THE ALERT COMPANY, A NEW BUSINESS SPECIES IS BORN

With Jean Staune’s viewpoint:
THE KEYS TO SUCCESS IN A VUCA WORLD

Conversations with
> Jean-Dominique Senard: EMPOWERMENT IN RESPONSE TO COMPLEXITY
> Alain Dinin: THINKING OF THE COMPANY AS A PERSON
> Stéphane Dedeyan: INCITE URGENCY TO CHANGE DESPITE APPARENT STABILITY
Company transformation is everyday business for us management and strategy consultants. It is also yours, as the leaders of businesses that are perpetually undergoing change.

What we have learned – and what we continue to learn as we do our job day after day – is something we want to share with you. You will not find any ready-to-go recipes here: there are no miracle concepts guaranteed to give your competitiveness a major boost. What we offer here is food for thought. There are no sermons or lessons; instead we provide a framework for interpretation, to help you separate the wheat from the chaff.

And because we love discussions, we also talk to personalities from outside our organisation, to garner their reactions to the ideas we put forward. We intend to remain at the forefront of modern thinking, but won’t be fooled by fashions!
<table>
<thead>
<tr>
<th></th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Editorial</td>
<td>P. 2</td>
</tr>
<tr>
<td>2</td>
<td>Live rather than survive</td>
<td>P. 04</td>
</tr>
<tr>
<td></td>
<td>by Olivier Mouton, Senior Partner, Kea &amp; Partners</td>
<td></td>
</tr>
<tr>
<td></td>
<td>and François-Régis de Guényveau, Consultant, Kea &amp; Partners</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>The keys to success in a VUCA world</td>
<td>P. 08</td>
</tr>
<tr>
<td></td>
<td>by Jean Staune, philosopher and essayist</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>A model for living:</td>
<td>P. 16</td>
</tr>
<tr>
<td></td>
<td>the Alert Company</td>
<td></td>
</tr>
<tr>
<td></td>
<td>by Stéphanie Nadjarian, Senior Partner, Kea &amp; Partners</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Empowerment in response to complexity</td>
<td>P. 22</td>
</tr>
<tr>
<td></td>
<td>Interview with Jean-Dominique Senard, Chairman of the Michelin group</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Thinking of the company as a person</td>
<td>P. 30</td>
</tr>
<tr>
<td></td>
<td>Interview with Alain Dinin, CEO of Nexity</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Incite urgency to change despite apparent stability</td>
<td>P. 36</td>
</tr>
<tr>
<td></td>
<td>Interview with Stéphane Dedeyan, former Deputy Chief Executive Officer of Generali France</td>
<td></td>
</tr>
</tbody>
</table>
Volatility, uncertainty, complexity, ambiguity and acceleration: these are now the five forces that make up, break down and reconstruct the playing field of businesses.

How should we use these forces? Which model enables a company to anticipate, adapt, continually reorganise and readjust its activity?

So-called ‘legacy’ businesses have many advantages up their sleeves: values, a plan, strategic resources, efficient organisations, brands, high-performance managers, etc. They have a bright future ahead. On one condition: they need to acquire the ability to move quickly.

From the beginning of Kea & Partners, we have developed a unique approach to transformation, both strategic and cultural. Looking beyond business analysis and strategy, we take particular care of the way your companies deal with transformation. Our role is not only to reach the goal you set us but also, through our involvement, to make your company more ‘transformative’. And to achieve this ambition, Kea group assembles consulting expertises useful to managers: for more inspiration, digital culture and data, managerial development, strategic and business responses.

In this issue, we describe an adaptive business model, open to its environment and ecosystem: the alert company. The result of more than fifteen years’ innovation, it offers managers a reading grid and methods, it provides keys to anticipate, break down barriers, increase teams’ adaptability, autonomy and commitment, while providing a stable zone to anchor and reassure in world causing anxiety.

At the heart of the model: autonomy and empowerment, which Jean-Dominique Senard, Chairman of the Michelin group discussed with us. Backed by his convictions about the mission-oriented business that he promotes through the PACTE law, he has been able to set in motion a vast process to empower teams in a global, multi-country and multicultural group.

Another essential dimension of the model: anticipation, a subject dear to Alain Dinin, Chief Executive Officer of Nexity. He gives us the keys to his inspiration and the path that has brought the group to the forefront of property development in France.

Finally, Stéphane Dedeyan, former Deputy Chief Executive Officer of Generali France, tells us how to incite urgency to move in an apparently stable sector.

We would also like to thank Jean Staune, an economic forecaster, who was happy to share his strategic vision of a VUCA world with us.
Live rather than survive

"It is not the strongest of the species that survives, nor the most intelligent, but those most adaptable to change."

This statement, wrongly attributed to Darwin, nonetheless expresses one of the main ideas of his book, 'Origin of Species', published in 1859.

It is becoming customary to apply Darwinist theory to the business world: the companies that survive are those that best adapt to the laws of the market. But would this mean that the established players are going to disappear like Neanderthal man faced with Homo sapiens? That they will be replaced by players of the new economy, start-ups, unicorns and other platform organisations better suited to survive in a changing environment, in which GAFA, NATU (Netflix, Airbnb, Tesla, Uber) and BATX (Baidu, Alibaba, Tencent, Xiaomi) are the new flagships?

We believe established companies still have a bright future. While changes in the market require a state of continuous watchfulness and continually-tested flexibility, they don’t stop businesses keeping their heads above water and following their own way. Our ambition is to undertake this transition by your side.

"The modern economy works like Darwin’s natural selection: in a context of globalised competition, a company that does not adapt and does not innovate almost daily is destined to disappear" Luc Ferry wrote recently.

Why? What is this modern economy the philosopher is talking about and what are the characteristics of this new world?

The acronym VUCA (see page 6) puts us on the track. "VUCA has become our mantra" announced Jean-Paul Agon at the VivaTech exhibition in June 2017.

First of all, the world is VOLATILE… as the scale of changes continues to expand. Moreover, the technological revolution, social instability and evolution of consumers’ demands are among the top ten concerns for top executives.

The world is also UNCERTAIN: Brexit, United States' foreign policy and North Korea remind us that business, apparently under
control, is governed by the unexpected. The world is also becoming increasingly COMPLEX, between the data explosion, the development of ecosystems and multilateral relationships.

Finally, the world is AMBIGUOUS, i.e. the cause and effect of the same phenomenon are difficult to identify and have multiple interpretations.

Volatility, uncertainty, complexity, and ambiguity: these four phenomena are not new in themselves. What is changing, however, is their ACCELERATION. Everything is moving faster, time and distance are shrinking and we are faced with a strange paradox: on the one hand, we have the impression of "being able to do more things in much less time"; on the other hand, conversely, we see that "the more time we save, the less we feel we have". In this context, the business leader is forced to rush around to avoid being overtaken by his peers, thereby participating - despite himself - in the acceleration of the market.

Five forces therefore make up the new playing field for your activity. To cope with them, your company has to adapt, react in the short term, continuously reorganise itself, simplify its structure and readjust its activity. In this way, it 'survives'.

OLIVIER MOUTON
Senior Partner, Kea & Partners
A graduate of École Polytechnique (x99) and Mines ParisTech (P01), he joined Kea & Partners in 2005. He supports major corporate transformation projects in the service sector, particularly real estate and waste management.

Since 2014, he co-leads the transformation practice of Kea Group. His ambition is to bring business leaders the means to cope with current revolutions, in particular data and the circular economy.

FRANÇOIS-RÉGIS DE GUENYVEAU
Consultant, Kea & Partners
Once graduated from Essec, he began his professional life in consultancy at Kea & Partners in 2013. In 2015, he went to Vietnam and joined Alibaba to help develop the group’s marketplace. Passionate about literature, he wrote his first novel from Saigon dealing with transhumanism and the place of new technologies in society. ‘A dissident’ was published by Éditions Albin Michel in 2017.

Back at Kea again since April 2017, he has contributed to innovation in business transformation.

In order to understand the business world, let’s take the Darwinist metaphor one step further: natural evolution is not only a matter of survival, it is also a progression towards more life and greater awareness.

We believe that business should follow the same direction: surviving (or ‘over-living’) really means ‘under-living’, yet the company wants to ‘live’. We identify at least four ways to encourage this shift: to give the business a sense of purpose, act through empowerment, reap the rewards of collective intelligence and maintain the freedom of your teams.

Create a plan
In a volatile world, the business leader perfectly knows that people could be lost by the permanent change. The space for thought is shrinking, employees risk no longer being committed to the project. That is the reason why it is important to give them a sense of purpose. The difficulty is then to find, within the company, those things that don’t change, that resist market shifts and give meaning to the activity. Since this requires gaining an overview, remember this quote from Saint-Exupéry, writer and aviator: “To exist, we need lasting realities around us. We cannot live without the support of constants.”

Act through empowerment
The company cannot live over the long term if its plan is not embodied in daily life by empowering its employees. In fact, everyone, at their own level, has to establish an informed definition of their own responsibilities and accept them. This change certainly requires preliminary work by the managing team, consisting of going back to the sources of the

---

**ORIGINS OF THE VUCA ACRONYM**
(Volatility, Uncertainty, Complexity and Ambiguity)

It was invented by the U.S. Army War College to describe the world after the Soviet collapse.

To evolve in this new context, the armed forces had to renew their military doctrine and in particular to follow so-called light footprint approaches.

In the United States, the light footprint approach was implemented under George W. Bush after September 11th 2001, then extended under Barack Obama: restricted commando actions, mobilisation of financial resources, use of drones and cyber-attacks to maintain pressure on the enemy.

In France, this approach was particularly applied during the intervention in Mali, with an agile operating way (reduced number of special forces and high degree of autonomy allowed on the ground) and an alert system (link with local populations, vigilance by everyone, more targeted contribution to minimise the exposure of human lives, etc.).

It proves that agility is not incompatible with a strong culture of hierarchy and discipline!

**SURVIVING IS GOOD,**
**LIVING IS BETTER!**

In order to understand the business world, let’s take the Darwinist metaphor one step further: natural evolution is not only a matter of survival, it is also a progression towards more life and greater awareness.

We believe that business should follow the same direction: surviving (or ‘over-living’) really means ‘under-living’, yet the company wants to 'live'. We identify at least four ways to encourage this shift: to give the business a sense of purpose, act through empowerment, reap the rewards of collective intelligence and maintain the freedom of your teams.

empowerment concept. Beyond traditional CSR issues, empowerment needs to be applied to the main transformations of the business: the strategy and its connection with performance, management and culture, governance, digital transformation and finally organisation.

Reap the rewards of collective intelligence
While empowerment begins with individual awareness, it must not overshadow collective intelligence, which guarantees the company’s vitality. To cope with complexity, the capability of a group of people is much stronger than the sum of individual ones. This capability is essential to business sustainability and become a management concern. The conventional leadership model is no longer enough. In addition, collective intelligence is a source of motivation for employees, since it encourages their autonomy and creativity.

HOUSTON, WE’VE HAD A PROBLEM
Three conditions enabled NASA to demonstrate collective intelligence and save the crew of Apollo 13 in April 1970. This example should inspire management in complex situations:

First of all, information circulated efficiently between the teams. For example, when the malfunctions in the command module were detected, they were immediately communicated to the mission controllers, enabling them to grasp the severity of the situation quickly. Reciprocally, the mission change decided by the NASA director was clearly communicated to everyone: thereafter, it was no longer a question of going to the Moon, but of saving the crew, all the interactions between NASA staff had to be carried out from this perspective alone. Finally, facing an entirely new event, staff were encouraged to be creative and improvise. As a result, a small team of engineers with different skills was assembled urgently. Together, they developed an original technical solution to address the astronauts’ oxygen shortage in and enable them to splash down.

"it will be the mark of tomorrow’s leaders to develop employees humanely and release full collective potential.”

Maintain team freedom
Finally, no living company without more freedom. To move the teams forward in the same direction, standards must be met but this is not enough. Daring and creativity – which can take the form of voluntary and constructive disorder – should be considered all the more carefully because, to overcome market uncertainty and complexity, many leaders tend to favour too many processes or implementing control tools using new technologies. All this can put a damper on the organisation, make it impersonal and rigid, where conversely it should release initiative and reinvigorate the teams.

We interpret this theoretical pathway and these convictions in a model designed and constructed by Kea & Partners for top executives, so-called the Alert Company, developed in the article on page 16.

Jean Staune, philosopher and essayist

The keys to success in a VUCA world

Science philosopher and essayist, Jean Staune is a graduate in palaeontology, mathematics, management and political & economic sciences. Formerly on the scientific staff at Lausanne’s Ecole Polytechnique and currently a course director at the HEC business school, he is a management consultant. He is also Secretary General of the Paris Interdisciplinary University.

He has written major books on the philosophical implications of science, in particular ‘Does our existence have meaning?’ (Presses de la Renaissance). His latest book ‘The Keys of the Future’ (Plon) grasps the extraordinary transformation experienced in our time. It analyses the five revolutions – scientific, technological, managerial, economic and societal – simultaneously at work that will profoundly affect our way of producing, consuming and living, thereby overturning all our traditional points of reference.

Jean Staune also contributes to the development of research programmes in more than twenty universities and regularly collaborates with Kea.
The previous article stresses that our world has become much more volatile, uncertain, complex and ambiguous (VUCA). The authors quite rightly draw a number of conclusions from this, according to which we have to be alert, agile, autonomous and much more besides.

But why has the world become much more VUCA? The Nobel laureate in Chemistry, Ilya Prigogine, explained it to me almost twenty years ago: the more interactions there are in a system, the further we move away from the conventional world to enter a new world, where new concepts apply. So, every time you post something on Facebook, read a tweet, send or receive an email, you create an interaction, at least between you and one other person. In other words, with social media, e-mails and real-time television channels, interactions have increased on the planet’s surface hundredfold in twenty years. This has changed our civilisation insidiously, without many political and economic decision-makers being aware of it. As successful author Nassim Taleb explains in his book *The Black Swan*, we have moved from ‘Mediocristan’ – a world where today is more or less like yesterday and tomorrow will be more or less like today – to ‘Extremistan’, a world where sudden changes and major disruptions occur. Without meaning to be in any way derogatory for these companies, I usually call Mediocristan the ‘Boeing-Airbus world’. In fact, these companies have only one competitor, they only have to satisfy the 200 customers likely to buy a new aircraft and, moreover, have confirmed workload plans for ten years. They therefore live in a relatively stable and predictable world. But most companies live in a totally different world, a world with thousands of competitors, because their customers of the past can now buy competitive products (competitive services will come soon) on Alibaba, thanks to so far unknown Chinese companies. Moreover, those companies, even if they are medium-sized, can now reach millions of customers through the Internet.

8. Note: the ‘U’ is for ‘Uncertain’ in English, whereas in French, VICA should be used, where ‘I’ is for ‘Incertain’.
What concepts should be considered when navigating this complex world?

Those developed by Prigogine and other specialists in chaos and complexity theories:

> **The butterfly effect**, whereby, in a large unstable system, small causes can produce major effects. Thus, the selfimmolation of a poor Tunisian vegetable dealer caused the intense upheaval that we saw, not only in Tunisia, but also in Egypt, Libya, Yemen and Syria.

> **Bifurcation**. This is a form of disruption, a situation in which a process that was fluctuating around an equilibrium state is gradually destabilised, then explodes, before repositioning itself in another equilibrium state, with no chance of returning to the previous state. The most obvious example is the fall of the Berlin Wall. First of all, 45 years of stability during which the East-West balance was maintained despite all the crises (the Cuban rocket crisis, the Vietnam and Afghanistan wars), then gradual destabilisation, with fluctuations becoming increasingly significant with the election of Pope John Paul II, the creation of Solidarity by Lech Walesa and Mikhail Gorbachev’s Perestroika, then suddenly the break – the fall of the Berlin Wall on November 9th 1989 – and the establishment of a new equilibrium: a unipolar world dominated by the United States in which, for nearly a quarter of a century, the Americans have been able to do as they please. Today, we can clearly see that we are again in a period of pre-bifurcation that will bring us to another equilibrium state – tri- or quadripolar, we don’t know yet – but in any case clearly different from the unipolar world in which we have experienced American omnipotence.

> **Self-organisation**. Prigogine had studied in particular the way termites function. This may seem surprising for a chemist, but in fact termites are a magnificent example of self-organisation since, without any architect, they construct highly complex and very efficient structures capable of withstanding floods and earthquakes. Termites do this by following very strict rules: 'If you see two pellets, you put a third pellet on top of it' or 'if you see two pillars of pellets, you put a bridge between the two'.

> **The auto-catalytic circle**. Simply put, it’s a snake that bites its own tail. This is an essential concept in a complex society like ours. In the conventional world, processes are linear. Press button A, this triggers B, then C and the rocket takes off. Here we have feedback loops: A acts on B, which acts on C, which acts on D... which acts on A. Thus, A acts on itself and it’s no longer possible to show the operation as a ‘flat’ process. This makes a whole series of phenomena taking place around us illegible.

> **Feedback** is a sub-set of the auto-catalytic circle. It’s a self-fulfilling prophecy: when everyone says that Greece will collapse, Greek government bonds are sold, making it hard for Greece to raise finance, as a consequence Greece begins to collapse. As these phenomena multiply, they are radically changing the situation by making our world much more VUCA and especially by causing this tremendous acceleration that we are all observing. How can we get our bearings and, above all, how can we try to predict the future in this increasingly uncertain world? In the earlier world, it was already a challenge; as soon as we are immersed in Extremistan, it can appear simply impossible. But if we know nothing about tomorrow, how should we respond? Doesn’t action require a clear (at least fairly clear) vision of the future?

> A shopping centre in Zimbabwe has even been built modelled on a termite mound, because the temperature inside never exceeds 30 degrees even if it’s over 40 degrees outside.

Faced with a VUCA world, four attitudes need to be explored:

> Penetrate the fringes of a domain and reinvent it.

YouTube wasn’t invented by a television channel, nor Skype by a telephone company, nor PayPal by the giants Visa and Mastercard. Such a list could be extended almost infinitely. We have witnessed a whole series of disruptions over the last 15 years, created by actors completely unlikely for the leaders of the various fields involved. Speaking recently to the leaders of the OCP (Office Chérifien des Phosphates, the world leader in the sector), I stressed that what threatened them was not the world number two in the sector, but a young unknown currently working out of a garage in Los Angeles who would invent a process to replace phosphate! Oussama Amar has theorised this more provocatively, with the Barbarians concept. Asked about what his start-up incubator The Family is doing, he calmly replies: “I help start-ups attack all companies that have a guaranteed income!” The new Barbarians therefore are not seeking to snatch the gold by riding the plains, armed with helmets and swords. They are more interested in businesses and services using middle-men and guaranteed incomes, in order to completely reinvent them.

> Parallel thinking.

This involves transferring a practice from one field where it has fully succeeded to another field where no-one has ever thought of using it. The article written by Kea (page 18) mentions Elon Musk’s daring prediction, now come true, that he would disrupt space transport. He did it using what no one thought could be done, start-up methods in a field previously reserved for collossus as NASA or Arianespace. To take just one example, the radios used to communicate with the earth from space cost $25,000 each, as they must be ‘shielded’ to protect them from electromagnetic radiation likely to destroy them. Elon Musk asked his engineers to play around with commercially available $5 radios. NASA and all its competitors laughed at such an approach... which has been completely successful.

> Be ‘contrary’.

The word ‘contrary’ means doing the opposite of what everyone else does.

Once again, Elon Musk is one of our surest guides. Throughout the automotive industry, companies were producing ‘electric Smart’ cars since, for lack of range, it seemed that the first electric cars could only find a market by being used as city cars. He bet everything on a luxury Roadster... using a feature that no one had used on electric cars, because it would be absurd to do so on a city car: acceleration capacity. It happens that, because there’s no gearbox, electric cars can accelerate faster than a Formula 1 car. So Tesla’s Roadster could leave Ferraris and Porsches standing, which was the basis of its success, with American stars striving to give themselves a good ecological conscience. Then he started to move downmarket with the ‘S’ model, once again applying the opposite approach compared to the existing industry. Given the very high price of the batteries, they are often rented (when the electric car itself is not rented, like AutoLib) and the customer is invoiced for ‘re-charging’, i.e. an electricity fill-up. This business model has been developed, among others, by Renault in Israel, where the country’s small size made it possible, with a minimal number of electric service stations, to offer customers the option to replace their empty battery with a previously charged battery in a few seconds, for which, of course, they pay. Elon Musk himself is installing Tesla chargers everywhere, including in Europe, which supply electricity free of charge to its customers. However, the car and battery are sold at a high price. The future will tell us whether this model is sustainable with lower-cost cars sold in much greater numbers, which will require a far greater supply of electricity free of charge. But what’s already certain is that this ‘contrary’ approach has enabled him to lead a most surprising
industrial adventure, likely to revolutionise a field where the entry barrier seemed so high, it seemed impossible that a new entrant could play a global role in the face of giants such as General Motors, Volkswagen, Toyota or Renault-Nissan.

> 'At the same time' logic, so dear to the French President, Mr Macron.
In some ways, this logic goes back to the concept of ambidexterity mentioned in the article written by Kea (page 17). It is a matter of reconciling two apparently contradictory things. The new world is filled with strange concepts of this kind, such as 'glocal' (being both global and local, globalising while refocusing on certain local issues), 'prosumer' (being both producer and consumer, whether it be goods using new 3D printers or energy through Smart Grids and making ever cheaper renewable energy sources available to private homes). Or 'co-opetitors' (being competitors while at the same time being able to cooperate and help each other on certain points)…

Without being in any way a guarantee in a world where, quite rightly, nothing can be certain any more, using one or more of these strategies is one of the best means of hoping not only to survive but also to live and develop harmoniously in this complex world. But these are not the only ways.
What strategy to build the business of tomorrow?

It won’t have escaped you that, in most of the cases I have just mentioned, these strategies are much easier for new businesses to implement than for companies that dominate a sector. Nonetheless, as Kea believes, the leaders of a sector are not doomed: they can adapt, provided of course that they know how to be alert and agile.

Consider Haier, the world leader in household appliances. This Chinese company achieved this position by playing very traditionally on the advantages offered by the Chinese economy: a large domestic market and low production costs, in a field where technological advances are rare. The question Haier then considered was: how to innovate to retain its position as leader and precisely how to avoid being overtaken by innovations coming from the fringes of the field. But Haier had invested billions, to produce products as original as the pen-phone, but none of this caught the attention of the market. So Haier radically changed strategy by launching a new model for collaboration, creating up to 700 start-ups, set up mostly with outside people and capital. However, those people in-house who wanted to test new ideas were also able to participate, but in collaboration with outside people, to avoid the risk of a mental block due to the fact that, in a large company, certain ways of thinking are 'ingrained'.

This strategy of setting up small teams, partly internal and partly external, seems crucial for large companies. I will never forget the meeting I organised between Lindsay Owen-Jones, at the time CEO of L’Oréal, and Ilya Prigogine. Ilya Prigogine explained that if he wanted to increase the efficacy of L’Oréal products by 5–10%, he should do just what he was doing, i.e. pay 2,000 researchers and, after a year, be certain of increasing this efficacy by 5%. But if it wanted to obtain +90%, he had to pay 4 or 5 small teams of researchers to find nothing for several years, because statistically one of them would produce an innovation enabling this 90% jump in efficacy. In short, the methods used to manage existing ideas and to develop innovation are completely different. This is where a company has to be ambidextrous. The coexistence of two systems within the same company may seem dangerous. Yet a Chinese company like Chang Hong has succeeded by applying this approach. Faced with a major challenge, that of creating a television finally capable of being sufficiently practical to replace a computer by being user-friendly and well-designed (many televisions are connected to the internet, but unable to be as practical as a computer), the project manager was given permission to ‘poach’ anyone needed from anywhere in the company, without authorisation from the relevant head of department. Thus, in this company, traditional pyramid structures co-exist with cross-company structures given great autonomy.

Everyone remembers the famous ‘Kodak blunder’, which was possessing the patent for digital cameras... and not using it. Restricted by a model where the added value came from selling photographic film, the company didn’t want to kill the hen that laid golden eggs and achieved one of the greatest failures of the 20th century. Conversely, SNCF can appear as a monolithic institution, often under fire and not very creative. And yet, faced with the development of car-sharing and re-regulation of bus transport, SNCF, instead of buttressing itself on its trains, which would have been coherent with its culture, bought both buses (Ouibus) and a car-sharing company (Idvroom). This is not entirely a coincidence: a number of years ago, SNCF set up an ‘innovation’ unit, a small autonomous unit like those I have just mentioned. This cell succeeded, in barely a year, in developing the famous barcode scanning tool, a very efficient and easy-to-use system that all conductors have already been using for several years, as we can observe when taking the train.
While the examples of Haier, Chang Hong and SNCF show us that an innovation culture can be established in large companies, we should also look at the obvious failures of large organisations that are unable to develop even the foundations of agile behaviour and are charging straight for the wall, either because they have not understood their situation or, and perhaps even worse, because they are fully aware of it. Eight years ago I had already said13 that the failure of the French nuclear power sector is only a matter of time. The companies of this sector are obsessed by outdated concepts such as "Big is Beautiful" that have led to the failures of Finnish and French PWRs, problems which are still unresolved as I write, but which have already caused Areva’s dismantling. The next major industrial disaster will be Ariane Groupe, whose new Ariane 6 rocket will be uncompetitive against SpaceX... even before being launched. This is a very interesting case. Indeed, Ariane’s officials have spent many years in denial and have multiplied the arguments to explain why Elon Musk would never be a threat to them. So, now that the threat is established, we may think that they are quite consciously charging straight for the wall. There would be solutions, by completely changing the business model, such as by investing in space tourism, but it’s obvious that such a company would never have the intellectual, conceptual and managerial resources to take on this kind of challenge. ITER will be the next catastrophe: 20 billion euros (minimum sum; the bill, which has already tripled, is far from being final) will be spent on this project to construct a machine that, at the speed renewable energies are advancing, will also be totally uncompetitive long before it has started to operate.

We therefore see the importance of being able to challenge knowledge and certainties. Of course, as eloquently put out by the previous article, it is not a matter of changing everything from one day to the next. The company must be authentic – we cannot transform a business against its original values.

But what now threatens all companies is not only being fixed in their certainties, but also being unable, within their conventional organisations, to implement these small, flexible and generally independent structures, which will be able to provide the innovations of tomorrow. Evidently, businesses then have to be able to implement the various projects and transform them into practical reality, by devoting a minimum of the company’s resources to them. More than ever, the strategy of surfing on the Black Swan, which echoes what Prigogine pointed out in front of me at L’Oréal, applies. As Nassim Taleb explains, and as business angels know very well, the best way to invest your money is not to buy shares of FTSE 100 or Dow Jones index companies, but by investing 90% of your money in a safe investment (real estate or, for the time being, US Treasury bills) and ten sums of 1% of your capital in 10 completely different sectors: a small French start-up with a patent to store hydrogen, a new virtual currency, a new American social media platform, etc. And 100% of the profits from your portfolio will come from 1% of it, while 9% will be lost and 90% will form a stable base. Since we never know where success will spring up, it is therefore essential to put your eggs in many baskets and have a lot of strings to your bow. This is the spirit that must, above all, be encouraged in tomorrow’s managers so that they become leaders passionate about diversity and innovation, rather than managers of yesterday’s successes, as is unfortunately today the case for some of our large French collapsing groups.
According to Kea & Partners, the Alert Company seeks a systemic response to the volatility, uncertainty, complexity, ambiguity and acceleration of the market. Supported by academic work (see box on next page), it is based on two axes and five components, to be worked on simultaneously.

The horizontal axis symbolises the ability to change: to adapt to changes, the company must be **AGILE** (first component), but it still needs to know how to detect the need to move. That is why it also has to be **ANTICIPATING** (second component), able to decipher trends rather than be subjected to them.

The vertical axis symbolises the substance of the company, which resists change and gives it consistency. Thus, to know where it is going and to stay on course despite the many changes it undergoes, the Alert Company must be **ASPIRATIONAL** (third component). But so as also not to forget where it comes from, it must also be **AUTHENTIC** (fourth component), i.e. consistent within itself.

These two axes form indeed a system because changing, adapting to the market and anticipating changes, are all essential; however, the risk of getting lost is great: **the axis of movement is inseparable from the axis of stability**. In addition, at the intersection, as the cornerstone of the model, sits autonomy (fifth component). Given the increasing complexity of the business activities, employee **AUTONOMY** is no longer an option. But autonomy cannot be developed without the capability for short-term action (horizontal axis) nor without being aware of the company’s goal and remaining faithful to its personality (vertical axis). This autonomy will then set the pace and dynamics of the company, which will also serve as a driver for take off.

This model summarises research and innovation work realised by Kea & Partners over several years. It puts a number of the firm’s tools into perspective and presents new ones to adapt the company to its market context.
STÉPHANIE NADJARIAN
Senior Partner of Kea & Partners, responsible for ‘Alert Company’ development and innovation

A graduate of the École Centrale Paris, Stéphanie has spent her entire career in strategy and management consulting. After beginning her career at AT Kearney, she joined Bossard & Gemini Consulting in 1996. In 2001, she took part in the creation of Kea & Partners. Since then, she has led major transformation programmes in the industrial, luxury and retail sectors.

Convinced that, to be successful, a business must develop strategy and culture at the same time, she is heavily involved in the firm’s innovation on transformation of organisations, in particular in developing the Alert Company model that she describes here.

 ALERT COMPANY, A MODEL BASED ON ACADEMIC CONCEPTS

Our alert model is based on academic concepts that respond to the need for organisations to adapt.

RESILIENCE, a concept popularised by the work of Gary Hamel, Gilles Teneau and Guy Koninchx, describes organisations capable of withstanding shocks or rebuilding after failure.

THE ANTI-FRAGILE CONCEPT was created by Nassim Nicholas Taleb in ‘Le Cygne Noir’ (Black Swan) and explained in his book ‘Antifragile: les bienfaits du désordre’ (Anti-fragile: the benefits of chaos) published in 2013. It goes beyond resilience and robustness; it describes an organisation capable not only of absorbing shocks, but of becoming stronger thanks to them.

AMBIDEXTERY comes from work by James G. March in the 1990s and taken forward in the 2000s by researchers Gibson & Birkinshaw, Venkatraman and Tushman & O’Reilly. It describes an organisation capable of operating (daily activity) and exploring (adapting and innovating).

THE AGILE METHOD was born in the early 2000s, extending the lean concept theorised by MIT researchers in the 1990s. It is quickly applied in the business world, particularly through the success of Silicon Valley start-ups inspired by it, whether in the context of IT projects, IT problems, management or marketing. In a world changing constantly and ever faster, the agile method provides keys to increasing responsiveness and speed; it advocates readjustment, experimentation at a lower cost based on assumptions rather than certainties, and gradual investment.

THE AGILE METHOD was born in the early 2000s, extending the lean concept theorised by MIT researchers in the 1990s. It is quickly applied in the business world, particularly through the success of Silicon Valley start-ups inspired by it, whether in the context of IT projects, IT problems, management or marketing. In a world changing constantly and ever faster, the agile method provides keys to increasing responsiveness and speed; it advocates readjustment, experimentation at a lower cost based on assumptions rather than certainties, and gradual investment.

STÉPHANIE NADJARIAN
Senior Partner of Kea & Partners, responsible for ‘Alert Company’ development and innovation

A graduate of the École Centrale Paris, Stéphanie has spent her entire career in strategy and management consulting. After beginning her career at AT Kearney, she joined Bossard & Gemini Consulting in 1996.

In 2001, she took part in the creation of Kea & Partners. Since then, she has led major transformation programmes in the industrial, luxury and retail sectors.

Convinced that, to be successful, a business must develop strategy and culture at the same time, she is heavily involved in the firm’s innovation on transformation of organisations, in particular in developing the Alert Company model that she describes here.
A for AGILE
Agility is no longer an option! In a few years, it has become the panacea for business leaders to face uncertainty and changing markets. This is reflected in the keen interest in the agile mode and in the development of a culture of agility, a true state of mind characterised by being open to change, very widespread in American start-ups. From the many books and articles presenting the benefits of agility, let’s remember this: it is not pure improvisation, but controlled liberation made possible by following three steps.

1. Simplifying and streamlining existing processes, an idea particularly encouraged by players in the new economy, such as Amazon’s CEO Jeff Bezos, for whom over-detailed processes can paralyse the business and deprive employees of their responsibilities.

2. Thorough learning and repetition over time, making it possible to fully master the processes you want to keep.

3. Developing liberation: it is because processes are perfectly known that they are integrated and automated, so it then becomes possible to become detached from them and follow your intuition.

This liberation was strikingly illustrated by Laurent Bibard at the Managerial Innovation Campus, using the film ‘Sully’ as an example.

How did Sully Sullenberg, US Airways pilot, achieve the impossible by successfully landing an aircraft on the Hudson River on 15 January 2009? Answer: he accepted the risk of the crash, then he gave himself a duty to use the resources he had rather than to achieve a result; in the end, he vacillated continuously between a perfectly understood routine task, acquired thanks to over 20,000 flying hours, and a sense of intuition in an uncertain situation.

A for ANTICIPATING
We are not leaving the sky, since we’re now at the Satellite exhibition in Washington. A blond-haired young man steps on stage, wearing jeans and a T-shirt, in front of an audience of bigshots from the aerospace sector: “Hi everyone. I’m the boss of a new company. I haven’t studied astronautics, but in five years you’ll all be long gone.” The bigshots laugh, some NASA teams enjoy the interlude. But this young man is determined. His name: Elon Musk. His company: SpaceX. Two years later, his Falcon 1 launcher touched down successfully and NASA placed an order worth $1.6bn with the so-called novice.

The lesson from this story is that being agile is not enough, you have to know how to anticipate.

Let us look at three approaches to help us with this: first, build on prospective work. By developing long-term scenarios, foresight makes it possible to identify and take ownership of potential trends and breakthroughs.

But preparing for the future also means using data from the past to make informed decisions. To do this, managers can rely on dashboards, big data and smart data, which have been made possible by IT advances over recent years.

Finally, to anticipate the business, the organisation can connect with its ecosystem of stakeholders and the business leader can use the wisdom of crowds: when there is no usable data, you should aim at organising the information circulating between all the teams,

15. Complexity and simplicity: lecture by Laurent Bibard (Professor of Philosophy and Management at ESSEC, Director of the Edgar Morin Chair of Complexity) at the Managerial Innovation Campus, organised by the Institute of Sociodynamics, November 2017.
16. See ‘Strategy reincarnated’—Quart d’Heure d’Avance (one step ahead) collection—Kea & Partners, 2017—work from a think tank organised by Kea & Partners, which brought together around fifteen business professionals, holding or having held strategic management positions.
in order to pick up weak signals and see new phenomena emerge, capable of changing the business.

Let’s add two comments. Firstly, it is not a question of anticipating trends with the sole aim of preparing for them. Anticipation is also an opportunity to be an agent of change yourself, from which you could gain an advantage. Secondly, anticipation is only useful if it contributes to better decision-making. Here, we recommend avoiding two very widespread temptations: one of limiting oneself to analyses without ever taking action, and the other, of taking a decision and sticking to it at all costs. Faced with these two temptations, the OODA loop (observe, orientate, decide, act), in which fighter pilots are highly trained, is a practical tool for adapting continuously to change.

A for ASPIRATIONAL
When constantly changing, we risk to lose our way. To the growing need to be agile and alert, we therefore add the need to define an inspired and inspiring direction and vision for the business.
To do this, the management team must express a responsible vision that conveys meaning, in the three senses of this term: the responsible vision must have meaning (i.e. a meaning relevant to its context), give meaning (i.e. a direction, a distant horizon) and affect the senses (emotions, feelings, values).

A for AUTHENTIC
Transforming also means strengthening your personality. To do this, the company can rely on its intangible assets. These are all of the company’s nuggets, invisible to the naked eye, that are not considered as part of the tangible and financial capital: relational assets (brand strength, company networks), organisational assets (organisational method, processes, team structure), human assets (individual and collective expertise, values that link the whole together, the company’s key personalities and talents). All these assets should be measured within the company itself, with the aim of identifying and valuing those making it unique. The company’s authenticity emerges from work on these intangible assets, i.e. its ability to act consistently within itself.

**Expression of the Vision at Michelin**

“Experience together the adventure of greater mobility by observing values of respect, performance and responsibility.” Here is an example of a vision that fulfills the three conditions stated above:
> A vision that makes sense since it matches market needs.
> A vision that gives meaning consistent with the group’s history, involved in mobility for over a hundred years.
> A vision that touches the senses by emphasising the three core values of Michelin’s management model.

MOVEMENT AND CONSISTENCY, AT THE SAME TIME!

However, two pitfalls should be avoided. The first is believing that the company’s personality is fixed, that these assets should stay as they are, although we should look after them and even let them evolve. The second pitfall is to assert its personality to the point of restricting yourself to a niche market and in this way lose the underlying market.

In a complex and unpredictable world requiring everyone’s contribution and vigilance, employee autonomy is key. However, two things should be clarified.

Firstly, for the employee, being autonomous does not mean being independent. On the one hand, the activity is still conducted with the aim pursued by the whole organisation. On the other hand, greater autonomy (empowerment) implies more responsibility (accountability), as Jean-Dominique Senard, Chairman of the Michelin group, points out (see interview on page 22).

Secondly, autonomy for the business leader means a certain loosening of the grip which can be a source of anxiety. To overcome this, the business leader tends to implement all kinds of measuring systems. But it would be a pity to reduce the action solely in the light of these tools: in reality, it means not only measuring results against objectives, but also highlighting the resources used by employees, signs of their motivation and the group dynamic that forms over the long term.”

**CONCLUSION**

*Homo sapiens* has tamed his fears, left his cave, cultivated the fields and built palaces. From survival, he has advanced to life.

Your company is experiencing the same evolution. While acceleration and complexity can be worrying, we are convinced that traditional companies have a future. But to develop in this new world, your teams urgently need to learn how to deal with it, like the Unilever managers, who are constantly told that the world is VUCA. Better still: now it’s time to reach a compromise with these new data from the market to identify the sources of sustainability for your business.

This is possible if you take a systemic view of your company: anticipating changes and adapting to them will only be feasible if it makes sense and is consistent with its history. This is a condition that ultimately rests on the autonomy of your employees – who are both the source and purpose of movement – and the vertical structure of your business. This awareness of the people making up your organisation establishes the first step towards becoming alert.

Basically, we are at a pivotal time when the very concept of a business is being redefined. A limited company is driven solely by profit, it gradually becomes a **company with a sense of purpose**, a complex, dynamic, living organism committed to a purpose and cultivating tensions: from now on, the company must be able to adapt to the market and at the same time anticipate trends; be able to follow trends and at the same time impose its uniqueness; be able to respond to external stimuli and at the same time follow its own path; be consistent with its history and renew itself; balance its accounts and at the same time ensure the personal equilibrium of its staff. Finally, be able to unite stakeholders around a shared desire and liberate their autonomy.

So many challenges that the Alert Company model helps you to meet!
Jean-Dominique Senard

A graduate of the HEC business school, Jean-Dominique Senard began his working life in management audit and finance positions at Compagnie Française des Pétroles (Total group) in 1979, then in 1987 at the Saint-Gobain group.

In 1996, he joined Pechiney as Finance Director. From 2001 to 2003, he headed the primary aluminium division before taking the reins of the business in 2003 as CEO and a member of the Alcan group’s executive board.

At the beginning of 2005, after integrating Pechiney into the group, he left Alcan for the position of Michelin’s Finance Director. In 2007, he was appointed joint General Manager and, in 2012, Group Chairman. Since then, he has focused his governance policy on responsible development and social dialogue.

On 9 March 2018, he submitted a report, written with Nicole Notat, on the role of the business in French society to the Minister for the economic affairs, Bruno Le Maire.
YOU ARE IN THE PROCESS OF LEADING A MASSIVE REVOLUTION WITHIN THE MICHELIN GROUP. WHAT IS ITS OBJECTIVE?

JDS: Our group is characterised by a profound simplification of its organisation, a transformation it has not experienced for twenty-five years. This transformation is not an end in itself, but the result of both circumstances and fundamental action, a general philosophy. The context is one of accelerating time and action – underpinned by the digital revolution – and the growing complexity of the economic and geopolitical world. All of this makes the environment uncertain and forces us to be agile on every level. The general philosophy is based on two fundamental convictions. On the one hand, the belief that customers, more than ever, must be the focus of the company’s concerns. It may be a little mundane to underline this, but it could be overlooked given the increased complexity of the environment. On the other hand, the conviction that employees must be empowered and put in a position to be so. In both cases, we pinpoint the central element, namely the human being: we are interested in the people who are customers and the people who work for Michelin, while ensuring we give balanced attention to both.

As you know, this philosophy is the foundation of all work done for several months now. It has led us to the new organisation that Kea is helping us to bring to life.

Interview with Jean-Dominique Senard
Chairman of Michelin Group
Led by Stéphanie Nadjarian and Olivier Mouton of Kea & Partners
WHERE DOES THIS DESIRE TO EMPOWER EMPLOYEES COME FROM? IS THIS ONLY A WAY TO RESPOND TO GROWING MARKET COMPLEXITY?

JDS: It’s more profound than that, as you would expect. Admittedly, a global group such as ours, with such a complex business, can no longer work with centralised management; this is the reason why it is necessary to ensure, particularly on commercial aspects, that everyone feels directly involved in their region and that tasks are clearly distributed. But our approach is more extensive: it’s not just a matter of entrusting certain activities to certain people so that they are able to deal with them more easily; we are looking for a more sophisticated way of living and working. We are touching here on the unique area of well-being at work. I believe that one of Michelin’s strengths is having understood quite early on that performance could no longer be simply the result of extremely sophisticated production systems and work processes. This well-being at work, when taken further, very naturally leads to greater empowerment. Michelin set out from this thought process to develop the principle of an empowering organisation across the world.

Empowerment is a powerful driver but one that has to be explained. First of all, it is not necessarily natural, not everyone is ready to accept it or implement it. There is a cultural transformation to be achieved. Secondly, this is not self-management, because there is no question here of handing over the running of the business without any kind of guidelines. It involves working within a given framework, a fairly strict framework, set by the Group’s strategy. Within this framework, which must be followed and maintained over time, we
gives the teams autonomy and an ability to act, so that they move forward based on what they know the current priorities to be and so that they can achieve the objectives set by the group. They are therefore trusted to take initiatives at their own level, following a principle of subsidiarity. At the same time, and this is very difficult in empowerment, we expect a response. Moreover, if you take the etymology of the word responsibility, you find the same root as for the word response. This response consists of saying: I recognise the autonomy I have been given and I acknowledge it.

Finally, the organisation addresses empowerment and puts it into practice: well-being at work consists of transforming the social relationship within the company, from a traditionally quite hierarchical form to a model offering people support, encouragement and personal development. Once again, you are getting to what matters, namely that people really are the focus and that it is not only a question of empowering a group in a production workshop within a factory, but of implementing these principles throughout the organisation. As a result, management is fundamentally changed from a control role to a role in which it develops people and talent and assists solving problems. This completely changes the situation. And it works: managers change roles and those managed, if I may say so, in the broad sense, see their prospects open up... Of course, all this is not done in a moment. You are well placed to know all the issues underlying a change of management. Empowerment is easy to say, extremely difficult to implement, with risks of mistakes, risks of misunderstanding, etc.

But once the empowerment process is started, everyone discovers that they can liberate themselves, that it is possible and that they are supported. And the results are incredible. Unbelievable. I’m not too keen on the word ‘liberate’, yet I am absolutely convinced that it is probably this release of energy that will restore new vitality to French businesses and contribute to sustainable industrial activity in mature countries, through collective intelligence, transparency, the confidence that it generates and everyone’s perception that the human dimension is fully considered. For me, this is the sense of history.

Management is changing from a control role to a role in which it develops people and talent.

In governance, how does this empowerment process overturn so-called central functions?

JDS: As we can see, bunkers are bursting open, platforms are being created and there is now a strengthening merger between support roles and operational roles. Moreover, for several years this distinction between support and operational roles has made no sense to me: at Michelin, we all serve the industry, so we can no longer work separately. We are touching on a form of empowerment again here: a factory leader can no longer handle problems without working with the teams on the ground; all the same at the global level, the corporate functions could not work efficiently if they are not strongly linked with the business units leaders.

Of course this principle applies to everyone, including right at the top, and that is why the group’s Executive Committee – made up of people responsible for support functions and operational functions – is completely interlinked: Each person’s responsibility is such that, at any given time, it is no longer clear whether the team is there to manage a given division or, with their peers, to deal with all of Michelin’s problems. That’s evolution.
YOU SAID THAT MICHELIN IS ABLE TO TRANSFORM ITSELF, MOVE, ADAPT TO CUSTOMERS’ NEEDS AND EMPLOYEES’ ASPIRATIONS. BUT, CONVERSELY, DO YOU HAVE FUNDAMENTALS, INVARIANTS, THAT DON’T CHANGE?

JDS: Absolutely. Moreover, adapting and respecting the fundamentals are not contradictory, quite the opposite.

For example, the culture changes to suit to global circumstances: it has evolved continuously during the group’s hundred and twenty-five year history; it is still evolving today and it is a necessary condition for our sustainability for the next fifty years. And perhaps, before long, the world will have moved on again and we will have to change again. None of this is dramatic; it’s an attempt to adjust human psychology to global circumstances. But nor is it a trivial matter: thousands of people ask questions, sometimes they worry, as they see their daily lives overturned by these transformations. Basically, enabling a group to continue operating while transforming its culture is a major issue for management.

So the culture changes, which is necessary. However, we never challenge Michelin’s values. On the contrary, we are currently seeking the way to implement them, to embody them. Rather than writing them on the walls, we endeavour to live by them. No one can guarantee that everything is perfect, but management’s role, particularly at its highest level, is to ensure that they are expressed, applied and perceived. This is a major focus for me. And this is why we regularly conduct global perception surveys. This is relevant to varying degrees, but overall it allows us to identify problems when there are problems.

BUT WHAT ARE THESE VALUES AND HOW ARE THEY EMBODIED IN THE ORGANISATION?

JDS: At Michelin, they are based mainly on respect. I know that you are aware of the five aspects of respect in our company20. The most important is people because it is the only real key to ensure progress. I think I can say that this value is not an empty word at Michelin. We always pay attention to people, especially when they experience personal or professional difficulties. And, basically, it’s thanks to this constant attention that the group has always been able to get through turbulent periods.

However, we have to devote ourselves to embodying this value. I also have the feeling, shared by the management team, that if we did not implement it in practice, we would be heading towards a blockage and a real difference between what is said and what is actually experienced. In my opinion, the embodiment of respect for a person is founded precisely on empowerment and the way it is implemented in the group’s organisation and the management model.

### The embodiment of respect for a person is founded on empowerment

20 Respect for customers, people, shareholders, the environment, facts – [https://www.michelin.fr/lentreprise/michelin-monde](https://www.michelin.fr/lentreprise/michelin-monde)
To go further, we could talk about capitalism with a human dimension at Michelin. In this sense, our personnel department — what others call human resources — is very active. This department has always played a specific role in the company’s life, to varying degrees. Today, our way of thinking about people comes from this department. For example, we have a principle that every employee can be supported by teams from the personnel department so as not to be alone in their daily working lives or in front of their line managers. This principle has resulted in the creation of international and local administrators. For employees, they can be helpful, bringing a natural human dimension and, in a way, guarantee that the values are implemented effectively. I wanted to keep this system, obviously changing it a little because the roles of managers have themselves changed.

**IN A WORLD WHERE TRANSFORMATIONS DON’T JUST AFFECT THE COMPANY ITSELF BUT ITS ENTIRE ECOSYSTEM, HOW FAR DO YOU EXTEND EMPOWERMENT? DID YOU REDUCE IT TO THE SCOPE WITHIN MICHELIN?**

**JDS:** No, it is a complex and much broader subject, because everyone must accept their responsibilities, not just within the company, but also outside it. There are several ways to respond, but I believe that openness, trust and even transparency are key: by revealing Michelin to the outside world, we ourselves discover this world and try to associate ourselves with it.

We tend to talk quite openly about what we are doing with our suppliers and subcontractors and try to ensure that the major rules underpinning the group’s raison d’être are shared by them. We cannot necessarily demand it from our customers, but we can demand it from our suppliers and...
The public and private worlds cannot live apart, it’s all one ecosystem.

In practical terms, at Michelin, the concept of partnership with government – whether national, regional or local – has very clearly changed in recent years and the relationship with the trade unions and employee representatives has evolved considerably towards greater transparency and dialogue. Similarly, I expressly call on managers and teams in all countries to be involved in life outside the company, not just political life, but economic life, society and associations, and so on. I had the idea of allowing employees with a vocation to take an interest in public life, to be able to do so.
under conditions guaranteed by the company. This may seem totally out of step with empowerment in a factory, but for me it’s the same thing. Of course, I apply this principle to myself since I make sure I am in contact with the public authorities in countries where we operate. For example, in France I jointly chair the Auvergne-Rhône-Alpes region development committee. This type of commitment is an additional constraint in my diary, but it is part of an overall vision and is the way to integrate the life of the company into a wider ecosystem. In general, it is also the best way to publicise the group and its values.

“With widespread empowerment, the organisation opens up, breathes, and is transparent”

Basically, with widespread empowerment, the organisation opens up, breathes, and is transparent. Those who live within it understand that they are part of economic life, that they are not simply limited to a Michelin role. Obviously, these bets never pay off in advance; but this is the way to go, because this direction inspires. So we always come back to the same point: in everything we have discussed since we started this interview, empowerment is the key.
Think of the company as a person

Interview with Alain Dinin
Chairman and Managing Director of Nexity

Led by Arnaud Gangloff and Olivier Mouton of Kea & Partners

ALAIN DININ

Alain Dinin is a graduate of the École Supérieure de Commerce (ESC business school) in Lille. He has spent his entire career in the property development sector.

Between 1978 and 1995, he was Managing Director of George V (formerly Férinel), then from 1996 to 2000 Managing Director of CGIS (Compagnie Générale d’Immobilier et de Services).

In 2000, during the leveraged buy-out of Nexity, he became Vice-Chairman then Chairman of the Executive Board in 2003 and Chairman and Managing Director in 2004.
IN A FEW YEARS, DESPITE UNCERTAINTY AND VOLATILITY IN THE SECTOR, NEXITY HAS BECOME A MARKET BENCHMARK AND LEADER IN PROPERTY DEVELOPMENT. HOW DO YOU EXPLAIN THIS SUCCESS?

AD: Of course, the world is uncertain, but we must not respond vaguely to it. We have to find a sense of purpose for the company, know how to put it into words and stick to it. I talk about putting it into words because I believe in the power of speech and the meaning of words. As it happens, Nexity is not 'a leader in French real estate', but 'a services platform that takes care of its customers in their homes'. This mission is the origin of our action. Consequently, we have changed the decision matrix: rather than the core activity, it is primarily the customer that pulls the business – customer in the broad sense, whether a private individual, a company, a community or an employee.

From these two Nexity fundamentals, which form its mission and its usefulness, we have been able to implement a clear strategy: we can only exist in the long run if we are useful to the world in which we operate. On this basis, it is a question of adapting to experiences and circumstances. I have always been convinced that uncertainty is not a problem; on the contrary, it opens up a field of opportunities and alternative paths. We should remember the sagas of the American Far West: at the time of the gold rush, several thousand caravans headed west. None of the migrants really knew what they were going to find. Some changed course on the way, others arrived at their destination and, among them, some embarked on tin, agriculture, oil and others, indeed, on gold. At Nexity, following a strategy by seizing the opportunities that present themselves, in particular means deciphering weak
Nexity is based on everyone’s brain, courage and heart. All three are related to the mission.
I come back to the story of the Wizard of Oz. After the scarecrow who would like to have a brain and the lion who wants to have courage, the girl comes upon a tin man character. Do you remember? He would like to have a heart. In fact, the heart is what goes beyond immediate financial performance and is essential to getting teams on-board. Buying into the very practical reality of our customers, remembering that we were the first to consider housing for first-time buyers, trying to find solutions, tomorrow, for the homeless and the poorly housed... all this incites commitment and reinforces our mission by putting business in a broader social perspective. Everything is linked. So in summary, Nexity is based on everyone’s brain, courage and heart. All three are related to the mission – namely being useful to people in their homes – which is reflected in a realistic and pragmatic strategy that can be adapted to the context and allows to seize opportunities.

IN PRACTICE, HOW HAVE YOU TRANSLATED THIS VISION INTO GOVERNANCE AND MANAGEMENT METHODS?

AD: In addition to the many training courses offered to managers, we have rolled out project-based working at all levels. In other words, on the one hand we have broken down codes and bunkers to encourage networking – distinguishing between titles of roles – and, on the other hand, increased the mobility of our managers. In this regard, we support them when they have an idea, when they want to set up their start-ups, suspend their employment contract, return to their jobs, change the way they are paid, return to the system if it doesn’t work, etc. Many managers are already involved in this scheme. Finally, I would add that, in a group where we have more than a hundred and sixty professional activities – around forty are just for customer relations! – the director alone cannot oversee everything. I therefore rely on empowering everyone to enable the group to move forward.
In terms of governance, I have changed the Executive Committee. Once again, the original idea was to be less focused on the business and more on our usefulness, which requires in particular an individualised relationship with our customers in all of our problem areas. Well, barely three years ago, my Executive Committee had an average of fifteen years’ service and was focused on business expertise... I now have four people on the Executive Committee with an average of four and a half years’ service. This choice is based on agility, more than expertise, and on the ability to understand social phenomena, the transformations that are taking place and the evolution of cities and, ultimately, this is what counts. Let me give you an example: Century 21 is built on an old model. Today, everyone would tell you: what are estate agencies for, physical networks? In reality, Century 21 is our best-performing network in terms of market share, it reports growing profits, a margin appropriate to this type of service company and Les Echos has just voted them number one in customer relations for the second year running. Why? Because the director of Century 21 has fully grasped the importance of building a genuinely individualised customer relationship, by adapting to changes in demand and technology.

HAVE YOU EXPERIENCED DIFFICULTIES SUSTAINING EVERYONE’S BUY-IN TO THE NEXITY TRANSFORMATION?

AD: The old world is unable to die and the new one is struggling to be born. In other words, the world is changing, it has even changed already, but still we haven’t understood everything that these changes entail. So how do we bring teams on-board for a voyage into the unknown?

This is a huge question. Paradoxically, the first difficulty is due to our success. When we founded Nexity, with Stéphane Richard, the turnover totalled 200 million euros. In 2017, we reached 3.5 billion euros. Of course, we can be proud to be the leading residential property developer and of having the best margin in the sector. But how can we break...
down barriers when everything is going well? How can we continue to transform ourselves and prepare for the future when we have very positive historical results and prospects for the next three or four years? It’s a little as if we had a very high-performance petrol engine and I told my teams: now we have to switch to a battery-powered motor. It’s not instinctive. But it is absolutely essential to anticipate the future now to avoid being overtaken within a few years.

I encounter the second sensitive issue with middle management. We have implemented measures that enable employees to increase mobility and autonomy. For example, we offer all our managers the chance to work from home one day a week and use Skype if necessary. Similarly, we have installed the Voutch module, which allows us to set up meetings, recall the objective, the agenda, the people supposed to be present, etc. In this situation, managers see their usefulness reduced and some feel a little lost. In reality, their usefulness has not disappeared, it’s nature has just changed: their role as controller is replaced by a role as facilitator. So the challenge for me is to ensure that they understand this change and the transformation taking place, and that they buy into it. Once this is done, another difficulty arises: it is their responsibility to initiate change within their teams. But this is only possible if their actions are consistent, if they lead by example. And, as you know, setting an example is extremely difficult, because it leaves no room for interpretation or error.

ULTIMATELY, NEXITY’S SUCCESS SEEMS TO BE BASED ON CONSIDERING THE RISK INHERENT IN A SITUATION AND ON A STRATEGY THAT COULD BE QUALIFIED AS INFORMED OPPORTUNISM? 21

AD: What you say reminds me of an event in my life, a meeting that was very important to me. Thirty-seven years ago. While bored in Roubaix, I went to a lecture on the game Go given by a certain Jean-Christian Fauvet.22 This event transformed my way of looking at the world and business strategy. Since then, I have only worked on the fringes, on ‘inherent risk in situations’ as you put it, where others haven’t gone yet. I believe this explains a large part of Nexity’s success. Thus, in 1996, I told my teams: ‘Our only interest now is to house people who don’t have much income, so we are going to focus everything on first-time buyers.’ At that time, all the market players set upon me, they took me for a fool and were convinced that the only way to make money was to get closer to customers who had it... Well, at present, everyone is in the first-time buyers’ market. Similarly, today we are the first to explore ANRU areas focusing on urban regeneration. As I see it, this is also a Go strategy...

21 These two concepts were developed by François Jullien, a specialist in Chinese studies, philosopher and Hellenist. François Jullien works with Ixia & Partners as it considers corporate transformation (see numbers 12, 14 and 19 of Ixia & Partners’ La Revue). In March 2018, a retrospective in the Cahiers de l’Herna was devoted to him, like other major thinkers of our time, such as Edgar Morin. 22 Jean-Christian Fauvet worked with Ixia until his death in 2010. For more information, particularly read ‘Le manager joueur de go’ (The Go-playing manager), by Marc Sima and Jean-Christian Fauvet (published by Editions d’Organisation in 2007).
INSURANCE IS A HISTORICALLY STABLE SECTOR. WHY DOES IT NEED TO BE TRANSFORMED TODAY AND WHY SHOULD IT BE DONE URGENTLY?

SD: Indeed, insurance is a reputedly stable sector, probably because it is a long cycle business. For example, accepting credit risk insurance means managing a risk over five to twenty years (thirty to forty years for retirement pension insurance).

But in recent years, the sector has experienced three major simultaneous events, expected or not, which are disrupting the business. The first was the combination of Solvency 2, a systemic regulatory change for insurers, and the fall in long-term interest rates.
STÉPHANE DEDEYAN

A graduate of the HEC business school, the Institut des Actuaires Français (French Actuaries Institute) and the INSEAD business school AVIRA cycle, Stéphane Dedeyan began his career as a consultant at Eurosept and then AT Kearney. He continued it in the Insurance sector, first at Athéna Assurances in 1996, then at Generali from 1999.

After holding various positions, he took over general management of Generali Patrimoine in 2006 and joined the Generali France Executive Committee. He gradually broadened his responsibilities to take up the position of Deputy Chief Executive Officer of Generali France, from January 2014 to December 2017, responsible for insurance activities.

From June 2011 to December 2017, he was also Chairman of the Personal Insurance Committee of the Fédération Française de l’Assurance (French Insurance Federation). He is now Deputy Chief Executive Officer of the VYV group, a leading health insurer in France.

change despite

Regulations and long-term interest rates are two pillars of our business. And they have been profoundly changed by the legislator and the economic crisis.

The second phenomenon that also hit all other sectors hard is the upsurge in data. For insurers, this new data influx is both an opportunity and a threat. Who could have imagined five years ago that we would be able to monitor water, gas and electricity consumption in our homes in real time, simply and at a modest cost? We are now able to detect the slightest anomaly in equipped homes at an early stage. The possibilities for reinventing the customer experience and our business are immense. Ultimately, data will revolutionise the science of risk and risk prevention, our core business. The matter of data is also complex for business leaders. Which technology do you have to choose in an environment that changes nearly every month? What solution should be adopted when customer usages are not mature? How can we bring such an innovation into an industrial model like ours, with a very strong culture? How can we offer new insurance products quickly and at what price, when the science of risk has, since its creation, been based on long-term cycles? Moreover, we must keep in mind the potential shift of paradigm caused by data on risk pooling, which is at the heart of our profitability, and its social consequences: today, for example, pooling allows us to insure serious physical injuries on
Motor insurance (several million euros per claim) by collecting individual premiums at €450 per vehicle. If companies over-segment the market by using data and decide to accept only the ‘right’ risk, our social balances will be overturned. We will then lose our sense of purpose as an insurer.

The third and last phenomenon is what I call the ‘new normal’ of customer relations. It is now possible to pay your taxes using a flash code, use one-click ordering and get a delivery at almost any hour of the day. Companies like Amazon or AirBnB give refunds for an incident without requiring justification. In principle, they trust the consumer. This is a shock for us. At the same time, legislation continuously reinforces requirements for traceability and supporting documentation which prove that we fulfil our duty to advise. So we need to square the circle: maintaining a simple customer relationship seamlessly, effortlessly AND meeting rigid and restrictive compliance requirements. A very tough paradox for our employees, trained to be compliant with legal and regulatory aspects. The threat is real: we are leaving an empty space in the customer relationship by not properly meeting our customers’ expectations. This space may be taken by players other than insurers. We have already had alerts with Google. Amazon recently announced its intentions in health insurance.

Today, all insurers qualify their environment as VUCA, as you intend it to mean in this issue of La Revue. They all have major transformation challenges, at an unprecedented scale.

**IN THIS VUCA CONTEXT, WHILE PEOPLE ARE NOT AWARE OF THE CHANGE URGENCY, WHICH TRANSFORMATION STRATEGIES HAVE YOU ADOPTED?**

SD: It’s true there was little or no sense of urgency. This is explained by a strong cultural trait of insurers. Insurance is a balance sheet activity, so the profit for the following year is largely already predictable. This creates a specific relationship to time. Insurers are therefore ‘structurally’ conservative.

From there, we considered two approaches: one at the fringes, the other at the core. Meeting start-ups, InsureTechs, investing in them, without integrating them into the core activity, is a first approach. This is a way of doing things, but the risk is that we only scratch the surface of the organisation.

The second one, which we preferred at Generali France with Éric Lombard, is to fully embrace our new business operating conditions and simultaneously transform practices, culture, internal operating methods and organisations. Vast but detailed work that guarantees the company’s long-term survival. A change without the possibility of going back. We chose this approach because Éric and I were convinced about the future change for our businesses. Moreover, the peripheral approach is really only a first step: to get straight to the point.

Once this choice had been made, we began a first phase of strategic thinking. We decided to involve a very large number of people: over 900 out of 6,000 employees have been progressively involved in the thinking process:

Mobilising 900 people in a few months is a matter of method. We have to be structured and rigorous without being rigid. A demanding approach for everyone. In practical terms, the strategic thinking was conducted in concentric circles: the Executive Committee, the 100 directors, the 600 managers and the employees. At each time we have the right to challenge and the duty to inform ourselves and review subjects in detail, while maintaining overall
consistency. This requires everyone to have a great capacity to challenge and call the discussed topics into question. We were looking for everyone to get involved, impossible to achieve if everything had been written down in advance by the Executive Committee. It was a huge personal experience for all of us.

HOW DID YOU ACHIEVE THE INVOLVING OF THIS LARGE NUMBER OF PEOPLE?

SD: First step: 'Food for thought'. We all needed to deeply understand the trends at work. All together. We held more and more learning expeditions, meetings with start-ups, with companies from other sectors. This ‘Food for thought’ has been the raw material of our thinking process. The sharing and understanding of this raw material have been conducted in concentric circles: the Executive Committee, directors, managers and employees. This step was crucial; its effects were felt throughout the process and even several years later. A very profitable investment.

In a second step, we built the 10-year Generali Vision together. A period of debate, reflexions and passionate discussions, during which we tackled various but interdependent themes: customer relations, offer, distribution, brand policy, risk policy, etc. This vision was developed by the first two circles, the Executive Committee and the directors. Leadership of the vision must logically be taken at the highest level. In practice, the strawmodel of vision produced by the Executive Committee was rightly challenged and the third of it has been therefore modified by the directors. This choice puts the business leader off-balance: he has to express his convictions while listening
to the field continuously. But the benefits are also real: on certain subjects, the Executive Committee was too remote from the complex reality of the field; above all, this made it possible to launch our transformation without a fuss. As I could often observe, the contributors themselves immediately began to implement aspects of the Vision and to consider them in their day-to-day decision-making, with no effort or enforcement on our part.

This vision being expressed and shared, we then had to roll it out. For this third step, nine projects have been launched, including four for the Generali market segments (Private Individuals, Affluent, Small-scale businesses, Large-scale businesses) and five cross-company segments (customer knowledge, offer platform, distribution, digital and affinity approaches). This breakdown was the subject of an informed debate: it generated overlaps between the market and cross-company projects. Was this relevant? And, if so, how would these overlaps be managed? We decided to accept them. They were a key ingredient of our decision-making process. In highly uncertain circumstances, the conventional ROI, in addition to its structural limits, was no longer a relevant selection criterion. We considered that if two professional teams had the same idea, the same intuition, from two different perspectives, then it could be included in our plan. This principle has proven to be very effective over the long term. The Executive Committee rarely exercised its right of veto and this was an additional factor to motivate the teams.

To involve all employees, ‘creative units’ have been set up. Transient units, with a pre-determined beginning and end, focused on a specific subject, linked to one of the nine projects, with a precise specification. Casting was done thoroughly, with
We shared the desire to make a success of Generali’s necessary transformation.
We don't hesitate to reveal our differences of opinion, an essential and, in our opinion, exemplary attitude in complex and uncertain environments.

We started on good initial terms: we shared the same professional and personal values, as well as the same vision for evolution of the insurance sector. And the shared desire to make a success of Generali’s necessary transformation.

But a partnership does not work spontaneously, it has to be built. Éric and I therefore worked daily on strong symbols of unity, the balance between our speeches and our decision-making processes. We have put subsidiarity into practice between ourselves, in the committees we chair and during holiday periods. We were united in our decisions. Not a day goes by without us chatting for a few minutes or longer on various topics. No question of boundaries between us in our discussions. In the Executive Committee or other bodies, we don't hesitate to reveal our differences of opinion, an essential and, in our opinion, exemplary attitude in complex and uncertain environments. We would not be able to agree in principle on all subjects! To do otherwise would be to negate the value of the partnership! Our partnership is therefore supported by trust, collusion and shared values, but also by differences in skills, experiences and emotions. While our career paths have moved apart, there remains a firm and honest friendship between us.
TO CONCLUDE, CAN YOU TELL US SOMETHING ABOUT THE RESULTS?

SD: We experienced a huge amelioration of Generali France’s economic performance. In a nutshell: nearly 50% improvement in operating income, net income multiplied by 4, improvement in our financial results (return on capital improved by 5 points to nearly 13%) and our prudential ratios (solvency ratio improved by over 80 points, close to 200%), operating efficiency improved by 7 points (costs/income ratio), a rise of the number of customers and contracts. In General Insurance (Motor, Home, Business Risk), 7 percentage point improvement in the combined ratio and long-term and net return of this ratio below the crucial 100% threshold. In Life Insurance, 20 point improvement in profitability. Doubling of the Protection/Health business in profitable segments.

Our transformation is a story based on our collective intelligence and our actual ability to challenge ourselves continuously and in complexity. By rereading your articles on the Alert Company, I notice that we have worked on its 5 dimensions: anticipation by Food for Thought; aspiration by building and sharing the Vision; autonomy with our concentric circles, creative units, trust and our decision-making methods; authenticity by integrating what Generali was at the time; agile by accepting redundancy and rapid implementation processes.

I think the choices we have made regarding our action strategy have enabled us not only to save approximately two years, but also to achieve higher results than we could have expected. Our transformation has also brought out talents and personalities. I won’t mention any names, but there are many of them and I am very proud of their journey. I thank them for their involvement and commitment.
YOUR FUTURE HAS A FUTURE,
LET'S BUILD IT TOGETHER

Whatever your challenges – strategy, innovation, operational excellence, digital, management, etc. – our teams are at your side to answer the questions that determine your company’s future. With optimism and responsibility, we cultivate the interdisciplinary approach necessary for your transformation projects to succeed.

We are a consulting group, The Transformation Alliance, with 500 consultants – including 200 in France – and 14 offices around the world.

For further information, please contact
Laurence Dothée Steinecker
laurence.dothee@kea-partners.com