich and proud of their diversity could only lead to rejection and resentment. As to imposing a single *lingua franca* – not just within the leadership, but also with clients and external contacts – this is obviously to destroy, at the outset, any possibility of fruitful dialogue.

Clearly, this second strategy would be both unrealistic and simplistic, and even dangerous in terms of management. Besides the loss or waste of cultural wealth within the Altrad Group, it would widen a terrible gap between senior staff – whose culture is often more cosmopolitan and accustomed to intercultural contacts – and the workforce, generally only accustomed to their national culture. On the commercial side also, the adage “the customer is King” implies naturally that his sensitivity and language must be respected in communicating. Finally, in terms of human resources management, each cultural community is legitimately attached to its roots and proud of its identity, and therefore has no reason to accept the imposition of another.

#### *1.1.1.3 Set aside cultural differences*

Hence this third approach, more common than one might think, that consists of accepting the reality of these differences, but immediately rejecting their relevance: OK, everyone has their own culture, but the place for this, according to proponents of this strategy, is neither at work nor within the walls of the company. Let it express itself and live in leisure and social activities, within the family, the community,

a place of worship, a stadium, a party – everywhere except here, where the only rule is economic performance.

As if a man or a woman could commit themselves through a simple employment contract to leaving aside, for a certain number of hours per day, a part of their lives that is at the root of their identity, their awareness or their humanity! Or as if, assuming that such a thing were possible, this man or woman would not, at the same time, refrain from bringing to economic functions, human sense, creativity, commitment, personal honour and fidelity (all virtues that evidently have a cultural basis, which are associated with competence, know-how or energy and which make all the difference between a man and a machine). Their intrinsic value is one of the reasons that might lead to a company employing a particular man or woman.

So no! To admit the existence of cultures and immediately disregard them, thus removing the bridges between the life of the company and any form of culture, is no longer desirable, nor is it even viable. A company consists of complete people; without them, without the whole of them, it is worth nothing, creates nothing, is nothing.

#### *1.1.1.4 Adapt to multiple cultures*

This fourth way already more closely resembles the approach that from its inception, the Altrad Group has implemented towards cultural differences encountered during its expansion, consisting of:

- taking into account individual singularities – for example between various occupations and profiles within a team;
- respecting local or regional identities corresponding to different companies and subsidiaries;
- finally, integrating different national and international cultures encountered during the expansion through acquisitions, begun in 1997.

However, if tolerance is a state of mind, adaptation is an action, a practice, a job – and not just a job. Certainly, it requires an open mind and a fundamental respect for others, tact and patience – all laudable virtues; but it also needs, if it is not to remain wishful thinking, appropriate resources, as many and various as possible: documents written and translated, procedure manuals, meetings of leaders, courses and seminars, systematic translations into each language concerned, etc.

Having employed all these methods actively, the Altrad Group is today able and entitled to make its own observation: this approach, respectable though it might be in its principles and ambitions, remains a slow and flawed strategy, a strategy that is morally laudable but insufficient in real life. In a stable environment, a traditional company can (or, at least, could) be satisfied with it. But a company that cannot live other than by advancing in an economic world, itself in motion, needs a different, more dynamic approach.

#### *1.1.1.5 Valuing cultural differences*

It appears that it is no longer permitted, in our world and at this time, to ignore – or pretend to ignore – the existence of diverse and original cultures, nor to deny them by brutally imposing a unique culture, nor to exclude them in the name of economic primacy, nor, finally, to organize their coexistence by adaptive measures, albeit in sincere respect for others. These differences – and they will become even more evident as the Group extends and diversifies – are neither vain chimeras, nor limits to exceed or circumvent. Nor are they parameters which can be accommodated, but rather they are riches, faced with which the only positive attitude consists of a fourth strategy: valuing cultural differences.

How can we – being in the profession – be ignorant about what is happening in the heart of a cement mixer? Like the Altrad Group, the challenge is to combine heterogeneous components (cement, sand, gravel, water) into a coherent whole,

capable of adapting to highly variable needs – from the fluidity of the liquid and the malleability of the mortar to the strength and durability of the stone itself. Applied across the Group, this same strategy leads to defining and cultivating an “Altrad spirit”, built on strong and unifying values common to the whole of the Group – values that are independent of, but that do not ignore particularities (nationality, language, race, religion, etc.). A spirit in which each member, regardless of site, business or hierarchical level, can be recognized and feel at ease.

### 1.1.2 Global culture and individual cultures

It is worthwhile agreeing on what is meant by this word “culture”, so differently interpreted, or even misunderstood, depending on language and circumstances.

Within Altrad, culture means the set of activities, operating rules and values common to the men and women who belong to the Group. In other words – and always keeping in mind the same trinity, past-present-future – it is the heritage offered to, and shared by, all members of the Group, the mutual commitment which binds them day by day and the collective knowledge they will pass on, after making it evolve as a result of their own contribution. In other words, if culture is what differentiates the Altrad Group from any other social group, it is even more, the glue that binds all its members together.

However, it is clear that no culture is only national or local: ethnic entities, whether they are structured politically and/or territorially, do not have the monopoly of a unique culture. Regarding for example the economic world, it would mean that all companies having their roots in the same geographic space would have the same cultural traits, possibly with a few slight differences coming from their profession, their financial structure or the stamp of a prominent “ancestral” founder. But,

for the most part, they would have the same “family traits”, they would be as alike as sisters. Of course, this is not true. A company (which is called very precisely a *société* (society) in French) – like any social group or any human group in general – tends to develop its own cultural identity spontaneously. And this identity is not only a direct consequence of its geographical location, its line of business, its shareholders or its initial project, but it emanates from all the men and women who are part of it and recognize themselves in its construction.

Differences – particularly national and regional differences – obviously exist within the Group; all are worthy of consideration (see above). But it should be noted that faced with the overall culture of the Group, these differences are expressed as cultural features (what sociologists call, without pejorative intent, subcultures), being both variants and components of the overall identity.

Thus the Altrad Group, due to its size and its extent, has many of these subcultures, reflecting:

- its geographical location and its area of operation;
- various professional or hierarchical environments within the Group (salesmen, production staff, administrators, engineers, etc.), its areas of activity (production, marketing, rental), and its products (concrete mixers, scaffolding, logistics);
- its clientele (public communities, DIY superstores, major building and public works companies, etc.).

This complexity can mean that a salesman from one company may have more in common with a salesman from another Group company than he has with a non-commercial member of his own company, or even that a salesman dealing with scaffolding feels close to a worker associated with its manufacture, even one who works for another company. This is what may be called community spirit, corporate spirit, an *esprit de corps* or business spirit...

It is essential to take into account all such components and cultural levels in the development of an Altrad culture, which must incorporate each of these specific subcultures (without ever suffocating them) just as the Group associates each of the undertakings that comprise it, co-ordinating them but never enslaving them.

It is precisely because the Group has grown mainly through acquisitions, that it is essential to observe, protect and promote this integration, but it is also essential to monitor and guide it; otherwise the disorderly cohabitation of enterprise and subcultures may lead to unexpected phenomena of cultural integration. However, though that may seem, at first glance, a form of harmony, beneficial in terms of adaptation and coherence, it is important to be wary of the perverse effects which can result from it: reactions of rejection against values perceived as imposed from the outside, or “cultural disintegration”, when the process leads some to confusion about people’s identity and the abandonment of their own cultural norms. Is this not just exactly what some people, worldwide, criticize about globalization, as opposed to the concept of cultural exception?

In entrepreneurial history also, more than one merger has failed through underestimating such negative effects.

### 1.1.3 The reasons for a choice

Among the five strategies listed above – ignorance, denial, exclusion, adaptation, and valorization – the Altrad Group does not recognize the first three, which have never been applied in its entire history, and considers the fourth to be requiring improvement, having already widely experimented with it. Also the Group has decided to go further and to pursue a strategy of valorization, to develop, at a steady pace, a culture that respects, takes into account and even solicits differences.

This managerial philosophy starts from the simple observation that each company had a specific culture prior to its

integration into the Group, with original historical, ethical, strategic, linguistic, social and psychological values. All Altrad's history marks its attachment to the principle of dynamic and positive integration, which ensures not only the preservation of the culture of the company being acquired, but which also allows it to learn to enrich and develop its own global culture. The best proof is that the former management team usually stays in place after the acquisition (generally uncommon in the business world).

The Altrad Group has always preferred to rely on existing assets and enhance all potentials – human, material, financial and cultural – to build its future. What is so surprising about this? Once again we can use the language of the trade. Who better than Altrad to understand what makes a scaffold strong? Not the rigorously standardized homogeneity of rigidly assembled parts, but rather the bracing, both flexible and reliable, diverse elements – tubes and fittings, posts and screw jacks, standards, transoms and cross braces – each bringing its own virtues of strength or lightness, flexibility or security, etc., to a whole whose prime quality is a design that makes the most of each of its components.

It is precisely in this way that the Altrad Group has produced its own culture. Since its inception and throughout its history, in response to problems encountered – and often in predicting difficulties to come – it has given birth to and consolidated a set of shared references and appropriate solutions to issues like development, product lines, trademarks, organization, integration of new companies, restructuring, management of difficult circumstances, international expansion, etc.

It is this culture, characteristic but pluralistic because it is built out of the original contributions of all, that has begun to be developed through the participation of everyone.

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## 1.2 BUILDING A CULTURE

Originally, the culture of the Altrad Group was essentially commercial. Even today, the guidelines of most of the companies in the Group tend to focus on objectives of this type. The internal and external development strategy adopted during successive geographical extensions provides further support for this approach, which is based primarily on turnover, market share and position in each market, the portfolio of customers, the number of signed contracts or the number of clients. Secondly, Altrad Group companies focus on purely financial criteria such as margins, accounts receivable, payment terms granted to clients and those given to us by suppliers, the need for working capital or the OP/TO ratio (operating profit/turnover).

This natural approach gives the Altrad Group, in the view of its financial partners, a positive image in relation to business development and growth of turnover.

It may, however, be less attractive from a financial point of view, and some of these same partners also do not hesitate to criticize us. Without denying the great progress already made in this respect compared with previous years, honesty requires us to recognize that some members of the Group are better than others, and that those who have made the most efforts to improve profitability are not always valued compared with those who have not; this injustice should be eliminated.

There is obviously no question of abandoning the Group's specific commercial values – which are part and parcel of its origins, its experience and its development – but rather of consolidating existing financial principles and values and acquiring others in order to build a real financial culture in the Group.

It is in this sense, and as a first step, that a reflection committee was made responsible for the preparation of a multilingual glossary defining clearly and precisely the words, concepts

and formulae in use within the Group – vital to cut short disputes, conflicts and other prevarications detrimental to the entire Group and each of its components. These conflicts were only misunderstandings born of a blurred terminology. A shared vocabulary, incontestable definitions and strict calculation formulae have happily put an end to these sterile discussions – not always free, alas, from ulterior motives – about sales margins or gross profit, the cost of goods, internal transfer pricing, whether transport costs are included or excluded, etc. Through this unified lexicon, exchanges and communications are now developed on a common basis.

### 1.3 BUDGETARY CONTROL AND CULTURAL COHESION

The budget process integrated into the Altrad Group project is its guidance system. Every budget is assigned to a responsible person according to the principle “one man, one budget”, under which control of a budget defines both powers and accountability for results.

Thus, during the annual construction of budgets, each company’s plans are (re-) defined. The operating budget, following the schedule of accounts, is above all a numerical forecast of income and costs, showing intermediate balances (margin on direct costs, total gross margin, operating income, financial result, extraordinary result, etc., in terms of value and percentage of turnover) but also noting discrepancies between forecasts and actual figures for the current financial year.

This process is naturally complicated by the diversity of our activities. But this is not a real obstacle; it is sufficient to integrate this diversity into the construction of the budgetary system. As the Altrad Group brings together three main types of companies – commercial, industrial and service – some budgets are established by function to optimize forecasting and control of performance according to activity: sales budget, production,

supply, rent, personnel costs, structural costs, cash, etc. A production company will have more detailed production, structure and investment budgets than a commercial enterprise – which will be more accurate about sales, cash and hospitality budgets. A rental company, meanwhile, will have sales budgets, business capital, etc.

Periodically – typically every month – these elements are discussed in the context of budgetary control. Comparisons of forecasts and achievements can immediately trigger corrective actions to reduce the most significant gaps in each function of the company: a difference in sales leads to commercial measures; overspending on overheads leads to savings; and so on.

Every four months, the intermediate accounts are in turn examined until at year-end a diagnosis is produced through an in-depth analysis of the synoptic documents (balance sheet profit and loss, etc.).

But beyond this simple accounting and financial performance, other results should be analysed: commercial, productive, human, logistical, managerial and strategic aspects. Projects cannot be ignored in favour of simple figures that are only a reflection of management and not the management itself nor, even less, reality. The figures are quantitative consequences, not causes nor qualitative reasons; they are only signs – and, where appropriate, a safeguard.

As we have seen, the specificity of each company of the Group must be taken into account, but the general approach in the development of budgets must nevertheless have a common basis. While commercial staff tend to focus on turnover or volume of margins, production staff are more interested in quantities and manufacturing costs; this is natural, but makes it even more essential to unite these individual views in a common budgetary vision, described as a budget culture. This may simply consist of fixing the quantities that the Group wants to sell, and then deducing the turnover and margins, based on

the manufacturing costs estimated according to the quantities to be produced and sold.

This guidance system, although based on responsibility and *a posteriori* control, is not essentially coercive – quite the contrary. By the way it is implemented and the objectives that it pursues – dealing with problems as soon as they arise, mobilizing people around a system of shared values to facilitate their integration and their involvement, and building a system of references known, accepted and applied by all – it contributes to the creation of the culture of the Group. This culture in turn, by mobilizing all forces around a common project, responds to the uncertainties arising from the market and, more broadly, an increasingly turbulent environment, wherein it is important to place, figuratively speaking, our own safety barriers.

Business plans are generally initiated by the management of the Group, which sets out the main lines, but they are shaped, through a participatory process, by all the personnel and, more particularly, by company managers. In this, the managements of the Group and of each company play their roles as team leaders, knowing how to mobilize people by organizing discussions and exchanges, thus enhancing the contribution of each member of staff and favouring mutual trust and cultural cohesion.

In such a context, rationality (rigorous methodology, objectives, etc.) co-exists with the aspiration of everyone to have his share of autonomy (in terms of participation, involvement, responsibility), a relationship that can only be positive.

Initiated by the Group, company projects must also be validated by it. Indeed, a Group project is not only the sum of the specific projects of the companies that constitute it, but rather – to take an image from scaffolding – it is a dynamic synthesis and a positive synergy where the performance of all elements, different in nature though they may be, results in the “wind resistance” of the whole, which is in itself a protection

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for each element. If one gives way, all others will be weakened. But if each supports its specific share of the load, none will be taken to its breaking point. Therefore, consistency in the various projects generates the success and sustainability of the Group as a whole and of all its components.



## Chapter 2

### THE DYNAMICS OF ACQUISITION AND INTEGRATION

#### 2.1 SPIRIT OF CONQUEST: WHAT KIND OF SPIRIT AND WHAT RESULT?

This has nothing to do with agglomerating structures – thus turnover: on the contrary, Altrad's spirit of conquest (with the logic of wisdom) aims to build a business that is *unique* in the two meanings of the word – one and only one, but also specific and differentiated – so as to share greater resources for development (technical, human, financial...) and/or the survival of the Group in times of crisis.

The spirit of conquest has generated significant momentum for change in recent years, marked by an acceleration of acquisitions. This requires the holding company to focus on the priorities of the Group and to rely on those acting within the subsidiaries. Thus, the dynamic of change is a structural tool for the participation and integration of subsidiaries.

This is a founding principle of the Altrad Group, which has been able to develop with limited transverse functions because branch managers are expected to behave as business leaders. Subsidiarity and autonomy are the mottos.

The Group re-configures itself constantly and knows how to evolve, even in an unfavourable context. This strategy is the secret of its longevity. It is based on values of audacity

and authenticity. Each acquisition is different and the risk of failure should not be underestimated. The spirit of conquest is embodied by a structured process of acquiring and integrating companies. The speed with which this process is implemented is favourable. Efficiency is sought from the outset: speed, limitation of resources committed within the holding company...

## 2.2 HOW TO TRANSFORM SKILLS INTO A COMPETITIVE ADVANTAGE

Any acquisition represents a lever to create value for an Altrad Group that bases its development on external growth. Making a major acquisition or a multitude of acquisitions successfully is always a real challenge: the key stages of the integration process need to be prepared in advance, the process needs to be controlled, synergies realized and advantage taken of strategic and organizational cultural differences so that the newly-created organization is more efficient and more profitable than the two old ones taken separately. The difficulty lies in the need to combine a macro-functionalist approach and micro vision, because integration is both the merger of two systems and the calling into question of individuals who must work for its success by creating the least resistance possible.

The acquisitions of the Altrad Group are of two types:

- horizontal: the nature of the activities of the acquired company and the Altrad Group are similar. It is a consolidating transaction aimed at gaining market share;
- vertical: service companies represent opportunities for the industrial companies in the Group.

In historical terms, the first acquisitions were horizontal in nature. Today, vertical acquisitions have become dominant.

However, related activities are not necessarily synonymous with guaranteed success.

The strategic intent is to improve the competitive position through several factors:

- a better distribution of risk;
- the development of skills;
- a wider offer;
- an increase in market share;
- economies of scale;
- rationalizing purchases;
- the development of a network of reputable partners and suppliers;
- increased internationalization;
- a reduction in competition and the opportunity to influence market prices;
- optimization of the position of the new entrant by allowing it to profit from the resources of the Group in terms of finance, management, competitiveness, etc.

The main objective is to increase in size, which requires cost rationalizations and making teams, who previously competed with one other and whose cultures differ, work together. As activities were similar, the challenges are organizational and cultural; the problem is to find ways to bridge the gap between companies. This generally boils down to the ability to reduce the difficulties of the new entrant caused by the change of environment. The challenge is to control the integration and the rationalization of costs in order to bring together the companies involved (specialization of sites, removal of redundant assets, consolidation of purchases, rationalization of activities, channels of distribution, sales forces and core activities and cultural integration).

Studies show that the size of the companies is not the determining factor of success or failure, nor is the price of the acquisition: acquisitions whose price is excessive can sometimes create value where those appearing to be bargains do not. The success of integration is a combination of various elements, such as the realization of synergies and the integration of cultures, which

depend mainly on the quality of the management. Integration is the management of change, or even the management of a cultural change. Indeed, the changes to be made can vary from simple adjustments to a harmonization and a fusion of cultures. However, the period of the acquisition is favourable to change because all the players anticipate it; therefore, should we miss this post-merger momentum, there is a risk that old habits will remain.

The challenges of integration are to build convergence and to take advantage of differences. The keys to success are forecasting and implementing the integration steps, the development of new skills, the realization of synergies of cost and of income, and the sharing of skills. Integration planning can be split into three phases: before the acquisition, short term and longer term.

### 2.3 PRE-ACQUISITION INTEGRATION PLANNING

In the first place this consists of having a vision of the integration process and communicating it. The type of amalgamation must be defined; the amplitude of integration may vary:

<b>Amplitude</b>	<i>Absorption</i>	<i>Coordination</i>	<i>Combination</i>	<i>Creation</i>
<b>Characteristics</b>	The acquired company simply aligns itself with the organization, strategy and culture of Altrad, although these elements may be slightly modified	The two companies remain relatively autonomous. Synergies are achieved by decreasing costs through streamlining purchases or central services procedures	The tools, systems and values are combined to give rise to a more powerful entity	A new organization is created

<b>Amplitude</b>	<i>Absorption</i>	<i>Coordination</i>	<i>Combination</i>	<i>Creation</i>
<b>Type of change</b>	Cultural, but only for the purchased company	Non-cultural	Combination of cultures	Emergence of a new culture

Completing an integration requires a good knowledge of the strengths and weaknesses of the business being acquired, including carrying out due diligence\*. Due diligence also allows consideration about the potential for synergies.

This step strongly involves General Management according to the principles of exemplarity. Planning and the integration project should also involve the largest possible number of employees; this greatly reduces stress and the feeling of helplessness associated with such periods. If it is feasible, the new organizational structure should be put in place prior to the acquisition so that fears – and therefore resistance – do not develop. Each employee should feel involved: communication and the transmission of information are therefore essential. The departure of competent staff must be avoided. Communication also develops mutual understanding, while participation increases motivation.

### 2.3.1 Implementation of resources related to integration

A team dedicated to the process of integration, attentive to the assimilation of cultures and the realization of synergies, is planned. It will plan the phases, direct them and provide internal and external communication. This allows normal activity to continue without losing customers, ensures rapidity and therefore increases the chances of success. Pacing the operation is desirable. A guide to integration may be published because a formalized process reassures employees, provides a structured framework and keeps them in a state of positive tension.

However, formalization does not preclude adaptation. Speed limits power struggles and uncertainty but, of course, not all changes can occur at the same pace. Values are presented but not imposed, and their interest is demonstrated.

During this phase, the integration team works independently, in cooperation with General Management, to plan projects and communicate their substance. Later, it ensures their follow-up by assigning duties and resolving problems. The team should be composed of talented managers from both Group companies and, possibly, someone from outside with the role of impartial consultant. It can include employees with complementary functions: accountants, human resources staff, lawyers, managers, etc. Its composition can depend on criteria of equity or fairness.

Overall, one of three principles can be selected depending on the objectives of the acquisition and the previously defined type of integration required:

- a conqueror's approach: the buyer imposes its managers, its methods and its culture and therefore its integration team;
- an egalitarian approach preserving equality between the two companies. Parity is an enabling element that allows conflicts to be avoided;
- an equitable approach based on the best of both companies. This seems, *a priori*, the most efficient approach but it is sometimes unworkable.

The approach and the type of integration largely depend on the acquired target.

The integration team concentrates on the future of the integration and the general interest, rather than on (necessarily competing) individual interests (power struggles, remuneration increases, job losses, etc.). Its work consists, therefore, of knowing and announcing clearly what will be done and how it will be done. In this respect, an integration booklet is useful, as is setting up a "tutor business" system.

### 2.3.2 Analysis of the target

The process of analysing the target begins with a phase of collecting relevant and critical information. Bringing together maximum information is essential to the success of the acquisition process. Acquisitions may fail if critical information cannot be accessed.

The Altrad Group devotes great efforts to acquiring the necessary data. Only the deployment of high-level skills allows one to ask the right questions and understand the target company's market. This is work behind the scenes. The Group has to discover a lot about a company to ensure the success of the process.

In a second phase, an analysis of strengths and weaknesses is a success factor which allows measurement of the consistency and compatibility of the target against the strategy of the Group, improvement of its competitive ability through possible synergies, and an assessment of the quality and reliability of the staff and management of the target who will focus on integration efforts.

The process may stop if the quality of the people is questioned. But it is up to the Group to create the desire and enthusiasm to join it. This is a first sign of confidence to be given.

The questions that arise are many:

- How to introduce the products into the range?
- How do the management teams interact?
- How to take into account cultural differences?

The due diligence stage measures the current situation. It allows us to check the strengths and weaknesses of the target in all legal, fiscal and economic aspects. It is a crucial step for the target, which has the opportunity to take a look at itself and become aware of its weaknesses.

Due diligence serves several different purposes:

- to decide on the elements of valuation of the company. In this context, it is essential to avoid paying too much for the acquisition and causing frustration to future managers;
- to allow the right price to be set. The nature of negotiation varies depending on the acquired business;

- to guide integration by understanding the target;
- to identify the strengths (reassure oneself) and weaknesses (find out how and on what to act);
- to understand best practices, identify them, develop and broadcast them. This is one of the conditions for successful integration of the target;
- to correct potential disadvantages and weaknesses.

The analysis of cost and revenue synergies is important during due diligences. But change is not always easy...

Also is it essential to move quickly to remove reticence that may be linked to unsuspected difficulties or misunderstandings, and not to allow ambiguities to become ingrained.

### 2.3.3 Structuring the deal

Structuring the deal is a key element of success. Certainly, the implementation of the project in the short term (the first six months) is based, as is classically the case in larger groups, on synergies of costs and revenues, with controlled communication about the project.

Altrad's mode of operation, however, favours dynamic integration that adapts to each case, and surpasses these issues.

This step is therefore decisive for the success of the acquisition. Specifically, it consists of verifying and consolidating the shared values of the management while structuring and negotiating the transaction by strengthening:

- the long-term involvement of the management by ensuring the compatibility of personnel;
- adherence to the Group strategy and the Altrad Management Charter;
- the governance and future operation of the new subsidiary, in line with the Altrad Charter.

The Altrad Group has real expertise in this area.

## 2.4 THE DYNAMICS OF INTEGRATION

### 2.4.1 Reconfiguration of the Group with and around new entrants

This dynamic of acquisition (average of four companies per year) requires rationalization that can result in diverse restructuring:

- repositioning products/services;
- regrouping production facilities;
- establishment of a community of interest, for example on product assembly and production, etc.

It forces actors (affiliates, managers, employees) to challenge themselves and to be permanently on the move. Only a (permanent) reconfiguration of the Group with and around new entrants and the associated management of actors can ensure that cost synergies are achieved.

Informing staff about the project is crucial because, in order to benefit from the expected synergies, restructuring can be severe.

Previously competing firms may thus become sister companies. The Group is careful to ensure that this does not mean them losing their personality, but on the contrary, that the dynamics of integration are positive and allow them to operate and optimize natural assets. Furthermore, integration does not mean dissolution within the Group.

It consists of acquiring a common vision within the framework of a common organization. The role of the holding company is fundamental for a positive transition:

- to drive this integration and communicate about positive aspects;
- to ensure that the new subsidiary feels valued;
- to help the subsidiary to find its place within the progress units: this sometimes goes as far as the adoption by the Group of specific expertise belonging to a new subsidiary.

Meetings need to be organized for a positive transition to convergence and complementarity. This is a difficult moment in the integration phase.

Everyone has to overcome the tensions that arise from natural arbitrations about markets.

Obviously staff should be prepared for these sometimes brutal developments. They do not necessarily perceive the overall mechanisms and issues but should continue to work normally before feeling the benefits. Positive communication is carried out by the managers of the new subsidiary; this requires that they feel comfortable and that they accept that this reconfiguration makes sense.

Co-workers do not always see the global picture; they can lack certainty and may fear losing their jobs. Restructuring coupled with a spirit of conquest allows them to realize that the Altrad Group can move forward without job losses.

#### 2.4.2 The specialization of the new entrant

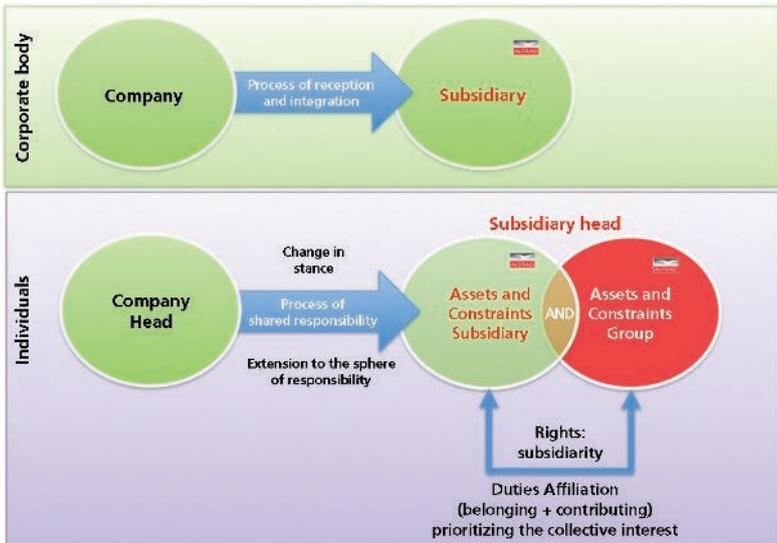
Integration occurs through upgrading to the Group norms with the aim of cohesion and the involvement of each new member in an entrepreneurial culture where the principle of subsidiarity is preponderant.

The specialization of a site is often inseparable from this permanent reconfiguration. It requires appropriate working capital that only cost synergies can make possible. These are intended to lead to revenue synergies which conduct new entrants (by specialization and enhancement of strengths) and the Group as a whole (permanent reconfiguration) into a new dynamic of development.

2.5 CORRELATIVE CHANGES IN THE SPHERE OF RESPONSIBILITY OF THE HEAD OF THE SUBSIDIARY

The reception and integration of a subsidiary are a critical process for the success of the business venture integral to the strategy of the Group. It is a profound change that affects the entire Altrad system.

All stakeholders – physical or legal entities – are affected by the reception and integration of a new subsidiary. The Group receives four to five per year. All interrelationships are therefore rethought and redesigned in the short and medium term. Former competitors become sister companies and past competitive advantages fade. Companies become mandatory suppliers of the Group’s subsidiaries, evolving towards the concept of internal customers – captive customers by definition.

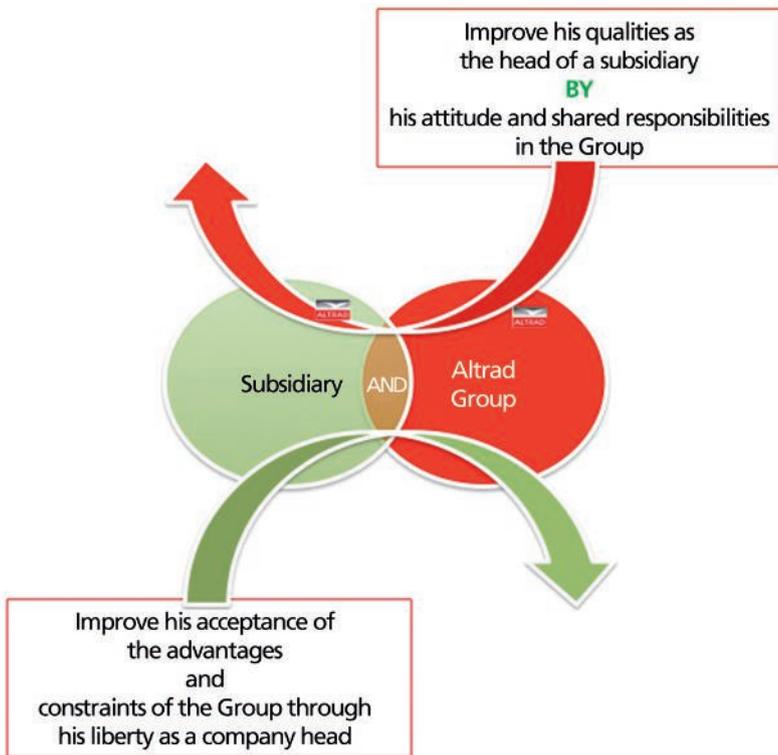


This permanent change is accompanied by a change in attitude of the company head. His new status as head of subsidiary

undertaking leads him to incorporate the strengths and constraints of the Group, in a process of shared responsibilities. The primacy of the collective interest (red zone, non-negotiable) as a duty is associated with the right of subsidiarity which is offered to company heads.

The competitive advantage of the subsidiary in the short term gives way to the couple [long-term competitive advantage of the subsidiary + competitive advantage in the short term of the Group], in a patrimonial logic.

In this sense, the notion of internal (captive) Group clients is linked to the policy of vertical integration of the Group that is integral to the Altrad strategy.



It is the responsibility of the head of a subsidiary company to position it in this environment, focusing on the interests of the Group, and developing experience in both dimensions.

It is up to each business leader to contribute to the overall success not only through the management of his own functions, but also by his contribution to and his use of common activities (transverse or central).

The immediate interest of his own company, in terms of competitive advantage and results, therefore, is now only one aspect of the contribution he can make to the best interests of the Group through the results of the parent companies and the Group in its entirety.

Here, as in intercultural management, a collective reflection must lead to the adoption of a few simple rules, like for example:

- know markets and competitors, direct and indirect, including those within the Group;
- think in terms of the value chain and competitive advantages;
- give priority to the interests of the Group;
- favour joint activities in order to benefit from synergetic effects;
- do not be jealous of the success of sister companies or the Group; do not hide your own difficulties, but, on the contrary, seek help and welcome it with good grace;
- cultivate humility in all circumstances: celebrate a success but never be satisfied; regard a failure as a chance to improve.

## 2.6 THE DEVELOPMENT OF ORGANIZATIONAL SKILLS AND NEW CULTURES

If this stage is reached, it consists of enriching oneself through differences in order to ensure effective convergence and avoid the flight of talent. Convergence therefore goes beyond the first levels of integration of information systems and sharing of

administrative services and production activities to achieve the creation of common values that define the new culture. These must be clearly laid down and explained so as to be understood by the majority. Employees must adhere to this set of values which creates unity in the new Group.

In addition to common values, the feeling of belonging to the Group develops from various factors: training, seminars, the rotation of positions, progress units, etc. The leaders of the change must be identified as being able to convey and disseminate new values.

The cultural problem is central: should a new culture based on the strengths of the two companies emerge, or should we simply cultivate a culture of openness, change and acceptance of differences?

In conclusion, in a significant acquisition, several forms of integration coexist. The Altrad Group, through experience, has built its own method, knowing that integration limited to the first two steps without a fusion of cultures is often problematic. It seems that culture is a key to success provided that integration is thoroughly prepared, when possible, well before the actual merger.

## Chapter 3

### MANAGEMENT IN UNCERTAINTY AND COMPLEXITY

#### 3.1 MANAGING COMPLEXITY

##### 3.1.1 Managing complexity at an individual level

The evolution of labour demonstrates the passage from one to multiple dimensions: “*Homo laborius*” is a *Homo sapiens*, a human who is complex, biological, psychological, emotional, spiritual... One cannot manage a human being in the same way one drives a machine. This affects management modes.

##### 3.1.2 Managing complexity at a relational level

Managing a business is first and foremost managing a community of people to make them work together on a common task, while being subject to very diverse internal and external constraints.

##### 3.1.3 Managing complexity at an organizational level

The recognition of specific characteristics (or even antagonism – the expression of different logics) must replace the reflex of exclusion which removes from reality, much of its riches. The organization, a living system, can only be understood according to the same logic as that of the artificial machine, an inert

system. Precisely because it is a living system, the company must succeed in implementing both complementary and conflicting relationships. The more the organization is rigid, designed in a programmatic manner, the less effective it is because it is deprived of its strategic adaptability.

These three levels of management are summarized in the following table:

<b>Management level</b>		
<b>Individual</b>	<b>Relational</b>	<b>Organizational</b>
Welcome someone in his entirety and capitalize on his hyper complexity	Put together an effective team	Think about, create and adopt new approaches to the organization
Manage according to personalities: the right person in the right place and managed in the right way	Develop collective intelligence	Seek and express the meaning (vision)
Understand everyone's mechanisms of decision and action	Motivate and mobilize: create conditions for personal and collective engagement and involvement	Inform, communicate and share knowledge
Identify the sources of motivation of everyone	Manage relational stress	Steer the organization: from programme to strategy

Individual	Relational	Organizational
Put what's <i>essential</i> (spirituality, psychology, personal system of values) at the heart of what's <i>important</i> (social and professional life)	Manage multicultural teams: enriched by diversity	Welcome, encourage and embrace change
	Dare to trust: decentralize and empower	Manage innovation

Nevertheless, how can we integrate into the business, freedoms and disorders which could lead to inventiveness, creativity and adaptability, but which are also potential sources of disorganization and thus decline, or even death? Indeed, the more complex a business is, the more it tolerates disorder, and therefore the more it runs the risk of disintegration.

How can we reconcile this freedom, which goes hand in hand with creativity, on the one hand, and order, which is accompanied by rigidity, on the other?

“Solidarity within a company (and among members of it) is the only thing that will allow it to handle increasing complexity. Finally, informal networks, collaborative resistance, autonomy and disorder are necessary ingredients for the vitality of companies.”

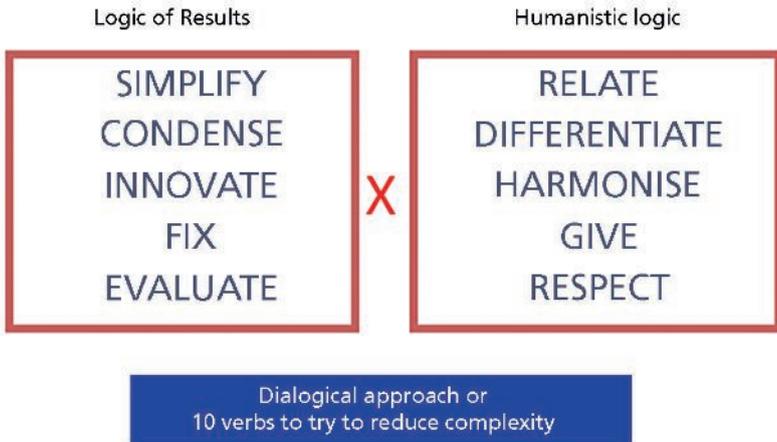
To ensure its continuity, the living organization must adapt continuously and take into account the disruption of its components and its external environment – on which it depends, by definition, as an open system. It must be autonomous.

### 3.1.4 Try to reduce complexity

The logic of results and the logic of means are thus perfectly complementary in business today: how can we reconcile them

with the humanistic values that are the DNA of the Altrad Group?

## To balance functional and humanistic comporment



Source Jean-Claude Serres - Managitude ©

To enable the Group to respect its values, it is necessary to balance humanism and functional behaviour with its logic of results, as shown in the scheme proposed by Jean-Claude Serres, author of *Management agile ! Construite et accompagner le changement*. (“Agile Management! Build and embrace change” – AFNOR 2006).

### 3.2 DEVELOP THE AGILITY OF THE GROUP AND ITS MEMBERS

The Altrad Group has developed skills to master variability, with the logic of “a time for timely action”. It works on an empirical and pragmatic principle built as a system of thought

coming from the richness of the vision of its leader, augmented by feedback from its history.

This system of thought and action induces the agility necessary for the mastery of time (chronos) – one of the challenges of the end of the 20th century consisting, for a company, of defeating time.

Already in 1993, George Stalk and Thomas Hout, of the Boston Consulting Group, were saying in “Competing Against Time” that the future belongs to those who master time: “The creation of value, using time as a competitive weapon, involves strategies to keep the most interesting clients and leave competitors behind.” They ended by recalling that “the management of a company must take decisions or remain a spectator to the transformation of the sector by a fast-moving competitor” and that “the only real choice is to take the initiative in transformation”.

The question of the mastery of time is now taking a new turn. The concept of agility is essential in the business world. For Jérôme Barrant (Institute for Organizational Agility, Grenoble School of Management), author of *Manager agile* (“The Agile Manager” – 2006) and winner of the 2007 *Mutations et Travail* prize, agility isn’t just simple flexibility: “Agility is the ability to move continuously, (not just to innovate because old recipes may again become relevant) with the right intensity, at the right time [again and again this notion of time, kairos] and in a manner that is coordinated both internally and externally”.

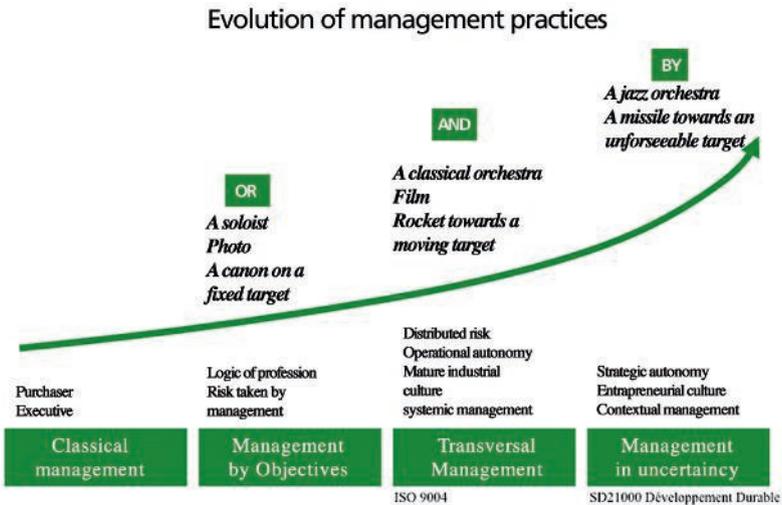


Simplification of the concept of agility by Jérôme BARRAND

Reading this proposition, it is easy to draw a parallel with the functioning of the Altrad Group, suggesting that its maturity in terms of agility is excellent.

Pragmatically, agile management is based on:

- the implementation of short cycles of action (2-3 weeks), taking into account the acceptance of the dimension of incompleteness, and self-improvement of the system;
- the fixing of intermediate sub-projects, promptly carried out;
- the autonomy of the sub-projects subject to principles pre-defined by the company, in a logic of semi-directive management:
  - Their purpose is clear and their objectives are defined.
  - A profusion of resources has given way to creativity.
  - Within this framework of time and resources, the team has full discretion about the methods and means to meet goals.



Source Jean-Claude Serres – Managitude ©

Similarly, Jean-Claude Serres proposes a change in management practices of companies in *Manager dans l'incertitude*. *Gestion des*

*risques maximum !* (“Management of uncertainty – maximum risk management!” – AFNOR 2007). According to this model, the level of maturity of the Altrad Group’s management could be described as “management in uncertainty”. This management style gives the power to ensure the Group’s sustainable development.



## Chapter 4

### DEVELOPMENT OF CONFIDENCE IN A COMPLEX ENVIRONMENT

#### 4.1 CONFIDENCE AND COOPERATION IN THE COMPANY: UTOPIA OR PROFITABLE INVESTMENT?

Cooperation is the first issue of any business, the challenge being to make different people work together to develop, manufacture and sell a product or service. The diversity of skills and profiles is a strength but can also represent a handicap. Cooperation and collaboration are essential, this is a fact that must be dealt with to avoid conflicts (stable phenomena) and generate the quite unstable phenomenon of cooperation. Collaboration and cooperation are two different concepts: cooperation concerns various tasks associated with the same general objective while collaboration combines a task and a common purpose. Cooperation is the basis of any organization, because it is impossible to accomplish everything alone. It may be only complementary in nature, that is to say that it is born from a complementarity of skills, the employee providing his know-how in exchange for remuneration. It can also be community-based thanks to a strong sense of belonging, very beneficial to the public interest. It consists therefore of developing common knowledge and communicating it in order to build a collective competence resulting from cooperation. The collective competence may then be superior to the sum of

individual skills and represent real added value for the Group. This form of cooperation requires a strong investment on the part of employees, an emotional and moral commitment where the three actions – giving, receiving and making – create strong social ties. Cooperation, ensuring the effectiveness of employees, implies the existence of a powerful sense of confidence.

The role of confidence in economy is crucial; times of crisis illustrate this assertion, if this is necessary, because they are, first and foremost, a loss of confidence. In a company, confidence is present on a daily basis: from recruitment to the delegation of responsibilities or the dissemination of strategic and financial information.

Confidence, a concept often associated with the stability of relationships, is difficult to generate in a changing world. However, a lack of confidence generates losses of efficiency and energy in businesses of the order of 20-40%. The benefits of established trust are, however, difficult to quantify, but it is certain that trust allows commitment, cooperation and collaboration, the desire to progress and surpass collective boundaries, creativity, innovation, initiative, autonomy, the taste for results and performance. To give confidence is to chase away fears, frustrations and inhibitions and to develop hope and a desire for successful performance in the long term, to build a common future.

#### 4.2 WHAT IS CONFIDENCE?

Confidence, is relying on someone or something, or giving credit to someone or something. This means not having to be wary while keeping a feeling of security. Promise and confidence are two etymologically related words. These two concepts are essential in business and in daily life in general.

A single word exists in the French language against two in English, trust and confidence, marking the difference between interpersonal and collective relations. Self-confidence is often

forgotten but remains essential: if an employee doubts his ability, he will find it difficult to act in collaboration with others and to be efficient. However, self-confidence is not arrogance, because, within the company, humility is *de rigueur*: nothing is possible without others. Trust in others is, as such, also indispensable.

Confidence is therefore vertical when it is intended for the (ascending) hierarchy or is granted by the latter (descendant). It is horizontal in collaboration. Vertical trust granted by the management to employees creates motivation and allows initiative taking; on the other hand, it shows adhesion to strategic choices and the vision of the future initiated by General Management. Horizontal confidence is essential for any collaboration. But confidence is also about tools and objectives: the type of organization, the tools for the dissemination of information and communication, vision, financial security, strategy, etc. The Altrad Group's history, its successes and the fact that it has overcome many difficulties while becoming stronger generate legitimacy and trust. This is fundamental, because trust is the key to all collective dynamics.

This confidence can be measured by breaking it down into separate elements:

- confidence in promises given by the hierarchy, the understanding of these promises, commitments, clarity, quality of listening, etc.;
- confidence in the vision and strategy of the company, belief in the future: without confidence in the future, there is no project, no investment and no company;
- financial confidence: stability and financial strength ensure sustainability;
- confidence in employment and the future of the company: even in times of crisis, the company ensures sustainability, employability, and performance in the interest of all;
- pride in belonging resulting from the confidence and the success of the Group;

- personal development: the work of each is important and recognized;
- surpassing collective limits thanks to confidence in colleagues, teams and the Group in general.

Confidence must be real and not based on calculation or deterrence. It is a voluntary act of courage. He who gives his confidence accepts the risk of being wrong.

Confidence is slow to establish and, unfortunately, quick to destroy. That which endures is based on strong interpersonal relationships, on mutual respect, on the personal knowledge of individuals: this is possible within the Altrad Group where the hierarchy is limited and where General Management is accessible. The fragility of confidence requires working with people one knows and understands. It also comes from the history of the Group and the long-term vision that it has developed, contrasted with many large businesses that are driven by the financial markets to consider only very short-term (financial) objectives.

Confidence allows all the abilities in the green zone to be released. In addition, it has a protective role, thanks to the operating rules that make this great freedom possible – rules laid down by the existence of the red zone. The rules imposed in the red zone are limited; their benefit is much greater than their social cost.

#### 4.3 ELEMENTS INVOLVED IN CREATING A CLIMATE OF CONFIDENCE

Confidence cannot be decreed. It develops over time thanks to the loyalty of a manager, who, even in periods of difficulties, continues to give his confidence to his employees, and the confidence of employees in the manager who, by his vision, knows where he is going and where he is leading the Group.

This vision must be known, understood and maintained in the long term. Confidence is a judicious mix of the interests and values of the Group. Binding people around a common interest promotes confidence; the fate of all is linked to the fate of the Group. Each actor must be aware, share the founding values of the Group, and invest himself in the general interest.

It develops according to the following precepts:

- Inform about objectives: people working in the business must understand its direction, what it is and where it is going.
- Listen, but listen “actively”.
- Do not be certain about anything.
- Accept risks and the right to make mistakes.
- Dare to be vulnerable.
- Talk frankly.

Confidence requires truth, openness, authenticity and listening.

Limited rules are not constraining. Everyone has a large area of freedom (the green zone is perceived as representing between 80 and 95% in Altrad). Too many regulations would mean that staff would not rely on people but on the system and this would generate negative strains. However, regulations in limited numbers give meaning; their limited number allows adhesion without constraint and therefore confidence.

Giving confidence promotes a virtuous circle of top-down, bottom-up and horizontal trust; it is accompanied by a pedagogic effort and is fostered by strong interpersonal relationships; distance makes human relationships more virtual. Confidence is one of the factors that explains the success of family-type midsize companies. In these, the logic of cooperation is notably different. Performance comes from the continuity of the relationship of trust which makes employees particularly faithful.

Confidence and cooperation can be summarized in a few basic concepts: honesty, truthfulness, courage, temperament, listening, general interest, compassion, altruism, stability of conduct and integrity.

#### 4.4 THE COST OF DEFIANCE

Confidence is a real revolution which fosters the commitment of an employee. Defiance, on the other hand:

- blocks the functioning of organizations;
- weighs on the climate at work;
- promotes the disengagement of co-workers;
- creates a sense of unease;
- increases stress;
- decreases motivation and therefore productivity;
- costs dearly in terms of controls, etc.

However, an abuse of confidence may have adverse effects on the Group and between subsidiaries. Taking as an example the case of negotiations with a supplier at Group level, the fact that a subsidiary has no confidence in the common objectives may call into question the overall image of the Group in the eyes of its suppliers. Circumventing the aims of the Group by choosing to go it alone and negotiating directly with the provider (to have an identical quotation) results in a loss of credibility both in the Group as a whole and in the subsidiary.

Similarly, not complying with engagements leads to a loss of the trust of the partners of the subsidiaries and of the Group. In promising for example a certain volume of purchases of material by the Group as a whole, the objective is to obtain favourable conditions. If any subsidiary does not take its share of this volume, the whole deal may be compromised and, by implication, affect all the other subsidiaries who honour their commitments. This type of behaviour causes tensions and economic repercussions that damage the trust between subsidiaries.

Finally, a sense of injustice and imbalance can affect the mutual trust between the actors in the company. Each person has a say, since, whatever his abilities and skills, everyone contributes to the general interest of the Group. It is the same in the negotiation of conditions: all stakeholders must be on

an equal footing; without this the relationship of confidence can be affected.

#### 4.5 THE INTEREST OF CONFIDENCE: CONFIDENCE AS A TOOL

Conversely, confidence promotes interactions between members of the same organization and has many positive effects on performance. Confidence allows us:

- to increase the frequency of interactions between individuals in the Group;
- to increase the quality of information exchange;
- to raise the level of effort;
- to utilize skill sets fully;
- to reconcile collective interests and individual interests;
- to motivate all staff;
- to take calculated risks that are at the origin of all success;
- to ensure better management of conflicts;
- to increase the commitment of all;
- to facilitate more open communications.

Confidence is doubly strategic because it increases performance and productivity while also promoting well-being. It allows reconciliation between durable, high performance and the satisfaction of those who produce the wealth.

#### 4.6 ALTRAD'S ORGANIZATION AND VALUES AS A GUARANTEE OF CONFIDENCE: THE RESULTING CONFIDENCE

Confidence must not be only a virtuous discourse, but a reality that is concretely reflected in the organization of the Group which originates it. Confidence and simplicity go hand in hand: they are the two sides of a singular management style in which control, procedures and hierarchical levels are minimized.

Hierarchy creates mistrust while, conversely, a horizontal and matrix structure develops autonomy, accountability, and therefore confidence.

The Altrad Group, through a transparent organization, has adopted a matrix structure and transverse management where hierarchies are non-existent. It is distinguished by its original matrix structure that, obviously, ends the uniqueness of the hierarchical link and also incorporates all partially present aspects commonly encountered in matrix organizations. An additional division is thus retained in order to integrate products, features, projects and the various markets:

- The holding company corresponds to the transverse functions in the service of the subsidiaries and steering the Group (accounting, purchasing, finance, human resources, etc.).
- The managers of the subsidiaries represent the divisions of markets and products.
- Group managers correspond to products and projects developed in the framework of the progress units.

Such decentralization allows *a priori* confidence in each individual and develops this within the enterprise, i.e. between all individuals regardless of their function, between all subsidiaries, etc. Individuals are empowered and communication is easy.

The decentralization of decisions is intended to promote cooperation, which is a source of confidence. Such a system of governance ensures transparency and, in particular, gives considerable freedom and latitude to each company head by allowing him:

- to develop a greater capacity to undertake, to innovate;
- to make and champion proposals;
- to have confidence in himself and the future of the Group;
- to develop a sense of belonging, etc.

Autonomy and accountability naturally generate confidence.

Confidence is in the “genes” of the Altrad Group since it is one of the ethical foundations of its supported values.

Of course, this confidence must exist on a daily basis. It is generated through the hierarchically light matrix structure of the Group and also through participative management: every employee is a source of proposals, the management is close and available and the progress units participate in the continuing evolution of the company.

In addition, this confidence will endure providing the remuneration system is fair and equitable: the Altrad Group achieves this by promoting the variable component of income. Indeed, for the sake of fairness, the Group's remuneration policy, whose main characteristic is variability, concerns all employees, be they commercial, labour, administrative, business leaders or functional managers. The purpose of variability is to apply one of the fundamental values of the Group; that the general interest dominates. If the Group progresses, each employee progresses; it's the "win-win" principle.

This objective is therefore twofold: to recognize the performance of staff and to support the Group's strategy. For the employee, he can earn more by working better! He therefore becomes a responsible stakeholder, and a link is created between the added value that he brings and his remuneration: he is recognized and rewarded. This develops a spirit of performance as well as a culture of results. Such transparency promotes mutual confidence between the Group and its employees, who are valued and recognized for their work.

Confidence in the company is based in realism: it relies on the experience accumulated over the past years. Thus, despite the tough economic times it has experienced, the Altrad Group has always inspired confidence because it remains powerful. The credibility of its leader is essential and could hardly be called into question. Associated with respect for employees and equity, it is a guarantee of confidence. The vision and the strategy developed by the management merit confidence because they have brought the Group to its current level successfully; it continues to grow and be profitable despite the current economic crisis.

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#### 4.7 HOW TO RECONCILE THE RED ZONE AND CONTROLS WITH CONFIDENCE

Confidence is synonymous with respect, fairness and credibility. It creates an implicit link between individuals. It is fragile: just one betrayal and it disappears forever. It is granted and earned. It is won and one must be worthy of it; it is a question of reliability in actions related to commitments. But this notion of confidence is also related to risk, precaution and control. Thus, it is not incompatible with the establishment of some rules, e.g. the systems of recruitment, remuneration and reporting.

The red zone will help; it is not – and should not be seen as – a constraint. Too much control would generate mistrust and individuals would correctly perceive it as a lack of confidence. The number of rules in the Group is therefore limited; each subsidiary has a wide freedom of action. Otherwise, it would create a rigid framework, an organizational straitjacket where formal control would limit the freedom of exchange, interactions and actions of actors.

The structure of the Altrad Group and its business model avoid such dangers: hierarchies are minimized, management is collegial and interactive, the principle of equality is applied and freedom is great. Nevertheless, regulations convey meaning; their small number allows their free acceptance, and therefore generates confidence. Too many rules would generate opportunistic behaviours outside the procedural straitjacket, whereas limited control protects against risks and increases overall efficiency.

The red zone is not a constraint, but an obligation that allows the Group to remain profitable, efficient and sustainable; which, of course, is fundamental for the benefit of all. Controls are needed because they provide a number of key benchmarks that guide the cooperative behaviour of the members of the Group. Control and confidence are therefore not in opposition because they represent the confidence that employees have in

their company and in the system; precisely measured rules are set so that the system works correctly.

The set of rules adopted by the Group must not be perceived as a tool of verification and sanction but rather as an element that produces motivation and information about organization and that generates performance, efficiency and profitability. A total lack of control would generate strong uncertainties and big risks that would result, at the individual level, in a loss of reference points and an increase in non-cooperation. Controls allow desired results to be achieved, performance to be evaluated objectively (and therefore remuneration to be fair) and the responsibilities and contributions of each to be delineated. The rules of the red zone should generate confidence because they guarantee organizational effectiveness; they have a strategic role in the development of optimal inter-subsidiary relations and ensure the coherence of the whole.

Control does not interfere with freedom and confidence providing it is interactive, as is the case in the Altrad Group where everyone can, in turn, be controller or controlled. The relationship of confidence also persists providing all controls are brought to the attention of everyone, while formally clarifying their interest and the need to respond.

Control and confidence are therefore not incompatible. The success of the company depends on a combination of these two elements: having no confidence or no control would damage the sustainability of the Group.

The keys to success are simple:

- Choose to believe in confidence, starting with yourself.
- Always declare your intentions and assume that the intentions of others are positive.
- When in doubt, search for the positive intent behind an apparently negative word or action and beware of apparent guilt (“I was there at the wrong time and I did the wrong thing”).

- Keep your promises in full transparency; be exemplary.
- Place your trust in others.
- Believe in the Group and accept its rules and procedures. The rules give confidence in the functioning of the system.
- Consequently, meet the expectations and demands of the holding company perfectly.

Control and confidence go hand in hand to ensure excellent management. To accept and adhere to the red zone is to have confidence in the company. Controls, in this context, increase overall coherence and effectiveness and generate this confidence, because they make things generally more efficient and more profitable. While a wide green zone manifests confidence within the company, between all stakeholders and particularly between the management and employees, this confidence is a source of individual productivity and efficiency. These two elements are of course compatible and are both essential to effective management.

The issue of trust and controls is major in relation to risk-taking. The more complex and uncertain the environment is, the more control is inseparable from the question of confidence and the management of risk, and as such, a condition for the sustainability of the Altrad Group. In no way does it call into question responsibility and skills that are, on the contrary, favoured.

## Chapter 5 REINFORCEMENT OF BELONGING

This term covers two complementary concepts: belonging and taking part, i.e. taking on the project to be its co-developer (each is a part of the whole, and the whole is more than the sum of the parts).

One belongs more if one is involved. This is consistent with the requirement of action. Membership is therefore part of a dynamic, while the sense of belonging is static. How to create a sense of belonging? How to transform the feeling of belonging (static and resultant) into (dynamic) belonging? What dynamics of belonging should be set up?

It is generally recognized that a sustainable and efficient company is an organization which gives rise to a high sense of belonging among its staff. Is this a real force or a somewhat outdated idea that is still in vogue? Does it really guarantee the success of the company? It would seem that it is indeed indispensable because the best-performing firms can count on the commitment of more than 90% of their employees while those who see this rate fall below 60% experience serious difficulties.

The feeling of belonging is the degree of commitment of the employee to the employing organization. It is an emotional connection that develops under the influence of specific management factors and that brings the employee to develop behaviour that is the most beneficial both for the organization and

for himself. It is a positive emotional relationship which obeys the same rules as any interpersonal relationship with which it shares the same characteristics – emotional connection, long-term relationship, rewarding relationship, links of confidence, reciprocity and tolerance and compromise – without losing a certain critical sense (obviously positive and constructive).

## 5.1 THE IMPORTANCE OF A STRONG SENSE OF BELONGING

A strong sense of belonging creates, as a minimum, significant mobilization, and at best an unwavering commitment from employees, thereby increasing their productivity and their yield in general. When this feeling is high, staff are proud to work in a company: they feel well, integrated, valued and therefore they identify with it. This identification is one of the essential factors of competitiveness because the necessary trade-offs between private and professional life will be balanced (and not at the expense of professional life). Thus, skills and a sense of belonging among the staff are two essential pillars of performance.

In an environment of heightened competition, any company must stand out from the crowd; equipment, processes or products do little in this regard, particularly in a field such as that of the Altrad Group where innovations are not spectacular. The staff, the human capital therefore make the difference: their skills and degree of attachment to the Group create this essential distinction from competitors. In particular, the mobilization of personnel is a (very) important issue for 96% of businesses of 50 to 300 people – this figure would be even higher for large companies.

Employees are ambassadors of the Group and its brands. If they are satisfied, happy and proud of their company, a virtuous circle is created: the satisfaction of the client is more easily achieved and ultimately, the company will remain profitable and continue to grow. This is essential, especially for

commercial staff whose sense of belonging guarantees their effectiveness.

A strong sense of belonging also characterizes the image of the employer: an atypical and appealing business identity allows it to present itself in an original way on the labour market and thus to attract (and keep) talent and skills.

Belonging involves a personal identification with the Group. This means the adoption of the values, norms and habits of the Group as well as the feeling of solidarity with all other members. A strong sense of belonging to the Group makes it possible to respect its standards, rules and procedures, but also easily to understand and accept the need for the red zone.

This attachment is a mix of a sense of usefulness, solidarity and confidence within the Group. The sense of belonging gives meaning to the actions of each member of the Group which, because of its values, its codes and its ethics, therefore becomes more efficient and competitive.

In summary, the feeling of belonging allows a company to differentiate itself from the competition, to attract competent individuals and to motivate staff through identification. It has, therefore, a major impact on output, productivity, confidence, cooperation, future perspectives, diligence at work, resistance to stress, self-esteem and openness to change.

Committed people loves their work and their business and invests themselves in it. They also have confidence in it, and this feeling makes them flexible and more inclined to accept proposed changes.

## 5.2 HOW TO DEVELOP AND MAINTAIN BELONGING IN THE GROUP

In general, each individual feels a fundamental need to be part of a group; everyone wants to be able to find their place, their usefulness and some recognition. In a company, employees also

need to feel integrated, and exemplary management is essential: it sets the tone, guides, sets the values and ensures that information is transmitted at all levels. Exemplarity elicits confidence, and a climate of confidence is a prerequisite for the development of a significant sense of belonging.

The management factors responsible for the development of the sense of belonging of the staff are, in descending order of importance: respect, the importance given to the customer, clear tasks and responsibilities, stimulating work, quality information and effective overall management of the Group.

The Altrad Group attaches great importance to the dynamics of belonging. Also, to develop this in the subsidiaries and staff, it has multiple channels of which the most important are the year-end seminar and the commercial seminar (see below).

### 5.2.1 Staff must feel respected and recognized by their superiors

A perception of respect and consideration has a critical impact on a sense of belonging; it is therefore an essential factor. Indeed, it is impossible to develop a high sense of belonging and to mobilize staff if they do not feel considered, respected and valued by their superiors and the employing organization. This feeling is created once managers have understood the strategic issues, know they have the means to act and act accordingly, and are valued and recognized by and for managing in a way that is consistent with the stakes for the company. They can inspire their employees by an exemplary attitude, and middle management can relay this by encouraging all staff. The enhancement of individuals allows them to perceive their personal contribution to overall performance – the employee will enjoy his work more. Giving value to work in this way is carried out through consultations, listening and communication. The Altrad Group has a short, effective, simple and responsive guidance system: its matrix organization, humanist conception

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of management and its transparent operation, promote respect and valorization of staff.

5.2.2 Recognition of a job well done and commitment also involve a process of openness to others and benevolence

The frantic course of time (*chronos*) can lead us to forget others. The sum of problems faced on a daily basis means that we spend more time recognizing and expressing what is going wrong rather than considering what is going right... The manager must rebalance things by giving special attention to others and interesting himself in them and their work. It is therefore important:

- to develop active listening, in a logic of *kairos* (the time for timely action), without putting off until tomorrow actions that will improve things;
- to identify employees who are currently doing well;
- to encourage and congratulate them if necessary.

5.2.3 The perception that the Group attaches great importance to the quality of products and the service to the customer

The client must really be at the heart of all our concerns. The perception that the company attaches importance to the quality of its products, services and customer satisfaction contributes significantly to the development of a sense of belonging among the staff. Employees, in fact, tend to identify with an organization that respects them and that also respects its customers. Employees are proud of an undertaking whose sense of ethics is important, whose performance is high and which brings satisfaction to its clients. They are proud to be able to meet the expectations of their customers. Commercial staff particularly dislike having to explain inconsistencies or errors of the organization they represent. Customer satisfaction surveys conducted regularly by the Group also have a positive impact on the sense of belonging of the staff providing they are followed by action.

The offer and the values of the Group are thus centred on the client: security, ease of use, conformity with standards, delay, solidity, reliability, quality of the product and of the logistics and competitive price. The customer is at the heart of the business model of the Group: expectations guide production, innovation, service, logistics, trade policy, etc.

#### 5.2.4 A task and clear responsibilities must be defined and explained

The clarity of the tasks that staff execute has a positive impact on the development of a feeling of belonging. Communication about the management's expectations must be clear and precise. Individual goals must be intelligible and aligned throughout the chain of command. This clarity enables the staff to feel useful; they feel they can properly use their skills in the service of the general interest, and this valorizes them. The frame of work is perfectly defined, objectives are explicit and individuals are autonomous, recognized and empowered. They more easily perceive their contribution to the overall success. Clarity of everyone's objectives decreases stress at work. The sense of belonging grows when managers are available, give employees a high degree of autonomy, set them clear objectives and provide quality information – and in particular precise feedback\*; this point can certainly be improved according to the results of internal investigations.

#### 5.2.5 The existence of a stimulating task is essential

It is now recognized that labour does not only provide income to individuals: psychologists argue notably that the realization of self, i.e. full use of one's personal and professional capacities, is an important factor of motivation and psychological balance. The fact that the employee can use his skills and professional knowledge fully and can exercise judgment contributes significantly to the development of a feeling of belonging. The

enrichment of tasks and the autonomy of staff are two pillars of a strategy that aims to improve the feeling of belonging. The green zone developed by the Group and giving *a priori* confidence empowers individuals. Similarly, an ambitious strategy makes work stimulating and interesting.

5.2.6 The information disseminated to staff about the orientation, strategy and activities of the Group must be of high quality

Information on policies, projects, achievements and the economic performance of a company also allows the development of the sense of belonging of the staff. The importance of this factor increases when the company goes through a difficult period, a source of insecurity and stress. Explaining clearly the strategy and the reasons for any change develops confidence in the future of the company – a feeling strongly linked to that of belonging. The communication of visions, strategy and missions allows personnel to make the link between the Group's overall strategy and its daily functioning: each task thus has a meaning. Managers must know how to communicate the long-term vision and the strategy of the General Management and to explain its ambitions in a clear and concrete manner: this is close, empathetic management. An internal Group survey demonstrates that this point should be improved substantially: indeed, 74% of those surveyed believed that they do not have enough information about the Group's strategy, while 60% described information about the Group as poor, and, for example, had no knowledge of the number of subsidiaries.

5.2.7 The perception of effectiveness in the management of the Group is important

The perception by staff that the company properly manages its resources is a factor that develops the feeling of belonging. Thus, staff are more likely to identify with a company wanting

to control its costs and optimize its productivity than with a lax organization. A company that streamlines its workforce while respecting its staff, does not lose the sense of belonging of its managers and employees. A company must be able to communicate internally, clearly and regularly, its financial performance. It must be understood that the actions taken serve the general interest and ensure the continuity of the company. Decisions taken in the past that have led to the success of the Group contribute to confidence in it and its leaders, and develop this sense of belonging.

### 5.2.8 Tracking down double languages implicit in the company is a key success factor

The example of the production and logistics of a company manufacturing high-end furniture is significant. The company had invested in ambitious programmes and adapting its factories to serve its customers (flexibility). Quality was the watchword that it proudly displayed to gather and guide its teams at all levels. And yet, the first question put to the operators in the workshop – “how many have you made today?” – does not resonate with the stated policy. The right question should have been rather “how many good ones have you made today?” It will not have escaped the operator that while the discourse is about quality, he is evaluated implicitly or explicitly on his individual and immediate productivity, potentially contrary to collective efficacy. The business world is full of these explicit or implicit contradictory messages. The leaders of the Group must ensure that they do not pollute its discourse and its objectives. The system must also be poka-yoke\* (mistake-proof) in this area.

On the other hand, certain factors seem to have little or no influence on the sense of belonging:

- The public image of a company has a very limited effect on the sense of belonging of its employees; only, in fact, the image that employees have of their own group. Investing in

the development of a good public image is not cost-effective internally.

- Similarly, the level of remuneration has no effect and does not develop a sense of belonging. Indeed, money does not mean loyalty; a sense of belonging is not linked to remuneration: if an employee feels poorly paid, he will quickly leave the company, but if he is correctly paid, this does not mean he feels integrated, useful, recognized or esteemed. He may not have confidence in his company and may therefore not develop any sense of belonging. Taking action with regard to remuneration is not a lever for developing the feeling of belonging and still less for developing a feeling of actual belonging.

In conclusion, the feeling and dynamics of belonging are essential to the success of the Group; its management, its structure, its values and its mode of management develop a strong sense of belonging among the staff. But this is never fully acquired: efforts must be continuous because of the external growth of the Group. The new subsidiaries must feel integrated and their employees must be able to develop a strong sense of belonging, something that will be particularly helped by an improvement in communication and the information provided about the Altrad Group.

### 5.3 HIGHLIGHTS IN THE LIFE OF THE GROUP

In order to strengthen the feeling of membership, the Altrad Group attaches particular importance to exchanges between the holding company and company leaders, and to exchanges between those leaders themselves.

These meetings promote the cohesion of the Group, sharing its organizational goals and values, but they are also the opportunity to get to know new members. In this context, every year four main events materialize these exchanges: the annual

Group seminar, Group committees, the commercial seminar and budgetary sessions.

### 5.3.1 The annual seminar

At the end of each calendar year, the Altrad Group invites all its executives to a multi-day seminar on a particular theme such as change, the search for synergies, confidence, the business model, etc. This seminar also provides scope for wide cultural exchanges, particularly involving outside personalities, invited to discuss various topics relating to economy, finance or management.

A presentation by the President of the annual results of the Group to executives and partners (financiers, suppliers, etc.) closes the annual seminar.

### 5.3.2 Group committees

During these two-day committees, which are held in March and July, managers are encouraged to comment on the results and performance of the first months of the financial year.

The work of the progress units is also presented and discussed at these committees.

### 5.3.3 The commercial seminar

This seminar brings together the commercial directors of the various subsidiaries once a year, for three days, generally in late August. Alternating exchanges about the Group's commercial strategy with sports and recreational activities, it is an essential milestone in multicultural communication and the construction of common values.

### 5.3.4 Budget sessions

The budget process, integral to the Altrad Group project, is its guidance system. Thus, during annual budget construction

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(June and July), each business leader (re-) defines the project of his subsidiary with the holding company, through numerical forecasts. Each budget is associated with a responsible person according to the principle “one man, one budget”, according to which control of a budget defines both a share of power and a share of responsibility for results.



## Chapter 6 SHARING VALUES

### 6.1 DEFINITION AND IMPORTANCE OF VALUES IN THE CORPORATE WORLD

The theme of values is widespread in entrepreneurship; a large number of companies now communicate about their founding values and more generally, their ethics. However, the definition of this term is not easy, mainly because of a certain diversity of meanings. The dictionary definition of the values of a company would be “what is posed as true, beautiful, and serve as a moral reference”. This definition applies primarily to individual values; but the company being a sum of individuals, the use of the term “value” is extended to the field of management. Its meaning explains why it is often associated with that of ethics.

The values of a company would be a sort of common signpost, the path to follow in order to allow the company to thrive and the individuals in it to flourish. The values in a group are a common way of approaching problems, difficulties and a way of working together to achieve a shared goal. They relate to the ambition of the company, its vision, its profession, its conception of the relations between colleagues, the image it wants to convey, its form of relationships with all external partners (customers, suppliers, investors, etc.), its shared human

qualities... Values have the aim of guiding the daily behaviour of employees and giving meaning and a framework to the implementation of the projects of a group. At the individual level, values are the engine behind the actions of human beings, the principles by which everyone aligns their actions; it is the same for businesses.

Consequently, different values correspond to different styles of management, specific to each company. It is interesting to think frequently about these values, because they evolve and are built up over time and in accordance with the history of the company. Sometimes they are challenged. They must therefore be communicated, explained, shared and experienced by everyone within the company.

Several reasons are often invoked to explain the importance of the values of a company:

- They reinforce the meaning and coherence necessary for the sustainability of the activity of the company.
- They are resources to drive business. Using the image of seed, we need to plant them and maintain them so that they thrive.
- They are a source of progress.
- They appear as an asset in times of instability or economic crisis.
- They increase the motivation of the employees, etc.

Companies that are successful know how to define their missions, their values and their principles. By creating efficiency, the formalization of values thus appears to be a vector of success. Values are used to communicate a mindset and a common frame of reference; they represent a factor of stability and the reference points required for the full commitment of all members of the organization. Implementing values adds worth to a business. Defining and communicating values:

- explains and clarifies the goals and motivations that allow the company to grow and achieve its objectives;
- gives it credibility in the eyes of its partners (customers, staff, suppliers, investors, etc.);

- asserts identity in a very competitive market.

Internally, values lead employees to become fully involved, always to search for improvement, to learn and advance, to be productive and motivated, to feel a sense of belonging and to promote cohesion.

This is an ideal picture, because the communication surrounding the values must be true and based on the experience and history of the company; otherwise, disillusionment will follow and there will be a considerable loss of confidence both internally and among external partners. Numerous conflicts and problems within a company are caused by a lack of shared values. Numerous dissatisfactions among staff can be linked to conflicting values or differences in the expected importance of reference values.

In short, reflecting on the values of a business always pays.

## 6.2 THE DISSEMINATION OF VALUES BY MANAGERS

After more than a quarter-century of existence, the Altrad Group has become a major player in its field. This benchmark position is an asset and a source of pride but it also increases requirements and responsibilities. This success is based on a unique history and strong values vested in its President and shared by all employees – values that also build and strengthen the image and reputation of the Group.

These values are essentially human qualities. As such, they are motivational goals to keep in mind at all times, and to put into effect on a daily basis.

As an example, they translate into a unique and innovative remuneration policy and are therefore a reality in the life of the Altrad Group, whose matrix organization and reduced number of hierarchical levels give all employees greater freedom of action. The business model also incorporates all these values into the day-to-day functions illustrated by the green zone.

More specifically, for managers, this means sharing and supporting all of these values but also adhering to the business model while defending and proposing ideas to improve and validate it.

The success of the Group and its strength in times of crisis was based on this business model. It should be applied, defended and explained. In the event of restructuring, a manager should communicate and explain the importance of rationalizations for the survival of the Group. His talents as a communicator are crucial. The foundations of the business model are organized around three main axes:

- the offer and value perceived by the customer and focused on him: security, ease of use, norms, delay, solidity, reliability, quality of the product and of the logistics and competitive price. The client is truly at the centre of the business model; his requirements guide production, innovation, service, logistics, trade policy, etc.;
- realization based on technical skills and the sales force: cost control, versatile plants, synergetic effects, bargaining strength, flexibility, low-cost production, diversified marketing network, leadership through external growth, continual search for improvement (progress units), etc.;
- a short, effective, simple and responsive guidance system: matrix organization, humanist design, transparent operation.

An Altrad manager must understand the environment of the Group, whether macroeconomic or immediate and internal. Looking at this allows him to analyse and explain the changes that the Group should undertake. Anticipation is also fundamental; the survival of the company depends on it. Past success should not give the impression that everything has been accomplished and that nothing can affect the Group. In order to consolidate its leading position, the Altrad Group must continue to adapt and advance in the interests of its members. A manager therefore plays a key role in a changing environment; his ability

to evolve is fundamental, as is his capacity to understand the need for changes in his teams.

The anticipation of environmental changes is also important in establishing the strategic vision of the Altrad Group companies. To generate progress, this vision must be ambitious but achievable. It has allowed the incredible construction of the Group and will build its future. An Altrad manager is ambitious; he works in the common interest and for the future of the Group. Vision allows strategy to be defined along three axes:

- conquest and growth;
- integration et valorization;
- cooperation.

To reconcile all the objectives, a manager must accept the red zone, apply it and explain its interest. It essentially consists of rules, values, procedures and deadlines. If decisions are imposed by the Group Management, he should explain their interest and the reasons for them while keeping in mind that, in fact, the majority of decisions come from the green zone.

At the same time, he must promote initiative-taking in the green zone, highlighting the fact that it is far more important than the red zone: cooperation dominates Altrad Group relations. The manager should enhance this green area which generates initiative and creativity. To do this, ensuring that trust and mutual respect dominate relations between the members of the organization, he must himself demonstrate exemplarity.

All of these requirements imply a good knowledge of the psychology of the different actors in order to bring together the members of the organization and avoid resistance. This knowledge allows the effectiveness of Altrad's supply chain management\* to be strengthened. A manager should combine a number of qualities: listening, firmness, empathy, generosity, openness, a sense of duty and the common interest, a respect

for the rules and values, a great capacity for work, involvement, responsibility, a sense of initiatives, etc. He must believe in the future of the Altrad Group.

### 6.3 REINFORCE THE VALUES OF THE GROUP

Confidence has generally come from top management. If the leader gives his confidence and accepts some risk and error, each employee will have to imitate him. This is once again, the vital principle of exemplarity in the company. It is the same with integrity and loyalty.

Freedom is guaranteed by the matrix organization of the Group, the low number of hierarchical levels and an enlarged green zone (the red zone ensuring the consistency and the proper functioning of the whole). It is strengthened by the possibility of direct and easy, empathic communications based on the physical availability of, and active communication with, the Group General Management as well as with all of its top managers; this is a peculiarity of the Altrad Group, not common in the business world.

The humanist design is a reality that should be preserved; it is confirmed by the fact that the Altrad Group is an unlisted, medium-sized company. This is a real advantage, like respect for the cultural differences that enrich the Group constantly. The culture of change and the vision of the future must belong to and motivate everyone. Teamwork can be defined as follows: it is the result of all forces that act on the members to keep them in the Group, to encourage them to participate and to cooperate, to create solidarity. The same motivation and an identity of objectives, associated with mutual confidence and with confidence in the Group and its organization are expressed by cohesion. The potential of a working group is greater than the sum of the personal skills of individuals; strengthening cohesion and team spirit will achieve excellent results for the Group.

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A manager oversees a team rather than a collection of individuals. He must therefore:

- identify and communicate the purpose of the team and the reason for its existence as well as the resulting actions and the relationships that are formed;
- develop shared confidence;
- create a sense of belonging, unity, solidarity and cohesion;
- highlight the role and the consistency of the team within the Group;
- be attentive to the psychological aspects and the riches and complementarities of each member;
- create harmonious and serene working conditions.

When team spirit is developed, it is rarely permanent. To prevent its possible erosion, a few questions need to be asked:

- What internal or external elements could destabilize the work of the team?
- What are its objectives?
- What situations are risky?
- How to avoid an accumulation of small errors leading to demotivation and the loss of cohesion and interest in the Group?
- How can the Group's values encourage a continuation and an increase in team spirit?



## PART III

# AN ORGANIZATION IN MOVEMENT

*An organization is a machine for maximizing human force.*

PETER FERDINAND DRUCKER (1909-2005)

An American management theoretician born in Austria, he is behind numerous concepts used in the business world, such as company spirit and systematic innovation.

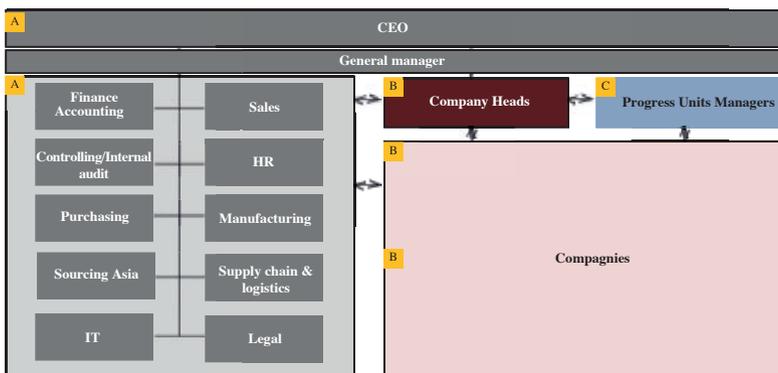


# Chapter 1

## THE MATRIX ORGANIZATION OF THE ALTRAD GROUP

### 1.1 THE MATRIX ORGANIZATION CHOSEN BY THE GROUP

So that its values and principles are a reality and are demonstrated every day, the Altrad Group has adopted a matrix structure and a transverse management system where hierarchies are non-existent.



Usually, matrix organizations are broken down as follows:

- products and functions;
- projects and functions;

- markets and products;
- mix: markets and products and functions.

The Altrad Group is singled out by this original matrix structure that clearly ends the unicity of hierarchical links but that also integrates all the aspects that are partially present in the matrix organization shown above. Another type of segmentation is thus defined to integrate products, functions, projects and diverse markets:

- The holding company corresponds to functions (accounting/consolidation, purchasing, finance, human resources, etc.).
- The heads of subsidiaries correspond to the segments of markets and products.
- Group managers correspond to products and projects developed in the framework of the progress units.

This structure has many advantages:

- a control of work flow through better synergy and interactivity between subsidiaries;
- optimization of productivity, harmonization and improvement of practices by applying the principle of subsidiarity, a form of internal versatility;
- leaner and more efficient communications;
- a human size fostering better relationships;
- capitalization of the Group's experience.

Responsibilities are decentralized; this increases reactivity and stimulates creativity and inventiveness. Decision-making is faster and information flows more easily. In a moving and unstable economic context, transverse management provides suppleness to the organization, allows flexibility and constant adaptation and promotes collective intelligence and innovation.

This type of organization is surprising because it does not correspond to the collective unconscious: the idea of a mandatory, archetypal hierarchy in a corporate culture.

This flexibility, this reactivity and this suppleness can increase customer satisfaction and reduce costs through, among other things, synergies, economies of scale and the pooling of resources and competences.

They also reduce inconsistencies and strengthen team spirit, mainly because of the sharing of responsibilities and a heightened sense of initiative. All business functions combine and complement each other in order to achieve a common goal in the interests of all.

The system is reliable, easy to understand and not ponderous. The structure is scalable, adaptive and integrative: new functions, progress units and subsidiaries can be incorporated infinitely; the organization remains viable, functional, effective and sustainable.

## 1.2 THE FUNCTIONAL RULES OF THE GROUP'S MATRIX STRUCTURE

Like all matrix structures, this one abandons the principle of the unity of command but divides the hierarchical structure into two branches. For example, the production manager (of concrete mixers) at Belle has therefore, in a way, two direct superiors: the CEO of Belle and the Group Manager in charge of the progress unit responsible for the production of concrete mixers, both of equal importance and having equivalent authority (he may also be responsible to officials of interim progress units). Only, at the top of the structure, do business leaders and Group managers have a single supervisor: the Group's General Manager.

Not every member of staff has systematically two parallel hierarchical lines – business and inter-business management.

The “boxes” of the matrix structure are not all, in fact, operational: not every department of the Group is necessarily involved in all activities concerned with one of the progress units. Thus, any member of the staff not affected by any progress unit depends only on the traditional hierarchical management line.

In this respect, the matrix structure of the Altrad Group departs from the classical model and is closer to one of its variants, studied by Mintzberg and Sire, known as “entrepreneurial adhocracy”. Because this novel structure is more flexible than a theoretical matrix structure, it was able to be adapted to the actual needs of the Group. Above all, particularly within the framework of the discussions within progress units, it allows the implementation of network management and ensures a better distribution of activities in the value chain between companies in the Group. In addition, it is also scalable, adaptive and integrative: whether a progress unit disappears once its role is complete or another (temporary or permanent) one appears necessary, deleting or adding a “progress unit” line to the Group configuration does not break the consistency of the matrix structure. Similarly, whether the Group incorporates a new company or decides to merge two subsidiaries, a “Business” column will be simply be added to, or removed from, the matrix structure, (i.e. those responsible for the new company, join the appropriate, existing progress units according to its activities).

There is an accurate analogy with scaffolding: anchored in its length and breadth to the ground that is the Group (through its businesses and the range of its activities) and attached at the top through overall responsibility to the Group (embodied by the General Management), the entire structure is braced by the fact that its channels of responsibility go through the same men in their double capacity of company heads and members or managers of progress units. And again, this promotes network management with all the advantages

for a group that have already been mentioned: a manager may indeed, after reflection, in the context of the progress unit that he coordinates, alter the distribution of the elements of the value chain that concern it between countries, areas and, of course, companies.

Finally, as pointed out quite rightly by John K. Galbraith, “the concept of a dual authority has nothing strange about it: almost everyone was raised in a family structure, which has double authority!”

If the Altrad Group were to expand its activities in several highly-specific regional areas, it could still consider, like the Dow Corning group for example, developing its existing two-dimensional structure into a three-dimensional matrix – companies, progress units and regional blocs – with a triple hierarchical chain (company head, Group manager and regional manager). But at the moment, this is just a hypothetical possibility of organizational evolution.

### 1.3 THE PRINCIPLE OF CO-RESPONSIBILITY OF GROUP MEMBERS

In this matrix structure, which harmoniously combines functional specialization and the integration of companies within the Altrad Group, managers – as well as leaders of progress units or project leaders – and business leaders are jointly responsible to the whole of the Group for the realization of the objectives they have set for themselves. Just as the company head is responsible to his company for his actions within it and his results, the Director of a progress unit is responsible for advances coming from interconnections, synergies, the coordination of companies and the integration of new entrants. He is judged by the economies of scale and the learning and experience that will benefit individual companies and the entire

Group, and a system of rewards is in place for him and the members of his progress unit.

As to the risk of the emergence of conflicts between people – often presented as the limit to this type of configuration – it is actually reduced rather than increased because of the existence of the progress units, spaces of creativity, exchange and dialogue that allow the anticipation or solution of possible conflicts through negotiation. Furthermore, these inter-company bodies bring together business leaders or their representatives, including Group managers.

The matrix structure – and this is one of its major benefits – does not prohibit adaptation. Most of the companies and groups that have adopted this configuration have partly amended or supplemented it in accordance with their needs by borrowing from other forms, such as a functional structure or departmentalization by customer; Altrad, starting from the theoretical form, has adopted a mixed structure (by company and activity) more in line with the specific needs of the Group.

A comparison of many organization charts reveals that certain activities of the value chain (including those that Porter groups together under the title of infrastructure – accounting, finance, management control, etc. – and those that he adds relating to the interconnections between multiple units of the same company – legal department and human resources) are often attached directly to General Management. A matrix configuration could, therefore, be extended to all functions in the company by creating progress units in accounting, management control or human resources. However, according to many experts, the matrix structure requires consultation and control bodies that are external, and so independent from the company head/Group manager pairs.

This is why functional departments, directly attached to the General Manager of the Group, have been created. In the event of conflict between a company head and a Group manager

that is not resolved within the progress unit – the primary source of dialogue designed to anticipate and resolve it – one or more of these functional departments will take the matter in hand, will offer their mediation, and formulate solutions that are acceptable to all parties before the General Manager is called on to decide.

Even if no organization chart can fully represent the real organization of a company, let alone a Group, numerous research studies suggest that it is an element that favours performance. By formalizing the structure, it pushes managers to think about the organization and to define more accurately, the responsibilities and missions within it.

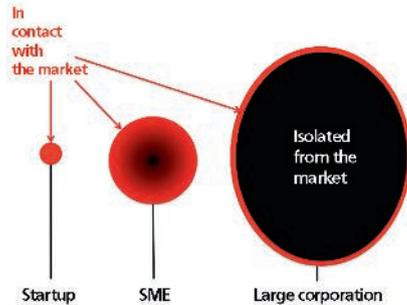
#### 1.4 THE DYNAMICS OF THIS ORGANIZATION

The Altrad Group has implemented and evolved its organization over time according to its size and the stages of development of its structure as well as the complexity of its environment and a consequential urgent need for agility.

The continuous evolution of these internal and external factors obliged it to develop its organization, while preventing it from becoming rigid, and to promote the dynamics of an organization in motion, with evolutionary roles for the progress units and functional departments. The bigger the Altrad Group grows, the more nimble it must be to avoid losing touch with its markets.

To take an analogy with basic geometry, it is a question of surface contact and exchanges with the environment. As it grows, the volume of a sphere varies according to the cube of its radius, while its exchange surface increases according to the square: the more the sphere's volume increases, the more the surface/volume ratio decreases. According to this model, a living organism would gradually lose its ability to absorb oxygen...

The diagram below illustrates simply this notion of exchange surface (source: M1 Innovation IAE Grenoble, Didier Bernard courses).



This is why the Group chose agile operational modalities:

- a small holding company;
- respect for the diversity of the subsidiaries, which are in contact with their markets, without any compulsion to standardize on the part of the Group;
- the principles of decentralization and subsidiarity, linked to respect for entrepreneurship and promoting a strong position for the subsidiary in its environment;
- a scalable organization, served by an agile and permanently reconfigurable matrix structure.

In effect, if the principle of an agile matrix structure is intangible and can be thought of as a living system, it is open, and all the components of this system are in movement.

This organization is based on the following principles:

- a continual search for operational efficiency. The organization is a resource; it is not an end in itself. It only makes sense when looking for operational efficiencies;
- a non-Cartesian dialogic approach, where a balance exists between logical results and means and between functionalist and humanistic behaviour;
- the *a priori* rejection of anything that might make the functioning of the Group too rigid, starting with making the holding company denser.

## Chapter 2

### THE HOLDING COMPANY: COHESION AND SYNERGY

The thirty or so members are organized around clusters called “functional Group departments”: financial management, commercial management, accounting, management accounting, etc. The management system is transverse and truly non-hierarchical, because all the members of the holding company are under the direct authority of the General Manager. There is also no organization chart positioning members.

The role of the holding company is to ensure the cohesion, effectiveness and profitability of the whole Group. It conveys, promotes and implements the values and strategy of the General Management. To do this, it supports each manager in his missions; its fields of intervention are multiple and characterised by the functional departments.

Its main objective is to encourage the creation of conditions for the optimal growth of the Group while making each subsidiary more efficient. It works to defend and apply one of the core values, namely the superiority of the collective interest of the Group over individual interests. No conflict of interest should exist (or persist) between employees and the Group; the central objective of the holding company is to advance and develop the Group, its subsidiaries and the people who comprise it.

As the Altrad Group’s management is participatory, the holding company defines, with General Management, the main

elements of the overall strategy of the Group in the short, medium and long term. It promotes the implementation of this strategy in correlation with the long-term vision of the Group.

The holding company diffuses and explains the strategy and ensures its proper implementation. This requires committed involvement, as well as permanent interaction and optimal communication between its staff and the operational subsidiaries. The members of the holding company thus represent General Management. Communication is direct and simple owing to the lack of hierarchical levels.

In line with his particular skills, each member of the holding company thus has the right and the duty to engage in direct management actions in affiliates.

## 2.1 ROLES AND RESPONSIBILITIES OF THE HOLDING COMPANY

### 2.1.1 Define, disseminate and implement the overall strategy of the Group within the network of subsidiaries

The overall strategy of the Group allows it to ensure overall consistency, to sustain its activity and to ensure its profitability.

### 2.1.2 Provide budgetary control and measure performance

The holding company exercises control over the results obtained by the subsidiaries. Periodically, (usually monthly), it consolidates and analyses data from affiliates. The holding company thus analyses differences between forecasts and achievements and recommends remedial action as appropriate. By this budgetary control, it measures individual (each subsidiary) and collective (Group) performances. For this purpose, the Altrad Group has set up a number of procedures to facilitate the work of the holding company and to ensure the consistency and effectiveness of the entire Group. These procedures (see below)

impose a framework on line managers that must be observed. It is therefore the responsibility of the members of the holding company to exercise control over the correct application of these procedures within the subsidiaries. However, this monitoring mission is carried out without harming the initiative expected of the head of each subsidiary.

### 2.1.3 Implement corrective actions

Simply monitoring performance is not sufficient in itself. The action of the holding company must go beyond this, to the implementation of corrective actions. Comparison of forecasts and achievements can immediately trigger actions to reduce the most significant differences. A difference in sales will lead, for example, to commercial measures, while a difference in the hourly rate will lead to industrial adjustments, and a difference in the overheads will lead to savings, etc. This requires permanent vigilance on the part of the members of the holding company, which must follow the performance of subsidiaries and be able to offer the best corrective actions as soon as possible. Optimizing the achievement of objectives depends on this reactivity and these proposals. It is obvious that the holding company must control the proper implementation of the recommended corrective actions with firmness and diplomacy.

### 2.1.4 Provide day-to-day technical support to help subsidiaries

The various functional departments of the Group also have, in their respective areas of competence, a technical support function. This support relates to various aspects; the members of the holding company are privileged interlocutors of the subsidiaries in their areas of competence. They must therefore meet the various demands from the subsidiaries with maximum responsiveness and relevance. In the same spirit, the notion of responsiveness should also apply to subsidiaries, and information requested should be provided at the required times.

### 2.1.5 Design and implement transverse projects

This relates to is a founding principle of the Group: perpetual self-examination. A permanent watch on the activity and performance of the subsidiaries may reveal that transverse projects are necessary. The holding company participates in their development and implementation. These projects can focus on specific topics such as restructuring (industrial, commercial, etc.) or the optimization of functions (logistics, management of vehicle fleet, etc.). The purpose of these transverse projects is to create the conditions for maximum growth, always in the interest of the Group.

### 2.1.6 Apply the external growth strategy

The development of the Altrad Group since its inception has been based around its external growth strategy, in which the members of the holding company have an important role to play. The holding company participates in the study of selected targets through audits: it conducts site visits and carries out numerous analyses. Once the target is acquired by the Group, the holding company's role is to integrate the new subsidiary into the Group. This integration work is materialized by interventions by the members of the holding company in the new subsidiaries, in order to disseminate the philosophy and strategy of the Group and to present the different standards and procedures in force. Again in this case, tutoring, diplomacy and exemplary qualities are required from the members of the holding company so that the integration of incoming companies takes place successfully and so that expected synergies are achieved.

### 2.1.7 Look for synergies and manage the progress units

The main objectives of the progress units, whose usefulness has been demonstrated repeatedly and whose results are more than

satisfactory, are to find synergies, to create links and ensure cohesion within the network of subsidiaries of the Group. They also fulfil a role of accelerator for the integration of affiliates (valorization of good practices of the new subsidiary, participation of subsidiaries in the work of the Group, etc.). While progress units include both members of subsidiaries and of the holding company, the latter are responsible for the day-to-day animation of this network and for measuring its performance. This coordination and facilitation work at a central level is indispensable, so that the network's progress units can operate optimally and achieve their objectives.

This organization allows important and frequent multilateral exchanges of information, expertise or methods within the Altrad culture. Communication in a single direction from the top down would clearly lead to failure. The smooth running of a company's project requires the animation of the holding company. It allows the strategy defined by General Management to be disseminated and ensures its correct implementation. Competence and performance can only come from teamwork and cumulating knowledge; coordination allows the creation of synergy between subsidiaries and the holding company and between the subsidiaries themselves. The collection of information being defined in the red zone, the work of the holding company is mainly qualitative; members of the holding company check the reliability and regularity of this information and performance, and intervene if necessary. Few staff are therefore necessary – an excess could even be counter-productive.

## 2.2 RULES AND PROCEDURES DEFINED BY THE HOLDING COMPANY

The holding company functions effectively because it has implemented a number of rules and procedures in the red zone

which are imposed on the manager of each subsidiary. They are indispensable in order to structure, steer and control the functioning of the Altrad Group.

Below is a (non-exhaustive) reminder of the rules in the Group. The members of the holding company represent the General Management, and therefore the President, Mohed Altrad. Their requests must therefore be treated with respect. This means that all Group members should:

- respect the choices made by General Management; these are decisions established for the good of the Group;
- apply the procedures of the Group;
- respect the time limits on all requests made by the holding company;
- send good-quality, complete information that does not require additional treatment;
- respect and enforce the accounting rules of the Group.

These general rules correspond to a number of procedures which it is obligatory to respect in the Altrad Group:

- recruitment (permanent, limited time, temporary, and work experience staff);
- salary increases and bonuses;
- investment and leasing\*;
- working capital requirement (authorized customer credit thresholds, client and supplier payment terms, recovery procedure);
- budget procedure;
- validation of payments to suppliers;
- travelling expenses;
- various Group reports and their time limits.

Remember that validation of all these procedures must be made by the holding company or General Management. The procedure in place for investments can serve as an illustration. As everyone knows, an investment budget is allocated during the

budget process. However, the investment procedure involves validation by the General Management of each investment as it occurs in the financial year. This may appear to be constraining and a reduction in responsibility, but this procedure has a real interest in the life of the Group. In addition to knowing how the investment budget is utilized, this validation is used to ensure that the Group is capable of making this investment by checking the availability of resources, the non-degradation of financial ratios and by ensuring the relevance and ROI\*.

The establishment and the proper application of the rules and procedures of the Group can sometimes be perceived as constraints; however, remember that within the Group the common interest should be favoured over individual interests. These rules and procedures allow the Group to meet its own constraints on several levels: accounting, tax, legal, social or financial. The Altrad Group has therefore implemented this structure as well as these rules and procedures to comply with its own constraints – external and internal – particularly its financial ratios and its time limits for communications and other statements, but also to address issues of debt and the requirements to, *inter alia*, finance its growth (external growth and also investments). This red zone allows the holding company to devote itself to essentially qualitative work while granting wide freedom to company heads.



### Chapter 3

## PROGRESS UNITS: SYNERGY AND CONTINUOUS IMPROVEMENT

True collegial and interactive management cannot simply be summed up as a combination of PMBO\*, common procedures, and periodic meetings, valuable as these may be in creating impulse and momentum. In a group like Altrad, entrepreneurial culture predominates over management culture: good management is not enough, it is important to undertake, to innovate, to take risks. Commitment to objectives, compliance with procedures and budgets and transparency towards sister companies, though necessary and in place, are not the grand panacea for the evolution of a Group that is more and more open to a world that provides many opportunities but also many threats to face.

The wide international experience of the Altrad Group quickly identified certain essential differences between various markets, which therefore require a specific treatment. It was discovered, for example, that disparities in the costs of production of unsuspected proportions, give some low-wage countries such a competitive advantage as to call into question the economic interest of automation. Moreover, the enormous potential of some markets, compared with the seemingly paltry French or even European market, allows a player in these markets a high level of activity and considerable economies of scale, further accentuating the effect of low wages at our

expense. Facing such challenges, economies of scale must therefore be strengthened – or even compensated for, in areas where Altrad’s manufacturing is not the strongest in the market – by apprenticeship (increased productivity thanks to expertise, process control, etc.), taking advantage of solid experience to stay ahead of present and future competitors, as suggested by the Boston Consulting Group.

The world has changed enormously and will change even more in the coming decades. This new situation requires a group like Altrad, over and above its good management through its acquired procedures, to take advantage of its leading position in many markets to consolidate its forces and contain the possible arrival of new entrants. For example, to increase its added value by inventing novel approaches, methods of optimizing skills and a range of techniques. Or by distinguishing itself by innovation, services and the quality of the offer in the face of the most basic, low-cost proposals of future competitors.

### 3.1 NETWORK MANAGEMENT

The starting point for this reflection was that the Altrad Group could not escape global price competition. If nothing was done, there could be no survival without relocation and without restructuring the Group – with disastrous social consequences. However, in this scenario, faced by many companies in labour-intensive sectors, it is possible to imagine an alternative, which consists of taking advantage of all the forces of the members of the Group through a network management strategy based on flexibility, responsiveness and the search for synergies.

It happened that the old configuration of the Altrad Group was already not very far from a dynamic network organization. This traditionally relies on exchange relationships between actors (Group companies) who each provide their distinctive

competences to mesh with those of the other actors under a coordinator – the General Management and transverse Group services.

Such an organization generally translates into a reduction in costs: networked companies have an advantage in external supplies; costs inherent in researching adequate prices, bargaining, the preparation of separate contracts for each transaction and their follow-up are lower between two members of the network than between a purchaser and an unlinked supplier.

But the organization of the Altrad Group into a dynamic intra-Group network also had some effects that were not expected by specialists familiar with networks outside groups. Where a subcontractor or supplier may, in the event of problems, refuse to bear the financial consequences, or may even take advantage of the situation to increase its rates, network management reduces the risk of seeing a company turn away a sister company because of the solid and responsible links between them. Unless, of course, despite all the transfers of know-how possible within the network, it is not, in fact, competitive; but even in this case, where it is necessary to turn to an outside supplier, the procurement experience of one entity within the Group will benefit all the others, because it will let them enjoy the good relations established with the new supplier – who the Group will possibly propose subsequently should join the dynamic network. Experience has identified three types of networks:

- the intra-Group network comprised of all the Group entities (subsidiaries, functional departments, production and marketing sites);
- the network outside the Group, including all external partners (suppliers of components, materials, etc., producers and assemblers, distributors, financial companies, logistics companies, etc.);
- the global network that includes the first two.

Above all, it turned out that the reduction in costs was not, in itself, the goal of network management, but rather, through giving value to the distinctive competence of the various actors, a way of ensuring its survival against strong price competition and of differentiating itself by investing in quality and innovation.

It was therefore necessary, through network management, to establish better coordination between the design offices that are incorporated into most of the Group's businesses, but also between commercial departments, and production facilities – all places where designers seek innovative products and processes or identify new opportunities.

Note here that centralization is as far from the spirit of networking as a monopoly is from healthy competition: coordination does not necessarily imply grouping activities into a new speciality unit. Even when intervening in the same domain, networking does not aim to eliminate teams, nor to put them in competition, but rather to harmonize their work in an atmosphere of dynamic emulation. While at some time it may be advisable to eliminate some duplication between companies for reasons of competitiveness, any redeployment of resources should be decided only after a thorough analysis of the distinctive competences of the businesses, because it is essential not to lose a strength, competence or expertise brought by one of the companies in the Group. Hence Altrad's choice of developing inter-company and intra-functional progress units.

### 3.2 A MANAGERIAL INNOVATION: PROGRESS UNITS

For several years, the Altrad Group has had an additional management tool: working groups called progress units. They are designed to work on themes intended to exploit the potential synergies between the companies of the Group.

A progress unit aims to compare experiences, skills, expertise and best practices, and to propose measures to increase the competitiveness of the Group, to reduce costs and to stimulate and accelerate the diffusion of innovation within the Altrad network.

The role of a progress unit is also to reflect on aspects of the Group's organic growth: growth of turnover, with increases in sales and prices (and/or increases in quality levels); and to reflect on the development of new markets and new products.

Progress units can be created to address temporary problems, such as when, for example, General Management observes recurring reductions in the turnover, margins or profitability of a subsidiary. The new progress unit, headed by a Group manager, focuses on the problems of the company in question. A team is then mobilized; its responsibility is firstly to observe (through an audit of the existing situation), to analyse and to identify the causes of problems, and then subsequently to develop and implement action plans that will solve them.

Progress units also include a forward-looking dimension in their approach, in particular with reflections on the future of the Group in the short, medium and long term. They must make proposals about, and anticipate, strategic issues relating to the Group (industrial and commercial restructuring, optimizing functions, external growth, etc.). Thus, decisions emanate not only from General Management, and management is truly participatory. Progress units propose changes aimed at continuous improvement.

Within the Altrad Group two categories of progress units coexist:

- those intended to consider a one-off project: these have a limited life and disappear once the project has been completed;
- those which are characterized by their continuity, their permanence and their transverse nature: these are animated by

Group managers who have a hierarchical power comparable to that of company heads.

Consequently, each progress unit is coordinated by a manager, a project leader or a Group manager according to whether it is temporary or permanent. His role is to organize periodic meetings, to establish a specific agenda for them, to communicate information to all members of the Group, to moderate meetings and to produce the minutes.

The Group manager or project leader must instil the urge to innovate and undertake in all members of his progress unit. The success or failure of the progress unit for which he has accepted responsibility depends on his capacity as chairperson. The work of the progress unit is assessed on the basis of progress, results, performance and gains in productivity and competitiveness. The success of a progress unit depends on the active participation of its members, their creativity and enthusiasm, but also on the capacity of its leader to animate it. It is therefore up to the Group manager (or project leader) to create the conditions required to optimize the Altrad Group value chain. The transverse nature of the progress units is ensured by the presence of members of the holding company.

Some progress units handle problems on a daily basis, while others consider specific problems that may be temporary or not, but all have a common goal which is continuous improvement, a core value of the Altrad Group.

In order to cover the various areas of activity of the Group and to respond to identified needs, it may be decided at any time to create a new progress unit. General Management, a head office functional department, a business leader and the Board of Directors of the Group may originate such a creation. However, an existing progress unit may, on its own initiative, take charge of any issue that it considers to be detrimental

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to the interests of the Group. In either case, it must obtain the approval of General Management before starting work and integrating a new theme into its work plan.

### 3.3 EVOLUTION OF PROGRESS UNITS

Since the creation of progress units, the Altrad Group has obtained considerable experience in relation to their operation and their operational efficiency:

- They do not always work very well on general subjects.
- Because of the rapid evolution of the Group's perimeter, the number of subsidiaries makes the operation of some progress units quite cumbersome.

The level of maturity of the progress units highlights the need to come together only for an objective that has measurable, tangible and rapid results, in a logic of agile operation. Efficiency, dynamism and effectiveness are thus targeted.

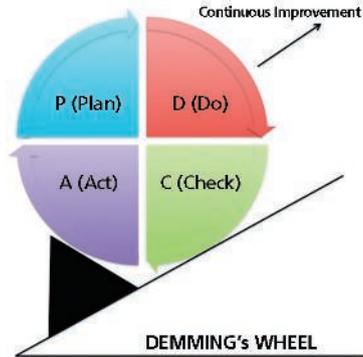
The Group has, therefore, sometimes substituted for progress units, structures that are lighter (in number, duration and choice of topic), self-organized and in "agile project" mode, that look for rapid (short cycles) and shareable results.

### 3.4 CONTINUOUS IMPROVEMENT AS A VALUE

In a changing and turbulent environment, a company must constantly adapt, innovate and transform itself. It must reinvent itself to ensure its continuity; in fact, the average lifespan of a business is only thirty years. The firms that exceed this duration, which survive and thrive, have been able to adopt an open mind and to mutate and evolve continuously. They have been able to increase their knowledge in all fields, including through

enhancement techniques like monitoring or benchmarking\* (see below). These methods allow the company to reinvent itself continuously and be ahead of the competition – investing in all areas of knowledge engenders creativity and invention and, therefore, an advantageous competitive position.

The Altrad Group has put permanent change at the heart of its values; putting this into practice involves permanent self-analysis and applying techniques for continuous improvement according to the principle of Deming's wheel\*.



Four steps follow one another,

forming a virtuous circle; PDCA (*Plan, Do, Check and Act*):

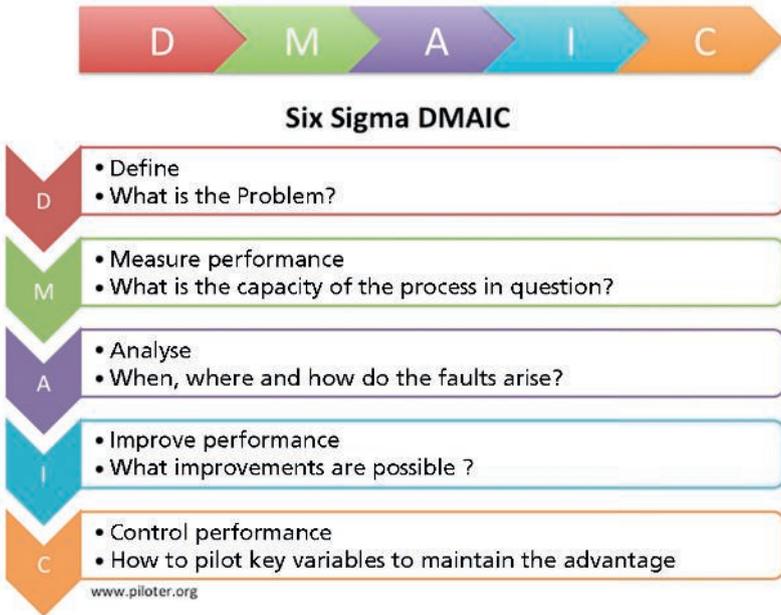
- *Plan*: prepare and plan what you are going to do, set goals and decide how to achieve them.
- *Do*: develop, carry out, implement, train and run.
- *Check*: monitor and verify that objectives are met; if not, analyse the problem.
- *Act*: Act, adjust and react to get a stable result and avoid returning to the previous situation.

At each turn of the wheel, the company climbs the slope of improvement in a sustainable way. In addition, the Group has integrated the Six Sigma methodology, developed in 1986 by Motorola. It is based on the notions of customer, process and measurement and relies in particular on:

- the measurable expectations of the customer (CTQ – *Critical To Quality*);
- reliable measurements of the performance of the company against these expectations;
- statistical tools to analyse the source of phenomena that affect performance;

- solutions attacking these sources;
- tools to check that the solutions have the desired impact on performance.

The method thus relies on five stages found in the acronym DMAIC: Define, Measure, Analyse, Improve and Control.



Each stage has different tools that are grouped in a coherent approach. Typically, the range of tools used in each of the phases is as follows<sup>1</sup>:

- *Define*: listen to the client, SIPOC (*Supplier, Input, Process, Output, Customer* – process mapping)...;
- *Measure*: analyse measurement systems (gauge R&R\*, linearity, etc.), capacity, Ishikawa diagram\*...;

1. This list is not exhaustive.

- *Analyse*: detailed mapping of the process, tests of hypotheses, test results...;
- *Improve*: test results, FMECA\* (Failure mode, effects and criticality analysis), *poka-yoke*\*...;
- *Control*: test results, MSP (Managing Successful Programs).

The objectives for the company are to develop measurable and effective actions, to satisfy its clients, involve teams and, often, to improve its image.

### 3.5 BENCHMARKING

Benchmarking is the study and analysis of management techniques and organizational methods to gain inspiration from them and to adopt the best. It consists of applying the subsidiarity principle dear to the Altrad Group.

The research process is continuous; comparative analysis allows best practices to be adapted and implemented to improve performance.

Benchmarking of several types can be carried out:

- internal: between services or companies in the Group;
- competitive: comparison with direct competitors;
- functional: comparison with external departments or services;
- horizontal: concerning the process or working practices, products or innovations;
- strategic, etc.

Benchmarking is one of the priorities of the Group. The methodology is simple:

- plan: identify the subjects to treat, select partners and determine the means of collecting the necessary information;
- analyse: determine the differences between the practices of the Group and those of others to project and imagine a desired performance level;

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- integrate: communicate the results achieved and establish actions and functional objectives;
  - act: develop an action plan, start specific actions and evaluate them in order to generalize the innovation.

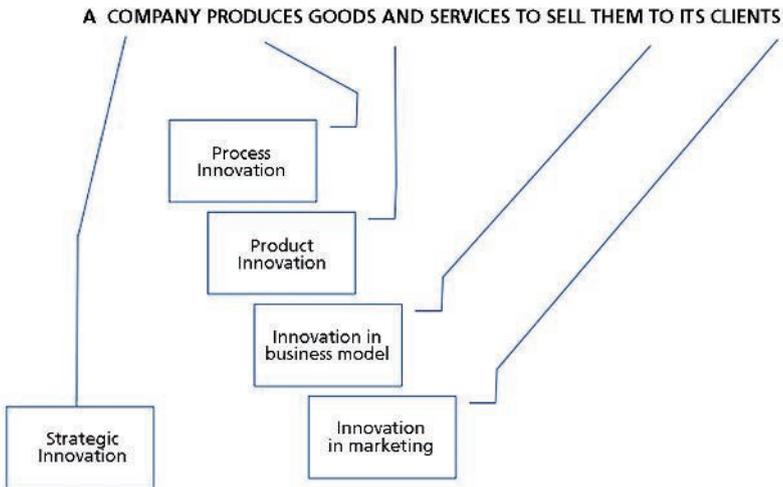
It consists of implementing continuous improvement according to the principle of Deming's wheel (see above) – a principle of continuous change that is at the heart of the management of the Altrad Group.



## Chapter 4 INNOVATION IN THE GROUP

### 4.1 DEFINITION OF INNOVATION

According to INSEE\*, innovation is a significant technical, commercial, organizational, or structural change or it is a change in relational and social logic having a significant impact on the activity of the company as well as on its competitive environment.



Innovation is therefore multiple; it can affect many aspects of the life of a group:

- new products;
- new services (after sales service, information for clients, logistics...);
- new methods of working, administration, governance or sales (online sales, for example);
- a new method of organization (adopting a new production management system, for example ...);
- new procedures (marketing);
- enhanced human resource management (staff training, employing experts or research staff...);
- new markets (to seek out and dominate);
- innovative production equipment (automation, improved quality...).

It consists of implementing a process or a new product (goods or services) in order to conquer a market or to improve the functioning of the organization. There are many examples: new services offered to customers; substitution of more efficient raw materials; taking orders online; improving the circulation of information in the company, etc. Innovation is not only technological and, as a result, many companies innovate without knowing it; the OECD\* therefore provides several definitions:

- technological innovations: commercialization/development of a more efficient product with the aim of providing consumers with objectively new or improved services;
- technological process innovations: the development/adoption of new or significantly improved production or distribution methods;
- non-technological innovations of products or processes: these may involve changes, separately or simultaneously, in hardware, human resources, or working methods. In the latter case, the innovation is called social because the changes concern the management of human resources.

In addition, innovations have a dual nature. Firstly, they can be radical: these are ground-breaking or disruptive innovations, because they go beyond existing technical knowledge (process innovations) or they expand the range of products or services offered (product innovations). The effects of such innovations increase not only the company's productivity but also overall productivity as they spread throughout the economic fabric. An example might be the invention of digital photography that has, in a few years, nearly killed the film photography market.

Innovations can also be incremental, catch-up or continuous: in the Group these would consist of introducing new components or equipment that a company would not, if left to itself, have introduced, or of improvements to products that already exist in the market, notably from competitors. This type of innovation is also important because it allows the Group to remain competitive and to follow the evolution of the market.

#### 4.2 THE CHALLENGES OF INNOVATION

It is legitimate to ask why the Altrad Group would need to innovate when it manufactures and commercializes products used for decades by the construction industry and when it is a leader in many areas. But innovation is fundamental if the Group wishes to continue to grow and remain efficient.

In general, the interest of innovation is to create a competitive advantage: innovation is the key to competitiveness. The current environment is very unstable, competition is becoming increasingly global and business units are relocating to countries where the cost of labour is low, regulations more flexible, etc. Competition is exacerbated and, in such a context, companies must maintain and improve their competitiveness and their performance. To innovate has become an absolute necessity (not to do so would be to fail to adapt to the evolution of the environment, market and competition.) Innovation must be

commonplace because the survival of the Group depends on its ability to evolve and adapt<sup>1</sup>.

Generally, innovative enterprises:

- are more likely to maintain a leading position in their markets;
- show better growth;
- conquer new markets;
- develop a good image and reputation;
- diversify their activity;
- are more active in export.

The essential challenge of innovation is therefore competitiveness. Innovation makes it possible to envisage an increase in activity – and thus in turnover, the consolidation or improvement of a competitive position, an increase in market shares and an improvement in margins. Through innovation, the Group is able to keep control of its profession and know-how and also to anticipate the latest trends in the market and any new needs of customers.

Generally, firms that do not innovate are those that lack information and that do not watch developments in technology. They do not have the time or the qualifications required to collect information, and their corporate culture is not oriented towards the optimal and effective dissemination of information; they face retention of information, lack of vision, or cannot finance the cost of access to information. However, the Group has change and continuous improvement in its genes, and this means innovation. Indeed, knowledge equals prediction; forecast equates to anticipation and adaptation; and adaptation is synonymous with survival and above all, evolution.

1. The reasons for introducing changes and ongoing improvements were widely explained and discussed at earlier Group seminars.

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### 4.3 HOW TO INNOVATE

Innovation is produced through knowledge and consciousness and, as such, it is the fruit of human capital, the skills of the staff. The involvement of all is therefore essential. The pivotal role of a company head is, of course, to give everyone the desire to advance and innovate; he must thus share his long-term vision and explain the future envisioned for the Group. He federates staff around innovation projects and explains these so that their interest is understood and accepted. Thus, innovation also enters into the values and principles of the Group and all staff are involved. Experts may be sometimes necessary, or the constitution of a progress unit dedicated to the monitoring of innovation.

There are many sources of information that enable innovation:

- sources within the Group: knowledge, experiences, synergy between companies;
- Internet (ensuring that information is carefully filtered and assessed);
- competitors: what do they offer, how do they work?;
- customers: what are their needs and their problems?;
- suppliers: how are their products or services changing?;
- development agencies (information is part of their missions);
- universities or institutions of higher education research;
- public research bodies or private institutions;
- the publication of patents;
- conferences, seminars;
- professional media, journals;
- databases (there is often a charge);
- networks: information sharing and mutual help;
- trade shows and exhibitions like BATIMAT;
- open days;
- market research, etc.

In today's world, the amount of information available continues to grow; it is therefore necessary to filter and classify it according to its relevance.

An analysis of the risks associated with innovation is necessary, any activity being naturally subject to risks. Firstly, risks can be at a financial level: a study of the cost of innovation is essential as is an evaluation of the return on investment. Next, they can be technical in nature, particularly in the case of lack of information and inadequate technical skills. Risks are also likely to be commercial if innovation is mismatched to the needs of the customer. Finally, risks can be organizational if the Group is destabilized by changes (new methods, new tools, etc.) even if these are expected to improve its operation.

Each risk must be assessed and solutions can be proposed. At the financial level, subventions may be obtainable and filing a patent is sometimes possible to protect the investment. Technically, the training or the hiring of a qualified person is sometimes necessary. In the commercial sphere, prior market research, the assessment of competition or surveys give an idea of the expectations of customers. When innovation is organizational, information provided to staff is paramount in order to motivate all stakeholders.

Many tools exist to implement technology monitoring, study the competition, assess the needs of customers, establish a process of continuous improvement, etc. Indeed, innovation usually occurs through a trigger event (a situation, an evolution, an opportunity) that creates an innovative idea for the activity of the Group:

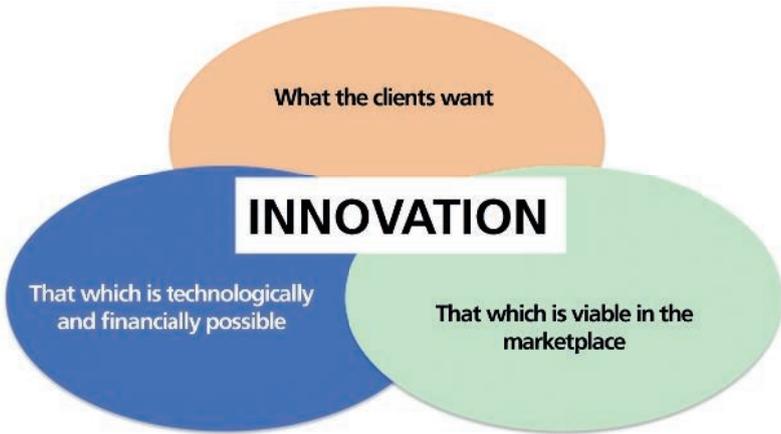
- at customer level: evolution of general needs (trends, fashions...) or individual (custom) needs; evolution of the profile of the clientele; study of the results of satisfaction surveys;
- the evolution of the market: products change;
- the evolution of technology;
- the evolution of the business, notably production processes;

- 
- an increase in the size of the Group by external growth and contributions of the new companies that create synergies at Group level;
  - the integration of a new company, synergies, benchmarking;
  - the evolution of competition and competitors;
  - the evolution of laws and regulations (quality, security, environment, sustainable development);
  - the evolution of experience and skills of the staff;
  - original ideas;
  - permanent self-analysis with a view to continuous improvement, etc.

Simple and concrete actions lead to innovation:

- hiring a new employee with new knowledge;
- integration of a new company and implementation of synergies, of benchmarking
- personnel training;
- listening to the proposals and ideas of everyone;
- purchasing and commissioning new equipment (machines, tools...);
- research and development (R & D): development of new products or improvements to existing products;
- reorganization of production, restructuring;
- introduction of certification;
- computerization, total or partial, of the activity;
- establishment or improvement of a business/marketing policy;
- aggregation/collaboration/joining with partners in the sector, etc.

These actions must be implemented bearing in mind the fact that innovation is necessarily at the centre of the three circles of the diagram.



It is therefore a permanent dynamic of continuous improvement dear to the Altrad Group. It promotes growth, can eliminate competitors and naturally stands out as a key factor of competitiveness.

## Chapter 5

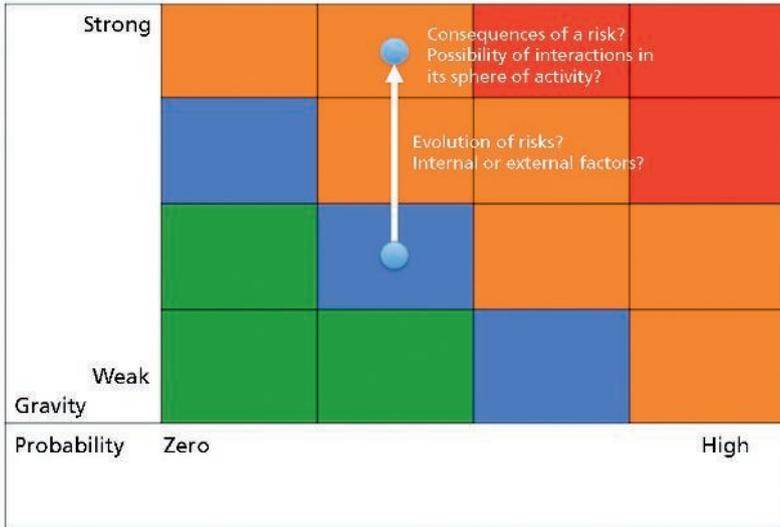
### THE MANAGEMENT OF RISKS IN THE GROUP

Change and uncertainty are the only constant elements of today's world! The number of events that may affect a company and threaten the achievement of its objectives and results is constantly increasing. Risks are, and this is not new, inherent in any activity; their occurrence is increasing; they are therefore major factors to be taken into account in any project. To achieve its desired strategic objectives and sustain its development and success, the Altrad Group must identify, assess and prioritize the risks that it incurs in order to consider actions to manage them. Risk management is also made necessary by a large number of pressures that seem to be increasing: more drastic regulations (standards, labour laws...), pressure from clients (with respect to value for money, safety, service...), media pressure, social pressure (employees, unions) and economic pressures (costs of risks and accidents).

#### 5.1 DEFINITION AND IDENTIFICATION OF RISKS

Risk refers to those hazards, dangers, threats and perils that weigh on any action. Risk applies to the uncertainty surrounding the actions of the Group and its future results. Thus, the Altrad Group needs to identify the risks facing it and its staff.

This consists of evaluating a combination of the probabilities that any given event will occur and its consequences. A risk being a contingency whose impact is unknown, a quantitative and qualitative analysis of the potential threats facing the organization and their effects should be conducted before any decisions are made.



The SWOT\* analysis, updated each year in the Strategy Memorandum, highlights the risks run by the Altrad Group, its weaknesses and the threats to it.

These risks are very diverse. They depend on external (exogenous) environmental factors – increase in raw material costs, bad debts – and internal (endogenous) factors – financial risk, Group size, rental and service activities, market diversification. They may concern the management, operational aspects, markets, social management, legal issues, financial items, safety, etc.

### 1.7 Analyse SWOT

#### Forces

- Une présence mondiale (sur 4 continents) et une taille critique.
- Une gamme de solutions large, profonde et reconnue pour sa qualité et sa pertinence à destination de trois grands secteurs (Bâtiment, Industrie et collectivités).
- Une distribution multinationale.
- Un groupe proposant des solutions intégrées dans le domaine de l'échafaudage, l'éclairage, l'éclairé et l'éclairé.
- Une présence locale forte via des réseaux d'agences de location/services dans certains pays (France, Royaume-Uni...).
- Une capacité à croître par croissance interne et un savoir-faire spécifique sur les opérations de croissance externe.
- Une organisation transnationale permettant avec une holding légère, un contrôle étendu, une optimisation des processus grâce aux Progrès Units et une grande réactivité.
- Un groupe avec des valeurs partagées matérialisées par une charte.
- Un parc de matériel en location d'une valeur de remplacement de plus de 450 M€.
- Un projet ambitieux porté par un PDG fondateur charismatique.
- Une forte rentabilité et des cash-flows importants.
- Un actionnariat stable permettant de soutenir un projet à long terme.
- Une gouvernance permettant d'associer des cadres et des administrateurs indépendants.
- Une structure financière saine avec peu d'endettement.

#### Opportunités

- Un marché encore fragmenté, surtout dans les services, offrant de nombreuses possibilités d'acquisitions.
- Des ruptures technologiques à venir sur certains marchés (Royaume-Uni, pays émergents) qui devraient migrer à terme vers les systèmes d'échafaudages.
- Un rebond conjoncturel au Royaume-Uni et dans une moindre mesure en zone Euro.

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1.7 Analyse SWOT

#### Faiblesses

- Une présence encore faible dans les pays émergents (BRICS) et ses États-Unis.
- Un réseau d'agences de location/services limité à certains pays.
- Une visibilité insuffisante de la marque Altrad.
- Une dépendance perçue vis-à-vis du président fondateur relative par l'organisation unique du groupe.
- Une organisation industrielle en cours d'optimisation.
- Une culture du service à développer.
- Une politique d'innovation et de marketing à renforcer.
- Une cohésion du groupe à renforcer pour tenir compte des acquisitions récentes.

#### Menaces

- Entrée de produits asiatiques à prix plus faibles sur les marchés du groupe.
- Changement d'encadrements législatifs entraînant plus de contraintes.
- Fluctuation des prix de l'énergie et de la main d'œuvre.

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The evolution of the Altrad Group has a direct impact on risk assessment. Today, we can cite as examples:

- client risk: many customers, more complex projects...;
- currency risks, mainly concerning emerging countries;
- short-term risks;
- competitive risks to some products and services with the arrival of low-cost workers;
- security risks relating to work done by clients; a factor of brand image.

## 5.2 THE DIFFERENT MODES OF RISK MANAGEMENT

The objective is therefore to maintain exposure to risk at an acceptable level, at the least cost possible. This approach is part of the process of continuous improvement in the results of the Altrad Group. Indeed, effective risk management is

good practice because it reduces losses and negative results and allows opportunities to improve products and services to be identified. Risk management should be integrated into the culture of the Group: awareness of risk and attention to it must be present at all organizational levels.

Management mode	Consequences
<b>Total avoidance of risk</b>	The most likely to slow down development
<b>Reactive risk management</b>	The most costly
<b>Proactive risk management</b>	The most optimized <ul style="list-style-type: none"> <li>• Reducion of risks in terms of severity, likelihood of occurrence (has the risk already occurred in the Group?) and consequences.</li> <li>• Quick action at the appropriate decision-making level (in the field, subsidiary, Group)</li> </ul>

In a context of economic turbulence, the total avoidance of risk could be a seductive solution: this strategy would be the least risky and least expensive. But it would also slow down the development of the company, or even stop it completely. The Altrad Group would be not be what it is today without some risk-taking. This option is, therefore, not very responsible.

In contrast, the most costly form of risk management is reactive management: the company only reacts after an incident by analysing the problem and implementing corrective actions. This option unfortunately cannot be excluded but should obviously be avoided as much as possible.

Several strategies are therefore possible: prevention is the least costly, then comes acceptance, then decreasing risk, and finally its transfer (to an insurance company). Prevention is a predictive risk strategy that is conducted *a priori*: studies help

identify risk and institute corrective action before it occurs. The acceptance of risk is a fairly passive form of management, which leads to measures to mitigate its consequences: for example, faced with financial risks, making provisions in the company accounts.

The reduction of risk is a more proactive management. It can translate into four types of action:

- reducing the probability of the risk;
- reducing its possible consequences;
- risk-sharing (with clients, suppliers and other stakeholders in the company...);
- continuously monitoring risk and establishing a back-up solution\*.

The transfer of risk is expensive but effective: it consists of covering the risk by transferring it to insurance companies. The risk must of course be insurable. The use of futures contracts can also cover the risk of rising prices of raw materials. Transferring the risk does not however cover the loss of image should the risk occur; this is a common problem in the food and health industries.

The choice of strategy depends on the nature of the risk, its severity and its likelihood:

- A risk of which the impact and probability are high should be avoided or reduced by an insurance contract.
- An event of which the gravity would be high and the probability would be low must also be covered or reduced.
- A risk with a low impact and a high probability must be reduced.
- An event of which the severity and probability are low can be accepted.

But this is only theoretical...

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### 5.3 THE PRINCIPLES OF RISK MANAGEMENT IN THE ALTRAD GROUP

The question that therefore arises is how to avoid, reduce or, better, eliminate risk and to develop activities safely: this is the vocation of a risk management policy. In general, the Altrad Group is fairly well protected. However, risk is inherent in the world today; zero risk does not exist. While the precautionary principle is an interesting concept that is growing in France, it often causes paralysis.

However, an entrepreneur is an actor in a civil society who has integrated risk into his value system and who reasons in terms of maximum acceptable loss. In a subsidiary, the notion of acceptable maximum risk is necessarily shared with the holding company and is (self-) arbitrated in favour of the higher collective – in this case, the Altrad Group.

The diversity of the Group has induced risk situations that often apply to a subsidiary and its environment. For example, the management of the risk relating to customer credit is based on a generalized principle of credit insurance. It is discussed on a case by case basis with the head of the subsidiary, using credit ratings to define the logic behind actions and to evaluate whether it makes sense to enter into a contract with the client.

Within the Altrad Group therefore, risk management prioritizes individual and collective intelligence rather than being based on procedures. It is an integral part of the green zone rather than the red zone, even if risk assessment is carried out by the holding company.

The only certainty is that the environment is uncertain. The rules within the Group are dictated by the ability of everyone to manage in uncertainty and complexity, rather than by making the security of operations subject to very onerous procedures.

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This translates into a number of operations expected from the chief executives of a subsidiary:

- contributing to the analysis of the systemic risks of the Group using his experience (before and during integration into the Group);
- evaluating the risks which can be directly dealt with at his level and within his sphere of responsibility. Taking them in hand whenever he can;
- constantly scrutinizing the conditions for the exercise of his activity so as to anticipate risks as far as is possible;
- developing his ability to listen to weak signals and identify changes in the environment and their potential impacts. Conscientiousness and lucidity are expected;
- not to have hang-ups by giving too much importance to the problem of risk or when it will occur;
- not allowing things to drift by relying on Altrad (better able to withstand shocks because of its size) or on the holding company staff (imagining that risk management is a job for specialists);
- reacting quickly: foresight and a sense of responsibility are expected. In the event of a drop in a subsidiary's revenue, its head must instantly adapt its overheads, alert the holding company and take steps to return to normal.



## Chapter 6 THE COMMERCIAL FUNCTION

### 6.1 COMMERCIAL AND DISTRIBUTION ORGANIZATION

Constant adaptation of patterns of distribution and the sales organization to products, services and clients is necessary in an unstable environment like the Altrad Group's.

The Group's commercial strategy is centred on two axes:

- a permanent search for an increase in market share;
- the optimization of margins (key in the variable remuneration of the commercial system).

The commercial organization of the Altrad Group is both:

- decentralized: each subsidiary has its own sales force;
- synergistic: the commercial management of the Group and the progress units federate the commercial strategy and marketing in the different markets (particularly to avoid conflicts related to internal competition).

The Group attaches special importance to adapting patterns of distribution and the commercial organization to the product/customer relationship:

- scaffolding, props and shoring: direct sales, retailers;
- mixers and wheelbarrows: dealers, DIY superstores, food superstores, builders' merchants, specialized dealers or garden centres;

- rental/services: direct sales via our own agencies;
- products for communities: direct sales, dealers, telephone sales and online sales.

Major customers are subject to special attention, with the designation of a single person responsible for coordinating actions between subsidiaries and with sales management.

In an acquisition, the Altrad Group can play on the commercial synergies:

- A new subsidiary will be able to offer the ranges of products in the Group in order to develop its turnover.
- Existing Group companies can benefit from the range of products of the new entrant to extend their product ranges.

## 6.2 CLIENT SATISFACTION MEASUREMENT

The Altrad Group must retain its customers to consolidate and improve its position. Loyalty involves, as a minimum, customer satisfaction.

Undetected dissatisfaction is the real danger for any commercial activity. Only 20 to 30 per cent of discontented customers complain; most of them depart for the competition without expressing their dissatisfaction while still making it known to their entourage: on average, an unhappy customer talks to 10 people, a satisfied customer to 4.

Conversely, complaints, to which the company is committed to respond, allow the customer to be retained.

An analysis of customer satisfaction is therefore fundamental to the Altrad Group and its business. A satisfaction survey identifies the expectations of the customer; satisfaction measures the difference between the perception of an offer and the expectations of the client. According to this perception,

a satisfied customer buys, is loyal and would recommend the company. It should be noted that the development of social networks today increases the spread of information, especially if it is negative.

In this context, a satisfaction survey should not be viewed internally as a threat but as an opportunity for improvement. Commercial staff should also be surveyed, as their opinion is important to the Group: their self-image is improved, their relationship of trust with the customer is consolidated and sales increase thanks to the improvements made following remarks from customers.

Customer satisfaction analysis is carried out through indirect and direct measurements:

- indirect measurement: customer returns, evolution of the total turnover and of turnover by customer, number of new customers, lost customers, etc. The interpretation of these elements can be tricky due to bias: their evolution can in fact, arise from factors other than the satisfaction of the client. Monitoring the rate of complaints also allows dissatisfaction to be measured, but only the visible part. Monitoring customer satisfaction is therefore complemented by direct measurements;
- direct measurement: surveys allow regular contacts with the client, a permanent monitoring of his business and continuous improvement for the Group. This direct measurement solicits input from the client, to know his overall satisfaction, to identify and prioritize his expectations, to communicate, to demonstrate his interest to the Group, to improve the company image and to know its position in relation to the competition, thus strengthening the image of the business as well as increasing sales. This is a survey conducted by the company in the form of semi-directive interviews. It can be conducted online if the customer wants to express his views freely and spontaneously. Interviews consist of surveying customers by category (DIY chains, large companies, SMEs,

communities, rental companies) and according to their status with the Group: lost customers, prospects, casual or unfaithful customers or loyal customers.

During the survey, the Altrad Group's interest in the expectations and satisfaction of the customer is highlighted.

When it is well conducted, a semi-structured interview (closed questions and free comments, if the customer so wishes) is beneficial to the client, the commercial staff and the whole of the Group. It helps to prevent disputes.

### 6.3 THE STAKES RELATING TO GROUP CLIENT SATISFACTION

Group clients are inseparable from the Altrad Group strategy of vertical integration. It is essential to work with internal customers and suppliers. This is an issue of general interest, and thus superior to the individual interests of the subsidiaries. For example, supplying from the Group's Tunisian companies and the development of Metrix (omnidirectional scaffolding) are part of the priorities of the Altrad Group and are essential sources of synergy.

This existence of captive clients, instead of improving the way in which all customers are treated, can generate conflicts (the best interests of the Group are poorly understood) or "monopoly" positions.

When a group has captive customers, its objective in managing relations with them is no longer client retention, as this exists automatically and cannot be challenged by the client. Faced with such a "power", the attitude adopted can easily lead to treating these unique clients as secondary and focusing only on those who are not strongly linked to the Group.

In practice, this can lead to failing to listen to Group customers, delays in delivery, lower quality of products and

services, etc. The seller can feel that this does not matter because, in all cases, his client will be obliged to deal with him in the future... This is nevertheless a fundamental error: we must pay attention to customer satisfaction. Indeed, if the latter is not satisfied with the products and services of the Group, he will become suspicious and his loyalty will disappear: he will no longer describe the Group in glowing terms and will disseminate bad publicity.

Frustration leads to expressed opinions that are aggressive and, in the long-term, negative for the image of the Group. Each Group client has a relationship with his own external end-users whom he wants to satisfy. To avoid any inconvenience or disruption for his client, the Group client will tend to seek alternative solutions, external to the Group. This situation can come about quietly and furtively.

We must therefore ensure that these captive customers are loyal to the Group and its interests. In general, customer loyalty is the cornerstone of the longevity of any business. More specifically, a loyal and satisfied captive customer remains faithful and conveys a good image of the Group; he even becomes an ambassador in spreading good publicity. The captive customer must be secured so that he recommends the Group in positive terms and offers his unconditional support.

Beyond simple satisfaction, his experience during the consumption of Group products and services must be very positive. The secret to achieving this lies in the involvement of all and a real desire for quality and impeccable service, even (and especially) towards captive clients.

It is then possible, concerning customer relations and the pursuit of customer satisfaction, to refer to Maslow's generally applicable pyramid of needs\*. This well-known pyramid can therefore be modified, adapted and refined to reflect the expectations of customers (see diagram below).



If the first level is not reached, the dissatisfaction of the Group client will be significant, with a high risk of deterioration of the image of the Group. This is a level that should absolutely be reached (as a minimum). When the second level is reached, the customer should be loyal. And when the third level is achieved, the satisfaction of the client exceeds simple contractual expectations and he becomes an ambassador for the Group; his sense of belonging, pride and confidence are very high.

#### 6.4 HOW TO IMPROVE CUSTOMER RELATIONS

The improvement of the customer/supplier relationship depends on several aspects. If one compares in detail the relationship with a captive customer (Group) compared with a non-captive customer (external), there should be no difference. The principles described above are identical, the tools and methods to be implemented also. On the other hand, the relationship with a Group customer should be more intense through unrestricted information sharing.

Relational marketing can improve the relationship between the company and the client so that it exceeds simply buying and selling. To achieve this, it is necessary to know and listen to the client. To be reactive, anticipation is also necessary (as is the case for innovation). The culture of the company must also put the customer at the centre; this requires special characteristics such as empathy, openness, honesty about one's own limits, a positive frame of mind, etc. This is achieved through:

- accepting dialogue and criticism: having an open mind;
- listening to and knowing customers;
- demonstrating skills and relational skills – technical expertise is not enough;
- mastering channels and networks of communication;
- creating individualized and differentiated offers in response to specific needs;
- treating Group customers with the same emphasis as external clients.

We need to propose technological solutions to strengthen communications between the Group and its customers in order to improve the relationship with them by automating the various components of customer relations:

- pre-sales: this allows the needs and expectations of the client to be studied. The analysis of the information collected on the client allows the company to review its product range in order to meet his specific expectations. In anticipating these expectations, a technological study of innovative products that are not currently marketed is performed;
- sales: listening is a source of progress; it allows the wishes of the client to be taken into account and perfectly responded to;
- the management of customer service: the customer likes to feel known and acknowledged; a Group client should feel no less important or of less value than an external client. Satisfaction also needs to be assessed;

- after-sales: this consists of providing assistance to the client, including through the provision of a help desk (or call centre) and through online technical support information. Complaint management is often neglected though it represents a good investment in the long term.

Under these conditions, the satisfaction of the client is optimal and the spin-off is beneficial to the company: the client becomes an ambassador; he promotes the company and provides excellent publicity. The customer is really at the heart of concerns when for example:

- the relationship between the company and the client is optimal; a relationship manager\* can be a particular support in the overall relationship with the client;
- the customer's expectations are exceeded for each transaction; thanks to the recommendations of the relationship manager, solutions can be developed;
- in case of complaint, a dedicated service deals effectively with the problems encountered by the client.

The means of achieving real satisfaction, placing the customer (internal or external) at the centre of the concerns of the company, may be multiple:

- preserve sales teams;
- keep in mind the 80/20 Pareto rule\* that 20 percent of customers generate 80% of the turnover;
- determine levels of satisfaction that the customer must gradually achieve;
- serve before selling in order to build a relationship of trust;
- take into account reciprocal client/supplier behaviour between Group subsidiaries. This relationship certainly needs to be described;
- offer the customer the opportunity to express his complaints;
- stay tuned to the client and respond to his requests quickly;
- understand the client's perception of value;
- use multiple channels to serve the same client;
- thank the client.

Customer relations must integrate the principles and values of the Altrad Group: respect, integrity and loyalty, trust, client-orientation and excellence.

These principles apply regardless of the nature of the client. On the other hand, the importance of the final customer (external) to each Group customer needs to be taken into account. Each “small” internal client also has its own strategic customers; not to give it good service could endanger the relationship it has established with its most important customers.

## 6.5 EVOLUTION OF THE COMMERCIAL FUNCTION

The evolution of the activities of the Group raises new questions:

- How to adapt the sales force to the new strategic issues coming from the provision of services?
- Who are the external customers today?
- Are there new constraints?
- What are the key factors for success now?

The evolution of external client portfolios is natural given the Group’s new service activities: craftsmen and distributors are increasingly supplemented by industrial and major contractors who have neither the same profile nor the same risk management profile. Indeed, the approach of a salesman in the service sector is different from his relationship with a dealer or an artisan; methods change.

The search for a multitude of small customers by sales representatives is giving way to the need to respond effectively to calls for tender.

The size and reputation of the Group are positive elements. Its current position as a market reference brings several advantages:

- The Group is automatically consulted by major contractors.

- It can participate upstream of the formulation of the statement of requirements: a rise in the influence of pre-sales allows it to have prior knowledge of the tender.
- The Group maintains partnerships with major potential customers.

In trade relations with external clients, there are now, in fact, many more of them, even if prospection continues to be practised.

The Group's problem is now internal rather than external: not to lose market share by managing internal competition with its entrenched positions. The Group's change in rules generates a fear of losing market positions: "You are crazy!" exclaims a company head following the acquisition of a new company that is a competitor. He is afraid that the Group will disrupt the performance of his subsidiary, and that this could also adversely affect the system of remuneration. But the issues lie elsewhere: in a scaffolding market which represents 20 billion euros in Europe, the Group accounts for less than 10%. Intra-Group discipline becomes significant.

The Group could "cannibalize" itself and the search for synergies could get lost in a maze of defending individual positions. A real effort to embrace change is needed to help affiliates to move from "what did I lose?" to "what did I gain?" This is a real problem, as Peter Senge pointed out in 1997 in his book, *The Fifth Discipline: The Art and Practice of The Learning Organization*. One of the impediments to change is the identification of people with their positions – "I am my job" – that translates into an inability to change the way of thinking that they have developed in occupying these positions.

The Group's risk is that it might be considered by the market as a subsidiary. The application of the principle of subsidiarity encourages entrepreneurial autonomy and thus competition. Following this logic, subsidiaries must organize themselves in strict mutual respect, to develop market share collectively. This

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is equivalent to moving from a situation of effective competition (1 against 1 = 1: either *me* or *him*) to a situation of development (1 + 1 = 3: each subsidiary develops via the Group, and the Group develops via its subsidiaries), instead of a sad 1 + 1 = 1.5 (the risk feared by the company head: the simple addition of companies with as much risk of loss of markets as of the development of strongholds).



## Chapter 7 PURCHASING

### 7.1 CONTEXT AND STAKES

Purchases represent a considerable expense for the Altrad Group. The addition of previously independent structures with their own purchasing arrangements makes the improvement of the purchasing function essential:

- shared sourcing of many references to achieve synergies between the Group's subsidiaries;
- purchasing in low-cost countries (China, Malaysia, Tunisia...) particularly via the dedicated subsidiary Altrad Asia, based in Hong Kong, in order to have the lowest production costs.

These objectives are the responsibility of the Procurement Department.

Improving the procurement function is complex owing to its fragmentation in nature and space. Needs are heterogeneous and there is a geography-related dispersion effect. The logic of standardization is not easy to envisage comprehensively, and the subsidiarity principle dear to the Group can penalize cash management and EBITDA\*. The question “make or buy” is posed by the Industrial Department.

The stakes and geographic fragmentation are significant: markets are different, just like business cultures. Purchases are relocated while sales are made on the local market. The size of the Group, although growing, does not allow it to count for much when faced with certain suppliers of raw materials. Some markets, such as steel and aluminium, are totally global. Producers are few and huge in size (e.g. Rio Tinto Alcan for aluminium) and the Group represents nothing for them in purchase volume. On the other hand, market criteria apply to all: it is a good or a bad time to buy for everyone. In this context, one of the first issues of the Procurement Department is to federate company heads behind a common approach, in spite of their entrenched habits.

Volume buying is a natural and simple, but sometimes simplistic, reflex. The first risk is to think in terms of basic price and to forget the problem of total cost. The experience of the Group shows that an economy (for example, low-priced tyres) can have a significant impact in the cost of non-quality and loss of image for the Group. A second risk concerns delayed effects on cash management, the standardization driven by the Procurement Department and the mechanisms of the cultural integration of best practices.

To buy in bulk, it is necessary to buy together. This logic works well in certain geographical areas like South-East Europe, where there are quarterly cycles of negotiations and meetings in the subsidiaries. It also works well for some materials such as steel. In other areas, like the North-East zone, everything is yet to be put in place and cultures need to evolve.

The strategy of conquest exacerbates the paradoxes by sometimes highlighting the inter-company difficulties of the Group:

- Two or more competitors become sister companies.
- These companies buy from the same suppliers, and differentiation has previously come from the ability of one or the other to control purchases and prices. Standardization

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eliminates this difference in the interest of the Group but in the end, it favours the company that had not controlled its purchases so well compared with the one that had, because its productivity is significantly improved.

- This is not easy to resolve because it is an issue of competitiveness for one of the companies and of recognition for both their leaders that the incentive system\* should foster.

It is therefore necessary to learn to manage the principle of subsidiarity jointly, thus promoting joint competition and volume purchasing.

The pooling of procurement is simpler for overheads (e.g. insurance policies) because they represent spending that companies often considered secondary.

It is still true that an alignment of subsidiaries and all staff is imperative in order to implement a pertinent purchasing policy. Combating the fragmentation of procurement is to be driven by the subsidiaries.

## 7.2 ORGANIZATION OF THE PROCUREMENT FUNCTION

The procurement function involves everything from sourcing suppliers, negotiating and supply through to payment of invoices. Buyers on production sites are in direct connection with the scheduling, production and supply chain teams. For sales companies, purchases are instead, managed by marketing and sales teams (logic of introducing products into a catalogue). In general, the procurement organization is mainly decentralized, modelled on the general organization of the Group. It is based on the three organizational principles of the Group, as described below.

### 7.2.1 The subsidiaries

Each subsidiary has established its own organization on the basis of its activity and the criticality of supplies. The size of the companies, the diversity of their activities and their markets have dimensioned their purchasing/procurement organization.

The number of staff dedicated to purchasing and supply corresponds to about 5% of the workforce of the Group; they often share their time with other missions: stock control, vehicles, operation, planning, etc. In most cases, company heads are heavily involved in negotiations, particularly concerning raw materials. Rental companies do not always have staff dedicated to purchases; in general business leaders and heads of agencies manage negotiations.

### 7.2.2 The holding company

In parallel, a Procurement Department has been created in the holding company. Its mission is to take charge of certain categories of strategic purchases and to support the needs of subsidiaries.

The Procurement Department organizes meetings of purchasing progress units and directly manages certain categories:

- negotiations for raw materials;
- the operational management of insurance and vehicles.

Quarterly meetings are held with production companies.

### 7.2.3 Progress units

The Procurement Department participates actively in various progress units: production/stock, services, overheads and vehicles. Sub-progress units (temporary or not) have been created to deal with specific subjects: agency staff, motors, etc.

This work has led to the structuring of the procurement function and a family of buyers (who will provide coordination by

market area) have been or will be appointed. This family could be extended to leverage and sustain coordination.

The resulting procurement “community” is therefore quite broad and involves the leaders of subsidiaries on a regular basis.

### 7.3 OBJECTIVES AND BUDGETS

During the preparation of budgets, procurement objectives are discussed with the subsidiaries, including in particular:

- raw materials (particularly steel): market data is analysed and discussions with subsidiaries allow budget prices for each subsidiary to be determined, depending on its requirements and the market in which it operates;
- working capital (suppliers): objectives for the payment terms of providers are determined and then integrated into the calculation of WCR\* for each subsidiary;
- taking account of new contracts in the budgets.

### 7.4 PURCHASING POLICY AND MAIN LEVERS OF ACTION

The stakes in the procurement function are considerable given the volume of purchases and their impact on the results of the Group. Enormous savings are possible and lead directly to an improvement of the EBITDA (1% saving is equivalent to 4 million euros EBITDA).

The Procurement Department therefore has two major types of mission:

- short-term missions intended to improve cash flow quickly by reasoning in terms of cash management. These missions answer the question “What is the financial impact of a purchase?”;
- missions with medium and long-term effects to streamline and optimize the system and secure supplies. The effects on cash management are indirect and longer term.

### 7.4.1 Short-term levers

Action was initiated early in 2011 to significantly increase the supplier credit terms obtained. Market peculiarities and various country-specific regulations have led to differential treatment:

- In France, the application of the Law of Modernization of the Economy (LME) has had a negative impact on the WCR by reducing deadlines for payments.
- Outside France, rebalancing has been carried out. Discounts offered by suppliers in return for short payments have been eliminated in some subsidiaries (particularly in Germany).

All payments are validated by the holding company. This has helped generate a substantial improvement of the WCR.

The average period for payment is 73 days. Despite the application of the directives reducing the time for payment coming from the LME in France, this indicator has not deteriorated. The objectives given to subsidiaries have been followed and applied perfectly. On the other hand, certain subsidiaries have had to arbitrate between purchase price and payment terms; this shows the importance of grouping purchases (see below).

The adoption of the standards of the Group by recently integrated companies leads to specific actions based on priorities and carried out as quickly as possible (e.g. at Atika the average payment has gone from 13 to 51 days in 8 months).

### 7.4.2 Levers engaged in the medium/long term

#### *7.4.2.1 Methodology implemented*

A mapping of external expenditure was initiated in 2012 to obtain a global oversight of expenditure and to initiate purchasing actions in that accounting year.

As the perimeter of the Group is constantly evolving through regular acquisitions, this mapping is updated periodically (twice

yearly). This portfolio analysis allows priorities to be readjusted dynamically during the year.

On the basis of this analysis, purchasing policies, like commercial policy, are determined by category, taking account of category-specific issues. For example, the purchase policies for steel, engines, agency staff and insurance are formalized. This is being extended to other categories (aluminium, wood, etc.). Policies are based on an analysis prior to any action (SWOT analysis, identification of suppliers, monitoring prices and their evolution compared with official price indices, measuring the cost of over-quality and, where applicable, benchmarking). This analysis then allows the identification of levers to be engaged.

This method has been established and made robust because of the feedback about purchase categories that have already been treated.

#### *7.4.2.2 Levers of action*

Eight levers are engaged within the Group:

1. Sourcing and competition: subsidiaries usually negotiate with their established suppliers. A search for alternatives is performed; this is indispensable in cases such as tariff increases, suspension of delivery or unsatisfactory service. Suppliers for a given process are pre-qualified. The stakes, costs of industrialization and the risks arising from modifications hinder changes in suppliers. The result is that competitive tendering is not always carried out. On the other hand, several initiatives have been launched and managed jointly by subsidiaries and the holding company as part of a dedicated progress unit; on global tenders (insurance of persons in the United Kingdom, the car fleet in France, electric motors and agency staff).
2. Grouping purchases: this has been initiated for several families (steel and motors) but needs to be strengthened.

The 745 most important providers account for 80% of the expenditure (data 2011-12).

3. Standardization of processes, products and removal of over-quality: historically competing subsidiaries focused on the differentiation of their products. A standardization effort is required and many actors are involved (commercial staff, design offices, production). This work is carried out when required according to the stakes and the costs of re-engineering\*. A project to standardize cement mixer motors has initiated this process.
4. Productivity: productivity plans have been imposed on vendors. This is limited at present but will increase gradually on the basis of the stakes involved.
5. Passing on the impact of customer requirements: the constraints imposed by customers on the subsidiaries are rarely passed on to suppliers or formalized in contracts. If problems arise, negotiations are initiated to resolve the situation.
6. Improving supplier relationships: the supplier relationship is often informal and there is often no contract to secure it. Good practices exist, such as the establishment of explicit specifications with providers (e.g. Atika for Chinese imports).
7. Group contracts: a specific action has been engaged to negotiate annual discounts with providers with whom the Group spends more than one million euros per year.
8. Quality and service: subsidiaries do not systematically assess their suppliers; only steel providers have been tracked (monthly assessment) since early 2013. There is no specific logistics convention with vendors. A project was initiated in 2013-14 to assess the deliveries of major suppliers (OTIF indicator\*).

#### 7.4.3 Management and reporting tools

The Altrad Group does not have an integrated information system or a control tool built into all of its companies. Reporting

is done through spreadsheets that are consolidated manually and updated monthly. Several indicators have been determined (e.g. raw materials), but these indicators still do not give a global vision of procurement performance.

An Intranet procurement system has been implemented and is increasingly used by subsidiaries that need to be able to share a large volume of information. The deployment of this Intranet is a priority.

Reporting has been structured:

- Raw materials purchasing performance is measured against reference indices.
- An index of performance purchases called PPV\* (Purchase Price Variance) has been defined and will be deployed gradually. Over coming years this tool will allow detection of items that have suffered the largest price increases.

The completeness and reliability of purchasing reporting are major issues for the Group. The General Management also wishes to focus the overall guidance of the purchasing system on a more financial view, prioritizing short-term results.

## 7.5 ALTRAD ASIA

About a quarter of the Group's purchases come from low-cost countries (China, Malaysia, Tunisia...). This share is growing constantly and the impact of these purchases on the EBITDA is considerable. Consequently the Altrad Group has had to structure its procurement activities in this region of the world.

The Altrad Asia subsidiary was established for this purpose, with offices in Hong Kong and Suzhou (a suburb of Shanghai). Altrad Asia is now the anchor point of the Group in Asia. It allows direct access to the low-cost players of the region. It helps also to secure and optimize the supply chain through internal quality control and logistics functions.

The teams that have been formed are mature and their expertise has built up over the past eight years. They are valuable in the Altrad Group's external growth policy, because in the eyes of new companies joining the Group, they give credibility to the volume purchasing policy regarding supplies "made in Asia".

Altrad Asia has proved to be one of the finest achievements of the Altrad Group in terms of procurement policy.

## Chapter 8

### THE INDUSTRIAL FUNCTION

The Altrad Group consists of many production sites, mostly located in Europe (but with two sites in Tunisia), each focusing on a specific range of products. Continuously rationalizing production helps maintain competitive manufacturing costs.

#### 8.1 EVOLUTION OF THE INDUSTRIAL DEPARTMENT

##### 8.1.1 The major issues of the Industrial Department today

The Altrad Group is today faced with issues of adapting and optimizing its industrial facilities. The markets have evolved (the deep crisis of 2008 caused this, particularly in the construction sectors.) The fall in turnover (25%), caused by the downturn in the world economy, means that most of the production units are underused and have surplus capacity.

This is particularly true in the manufacture of concrete mixers and wheelbarrows. The Group was constituted by buying companies that sometimes had a size problem: some companies, betting on the future, had overinvested on little-used equipment. The industrial tool must therefore be recalibrated to achieve work levels which allow, as a minimum, the absorption of fixed costs. This involves a reflection about the critical size of plants, their

concentration and the merger of some production facilities into the most appropriate sites. This concentration concerns all countries, including Germany where concentration is also necessary. A strategy of realignment, consistent with the market, is necessary.

The issue is complex, because the production facilities must be reorganized to be more productive, while keeping a degree of flexibility if demand increases. When industrial resources are concentrated and pooled, the supply chain becomes critical.

In the scaffolding sector, rental development has led to work levels being maintained. The production of scaffolding also requires less heavy industrial equipment like presses and paint lines that are more capital-intensive and thus penalized by problems of under-utilization.

The Industrial Department has carried out a global study based on a good knowledge of internal strengths and weaknesses as well as external factors and an excellent command of economic aspects (financial and markets).

Product, process and site related to the market are all subject to a new design. This is a long-term task (ten years are sometimes needed) to which the Group has committed itself, pragmatically and in a structured way.

### 8.1.2 The problem of low cost

Today, it is impossible not to consider an industrial strategy which consists of going to countries with low costs. Because the Group has a clear, revised and re-examined vision of what its industrial strength should be tomorrow it can restructure sites step by step.

The choice of relocation to countries with low labour costs can raise several issues:

- Value analysis, essential for making the right decision overall, is essentially related to products. Innovation can consist of the use of sub-assemblies common to several products. This significantly complicates the industrial issue with two process

logics to think about at the same time – the production of high-volume products for which industrialization is considered (and the rest follows) and products of higher added value that it makes sense to keep nearby.

- The impact of relocation can be a 5-10% gain in labour costs but may also have a big impact on WCR (stock and transport time).
- The concept of service must be taken into account because it is the primary mission of the industrial function.

The right cost should be associated with the definition of a product. Working towards low cost sometimes leads to proposals for the new design of products (e.g. low-cost props) by defining a product technically more suited to the market (reduced weight, for example). When the Industrial management decides to work on a low-cost prop, a compromise is necessary between the wishes of the subsidiary and the Group. The integration of the concerns of stakeholders and the limits that the Group wants to set are the basis of a true partnership between the subsidiary concerned and the Group.

### 8.1.3 The missions of the Industrial Department

A recent seminar of the production progress unit allowed the missions of the industrial organization to be clarified:

1. Punctually deliver to the customer the products he ordered of the correct quality, quantity and price: this first mission, the basis of a healthy relationship with the client, is often poorly achieved, even though this is not always demonstrable.

This implies having a suitable measurement tool, which is not the case today. There are disparities, but the absence of measurements concerning the level of quality of service does not make it easy to respect what are sometimes vague commitments.

Experience shows that only cases that go wrong are spoken about. The Industrial and Supply Chain Departments therefore

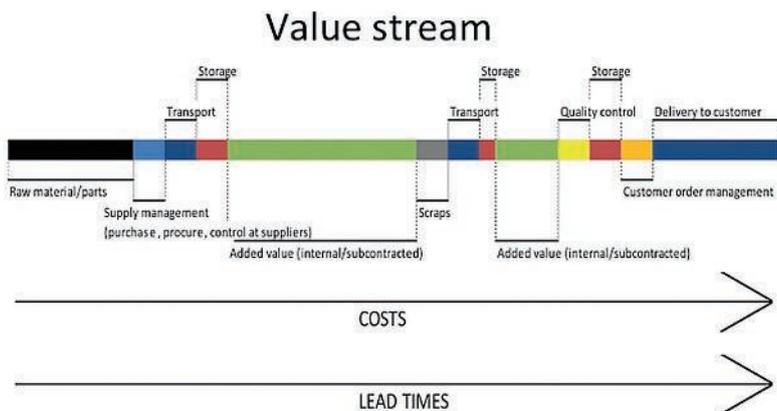
have a strong shared ambition: to implement the indicators that change from blind faith to the light of knowledge.

2. Generate improvements: ruptures (like, restructuring for example) and continuous improvements (particularly *lean manufacturing*\*). To date, there is no tool for measuring these improvements.

The Production progress unit has initiated a substantive work of definition in order to ensure the comparability of production facilities.

Improving productivity and flexibility are major priorities. The objective is not to reduce the time spent in changing series, but to change more frequently and provide flexibility to the industrial tool. Improving productivity must also apply to the labour force; it is fundamental to avoid waste and ensure that operators add value. This does not call into question the importance of *Total Productive Management*\* (TPM) and SMED\* that are complementary. For example, Mostostal makes all the decks for the Group on two automatic profiling lines following investments on profiling tools. In an integrated approach, the Group has worked on a reduction in stock to release cash immediately.

The following diagram shows that it is essential to have a complete view of the whole of the value chain:



#### 8.1.4 Planning the improvement of the industrial tool

It is essential to adjust capacity to the market, site by site, with a dual strategic and operational approach.

Improvements are generated by:

- restructuring (transfer of production). These operations are subject to two constraints: a means constraint (cost, time, etc.) and a results constraint (proceed quickly and sustainably);
- investments;
- the contribution of the progress units (low-cost mixer, scaffolding progress unit etc.).

When a project team is working on restructuring a site, it structures its approach as a provisional progress unit. This is a delicate mission that requires total control of information so as not to demobilize teams.

Individual initiatives exist and the companies in the Group are not passive: some companies have launched large projects:

- Irbal (concrete mixers and lifting equipment) has proposed a lean manufacturing reorganization (two years, with the help of a consultant);
- ASD (concrete mixers) has a project aimed at reorganizing production and will start a lean manufacturing initiative with consultants;
- FAMEA (metal structures and parts of structures) has worked on a cost reduction program.

Taking into account the limited resources of the Industrial Department, application of the Group's approach to improvements is based on sponsors and ambassadors from the subsidiaries themselves.

Initiatives promoted by sponsors should be deployed in each subsidiary of the Group. Each company should launch a formal plan for the improvement of all elements of its value chain.

The Industrial Department then introduces a comprehensive plan for the Group on the basis of known projects (investments/purchases/logistics). This plan will be completed with continuously implemented future projects.

A weekly report enables the Industrial Department to follow what is happening at each plant.

## 8.2 THE QUALITY STRATEGY

Quality has always been at the heart of the concerns of the Altrad Group. In his book *Stratégie de groupe* ("Group Strategist" – 1989), Mohed Altrad devoted an entire chapter, under the title *La qualité pour réussir* ("Quality to succeed"), to his concept of quality, akin to contemporary theorists who saw it as a key factor of competitiveness. Like the founders of total quality management\* (TQM), Edward Deming and Joseph Juran, and the inventor of quality circles, the Japanese Kaoru Ishikawa, he was already seeking how to reconcile the three factors of a company's productivity: its good organization, the motivation of staff and the quality of its products.

It is no coincidence that, starting from the quality committees created at the time, the Altrad Group has evolved into a matrix organization centred on progress units, in part inspired by the Japanese concept of kaizen, which can be defined as the pursuit of a process of continuous improvement. They differ however, because the total quality concept of the Group covers all its functions, all its activities and all of its undertakings, rather than just the processes of production and technological innovation, and therefore it aims to foster the participation of all employees.

However, as many researchers have noted, companies that conduct a qualitative approach generally encounter two major pitfalls: the difficulty for quality teams to involve all staff at all levels, as stipulated in the principles of quality and excellence,

and the adaptation of the universal principles of quality to each socio-cultural context.

The concept of the value chain, adopted in particular for reorganizing the Group, led Mohed Altrad also to focus on the techniques of reengineering, proposed in 1993 by the American consultant M. Hammer. This can be defined as a pragmatic approach to the reconstruction of a company and the reinvention of the value chain to improve performance in terms of costs, quality, service, speed, etc. It naturally covers all functions, tasks and posts, both at headquarters and the subsidiaries, and relations between all entities in the various fields: industrial, technological, commercial, financial, human, cultural, etc.

Less strategic and more pragmatic than kaizen, reengineering promotes rapidity in the analysis and the results, even sometimes a certain brutality. Also Hammer, insisting on the factor of “rupture”, recommends abandoning all procedures unsuited to the environment of the company, in the name of the primacy of the client.

As part of such an approach to management, this effect of brutality is nevertheless mitigated by the involvement of the largest number of participants possible, in the redesign of companies and the Group through the progress units and managerial meetings.

Reengineering is not an approach of improvement but of rupture with often very ambitious targets: reduce supply costs by 25%, halve logistics costs, etc. – objectives that cannot be achieved by simple improvements. Integrated with network management, this logic can result in the transfer of activities within the Group – from companies that create the least value to the most competitive – or even outside, relocation or changes of suppliers and partners.

However, the reengineering of a group allows some radical changes without calling into question jobs or the perimeter of the group: reconstruction is concerned with resources (human, financial, logistical, technological, commercial...) dispersed

structurally or spatially, treating them as if they were centralized; once decisions have been taken and processes have been defined at the central level, their application is divided up between the various entities to achieve the required results. This is a “tranquil rupture”: no mass redundancies, only the redistribution of activities in a spirit of performance and total quality.

### 8.2.1 Overall strategy, “glocal” or local?

Within the Altrad Group, the aim of total quality is constantly to offer, through applying stress to all activities of the Group, products and services adapted to the evolving expectations of customers – i.e. dealers, end users and prescribers.

However, these expectations and the perception of quality differ to a greater or lesser extent from one country or distribution channel to another. Thus, product by product, and according to the importance of these differences, the Group sometimes adopts:

- a global strategy, offering all markets a product of identical quality;
- a “glocal” strategy, adapting the product to the specific needs of each market, often by changes that are minor (but significant in the eyes of a customer), and if possible cosmetic: the addition of a reverse gear on a cement mixer for the German market, a different body colour, a national trademark (associated with the Altrad brand or not), national norms, etc.;
- a local strategy, in extreme cases where a very specific local perception of quality implies the renunciation of any standardization – this does not exclude involving the rest of the Group or its external network for certain components.

While responding to the expectations of the client, total quality management, as this third option points out, is intended,

to optimize the costs of the producer (through economies of scale), increasing his competitiveness or profitability, sometimes through:

- partial standardization: despite different expectations on the part of target customers, it remains possible to compartmentalize the production among several entities of the Group or its network, with both an optimization of the distribution of tasks – from the supply of raw materials to the packaging of the product – and the implementation of “just in time” to optimize work flow and reduce stocks of semi-finished and finished goods while avoiding stock-outs which, by lengthening delivery or creating delays in delivery times, would affect the satisfaction of intermediate and final customers;
- total standardization: when customer expectations are relatively universal, the Group takes its reference from the quality level of the most demanding target market – or even a higher level still if it wishes (i.e. faced with the competitors in this market) to position its products as “high-end” – which will then be the case *a fortiori* in less demanding markets, possibly justifying a policy of price skimming and resulting, in effect, in “glocal” marketing through this differentiation of prices.

One can see here how quality policy is an integral part of the long-term strategy of the Altrad Group, often even a source of reflection that will result, far downstream, in new strategies of production, marketing, purchasing and supplies, as and when that initial orientation is diffused through the whole of the Group, involving all staff and even influencing the behaviour of the external partners of the network.

It is in this spirit that a choice has been made to broaden the notion of “client” to internal relations (between companies in the Group) and external relations (in the Altrad network); internal transfer prices are a good illustration of this. In addition, over and above periodic external audits, self-monitoring

procedures have been developed that are better adapted to the ambitions for total quality.

### 8.2.2 Quality in the companies of the Group

Total quality management has penetrated into all the Altrad Group entities (functional departments as well subsidiaries), whether they work in production, commerce, purchasing, procurement or logistics.

For a company head, quality exists as a total and constant personal commitment; a way of sustainably developing his own work and his relations with clients as well as a virtuous circle into which he must lead all his direct collaborators and staff. Also, to ensure that company heads fully accept what is both a state of mind and a body of specific and mandatory rules and procedures, one of them was entrusted with drafting an awareness campaign that was validated and distributed by the General Management of the Group. This explains, along with certain principles of kaizen and reengineering duly adapted to the multicultural context of the Group, the two fundamental values of a total quality approach:

- respect for the customer (external or internal), by studying his expectations and taking account of his possible dissatisfaction, and mutual trust often formalized by a quality assurance contract;
- the exchange of information between all entities of the Group (and their customers) but also between all actors of the network involved in the value chain.

The network management of the Group rests on the quality of all links in the chain, knowing that the weakest element reduces the quality of the whole network. Thus, controlling the quality of a concrete mixer of which the drum comes from one plant, the motor from another and that is assembled in a third cannot be done with a simple check at the end of the

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final assembly. It calls for the scrupulous observance of the rules of compliance by all players in the network, through harmonization of the quality service within each company and the Quality Department of the Group – an emanation of the corresponding progress unit – responsible for planning quality and for initiating and supervising projects concerning quality.



## Chapter 9 THE SUPPLY CHAIN FUNCTION

### 9.1 THE FOUNDATIONS OF THE SUPPLY CHAIN AND LOGISTICS PERFORMANCE PLAN

Supply chain management emerged recently from internal issues related to the evolution of the Altrad Group. Optimizing and reconfiguring the industrial tool are necessarily accompanied by working on the improvement of flows both with the client and between the various entities of the Group (see above). The implementation of ad hoc metrics, for example the service rate, is a shared ambition of supply chain management and the Industrial management which work towards a common goal: the client and the Group.

The scope of “supply chain and logistics” is consistent with what is most commonly accepted in industry: supply chain management is the management of the flow of information, products and labour to meet the needs of the client, from the control of raw materials to the delivery of products and services in a timely way and under agreed conditions. This is different from the “supply chain” function whose definition is variable in different industrial groups.

The role of the supply chain and logistics within the Group is threefold:

- to optimize the costs of transport and logistics;

- to ensure optimal stock levels throughout the chain;
- to ensure quality delivery flows to the Group's customers in more than 100 countries as well as inter-subsidary flows.

Supply chain and logistics issues are steered by a transverse progress unit that relies on the subsidiaries and the work of other progress units to identify and implement synergies. It is based, when necessary, on a specific subsidiary that is able to manage workflows operationally.

By its nature, the supply chain function has an interface with:

- the Purchasing Department: supplies, etc.;
- Industrial department: industrial and logistics schema, industrial planning, etc.
- sales and marketing departments: forecasts, offers of service to win market share, etc.;
- finance department: stock, etc.;
- logistics and transport.

Like the Industrial Department, it should federate all the players to align themselves with the Group's strategy. However, while the Industrial Department can work to develop a site independently, once the Group's strategy is well-oriented, the Supply Chain Department can only work globally to ensure that information flows and physical flows are effective and efficient.

## 9.2 SUPPLY CHAIN AND LOGISTICS IN ALTRAD

Management of the supply chain and logistics has always been poor in the Group:

- no supply chain function as such in subsidiaries;
- subsidiaries having cultures of business development\* and production, as evidenced by the monthly reports that say very little about logistics. This theme is also addressed in the budget sessions;

- because of development through external growth and subsidiarity, which is a strength of the Group, global optimization has not been conducted in this field and processes are heterogeneous and little formalized.

The current context of the Altrad Group makes the supply chain more critical for several reasons:

- the strong development of the service sector (rental with or without services) for which the logistics activity is one of the “hearts of the business”;
- the development of flows between subsidiaries (between production companies and service companies, or between production sites located in low-cost countries and trading or assembly sites);
- the geographical expansion of the Group;
- the pressure from customers wanting to minimize their stock.

### 9.3 THE MAJOR TASKS OF THE SUPPLY CHAIN DEPARTMENT

The Supply Chain Department has initiated mapping of avenues for improvement and the stakes involved. A supply chain and logistics dashboard is very difficult to construct taking into account the heterogeneity of the means and the existing situation, an analysis of which, highlights a number of key points listed below:

- Logistics is a very important issue in service activities: it costs 30 to 40 million euros with a hundred depots especially in France, Belgium, Spain and the United Kingdom.
- The “production + sales” component is mainly concerned with optimization and rationalization of transport: this represents the main issue (transport costs of around 25 million euros and physical logistics costs of around 6 million euros).
- The service rate, a key metric of the supply chain, is measured only in very few affiliates. When it is, this rate is around

70%, which is a poor performance. In certain subsidiaries, commercial staff stress that Altrad's delivery times are too long and may lose sales.

- Stocks "production + sales" still give around seventy days of coverage, more in the concrete mixer/wheelbarrow activities. All things being equal, this can be reduced, (even though the concrete mixer/wheelbarrow projects and purchases in China increase it automatically).
- The total absence of forecasts, even in summary, is highly punitive for service, stock levels and logistics costs.
- Logistical conditions with suppliers (internal and external) and the associated processes are incomplete, leading to stock-outs, overstocking, etc.
- As regards physical logistics, few subsidiaries seem to have a dashboard and a progress plan; over and above unit costs, work on organizational levers would be beneficial (monitoring loading ratios, logistics productivity, choice of make or buy, etc.). First approaches show important stakes in connection with operations and trade.
- The way the Group has developed historically and the lack of integrated logistics and manufacturing have led to a proliferation of sites from which products are delivered (more than forty factories and platforms, not counting the service sector).
- Choices of transport purchasing strategies (essentially small carriers, without a contract, etc.) need to be studied in depth: more than one hundred suppliers costing 9 million euros for Altrad Logistique and more than four hundred for the whole Group. The organization of the logistics of factories and warehouses is largely internalized: the cost is looked at on a case by case basis, but this does not allow good variability of costs according to activity levels.
- Progress points appear to exist to ensure the macro capability of the industrial supply chain to meet the needs in the long term; for example, checking the consistency of production

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capacity with internal demand, looking at the security of supplies (e.g. make an “emergency plan” concerning Altrad Italy’s concrete mixer provider).

#### 9.4 THE STAKES FOR THE ALTRAD GROUP

Long-term gains that can be identified today are as follows:

- productivity gains of approximately 3% annually on logistics (providing there are no changes in the transport market, volume effects, etc...). Organizational levers remain a priority (control of truck-filling ratio, reduction of deliveries by courier service, etc.);
- gains in logistics service through specific projects (synergies, projects in large affiliates...);
- gains in the purchase of transport and logistics and a better variability of costs;
- gaining/maintaining market share through better service for those activities for which it is an issue (fewer delays, over 85% minimum service rate);
- a reduction of approximately ten days of stock cover (not counting the effect of the mix\*, industrial projects and relocations and changes in stock policy);
- gains related to the reduction in CAPEX\* (less rental stock and so fewer movements) that have been requested for depots;
- the correct functioning of the supply chain in relation to several factories that currently have a negative influence on costs compared with defined industrial strategy (e.g. Tunisia), stocks, the organization and productivity of factories and the ability to deliver fully and on time.



## Chapter 10

### THE HUMAN RESOURCES FUNCTION

The majority of the Group's workforce is located outside France (60%) and consists of permanent staff (79%). The Altrad Group primarily makes use of agency staff for its rental/service activities (850 of 945 temporary workers employed by the Group).

In the organization of the Altrad Group, the Human Resources Department (HRD) reports directly to General Management, who define the strategic orientation that its leader must give it, based on six dimensions that are dictated by the Group's internationalization and its growth strategy:

- advice to General Management about all social matters;
- expertise in the implementation of a Group policy governed by the national laws of the countries where it operates;
- advice to the operational staff and business leaders of the Group;
- action in the fields of productivity, restructuring, reduction of personnel and relocation;
- reduction in absenteeism and other hidden costs;
- social audits.

From all of these needs, seven priorities arise for HRD; these are detailed in the paragraphs below.

## 10.1 ADVICE IN EXTERNAL GROWTH SITUATIONS

In any takeover, HRD carries out a social diagnosis – crucial, particularly when the purchase also involves a recovery plan. It studies the results of the company, measures its social performance (or its lack of performance) and analyses its human potential and its internal and external development prospects:

	<b>Elements studied</b>	<b>Information to be collected and analysed</b>
Internal Diagnostic	Social results	Absenteeism, staff turnover, accidents, strikes, litigation and complaints, social climate, etc.
	Economic results	Productivity
	Policies	Recruitment, contracts, working conditions, security, pay, training, evaluation and promotion, communication, information and attentiveness of staff, social work, social relations
	Means and organization	Human resources: distribution of staff by, job, sex, age, qualifications, etc. HR service staff: organization, numbers, cost of the HR service, means, equipment, etc.
	Audit of methods of management and control	Management of forecast requirements, administrative HR procedures, payroll management, training policy, relations with unions, metrics and tools for social audits.
	Study of the interactions with other services of the company	Relational problems with commercial service, production service, etc. Respecting HR procedures, etc.

	<b>Elements studied</b>	<b>Information to be collected and analysed</b>
External Diagnostic	Employment market in the country	General employment situation Salary levels
	Union Environment	Actions and demands of the unions
	General and regulatory framework	Employment laws, collective conventions. Help given to companies for training, recruiting young people, etc.

This dual diagnosis of the personnel function influences the final verdict about the takeover through the strengths and weaknesses that it highlights. It is accompanied by further recommendations on personnel structure, policies and methods of management and control, specifically concerning restructuring, staff cuts and relocations, which are grouped within a formalized reorganization plan and which, after adoption, HRD performs and/or supervises.

## 10.2 THE HUMAN RESOURCES STRATEGY

Two other HRD tasks are essential to the growth and future of Group profitability; these are asserting its social responsibility and harmonizing as far as possible the social practices within the Group.

In becoming international the Altrad Group committed to multiculturalism; its original culture has been enriched and a new culture is under constant construction. HRD participates in this construction and its adoption by all the staff, thus ensuring that a loss of their national identity and sense of belonging, through exposure to other countries or incoming companies,

does not lead to excessive individualization of the relationship between the employee and the company and the risk of an exodus of the best elements.

It is therefore the job of HRD to assert the social responsibility of the Group, contribute to the construction of its culture and to attract and retain the experts necessary for its development through attractive and progressive career plans that promote mobility and internal promotion – possible because of the international presence of the Group – as well as the transition from classic personnel management to the “one to one” management of people.

As for its mission of harmonization of the social practices of the Group in the face of different national environments (including regulatory ones), HRD uses a “glocal” (i.e. global and local) approach, defining a global strategy that company heads can adapt to local conditions. As a first step, two areas of harmonization are to be given priority:

- remuneration policy: harmonization of wage increases, establishment of a system of variable remuneration;
- vocational training policy, setting training priorities, developing recruitment strategies and participating in recruitment, particularly of executives.

To this end, and for a real forward-looking management of the needs of the Group in its strategic orientation at more or less long term, HRD is implementing two global projects:

- a directory of skills and trades within the Group, including a reference document listing skills, an analysis of posts and staff profiles;
- annual appraisal interviews for the participatory identification of objectives and an assessment of training needs.

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### 10.3 SUPPORT FOR INTERACTIVE AND COLLEGIAL MANAGEMENT

HRD plays an important role in the implementation of the principles of collegial and interactive management adopted by the Altrad Group (see second part Chapter 4), in particular by developing a system of rewards based – in accordance with the rules of PMBO – on the primacy of results and the achievement of goals, but also helping in a precise definition of roles and in promoting both top-down and bottom-up negotiation of goals and means.

Responsible for the social management of the Group in the broadest sense, HRD defines and implements the means to support its policy; for example by developing motivation through a company project or various forms of participation and expression of employees (progress groups, quality circles...), or even by innovations in working hours or living and working conditions.

Finally, HRD also has a duty to make proposals and to monitor the construction of the system of procedures on which the Group's mode of management is based. These procedures may concern HRD jointly with other departments (e.g. procedures like budget and reporting, intended to encourage participation and responsibility among the managers of the different elements of the Group) or they may only concern HRD, like the two following procedures designed to optimize the human potential of the Group and whose strict application is the responsibility of HRD:

- The recruitment process – whereby a company head, during the budget phase, identifies his staffing needs and considers his payroll, then submits any new requirements for validation by headquarters – always gives rise to a study of the social component of the dossier by HRD, who will give an opinion.
- The procedure for incentives – which will eventually offer all members of staff of the Group a remuneration consisting of a fixed part and variable elements based on commercial, industrial or administrative productivity agreed with each company head and depending on company particularities.

Concrete proposals come from HRD on the system and the required productivity indicators.

Finally, HRD should suggest other ways to optimize the Group's human potential (of which it analyses the merits and content) through vocational training, internal promotion, international mobility, etc.

#### 10.4 RESPECT FOR LABOUR LAWS

As a functional department of the Group's headquarters staff, it is HRD's job to master the regulations of each country where the Group operates (or wants to operate). Through a comparative analysis of texts and through legal and social monitoring, it allows the Group to harmonize contracts, pay systems, social relations, etc. In the light of this expertise, it also checks that companies respect national rules about social elections, representation and information for employees, and it analyses the results of negotiations in each company and their application.

Finally, being responsible for social peace, HRD manages relations with the social partners (unions, representatives or staff delegates; works councils; health and safety committees; and committees on working conditions, etc.), with whom it holds discussions and, where appropriate, negotiates.

#### 10.5 INTERNAL MARKETING AND COMMUNICATION

Guarantor of the quality of the social climate and the adhesion of staff to the Group's goals, HRD must study the expectations of employees, their motivations and their fears, by company and by job type, through surveys (group discussions, individual interviews, observations and polls) and collecting information (suggestions, ideas boxes, etc.).

It must also compare the Group's policies with those of its main competitors, including those whose activities are not similar, to identify the best methods of mobilizing staff (social benchmarking).

It is also responsible for the image of the Group in the eyes of its employees and for internal communication and the publication of social information.

#### 10.6 KNOWLEDGE MANAGEMENT AND E-HRM\*

As appropriate within a major group, HRD is responsible for the control and optimization of computer and telematics tools for the development of information systems such as e-learning – distance education – and the Intranet. It also studies e-HRM solutions to facilitate and accelerate the implementation of tedious and costly tasks – particularly those involving management of expenses claims, requests for leave, software for recovering overtime (in France), information about available jobs and job-training.

In addition, it ensures the creation and setting up of a well-thought-out Intranet, a management and communication tool that will inform members of staff about the evolution of the Group, vacancies and training offered, but that also invites them to consult their professional records so as to be able to better manage their careers; it can also integrate knowledge management\* tools to capitalize on the expertise of the Group.

#### 10.7 COLLECTING SOCIAL INFORMATION AND SOCIAL AUDITING

HRD is responsible for regularly collecting social data about the companies in the Group through techniques and tools for the collection of information and through the establishment

of a genuine system of social information, allowing ongoing monitoring:

- of recruitment, promotions and bonuses (formalization of hiring and promotions, compliance with procedures, budget verification);
- of the editing and centralization of employment contracts and of the formalization of endorsements (change of function, mobility, promotion);
- of the HR organization (regularly monitoring organization charts, writing job descriptions);
- of staff levels, monthly and through a periodic social balance sheet;
- of the elements of remuneration of all employees (communicated monthly).

The same social feedback is also used in drafting audit questionnaires. Charged with their administration and their statistical processing followed by the publication and dissemination of the results in a summarized, annotated form, HRD thus ensures periodically:

- an audit of compliance of internal information functions, checking the accuracy of the information transmitted by the operating staff and company heads;
- an audit of HR procedures, ensuring compliance with the Group's procedures concerning recruitment, bonuses and remuneration;
- an audit of results and performance, based on relevant and accurate indicators of behaviour (absenteeism, staff turnover rates, etc.), of conflict (strikes, etc.), of safety (accidents at work, occupational diseases, etc.) and of economic operation (productivity of personnel, payroll, etc.), whose formulae are duly explained to the company heads responsible for providing this data;
- an audit of HR methods in each company, concerning both the administrative management of staff (whether personnel

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files are maintained, how new recruits are inducted, etc.), as well as payroll management, training and collective labour relations (elections, animation, following representative bodies, etc.);

- an audit of the methods of strategic management of the Altrad Group itself, checking compliance with the rules of interactive and collegial management (PMBO, procedures, management meetings, permanent and interim progress unit meetings, etc.), the balance of relations between Group managers and company heads, the consideration given to progress units in the decisions of Group managers, etc.

This last audit, by means of which HRD issues a critical opinion on the validity of strategic choices, gives it the dimension and weight it deserves in the implementation of the strategy and the management of the Group.

Thanks to its various components, the management of human resources is an essential anchor point in the Altrad Group's managerial policy.



## Chapter 11

### MANAGEMENT CONTROL, REPORTING, INTERNAL AUDIT FUNCTIONS

A uniform reporting system in all the subsidiaries allows effective management control and the production of a Group dashboard on a monthly basis.

The Management Control Department (MCD) of the holding company, composed of five management controllers, has the mission of tracking the overall performance of the Group and its subsidiaries by the establishment and operation of indicators and management dashboards. Working in close collaboration with other functional departments of the Group and acting both on findings and forecasts, it provides, in particular:

- a definition of objectives and the means to achieve them;
- a comparison of performance with the objectives;
- an adjustment of resources in the event of anomalies.

The reporting system in place covers all activities (production, service and distribution) and all Group functions (purchasing, logistics, human resources, etc.). A management controller is assigned to each of these activities.

The various reports are produced monthly, thus promoting reactivity in the case of anomalous results.

The internal audit function guarantees the correct application of the procedures in force and the reliability of information sent by subsidiaries.

## 11.1 THE MANAGEMENT CONTROL OF A GROUP

Management control, often perceived as almost synonymous with budgetary control – i.e. the process by which leaders ensure that resources are obtained and used effectively to achieve the objectives of the organization – has much broader issues. Acting on findings and forecasts, managing accounting, financial, technical and commercial data, and being responsible for the production of numerical dashboards and annotated summaries, complete with advice and recommendations, MCD:

- controls the conduct of business by foreseeing events and adapting to changes;
- defines objectives and the resources needed to achieve them;
- compares performance with objectives, then corrects the objectives and adjusts resources as appropriate.

Finally, the unique development style of the Altrad Group, founded on both organic and external growth, requires it to distinguish, as advocated by the American literature on the subject, between operational management control and strategic control.

### 11.1.1 Operational control

Operational control, whose primary role is to optimize the profitability of the companies in the Group, consists of aggregating, analysing and interpreting planned and real performance, and then informing the management of the company and the Group so that they can adopt appropriate corrective measures or make the most of a favourable development. Thus, operational control concerns the whole company and Group hierarchy in all their decisions having short-term effects.

In this context, it is therefore the responsibility of MCD:

- to set up a management information system based on the most relevant metrics;

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- to organize the collection of information that will feed into a new automated database (to be developed in collaboration with the Group's IT services) that does not increase administrative work, and that makes data reliable, advising company heads and line managers in particular about forecasting methods and the calculation of management and performance metrics;
  - to develop procedures to make the information available in a timely, coherent and homogeneous manner at Group level;
  - to create and validate appropriate dashboards from the data-bank, then to monitor this information and follow it up at defined periods;
  - to provide or to help formulate the needs of companies in human, financial and technical terms to achieve objectives; to develop budget forecasts with company heads and to ensure the compatibility of different budgets;
  - to analyse the differences between achievements and objectives in order to detect anomalies; to adjust forecasts based on the variances and revise plans and budgets accordingly;
  - to ensure reporting, i.e. furnishing information and analyses to the General Management of the Group, company heads and operational managers;
  - to advise the heads of companies and, having studied them financially and established their budgets, to recommend improvements;
  - to follow up remedial measures, to verify their implementation and to control results;
  - to offer a system of rewards or sanctions based on deviation (positive or negative) between achievements and objectives.

### 11.1.2 Strategic control

In a group like Altrad, which controls its development at the operational level, strategic control to help the General Management of the Group and company heads in choices that

have medium and long-term effects is an essential dimension, because it is at this level that the foundations of the future of the Group are laid (while operational control optimizes step by step improvements). But this ambitious concept also includes a serious corollary, namely that any strategic error will be more far-reaching and longer and more difficult to repair. It is in this second respect that the other missions of MCD are deployed:

- over and above the operational reporting, to inform the General Management of the evolution of the results obtained compared with the forecast;
- to transmit to General Management all relevant information about business, competition, technological and macroeconomic developments, etc.;
- to orient the strategic objectives of the Group and all its components based on predictions and numerical and qualitative information;
- to look into the future, conduct economic studies, study investment choices for (or with) company heads consistent with financial resources, cash and financial criteria such as internal rate of return, payback on investment, net present value, etc.;
- in the case of a decision to invest, check the validity of forecasts and financial estimates throughout a period defined when the decision was made;
- in the case of takeovers, monitor the implementation of the restructuring plan, follow the costs in order to control them and verify the achievement of the objectives of profitability and growth throughout the restart.

## 11.2 THE ORGANIZATION OF CONTROLS

These tasks are carried out in the context of the organizational configuration of the Group:

- company by company, with their leaders;
- by pole of activity;

- by sector of activity, with the company head and/or commercial and/or production managers<sup>1</sup>:
  - for service companies, MCD participates in the process of forecasting and monitoring margins per contract and work in progress, as well as monitoring the receipts and disbursements on different worksites;
  - for commercial entities, MCD participates in the development of tariffs and margins, the analysis of profitability by product, market and area and the control of distribution costs;
  - for production sites, MCD participates in the collection of information; acts as a consultant in investment decisions; rationalizes and analyses production costs; and values the stocks of raw materials, finished products and semi-finished goods;
  - for each transverse department of the Group, MCD furnishes appropriate information and metrics;
  - for each of the progress units, (the proper functioning of which is the immediate responsibility of the MCD), MCD controls the frequency of meetings, procedures for dialogue, consultation and adoption of decisions, control of the transmission of summaries and minutes, etc. This feeds collective reflection by harmonizing methods of data collection, metrics and calculation formulae appropriate to the role of the progress units, and by explaining the expertise and performance of companies engaged in a similar activity.

1. Some Group companies have their own person in charge of industrial management control (analysis of unit costs and the costs of production, inventory of material flows and stocks, operations to improve performance and productivity) or business management control (development of tariffs and margins, profitability by product, market and area analysis, control of distribution costs and, in collaboration with the commercial director, sales forecasting and definition of business objectives). These officials are therefore placed under the dual authority of the head of the company and the MCD of the Altrad Group, depending hierarchically on the first and functionally on the second.

Finally, MCD regularly studies the implementation of new control systems, such as exist in many companies: control of delivery deadlines (between businesses and clients), quality, safety, the ecological dimension, social management, etc.

To implement all of these provisions, MCD requires the support and active involvement of all Group entities: company heads, accounting services, sales managers and technical managers, heads of progress units, and also IT services.

The MCD therefore works with each company to identify management indicators and then, during meetings with the various services of each entity, explains the missions, objectives, benefits and procedures of MCD. At the same time, with the help of IT services, it seeks ways of automating the collection of information.

### 11.3 EVOLUTION TOWARDS MODERN MANAGEMENT CONTROL

The purpose of management control is not just to compile data but to make a business efficient and competitive. Do not confuse ends and means, and do not make the means an end in themselves (i.e., collect data without exploiting it).

The Altrad Group's management control is modern in that it develops the ability to provide elements for decision and steering and a relevant reporting system, oriented towards analysis to allow decision and action.

Modern management control allows evolution from supervision to steering by always examining the meaning of things. In this context, the responsibility of the different actors is important and is as follows:

- For affiliates, it's a matter of returning, at the agreed time, relevant and reliable data for the controlled generation of information. A failure or a lack of reporting by subsidiaries

produces non-pertinent data, i.e. a biased analysis and a risk of inappropriate action.

- For the cross-cutting MCD function, as soon as the production of information is controlled, information analysis, also controlled, becomes the heart of the business and the lifeblood of decisions.

In the past, too much time was spent on compiling and reproducing unreliable information that did not allow optimum steering. To remedy this, all efforts are now concentrated on mapping\* tools intended to standardize relevant information and the return of data; these establish standards of feedback and qualify the relevant information expected from all subsidiaries in order to create a frame of reference for the Group (for example, what is the definition of turnover, hourly cost, etc.), which ensures relevance and homogeneity between affiliates.

Old-fashioned management control – with a ratio data collection/ analysis of 80/20 – tends to modernize itself: a transition to 20/80 facilitates the guidance of the Group. In this spirit, the Group management report was totally revised in 2012-2013, being both expanded and made more relevant. Today, it contains:

- key information such as the evolution of turnover, margin, costs, etc.;
- a detailed, month by month analysis of profitability which did not previously exist;
- the EBITDA:
  - global;
  - by sector of activity: production, trading and rental/services;
  - by product: scaffolding, wheelbarrows, cement mixers;
- a detailed comparative analysis between what has been achieved and what had been budgeted...

An effort is made to select interesting indicators oriented towards reflection and action, with a graphic presentation which ensures better readability and a comparison over time. A trend towards

specific business indicators is underway to allow, for example, the Purchasing Department to retrieve information about the evolution of prices, to cross-correlate quantitative information (price trends) and qualitative information (customer service rate, rate of returns, quality...).

The controllability of the Group is not the only aim of MCD; it also aims to help company heads and each of the functional departments to take truly effective decisions. Once the stakes are known, good choices can be suggested and taken at the right time.

Thus it can be confirmed that the WCR is well controlled, that stock levels do not vary and that expected profitability is achieved.

#### 11.4 THE ORGANIZATION OF INTERNAL AUDITS

Internal auditing is a fundamental function of the management of a company. It allows risks to be identified and working methods to be improved. It consists of considering the business from all angles: commercial, accounting, fiscal, financial, IT, production, etc. This review of the practices of each service allows recommendations to be made and continuous improvements to be implemented.

Internal audit is an independent evaluation activity whose objectives are to create added value, to increase the profitability in the long term, to ensure the effective operation of the Group and to improve it if necessary. As such, internal audit is an intrinsic and ongoing part of the activities of the company and not a simple one-time supplement.

Generally the work is led by an independent multi-skilled person and it can be broken down into several phases:

- preparation of the mission by the design of the testing depending on the theme: this consists of getting to know the domain to audit and to identify and assess risks;
- investigation: the auditor carries out the prepared tests (interviews, questionnaires, collecting documents, site visits, inventories, etc.); he determines the risks and their origin;

- synthesis: including an account of the results of the audit and the recommendations concerning uncontrolled risks (diagnosis and prognosis);
- monitoring the implementation of the recommendations: these are translated into action plans to be implemented (therapy). The effects of these corrective actions must be controlled and be positive.

Within the Altrad Group, however, the internal audit function is designed differently. It is “exploded” because of a commitment to continuous improvement and the matrix structure of the Group. Indeed, the internal audit is carried out by everyone. This type of operation is a strength as regards technical skills but it can become a weakness due to a lack of an overall view of the functioning of the system. As the audit is carried out by all staff, it might seem superfluous to create a general position of internal auditor. On the other hand, in order to obtain this overview of the functioning of the Group, it would be interesting to combine the reports of all the people carrying out internal audits in their respective areas of competence and to reflect on global solutions for improvement. This work would be led by a continuous improvement advisor starting from the objectives set by the General Management at the beginning of the year. They will define a specification including the missions, objectives, frequency of interventions, etc. The consultant’s skills would not be technical; he would help in the search for solutions by watching what is done elsewhere and by adopting a comprehensive, independent and external perspective – external because an internal auditor, through habit, can lack critical faculties and miss problems.

The consultant or adviser could thus:

- synthesize the various audit reports, for which a common form may be envisaged;

- help each of his interlocutors to find solutions in the event of a problem, through reflection conducted in close collaboration;
- think of solutions and make recommendations to improve the overall functioning of the Group;
- break down and improve the common language;
- initiate change;
- make proposals for short and long-term work;
- have an external and independent overview of the operation of the Group.

This work is complemented by the forthcoming results of the client satisfaction survey, which will be addressed beforehand, internally, to sales staff.

It will take place as follows:

- definition of objectives by the General Management at the beginning of the year;
- work done by all, with assistance from the consultant in case of difficulty;
- report by mid-year. The consultant summarizes reports and makes recommendations or proposes adjustments if necessary;
- monitoring by all of the implementation of recommendations, with assistance from the consultant in case of problems.

This new feature is in line with the transverse structure of the Group since it is in no way, an extra level of hierarchy.

The audit reports forwarded to the consultant and the General Management could adopt a common format containing the following elements:

- generic elements such as the title of the report, its subject matter, the names of the author and the recipient;
- audit-specific elements:
  - a list of the highlights by theme: involvement, working methods, good practices, etc. This aspect develops satisfaction and motivation.
  - a list of weak points: this identifies risks that require improvements.

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- an enumeration of the set of non-conformities, i.e. deviations from a requirement. It is now necessary to answer the questions Who? What? Where? When? How? How many? and to link these to a specific requirement (norm, regulation, procedures in the red zone, etc.);
  - a list of all of the opportunities for improvement: proposing actions and explaining the reason for them.
  - the conclusions of the audit.

This new function allows continuous improvement beneficial to everyone. It is not a tool to control or sanction but rather an aid, a support in case of difficulty and a global perspective.



## Chapter 12

### THE FINANCIAL AND LEGAL FUNCTION

#### 12.1 THE MISSIONS OF THE FINANCIAL AND LEGAL DEPARTMENT

The missions of the Group's Financial and Legal Department (FLD) are as follows:

- the production of the consolidated accounts of the Group according to IFRS\*;
- centralized management of cash and finance;
- external growth: preparation of the Group's business plan\*, research for associated finance and supervision of the acquisition process;
- the supervision of the accounting teams of the subsidiaries;
- legal advice to subsidiaries;
- production of all necessary legal documents.

#### 12.2 CASH MANAGEMENT

##### 12.2.1 Recent developments in cash management

The first part of this book highlights cash management as a guidance tool in the service of the sustainable and lasting development of the Altrad Group. The contribution of all

active players is given as an issue and a factor in success by David Brault and Michel Sion in their 2008 book *Objectif cash*, exceeding by far the technical operations of cash management classically reserved for the central services of a group and requiring the adoption by all of a true “culture of cash”.

The Altrad Group has defined EBITDA as the indicator shared by all stakeholders to give transparency and readability to its results and potential. EBITDA is at the centre of the issue of cash management, through data about the flow of cash generated by the activity:

- the *cash in* – or entry of turnover – characterized by sales forecasts, correct billing and by responsible management of rebates and credit notes;
- the *cash out* – payment for purchases and all overhead costs that will move cash out of the Group’s accounts.

It leads to proper management of cash through budgetary discipline:

- The purchase prices are what we thought.
- Wages evolve as expected.
- Overhead costs are controlled, streamlined and optimized.

The requirements for cash management have increased today, and this goes far beyond a desire for the sound management of the Altrad Group in times of crisis. The Altrad Group has entered a phase of optimization to respond to a growing concern for the remuneration of capital, linked to the arrival of new financial partners, and to support and strengthen the sustainable and durable development of the Group.

However, performance may be limited because of the following elements:

- exogenous: development is an external phenomenon that can’t be mastered;

- endogenous: elements such as the costs of travel or fleet management are related to the management of men and can escape from the logic of budgetary discipline to touch on questions of recognition or social peace.

There is no question of upsetting the balance of the system by deep cuts devoid of meaning in the eyes of employees, but rather of tackling the problem of entrenched practices. It is necessary to enter a virtuous circle and to go from expenditure that is obligatory and sustained to controlled spending, through everyone asking himself permanently, what he can do to promote this.

The “culture of cash” must be incorporated in this research, because it ensures the sustainable survival of the Group through:

- external growth: acquisitions by the Group shape its leadership position. This guarantees the security of subsidiaries, and therefore of staff (sustainable livelihoods), by making the Group durable. In contrast with some international groups, the Altrad Group does not yield to “short-termism”;
- internal optimization.

To be credible, the Group must show that it achieves its objectives by following its route map. This logic is also fractal: it is as true for the Group as it is for the subsidiary, and the quality of reporting is part of this search for strategic coherence. The Group thus demonstrates that it is developing, and this means it is able to meet its development objectives while maintaining a balanced financial structure. The resulting image is favourable: it gives the Altrad Group the ability to develop by capturing external resources (through the desire of companies to be supported by a solid structure, talent recruitment, easing of bank credits, strengthening of permanent capital by the shareholders, etc.).

Thus, from a strictly economic point of view, the Group does not degrade its financial ratios and meets its covenants (agreements with the banks on ratios; e.g. financial debt/capital, etc.). Conversely, if this were not the case:

- banking partners would not continue their support;
- the Altrad Group would no longer be able to grow;
- a problem of governance would ensue, because shareholders would no longer trust the General Management and the Group.

### 12.2.2 The cash management function

The cash management of a group is generally entrusted to a specific unit that normally has three missions:

- monitoring the cash position: predicting the evolution of receipts and disbursements;
- managing the cash position: covering cash deficits at the lowest cost and placing the surplus with the best performance possible, consistent with an accepted level of risk;
- the management of risks concerning liquidity, interest rates and exchange rates.

Within a group like Altrad, these missions have quite another dimension, FLD being more specifically responsible for:

- monitoring the cash positions of the Group and its subsidiaries;
- centralized cash management, ensuring on the one hand that the accounts of the companies in the Group are balanced in order to avoid financial costs due to the imperfections of markets, and on the other hand, to promote the Group's access to financial markets;
- calculating and monitoring indicators and debt ratios, solvency, working capital and need for working capital, free cash flow release, etc.;
- controlling exchange rate risks. This is assuming some importance because the Group is developing sourcing activities in

low-cost countries like China and may, in the future, do so in emerging countries.

FLD cannot, however, confine itself to being simply a technical unit specializing in the best possible management of monetary and financial flows for the Group. It is also the place of convergence of flows:

- by educating all company heads and Group managers about the cash effect induced by any investment or management decision;
- by constantly improving the procedures relating to the circulation of accounting and financial information;
- by advising, or even warning, the General Management of the Group when strategic choices will have strong financial implications. Therefore, FLS must also contribute to the definition and implementation of the strategy of the Group, in particular:
  - the development of financial strategies by proposals for funding in the short, medium or long term, capital fundraising, optimization of the performance of the portfolio, etc.;
  - the financing of acquisitions;
  - the overall management of the relations of the Group with its banking partners, including the choice of partners, the negotiation of conditions, the integration of computer connections, etc.;
  - asset protection. This protection has taken on a new importance because of the increase in rental stocks of scaffolding coming from the development of the leasing and services business.

Finally, the international dimension of the Altrad Group requires FLD to take into account financial flows in various currencies and manage currency risk, i.e.:

- the prediction of the flow of funds (income or expenditure) of the companies of the Group;

- 
- the management of these flows and liquidity, including recoverable export credits;
  - the organization of cash services in foreign currency and the possible establishment of specialized bodies: coordination centre, cash pools or netting\* organizations (for bilateral or multilateral compensation between cash receipts and disbursements in the same currency).

As can be seen, a wide range of missions are thus assigned to FLD, which has responded with a number of concrete measures as well as recommendations mainly in five areas: WCR, investment, cash forecasting and reporting, centralized cash management and asset protection.

### 12.2.3 Working capital requirement (WCR)

Coming from the collegial and interactive management of the Altrad Group, the WCR procedure requires each company to estimate precisely the components of its working capital needs: receivables, accounts payable, stock and, for service companies, work in progress. Within this general framework, however, each company follows its own procedures adapted to normal local payment conditions – particularly in Germany and Italy.

#### *12.2.3.1 Accounts receivable (clients)*

The procedure sets the time limit for payment, the maximum outstanding amount of credit and the follow-up to be carried out:

- The procedure fixes limits on credit terms and maximum credit above which the company head must obtain the approval of the Group commercial management so as to minimize the financial risk for the Group. To avoid this ceiling being applied systematically, the procedure is completed by individual objectives (with or without financial compensation); indeed, if the maximum time limit for a company

head is, for example, on the 10<sup>th</sup> day of the third month following the invoice date and, in 90% of cases, he applies this maximum period, the average time calculated will be over 90 days.

- Concerning pressing clients for payment, the procedure lays down the rules to apply in case of late payment: first letter, second letter, litigation, blocked account, etc. Each company must send to FLD a detailed monthly statement of overdue client payments and a summary document allowing verification that the recovery procedure has been followed and showing, for each client, the payment terms and the credit ceiling authorized by the company head. If there are anomalies, the Group sales management and/or FLD may request justification, or even that the customer account be blocked.

In France, a recent law requires that payment deadlines are shortened, but everyone still has to work hard to optimize WCR.

Moreover, optimization of its resources has gradually brought the Group to move towards factoring\*, which allows cash to be obtained more rapidly – the financial health of the Group and the volumes processed reduce the cost of this form of finance.

Despite the policy of harmonization undertaken by the Group, some companies may have a particular regime in line with local specificities, subject to a monthly control by FLD of the realization of objectives and the granted terms. These exceptional methods are acceptable only if they are transient. Otherwise, it is an uncontrolled or unjustified situation. An exceptional situation:

- is unusual and transient;
- is subject to specific and regular checks;
- must be programmed to return to the normal situation.

### *12.2.3.2 Credit from suppliers*

To avoid anticipated disbursements, suppliers were in principle paid at 90 days on the 10th of the month, except for administrative or commercial reasons, in particular:

- electricity, gas and telephone bills;
- invoices for repairs, etc. under a defined threshold (specific to each company) for those companies that pay their suppliers themselves;
- invoices from suppliers that are also Group clients (the more favourable terms for the Group are applied bearing in mind the respective turnover figures).

This procedure applies in all countries except those where local practice is too different. In these cases, FLD merely sets objectives by company and monitors compliance with payment deadlines periodically.

Here too, the new law requires the shortening of the time limits for payment in France. This is clearly a potential problem. In response, the Group has tried to transform a constraint into an opportunity by striving to negotiate more favourable payment terms abroad. This has led to a resurgence of creativity, and the Group has finally won out owing to the development of its international business.

The culture of cash management has led to prior authorization before each disbursement to a supplier (double signature) in order to assess the relevance of the disbursement based on the cash position of the Group.

### *12.2.3.3 Stock levels and work in progress (WIP)*

Stock rotation requirements are now tougher so as to optimize the capital invested in the operating cycle.

This rotation is based on a better analysis of necessary minimum stock levels, which sometimes induces the geographical grouping of stock to avoid too strong a dispersion of dormant stock. The recently created Supply Chain

Management Department is working to strengthen cross-site sharing.

“Just in time” production management is now important in order to minimize inventories while managing the risks of stock-outs and having efficient logistics (supply/production/delivery). Consideration is, for example, being given to the creation of logistics platforms (depots and transport) and the improvement of customer service.

Work in progress should be tracked and precise. Billing should be sufficiently regular to avoid the creation of open accounts that are too large and difficult to justify and to invoice.

Each Altrad Group company head is firmly committed to a quarterly objective.

#### 12.2.4 New approaches to cash management

FLD is constantly looking for new ways to reduce the WCR. For example, the following five recent proposals are either currently being considered at managerial meetings, are being analysed or are being implemented:

- in case of problems and as soon as possible through effective reporting, revision of the exceptional client credit regimes currently enjoyed by certain companies, or even alignment on the strict application of the general procedures;
- engaging the actors concerned by these procedures through a system of remuneration based on the WCR position (and not, as is generally the case, only on profitability). The involvement of FLD has led to a comprehensive analysis of the modes of variable pay, especially for members of staff whose work affects the elements of the WCR. The establishment of incentives based on the effectiveness of the management of WCR for managers could be extended to other related positions;

- incentives (direct or indirect) for commercial staff on the conclusion of credit contracts beneficial to the overall profitability of the Group;
- creation, in collaboration with the Purchasing Department, of strategies for negotiating more advantageous price and payment term conditions.

### 12.3 INVESTMENT, CASH FORECASTING AND REPORTING PROCEDURES

According to the Altrad Group's investment procedure, each company head negotiates his investment budget with the General Management at the same time as the preparation of his projected operating budget. This defines his investment and finance needs (machinery, buildings, land, etc.).

If accepted, the investments may be made in the following year once the company head has prepared an investment request form for each project. This contains the reasons for the investment, on the basis of which the General Management of the Group formally authorizes it, refuses it or postpones it to a following year, in which case, the inadmissibility of the request is documented by the return of the investment request form. If accepted, the form is transmitted to the Purchasing Department of the company concerned.

This dual signature system, sometimes disputed by company heads who see it as a loss of power, is a requirement of responsible cash management. But there can be a possible timing issue between the forecast and the expenditure. In the budget of the subsidiary, an x million euro capital expenditure can be authorized under an agreement in principle but it is conditioned by its feasibility, in terms of the cash available, at the time when the application and the expense would occur (in order not to endanger the cash) as shown in the following table:

Steps	Formal agreement	Reasoning
<b>Budget June/July</b>	Investment agreed in principle → calculation of return on investment	Pertinence of the investment with regard to the stakes for the subsidiary.
<b>Quarterly: forecast (budget revision and update)</b>	Re-validation of agreement in principle → update ROI	
<b>Monthly according to the subsidiary</b>	Assessment of the situation of the subsidiary: influences the decision (refusal) or its delay → update ROI	
<b>At the moment that the expenses are to be made</b>	Positive assessment of the local situation (subsidiary and global) → final validation of ROI (control of coherence and consistency of initial parameters) => agreement to liberate the cash for the expense Refusal or delay justified	Choice of the best moment ( <i>kairos</i> ) <ul style="list-style-type: none"> <li>• Pertinence of the expenditure in the light of the Group's priorities (balanced management of the Group's cash).</li> <li>• Decision in the light of the context (unpredictability/ external factors) that call into question the investment and the way the subsidiary has respected its engagements and objectives</li> </ul> These elements are made public, except the Group's cash situation, which is confidential

		Principle of solidarity and collective conscience: <ul style="list-style-type: none"> <li>• The Group must take the constraints of the subsidiary into account → exception modes</li> <li>• The subsidiary must take the constraints of the Group into account → double authorization</li> </ul>
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FLD is involved at each stage of this procedure: it provides advice about the method of finance, participates in the choice of the best time to incur the expenses, checks compliance with the investment and WCR procedures, forecasts cash flow, etc.

On the basis of the objectives of customer encashment, payment of suppliers, management of stocks and investment, negotiated annually within projected operating budgets, FLD establishes a forecast cash flow for each company – annual and monthly – as well as equivalent consolidated plans for the Group. It revises these plans monthly on the basis of investments, purchases and sales reported by the companies, thus verifying the performance of each company in terms of payment of suppliers and encashment of receivables.

This controlling mission is part of the reporting procedure of the Altrad Group. Reporting of cash, like all other reporting (commercial, budgetary control, accounting, etc.), requires the correct transmission of information in a format and with the content as defined by the headquarters staff of the Group.

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## 12.4 CENTRAL CASH MANAGEMENT

FLD secures the finance needs of the Group by organizing the different elements; short and long-term debt, cash, and investment.

A subsidiary may have cash requirements or a surplus. Two cash management methods are used:

- an automated mode called “cash pooling”;
- a manual mode with loans.

Flexible cash management with the subsidiaries should be adopted based on certain criteria:

- the presence of minority shareholders;
- currency;
- legal environment;
- the size of any existing financial department.

The system best suited to the context is chosen but, whichever it is, neither dormant cash (shortfall in terms of placement) nor bank overdrafts must exist.

### 12.4.1 Manual mode, a transitory or context-specific system

This system applies, more or less, during the process of integrating a subsidiary.

The subsidiaries affected by this system rely on the holding company for the cash necessary for their activity and return cash through dividends or short-term loans. With British subsidiaries, the Group exchanges cash through a pivot account in pounds sterling to avoid exchange rate problems.

Cash monitoring is associated with this mode, consisting of a system piloted by daily reports and weekly balances.

A subsidiary can make requests to FLD, which may meet them or not.

### 12.4.2 Automatic mode – cash pooling

This system is the objective. Cash management is intended to be centralized, to favour the sustainable development and security of the Group, to anticipate liquidity problems and to avoid the existence of cash that is not used or is misused.

Every evening, the free cash of the subsidiary, whether surplus or deficit, is reset to zero. This system initially had an effect of making subsidiaries irresponsible and it caused increases in WCR. The objectives of WCR have been brought back into line by the establishment of the double control of payments.

### 12.4.3 Placements

Excess cash is placed in interest-bearing accounts.

This results in the specialization of banks:

- Finance comes from a pool of banks who are regular partners of the Group.
- Local banks ensure operational finance. FLD checks that the finance conditions are acceptable compared with the conditions of the Group to promote harmonization. It carries out the negotiations of the conditions with these banks.

Discounting invoices has been stopped.

Factoring is being tested to finance the WCR. Based on receivables, it provides a significant cash reserve that can be mobilized quickly.

## 12.5 SECURE FINANCE

Affiliates can count on FLD providing they comply with procedures:

- The Group is not there to cover an explosion of stock and phenomena linked to mismanagement.

- Any established downgraded mode must allow the management of hazards and difficult situations, and an action plan must be prepared to return to a normal situation.

The system is recognized as reliable by the heads of subsidiaries. Continuous dialogue is organized. The subsidiaries have the obligation to provide explanations about deviations. A double signature is required.

Today's all-encompassing electronic environment requires the prevention of fraud, particularly the theft of emails from managers.

The General Management analyses and monitors the debt every week.

The following table shows the respective duties:

Duties of FLD	Duties of the subsidiary
Syndicated loans: consolidation of credit with a pool of banks Stable, sustainable and optimized conditions New methods such as debenture loans	Optimization of cash within the WCR (encash customer accounts and pay suppliers in a timely manner)

With the evolution towards services that are very capital-intensive, substantial sums need to be immobilized: financial engineering becomes essential.

## 12.6 PLANNING CASH MANAGEMENT

The flows of cash are planned: scheduling theoretical requirements is done every year on a fixed date.

It is worth noting that a stressed cash position (stressed by FLD) guarantees optimization by subsidiaries, which are made more responsible by taking them out of their comfort zone.

A plan resumes the missions and tasks of FLD and specifies the other departments with which it must work as well as the deadlines for implementation and the periodicity of checks, about which the General Management of the Group expect to be informed spontaneously and regularly. For example:

<b>Plan</b>	<b>Measures</b>	<b>Collaborators</b>
Action plan for receivables (Clients)	Generalization of individual bonuses for company heads based on WCR objectives	Commercial Management
Action plan for supplier credit terms	Control of early payments	Purchasing Department
Action plan for stock	Analysis of stock levels needed for manufacturing Identification and consumption of dormant stock	Supply Chain Department
Centralized cash management plan	Optimization of bank charges and finance costs	
Action plan for asset protection	Monitoring procedure and physical stocktaking	Management Control Department

## Chapter 13

### COMMUNICATION FUNCTION: INTEGRATED MULTI-CHANNEL COMMUNICATION (IMC)

#### 13.1 EXTERNAL COMMUNICATIONS

Having many targets and methods, the Altrad Group uses many ways of communicating with the outside world through:

- the products and services, according to their technical characteristics and objectives;
- trademarks – particularly the Altrad brand – according to their personalities and their images;
- the companies, through their performance (economic, technical, social, etc.);
- the institution, i.e. the identity, culture and values of Altrad.

Everything “communicates” so Altrad communication is both commercial, to build awareness and to appreciate and consume Altrad products and brands, and corporate (institutional), to build a positive image of its companies – their skills and know-how, their focus on quality and service – and the Group itself – its performance, its identity and its culture.

The main methods of corporate communications are presidential speeches, press releases, economic and financial communication (financial statements, letters to shareholders, annual reports, the website and all actions aimed at

promoting the company with institutional investors, analysts, the press, etc.), sponsorship and patronage, not forgetting institutional lobbying, indoor and outdoor signage on sites and premises or even advertising in major media, highlighting not just a product or a brand but the Group itself and/or its entire range.

This double commercial/corporate dimension also applies to two distinct types of target: firstly, professional partners (the galaxy of suppliers, consumers, dealers and construction industry professionals), and, secondly, financial and banking partners, credit guarantee and warranty companies and shareholders involved in the external growth that is part of the Altrad strategy.

From a commercial point of view, the fact that, from the outset, its products were sold directly to professionals quickly prompted the Group to turn away from the usual policy of attraction (pull strategy\*) that is the cornerstone of major advertising media (press, television, radio, display, cinema), towards multi-channel communications and focusing on non-media communications – particularly trade shows and fairs, sales promotions, directories, direct marketing and, of course, all the material aids for the sales force, the spearhead of Altrad. At the time, these types of communications accounted for about two thirds of the cost of communications of advertisers in France (source: France Pub).

The weight attached to finance in the development of the Altrad Group explains and justifies the importance attached to economic and financial information transmitted through a variety of periodic or permanent methods of communication:

- the annual report, a key document for financial communications, published in French and English, presents the range of activities worldwide – trades, internal organization and the transverse Group services – and manifests their importance, through figures from the annual consolidated accounts whose accuracy and sincerity are guaranteed by the auditors;

- an annually updated Strategic Memorandum;
- a film for institutions;
- customized information sent regularly to various banking and financial partners;
- regularly published communiqués in the national and international press, giving the evolution of the activity and results as well as growth opportunities and important events;
- the briefing, at the close of the executive seminar held at the end of each calendar year, to which the Group invites its partners and major figures in its economic and financial environment. This is centred on a corporate film followed by a speech by the President on the performance and the projects of the Group and an open dialogue with the audience;
- articles and essays on management written by the Group or its President destined for internal and external audiences, including *Stratégie de groupe* (“Group strategy” – Chotard, 1989), and *Écouter, Harmoniser, Diriger. Un certain art du management* (“Listen, Harmonize, Lead. A certain art of management” – Les Presses du Management, 1992) or *L’Échelle des valeurs* (“The Scale of Values” – Actes Sud, 2006, translated into six languages), which present the Charter of the Group, its managerial philosophy and its ethics;
- finally, the website, [www.altrad.com](http://www.altrad.com), online for several years and regularly updated in eight languages (French, English, German, Dutch, Polish, Spanish, Italian and Chinese).

The external communication of the Altrad Group is based primarily on a privileged partnership with the Montpellier Hérault Rugby Club (MHR; [www.montpellier-rugby.com](http://www.montpellier-rugby.com)). Mohed Altrad became the majority shareholder in May 2011.

The values of rugby (team spirit, courage, fighting spirit, solidarity even in failure, conviviality, etc.) are similar to those

of the Altrad Group. The performances of the club, both at national level (French runner-up in 2011, quarter-finalists of the Top 14 in 2012 and 2013) and in Europe (regular presence in European cups), are a great showcase for the Altrad Group. The presence of Mohed Altrad, as President of MHR, in the specialist press (Midi Olympique in France) is also important.

This partnership considerably increases the recognition of the Group and its trademark in France and in Europe.



### 13.2 INTERNAL COMMUNICATIONS

In relation to a company, the term “internal communications” has several meanings. It refers to interpersonal relations between members of the same organization and also to the various means of transmission of information and instructions about work to empower employees and give them the desire to work well. Communication primarily ensures the daily functioning of the company, but its objectives are being expanded with the emergence of participatory management: it must satisfy employees and make sure that they enjoy their work, feel integrated, are aware of their importance and enjoy working together in the general interest. To federate employees around shared values is a real managerial challenge: “A company must develop an annual plan which aims to relay its strategy, encourage the adherence of its employees, create links and develop a common

culture”.<sup>1</sup> According to IBM’s philosophy, a satisfied employee results in a satisfied customer.

According to many authors, internal communication promotes understanding of everyone’s objectives, the circulation of information and the cohesion of the whole of the personnel, who are thus incorporated into a common culture. By responding to the gap that inevitably widens between the men and the structures within an enterprise – a gap that is particularly sensitive in the case of a rapidly-developing multinational Group based in over 30 countries worldwide – internal communication is an essential part of the IMC\*.

In companies, communication is a highly present theme: “Communication is very often seen both as the cause of all troubles and as the remedy likely to provide a solution to any problem; it has become common (and convenient) to define all organizational dysfunctions as ‘communication problems’”.<sup>2</sup>

Thus, good communication is complex: “Nothing seems more necessary and more prevalent than to communicate in order to work, and yet communication remains a difficult process which has only partial success”.<sup>3</sup> Internal business communication is therefore the subject of recurrent criticism: companies suffer from a lack of (or poor) communication, unfounded rumours, etc. Two-thirds of executives say that they do not know the company’s strategy and are thus ill-informed as co-workers.

1. Jean-Marc Décaudin, Jacques Igalens et Stéphane Waller, *La Communication interne*, Dunod, 2013.

2. Philippe Cabin et Jean-François Dortier, *La Communication. État des savoirs*, Éditions Sciences humaines, 2008.

3. Michèle Lacoste, “Peut-on travailler sans communiquer”, in Anni Borzeix et Béatrice Frankael, *Langage et Travail*, CNRS, 2001.

### 13.2.1 Definition and stakes of internal communications

Internal communications has several meanings: “Communication most often involves two distinct aims: to convey content and to define the relationship between the parties”.<sup>1</sup> It responds to a functional need for information so that work can be done in the best possible conditions.

It also meets a social need by creating relationships, links between individuals. These two issues are obviously interrelated: indeed, “an act of communication is a complex, dynamic system that produces meaning and carries issues for the participants: it has multiple purposes of which the transfer of information is only one aspect. Because to communicate is also to define a relationship, assert one’s identity, negotiate one’s place, influence the recipient and share feelings, values and, more broadly, meanings”.<sup>2</sup> Within a company, communication creates a dialogue that creates transparency and develops trust.

It has become more complex with time and the evolution of management: it no longer consists only of transmitting information from the hierarchy to the employees, but also of motivating and encouraging the members of the organization to become fully involved.

Communication starts by listening; indeed, displaying a willingness to communicate well is equivalent to conveying to other people that they are listened to and heard. Through listening, a connection is established and messages pass more effectively.

Companies often have structures responsible for internal communications: the HR Department, Communications Department or directly through General Management.

Altrad does not have a Communications Department: it is the job of the General Management, but, like change, it is also

1. Edmond Marc et Dominique Picard, *L'École de Palo Alto*, Retz, 1984.

2. Edmond Marc et Dominique Picard, *Relations et Communications interpersonnelles*, Dunod, 2008.

at the initiative of all. This is a valuable aspect, but has the risk of a loss of overall consistency.

The role of the holding company is therefore fundamental; internal communications is, in fact, a generic term that covers very many domains (information from employees about the strategy of the company, the transmission of operational information, etc.).

Each type of communication must therefore be the subject of specific tactics while maintaining the coherence of the whole; methods of communication must be adapted to the nature of the communication and the target population. Communication must be ascending, transverse and participatory according to its subject; this creates great complexity in implementation and coherence.

Internal communications are not disconnected from the external communication to stakeholders outside the company: clients, bankers, investors, institutions, the press, lobbies, recruitment, etc. The two types of communication must be consistent with each other.

The functions of internal communication are to:

- transmit the information necessary for work;
- keep employees informed of economic, financial and social objectives as well as production objectives;
- accompany the business plan by sharing the values and ethics of the Group; to bring people together around shared values;
- create understanding of the vision and strategy of the Group in the employees who will be its actors; to explain the business plan;
- motivate by giving meaning to what is asked of employees;
- create conditions for a climate of trust to obtain feedback and thus understand the general atmosphere and the problems and expectations of everyone;
- reduce or deflect resistance in times of crisis (restructuring, consolidation, rationalization, modernization, etc.);

- avoid the insidious rumours that often arise from the fear of the unknown.

Therefore, communication is about both information and relationships. It is built on the history of the Group to strengthen the feeling of belonging and it centres on symbols, codes and rituals to create a company culture. Communication is formed around a need for identity – even unionized workers, opposed in principle to the management, can be proud of the logo and the slogans of their company.

A company is a network of competences. Communication begins by listening, and then it consists of producing information, distributing it, driving it, advising, planning and coordinating by creating social ties.

Communication reflects the objectives and ambitions of the Group; it allows a dialogue to be constructed in order to improve the understanding of employees and the interaction with them. It must be regular, frequent and accessible at all times.

Different channels can be used:

- written means (company newspaper, notes, press reviews, brochures, etc.);
- oral means (meetings, workshops, seminars, interviews, videos, etc.);
- new technologies (website, Altrad TV).

Direct communication promotes the individualization of the message and familiarity (appointments, email, face-to-face) while event-based communication addresses mass audiences (website, email, seminars).

It is important to keep in mind that people generally retain 10% of what they read, 20% of what they hear, 30% of what they see, 50% of what they see and hear at the same time, 80% of what they say and 90% of what they say when they

are involved; this justifies the importance of good listening and reformulation.

Participation is fundamental. This makes communication flows more complex because they are not only descendant, but should, wherever possible, be horizontal and ascendant. Communication is a central element of participatory management that promotes sharing with fellow workers to promote adhesion and motivation and also to develop information and dialogue to increase efficiency.

### 13.2.2 Communication problems and solutions

As the word “communication” can have multiple meanings, every, or almost every, member of an organization has his own definition of a problem related to it. If communication is lacking, the consequences can be serious:

- Information necessary for work is not available and the company may lose customers or competitive advantages.
- An informal system of communication is created conveying often harmful rumours; social networks can participate widely in their diffusion.
- Relationships within the company are of poor quality, causing stress incompatible with the necessary pursuit of productivity.
- Confidence is lost, etc.

In general, the meaning given to the term “communication problem” varies depending on the position of the employee within the company. Schematically, for workers, a communications problem will generally be relational in nature, whereas for managers and senior management it will be informational.

In fact, in using this term, workers complain about recognition and relationship with authority. This is a product of

history: to be a blue-collar worker equates to a way of life in which it would be unnatural to communicate with superiors. There is often a societal distance between the worker and his superiors, meaning that exchanges are few. The worker feels a lack of consideration about his work and thinks that even if he expressed ideas, he would not be heard. There is often a lack of confidence (as described previously), workers suspecting the management of bad intentions. Their need for recognition of their existence and their worth is often not satisfied; they feel a lack of consideration for their professional skills and see themselves as the bad elements of the business.

A lack of sense of belonging to the Group may therefore emerge. The solution is first to restore the relationship and the human dimension of work. Respect the status of all workers contributing to wealth creation and let this be known. Multiply contacts and give a voice to those who don't often have one. As such, the light hierarchical structure of the Altrad Group is again an asset, horizontal and upward communication is easier. The values of the Group also introduce a respect for the word of all and the recognition of experience-based knowledge.

The higher one is in the hierarchy, the less the relational dimension seems to be a problem; a high position is inherently a mark of recognition. Communication problems become problems of information. Failures may concern:

- the transmission medium: the means used to convey information is not suitable;
- incomplete feedback because people do not dare to take initiatives;
- a lack of information;
- an overabundance of information: too many meetings for example, and not enough time to get involved in a relationship with subordinates; a dissemination of non-priority or confidential information; a problem of access or encoding;

- 
- an action not in accordance with the transmitted instructions, etc.

Executives must properly filter, prioritize and retransmit the information they receive. A communication problem can sometimes be likened to an overload of work; this error becomes a fault when the executive retains information, thinking to increase his power.

### 13.2.3 Direct internal communication

Listening is essential to effective internal communication, because the speaker feels recognized and confidence develops. Listening is a critical managerial capacity for mobilizing collective energy. It also makes it possible to do the following:

- to get the kind of bottom-up information that is so important in decision-making and in the development of Group strategy and vision. Listening leads to better decisions; the manager becomes more judicious by understanding context and expectations; this allows him to take appropriate decisions;
- to develop participative management and mobilize all talents;
- to generate adhesion, because individuals know that their comments have been heard and see their ideas put into action. They derive a well-deserved pride from this and have more self-confidence;
- to establish the trust that is essential for effective communication;
- to put the principle of exemplarity into practice;
- to know and recognize people in order to coordinate the contributions of all personnel; knowing people allows individualized management adapted to every individual, while recognition is a sign of respect;
- to stimulate reflection and progress in people who are listened to;

- to promote self-analysis and change through an open attitude, etc.

Listening can be passive, in a situation of dependence of the listener on the speaker, or it can be active. Active listening is the sustained attention to the word and thought of others: it is a positive situation of interdependence. It is achieved by empathy, and it sends non-verbal signals of hesitation, doubt or approval.

Active listening must therefore be developed according to a few simple principles:

- Question the purpose of listening: discover the cause of dissatisfaction, collect information on a topic, show interest, etc.
- Understand the other person's point of view without trying to modify or change his personality.
- Be aware of the behaviour, words and phrases that put the other person on the defensive; know his prejudices. Tend towards using affirmative rather than negative forms: the brain does not register negation, so if one says, for example, "It's not serious", the listener only unconsciously retains "serious" and may lose confidence.
- Be attentive to emotions.

Other practical tips are as follows:

- Prepare in advance.
- Look the person in the eye.
- Don't talk too much.
- Practise empathy.
- Do not interrupt or anticipate the thought of the other person.
- Concentrate.
- Take notes.
- Reformulate systematically what the other person said or ask him to rephrase what he has understood from what was said.

- Ask questions if in doubt or not understanding.
- Listen to the ideas and not just the words; go beyond the meaning of the words.
- Show interest.
- Do not let personal worries interfere.
- React to the ideas and not the personality of others.
- Never conclude hastily.

#### 13.2.4 Indirect internal communication

The Altrad Group has not waited until this stage of its expansion to understand that internal communications meet a real need for information for the members of its staff (information whose lack could result in a series of perverse effects: demotivation, staff rotation, negative rumours, strikes, etc.). In addition, far from the mind-set of some entrepreneurs who see internal communication only as a source of expenditure without immediate benefit, the Altrad Group has always considered it a real investment for the future and a privileged means to build its own culture. And it has therefore, quite naturally, developed over time, a wide range of tools for this purpose.

<b>Means of communication</b>	<b>Frequency</b>
Written documents (paper) Budgetary control by profit and cost centre Report of activity Strategic memorandum Press pack about the Group	Monthly (abroad), bi-monthly (in France), quarterly or every four months, according to the company
Written documents (on the Internet) — emails — website — Intranet	Permanent

<b>Means of communication</b>	<b>Frequency</b>
Meetings — management meetings — seminar	Every four months Annual
Altrad TV	Permanent Supplied for preference in the prolongation of the seminars

Two internal targets need to be distinguished: operational staff (blue-collar workers and salaried staff) and those responsible for sites and subsidiaries (managers, executives, supervisors, foremen). With regard to the first, internal communication is largely delegated to company heads, all of whom – of course with the assistance and under the control of the Group’s Human Relations Department – enjoy a degree of autonomy to participate in the dissemination of the Altrad spirit and culture to their staff by any appropriate means. Thus, while certain documents from the General Management – like notes or the Altrad magazine that is in preparation – are broadcast to all staff in the Group, others are communicated solely to company heads who then take the initiative to relay them to their staff or not.

Altrad TV (web TV in French and in English) is the latest communication tool created by the Altrad Group in 2014. It is like the Group itself: modern, progressive and reactive. It makes subsidiaries and staff feel valuable.

Everyone must be able to consult the Altrad heritage. As such, Altrad TV offers:

- films offering portraits and points of view;
- films about countries and publicity films;
- photos from all the seminars since 2007;
- links to the websites.

ALTRAD TV

Accueil | La presse en parle | Films groupe | Portails | Vie des filiales | Séminaires

Accès réservé | Login

JW Player

Construire notre vie

Interviews de PDG

Films groupe

Ceux qui font Altrad

Vie des filiales

Altrad vu par...

Altrad par Altrad

Visiter le site Groupe

Building is our life

ALTRAD TV

La presse en parle  
- France 24  
- Presse généraliste  
- Groupes Altrad  
- Météo

Films groupe  
- Film 2013  
- Notre organisation  
- Notre histoire  
- Notre business  
- Nos réalisations  
- Film groupe

Portails  
- Ceux qui font Altrad  
- Altrad vu par...  
- Vie des filiales  
- Films partenaires  
- Altrad par Altrad  
- Film play  
- P&A

Séminaires  
- 2012  
- 2013  
- 2014  
- 2015  
- 2016  
- 2017

LOG IN

Accès réservé

Each subsidiary, from the company head to line managers, must be able to share and exchange with colleagues the culture and heritage of Altrad based around the themes of the December seminar.

Thus, Altrad TV is a powerful tool for spreading the culture of the Altrad Group and its multiculturalism.



Postface  
BEYOND FIGURES

It is often said that the economy boils down to numbers. And of course, budgets, balance sheets, analyses and projections are all expressed in numbers and graphs. Arithmetic and geometry are essential to the daily life of a group like ours. While this is true, it should be noted however, that figures and curves are only a single language. They are not reality, they only express it. And the reality that they express in their own clear but partial way is a human edifice; not only an edifice in which men and women participate, but an edifice made by them and for them.

In our activity, the human factor is not simply one variable amongst others. Yet classical or neo-classical economic theories treat it so. Under the famous denomination "*homo æconomicus*" they consider man from an exclusively economic perspective (hence the Latin name) as a player in a predictable system, defined by the rationality of his choices. Even when this is refined, taking into account his passions or his lack of information, *homo æconomicus* remains within this framework as an assignable variable. But a man, however compliant he may be, is singular in that he is, at least partially, unpredictable. And this is enough for him not to enter into a system. A man chooses, he decides. He invents a future that neither the present nor the past are able to predict. This capacity is our true wealth.

Certainly decisions are not taken in a vacuum. A whole raft of data: economic, financial, social, and organizational amongst others, configure the environment of our decisions.

We live in a world governed by functional rules. But these rules are not absolute. They are not binding on us. They allow us to decide. We can submit to them. But we can also measure them and use them as yardsticks to develop unexpected solutions. In both cases, we decide. If we submit, we only do what is necessary. If we decide to invent, then we become daring.

On other occasions, I have expressed myself by saying that the hardest thing is not to do but to have the courage to do. I recap.

To do is easy, because doing is based on some knowledge, on routine and predictability. To dare to do is much more difficult. Being daring implies the unknown. When one knows what needs to be done, one does it. One only dares when one doesn't know, or rather when one has overcome ignorance or when one no longer regards ignorance as weakness.

I know it is disturbing to mention ignorance in the context of an enterprise such as the Altrad Group. But I think that ignorance, or, to be precise, a lack of knowledge of the future is a blind spot in our theories and our management. We fear it, we avoid it and we try constantly to reduce it. We see it as a fault whereas it is really a challenge. We see it as an impediment to taking decisions whereas it actually provides an opportunity to decide. Ignorance of the future is what represents the human part of our enterprise. It is what we must learn to look in the face. If we only ever acted in the light of infallible predictions, we be entrepreneurs, we wouldn't create anything new, we wouldn't take decisions, we would not forge our future.

By "we" I am obviously thinking of entrepreneurs who embody a project, not about speculators seeking to profit from it; I think about those who have a long-term vision, about those who are interested primarily in the sustainability of their business.

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Here are a few ideas that I wanted to share with you today and I could summarize them using a well-known aphorism: *We are not what the world makes us but what we do with what the world makes us.*

MOHED ALTRAD



## Lexicon

**Acculturation:** Process by which a human group assimilates all or part of the cultural values of another human group

**AMF:** Autorité des Marchés Financiers (Equivalent to FSA in the U.K.)

**Back-up:** Intervention or alternative provided in case of need, for example to replace a manager

**Benchmarking:** A technique of marketing or quality management that consists of studying and analysing the management techniques and organization of other companies in order to gain inspiration and to integrate the best elements

**BIPE:** Consultancy in strategic analysis and economic forecasting created in 1958

**Business development:** Combination of strategic analysis, marketing, sales and lobbying. Business development professionals must be involved in the process and the entire organization

**Business model:** Synthetic representation intended to describe the main aspects of the activity of an organization, both at the level of its aims (purpose, offerings and strategies) and at the level of the resources and means deployed (infrastructure, organization, dissemination or distribution practices, process and operating rules)

**CAPEX (Capital expenditure):** Capital investment costs, which refer to the costs of development or non-consumable items for a product or a system

**Cash flow:** Ability of a company to generate additional resources

**Cash management:** This refers to both the advice about management solutions to financial problems and their implementation.

A *reporting* tool is often included (see below)

**CICE:** Crédit d'impôt pour la compétitivité et l'emploi (French tax credits)

**Core business:** The central business of a company. This concept may be difficult to grasp within the company, but everything that does not belong to it is considered to be non-strategic

**CSR:** Corporate social responsibility

**Deming's wheel:** Mnemonic proposed during the fifties by the statistician W.E. Deming to identify, simply, the steps to be followed to improve quality in an organization. The four steps, (plan, do, check and act), each following the other, are aimed at establishing a virtuous circle

**Due diligence:** All of the checks that a potential purchaser or investor will perform before a transaction to get an accurate picture of the situation of a company

**EBITDA** (Earnings before interest, taxes, depreciation and amortization): It commonly refers to business income before deducting interest, taxes and appropriations to depreciation and provisions on assets. It thus corresponds to the profit generated by the activity of a company

**e-HRM** (electronic human resource management): Term used to describe applications that automate electronically, information about the communication and management of human resources within a company

**Euro PP:** European mandatory private placement, on the model of the USPP (US private placement) of the United States

**Factoring:** Technique of funding and debt recovery consisting of obtaining advance funding and transferring debt management to a specialized credit institution

**Feedback:** The furnishing of data concerning the operation or output of a system so that subsequent or ongoing operations can be altered or corrected

**FLD:** Finance and Legal Department

**FMECA:** Failure mode, effects and criticality analysis (safety of operation and quality management tool)

**FSI:** Fonds stratégique d'investissement (French government investment fund)

**Gauge R&R (Gauge repeatability and reproducibility):** Statistical tool used to measure the performance of a measuring system in terms of repeatability and reproducibility

**GDP:** Gross domestic product

**Holding company:** Company whose object is to take and have financial stakes in other companies in order to direct them or control their activity

**HRD:** Human Resources Department

**IFRS:** International Financial Reporting Standards

**IMC:** Integrated multi-channel communications

**Incentive:** All of the stimulation techniques that are aimed at fostering the motivation – and thus the productivity – of a business's sales force

**INSEE:** French National Institute of Statistics and Economic Studies

**Ishikawa diagram:** Graphical tool that is used to understand the causes of a lack of quality and to analyse the relationship between a problem and all its possible causes

**Knowledge management:** All initiatives, methods and techniques to collect, identify, analyse, organize, store, and share knowledge between the members of an organization, in particular the knowledge created by the organization itself or acquired from outside

**Lean manufacturing:** Mode of operation where the processes of preparation, control, production and development are simplified

**Leasing:** Rental of equipment from a financial company, with an option to purchase at the end of a specified period

**LME:** Loi sur la modernisation de l'économie (French law relating to maximum payment terms between companies)

**Low cost:** Business model characterized by a proposal of attractive prices to customers against a supply of rudimentary manufactured goods and services

**Mapping:** A technique that can position a company or product against its competitors

**MBO:** Management by objectives

**MCD:** Management Control Department

**Mittelstand:** In Germany, a cultural concept which refers to the independent, medium-sized, family businesses that are a linchpin of German competitive advantage

**Mix:** In a business or brand, a consistent set of decisions relating to the policies of product, pricing, distribution and communication

**MMC:** Mid-market company

**Multi-channel:** Characteristic of a distribution strategy that uses several distribution channels (physical or virtual) in parallel, the aim being to achieve the best possible synergy while remaining consistent in the eyes of the target

**Netting:** Clearing system for debts and receivables over a defined period

**OECD:** Organization for Economic Cooperation and Development

**OTIF indicator** (On time, in full): Indicator of performance of a *supply chain* (see below)

**Pareto rule:** In a marketing context, it expresses the fact that for most business activities, a small number of customers (20%) represent the bulk of the turnover (80%). This rule is rarely true as it stands, and it depends heavily on the sector of activity

**PMBO:** Participatory management by objectives

**Poka-yoke:** Japanese term that refers to a design method for products that incorporates, from the outset, the prevention of potential errors, in a true spirit of quality

**PPV** (Purchase price variance): The difference between the actual price paid to buy an item and its standard (budgeted) price, multiplied by the actual number of units purchased

**Pull strategy:** A strategy which consists of communicating to the attention of the end consumer in particular using publicity, to attract him to the product

**Pyramid of needs:** Pyramidal representation of the hierarchy of needs, a theory of motivation developed from observations carried out in the forties by the psychologist A. Maslow

**Reengineering:** Reorganization of an industrial process or an existing information system to make it more effective

**Relationship manager:** His role is to offer his customers (existing or potential) subcontracting services aimed at optimizing their operations

**Reporting:** Periodic presentation of reports and analytical assessments concerning the activities and results of a company

**ROI:** Return on investment

**SME:** Small and medium-sized enterprise

**SMED** (Single minute exchange of die(s)): this technique is designed to reduce the time for a change in series in the production process, thereby reducing the minimum batch size

**Sourcing:** Research, location and assessment of ad hoc candidates to meet an identified need (goods or service) expressed by a company

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**Subprime:** Mortgages given to borrowers who did not fulfil the normal criteria for obtaining such a loan. Often the borrowing rate was fixed in the early part of the loan and then increased over time, leading many borrowers to default

**Supply chain (management):** (Management of) the set of links – purchasing, supply, transport, handling, etc. – which constitute the logistics supply chain

**SWOT Analysis** (Strengths, weaknesses, opportunities, threats): Business tool for determining the strategic options available in a field of activity

**Total quality management (TQM):** A quality management approach aimed at obtaining the broad mobilization and involvement of the entire company to achieve faultless quality by minimizing waste and continuously improving output

**Total productive management (TPM):** Approach aimed at improving performance in a competitive industrial sector. The results are spectacular and perennial; the method takes into account technical, organizational and especially human aspects

**Umbrella trademark:** Unique mark used for different products in such a way that these products benefit from its reputation and image

**WCR:** Working capital requirements



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