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Leading Across Cultures at Michelin (A)

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This case was prepared by Erin Meyer, Adjunct Professor of Organisational Behaviour at INSEAD and case writer Sapna Gupta. It is intended to be used as a basis for class discussion rather than to illustrate either effective or ineffective handling of personal or professional circumstances.

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"I had managed teams in six countries for large companies and had worked in a multicultural environment my entire career. I looked forward to moving to the US and working with Americans. With my fluent English and my six years' experience in the UK, I assumed that it would be an easy transition and I would fit right in."

Olivier Chalon, President of a large business unit, Michelin North America

Greenville, South Carolina, 2004

How did it come to this?

Olivier Chalon leant back in his chair and let out a frustrated sigh. For the first time in years he was starting to question his leadership style. Jeff Armstrong, the head of human resources for Michelin's North American operations and whom Chalon knew personally, had just left his office. He had mentioned to Chalon that several of his colleagues and subordinates had bitterly complained about Chalon's management approach. Some individuals thought they were going to be fired or were seeking other positions within the company.

Chalon was shocked by the complaints people had made to Armstrong. Was it really true that people felt his leadership style was demoralising? That he lacked people skills? That he was an arrogant manager? Chalon was dumbfounded. Throughout his career he had been known for his ability to motivate teams to accomplish great things and attain outstanding results. In his previous position he had successfully motivated a workforce of over 1,500 European employees to restructure a €1.2 billion business, leading to a profit increase of over 50% on a quarterly basis. The outstanding career success he had enjoyed over the last decade was largely built on his strong interpersonal skills and his ability to mobilise large groups of employees. Where could this criticism be coming from? Chalon knew he had to better understand this situation and to make some changes. *"I need to address this before things get out of control and really damage the business,"* he thought. He was concerned that his new position might be in jeopardy just six months after moving to Michelin. The stakes were high at Michelin and he was in charge of an important division that was in the midst of a turnaround.

Chalon's Background

Up until now, Chalon had had a long and very successful track record in the corporate world as a talented leader who consistently delivered top results. Trained as an engineer at one of France's highly selective and prestigious *Grandes Ecoles*, he had started out in sales with the Paris office of a European integrated oil company with vast global operations. He transferred to the London office as a business analyst, then worked in strategy for three years, and one year in the Netherlands. Over an 18-year career at the company, he had held several top-level management positions in different business units in six countries, including heading the company's Spanish operations in the late 1990s.

Chalon was fluent in four languages, including English, and had lived for six years in the UK. He had enjoyed working with colleagues from different countries and considered himself to have had a very multicultural professional experience. But he had grown weary of moving every few years: *"I had relocated a number of times over the years and I wanted to move back, so I started to look for opportunities that would allow me to settle down in France."*

In 2002, he joined an international automotive spare parts company headquartered in Paris, where he headed a large globally-positioned business unit and helped set up a number of global subsidiaries. By 2004, he was ready for new opportunities. He was interested when Michelin approached him to lead a large division in North America. Although the position would be based out of their North American headquarters in Greenville, South Carolina, it was an exciting new challenge and Chalon jumped at the chance to work for the group. He expected the transition to be smooth: *"I felt I knew the US well and figured the move to be easy. My sister-in-law is American, and with my fluent English, I felt prepared to work in an American environment."*

The Michelin Group

Founded in the 1800s in Clermont-Ferrand, France, the Companie Générale des Etablissements Michelin was the leading tyre manufacturer in the world with 19.2% market share for tyres in 2004 and was a global powerhouse with sales in 170 countries. Famous the world over for its road atlases, restaurant and hotel guides, and its iconic mascot, the Michelin Man, the company's reputation was built on technical innovation and a focus on long-term growth. It employed over 120,000 people, including over 20,000 in North America.[1] Within the industry it had a long-held reputation for excellence and for nurturing the careers of its employees.

The company was organised along eight major product lines, including the car and light truck product line, the truck product line, and the specialities product line (comprising the aircraft, earthmover, agricultural, two-wheel, and component product lines). Michelin reached €15.69 billion in sales in 2004, with North American operations (comprising operations in the US, Canada, and Mexico) accounting for 33% of 2003 sales. The company's shares had traded on the Paris Bourse (Paris stock exchange) since 1946 and its market capitalisation as of 31 December 2002 was €5.22 billion.[2] Michelin stock was part of the CAC 40 and Euronext 100 indices.

In 2004, the North American business unit to which he was assigned faced several challenges: the company was trailing competitors in the aftermarket business and had experienced sliding sales and poor financial results several quarters in a row. The line of business was critical to Michelin and generated close to $2 billion in annual sales. The Boston Consulting Group (BCG) had been brought in to conduct a comprehensive assessment of the unit's operations, and it had strongly recommended that Michelin change course and alter its strategy in the tyre service business. This strategy had put the company in direct competition with its own long-time customers and required a significant realignment of the sales and marketing approach.

Michelin had hired Chalon to lead a division with several plants and 4,000 employees under his management. Even before accepting the position, he knew about the challenges facing the

1 In 2007, Michelin had over 121,000 employees, operated 69 production sites in 19 countries, and had sales operations in 170 countries. The company held 17.2% of the world's market share for tyres in 2008. (Source: Michelin 2007 Annual Report and Michelin Worldwide 2008 Factsheet.)

2 Michelin's market capitalisation was €11.29 billion as of 31 December 2007.

group. Furthermore, he was fully aware that he was expected to implement a turnaround by reinvigorating the sales and marketing teams by having them enthusiastically support the new sales strategy, placating existing clients (most of them very large dealers) who would now see Michelin as a competitive threat rather than a supplier, and regaining lost market share. Chalon felt fully prepared to meet this new challenge. He wanted to work for Michelin precisely because the position would require his unwavering focus and ability to motivate personnel. *"This could be the culmination of two decades of hard-won experience motivating people and achieving results,"* he thought.

Olivier Chalon's Management Style

Chalon considered himself a tough but fair manager – he was results-driven, disciplined, and he demanded complete accountability from his team. That was precisely why Michelin had hired him. He had to change the way business was done in his division and he expected some initial resistance from his team and subordinates. In his experience, being demanding and setting very high standards was the best way to mobilise a team to attain the desired results.

Nevertheless, Armstrong's comments suggested something deeper than resistance to changing how business was conducted in his division. These complaints were about him as a leader, about the way he interacted with employees. Perhaps he had been too blunt during meetings? However, important decisions had to be made and he had been careful to seek consensus and not make any decision on his own. He had been put in charge for a reason. Arrogant? Certainly not. In fact, he considered himself close and open to his staff's issues. Lacking the ability to motivate teams? Never! Of all the things Chalon could be accused of, this was certainly the most surprising. Given all that he had accomplished in his career, the accusation was ludicrous.

Armstrong had also relayed complaints about Chalon being cold and distant, and that he had not made an effort to get to know people at work. Chalon was taken aback. He had been making an effort to walk around the office and to get to know his colleagues. He had an open-door policy with regard to his staff dropping by, and considered himself to be very accessible. He believed he was very transparent in the way he worked and he certainly did not hoard information.

At least Jeff had highlighted and praised Chalon's client skills. Most of Michelin's clients in the tyre service business were people who had built their companies from the ground up, and Chalon had made a point of meeting them to personally allay their fears about Michelin entering the business. He was able to relate to them remarkably well and explain Michelin's new strategy while building their loyalty. It seemed to Chalon that the issues Armstrong had brought up were not about being unable to get along with Americans. Rather, the difficulties seemed to stem from his management style and how he interacted with his team and subordinates.

Chalon briefly wondered if there was something unique about Michelin's corporate culture, which was different from the more confrontational, almost rough-and-tumble culture at his previous company. Somehow, though, he felt that the problem was not due to just a difference in corporate style. In his former positions he had successfully instituted similar transformations without this level of complaint or resistance. Chalon reviewed carefully in his mind his interactions with staff since arriving in his new post. These statements that

Armstrong had recounted – where could they be coming from? *"How did it come to this?"* he wondered. *"Why had my colleagues not confronted me and why hadn't they brought this up earlier?"*

Chalon recalled his first few months in Greenville:

> *"I was charged with turning around the division and that had the full support of the company CEO and president. The changes were necessary in order to turn the business around and we couldn't deviate from the strategy, even if it meant stepping on the toes of some long-time managers. I demanded that we do things differently, from the way we looked at our market to how we presented the market analysis. That is why Michelin had put me in charge: to make difficult decisions and change how we did business. Not everyone agreed with how I decided to implement the changes, but it is impossible to have 100% agreement, especially in the beginning.*
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> *I instituted a monthly performance review of our sales team, and in these reviews I made it absolutely clear that I meant business. Often, my subordinates would present information that was below their capabilities and this, I made 100% clear, was unacceptable. I frequently insisted my reports go back to the drawing board and present a more structured, detailed presentation, and prepare an in-depth analysis of the risks and opportunities down to the last dollar. I demanded a great level of detail about our market and I was upfront with my disapproval when I didn't get what I was expecting. If I was displeased, I let them know it.*
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> *I was straightforward with my criticism and apparently I surprised some people with my direct style. But I was always upfront, and I knew from experience that the leader who demands the most from his people is the leader who will achieve the greatest results. Even when I was pleased with their results, I tried not to show it. I needed my team to push themselves further than ever before, and I didn't want to encourage complacency by stroking people on the back. I was asking my team to give 110% percent of themselves to this new strategy, and I knew they were capable of it. My colleagues and subordinates were very smart and they worked very hard. I wouldn't have been so demanding if I felt they weren't up to the task.*
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> *Of course I was surprised that people complained that I was distant! I had made a point of frequently walking around the office and talking informally to my colleagues and subordinates. In truth, I was often a bit taken aback by the intrusiveness of the American culture. People asked one another such personal questions. Individuals I barely knew would ask me questions about my wife or our newborn son, which I found both surprising and inappropriate. I was not used to sharing this level of personal information at work, and now I began to wonder if this might have given people the impression that I was distant or cold.*

Chalon wondered if he could have been misreading the cues his colleagues had been sending. Maybe he had been misled, fooled into thinking that his fluent English and two decades' experience in a global work environment had prepared him for managing an American operation, even if it was the division of a French company. Perhaps he had miscalculated how to motivate this team. Would his first assignment in the US end in disaster? What could he do to regain his disgruntled colleagues' loyalty and support?

Since moving into the general manager position in Greenville, Chalon had demanded greater accountability and realigned the division's sales efforts. He had not been aware of any deep dissatisfaction among some of the key executives who reported to him. He had used the same tactics and methods that had worked to fire up his staff while leading teams across Europe, and had not realised that they had fallen flat in this new environment. He felt blind-sided by the comments that Armstrong had passed along.

Chalon was, of course, aware that different skills were needed to motivate teams in different cultural environments. The US was not so different from Europe or the other environments he had worked in. Or was it? Could this be a French vs. American cultural issue?

Headquarters were expecting a turnaround within two years. Chalon was under pressure to show results – but without the goodwill and energy of every single member of his team it would be impossible to implement the turnaround.

He needed to find a way to motivate his colleagues while regaining their trust and goodwill. During their conversation, Armstrong had suggested that Chalon meet with a cross-cultural consultant who specialised in helping European managers adapt their leadership style to an American context. Other managers in France and America had struggled with cross-cultural issues, and Armstrong had attended a presentation given by this consultant. He found that it had helped him work better with his French colleagues in Clermont-Ferrand, even after spending almost two decades at Michelin working alongside French people.

Chalon was initially sceptical but his conversation with Armstrong had touched a nerve and he very much wanted to turn things around. He picked up the phone and called Armstrong. His initial one-on-one meeting with the consultant was scheduled for the following week.

Discussion question: What differences in American and French value systems might be at the root of the difficulties Chalon is facing as he implements a new strategy?