

TRANSFORMATION IN THE DRIVER'S SEAT

For Faurecia — a world leader in auto parts manufacturing — revolutionizing results began by reengineering corporate culture.

BY JEFF BOUNDS

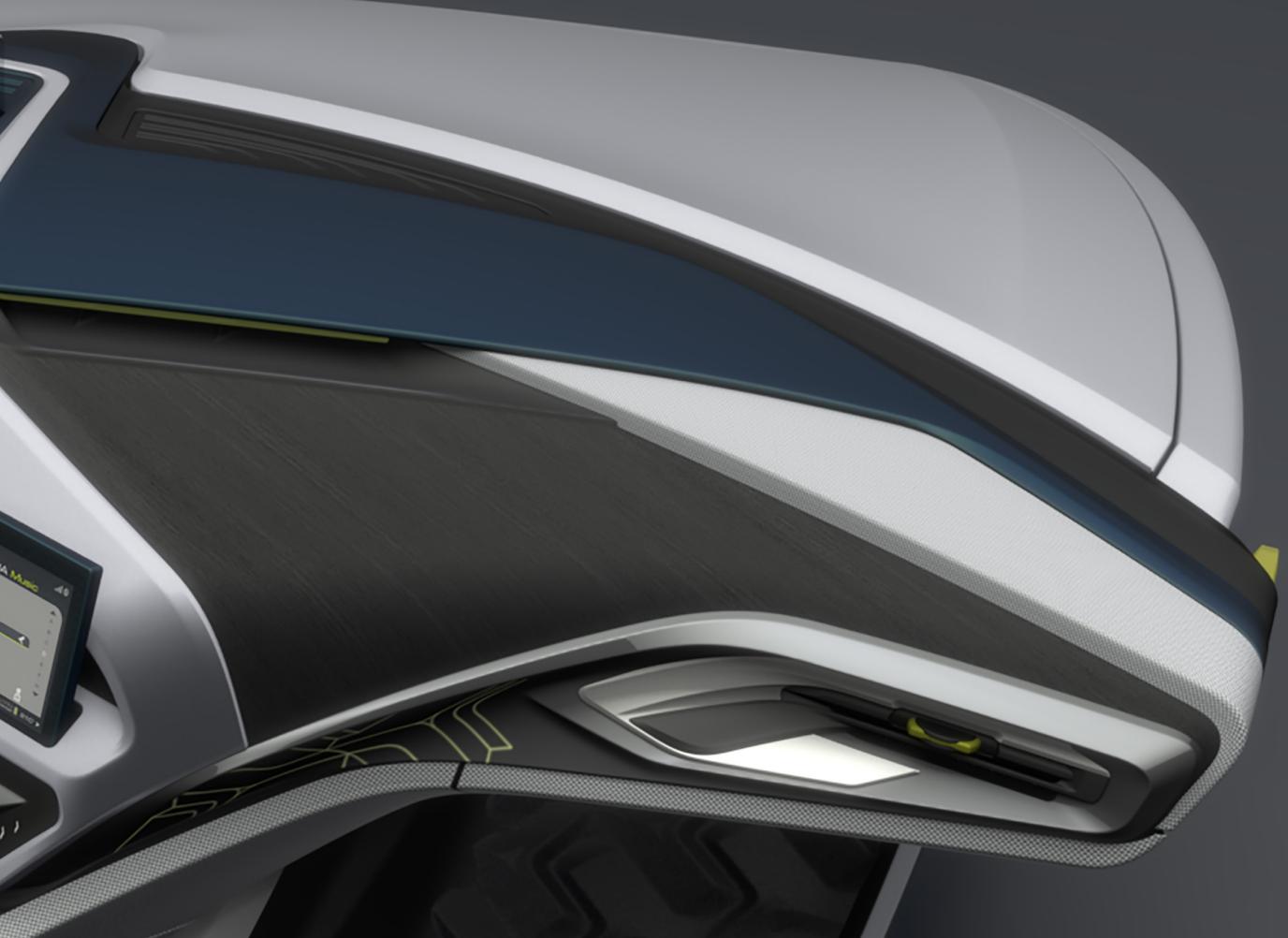
Over the past five years, Faurecia has achieved a great deal. It has doubled its size to reach € 18 billion in 2013 revenues and to become the sixth-largest maker of autoparts in the world, according to *Automotive News*. The company, headquartered in Nanterre, France, operates 320 production sites and 30 research and development centers across the world.

Its customer list includes all the major automakers: Nissan, the Volkswagen Group, Ford, General Motors, and others.

Coming out of the 2008-2009 economic downturn — at a time when many companies were slow to reinvest their resources due to lingering concerns about market instability — the French company's leadership team took a proactive stance, readily identifying areas and processes that were ripe for enhancement.

Doubling the number of employees in just a few years had put a huge strain on the management system. In addition, two major acquisitions had brought different cultures into play, including the doubling of the company's size in North America.

As a consequence, the company had become increasingly top-down and focused on its procedures and reporting. The result was that local managers no longer felt accountable for their performance and decisions had to be passed to the remote headquarters in France.



"We realized that we could experience a fantastic return on investment if we explored ways to empower our employees in a way that didn't feel like the top-down approach other companies sometimes use, which we felt was inefficient and too administrative," says Patrick Koller, Executive Vice President of the Automotive Seating Business Group.

TRANSFORMATION: BEING FAURECIA

At the beginning of 2014, Faurecia launched a new initiative dubbed "Being Faurecia" aimed at transforming the company's management style to be one where employees take responsibility both for the targets they are supposed to meet and the ways in which they achieve them.

"We have decentralized our organization," Koller says. "We are trying to simplify and reduce the complexity of our organization wherever possible, and make people autonomous and accountable."

Faurecia has two broad types of divisions, which Koller calls

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"the key elements of our organization." One division type is regional, meaning managers are in charge of large geographic territories, such as North America, Europe, or China. The other type of division centers on product lines, albeit with global scope. "We make sure we produce products to the same quality level in different locations," says Koller, who also notes that division managers are both accountable and autonomous. Managers are given benchmark targets, and then propose budgets of their own. "We want our managers to behave as entrepreneurs," he adds. They are responsible for the company's assets and for creating value. Be they managers of plants, programs, or customer business units, these entrepreneurs have benchmarks, and they work in concert with corporate leadership to set their targets accordingly. Furthermore, given Faurecia's progressive culture, they have significant flexibility in how to achieve them.

To help deploy the new culture, Faurecia has also nominated "Being Faurecia Champions" in each division who essentially



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conduct themselves as role models.

"We make them visible so others can understand how to behave and what's expected," Koller says. To get all employees on board, Faurecia managers and executives spread the message about goals and expectations.

"We elaborate with the team so it's their objective," Koller says. "They accept this objective in order to be recognized as a performer in our organization." To chart progress, Faurecia utilizes score cards, which maintain performance scores and the results that each business unit is to achieve. "That's a very useful management tool," Koller says.

REFINING ITS EDGE

Although the business launched the Being Faurecia project recently, it has been working for years to hone its innovative edge. Since 2006, it has launched three "think tanks" – collectively called the global xWorks network – in Germany, Shanghai, and Michigan, along with an outpost in Palo Alto.

The think tanks' purpose is to build

relationships with universities, research centers, and other companies with which Faurecia can cooperate on future products, such as automotive seats.

"They fulfill a critical role, helping us to understand consumer needs," Koller says. Through this network that the think tanks are forging, Faurecia also has what are called "technology scouts" whose job is to keep tabs on products, services, and innovative thinking from newcomers to the market. "We want to explore ways these ideas could create value," Koller says.

THE CHALLENGE OF AN EVOLVING CULTURE

Fewer things are tougher to change at a large corporation than its culture, experts say. "Culture change, by definition, is not for the faint of heart," says Larry Peters, professor of Management & Leadership Development in the Neeley School of Business at Texas Christian University. "We're not trying to change one person at a time," Peters adds. "We're trying to change all the people [in



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the business] all the time."

To succeed, any culture change initiative needs to involve all level of leaders in the business — from executives to the employee on the production line, says Bill Becker, a professor at the Neeley School. "You need to get them to buy in, he says. "Then, leaders should address and understand any concerns their people may have. That's when they'll start to believe it."

"This is the approach taken at Faurecia where the new culture is being deployed in service of real business issues," says Katerin Le Folcavez, partner at Insigniam.

ACCELERATED RESULTS

All the work aimed at changing the business seems to be paying off. Koller reports that by mobilizing the right resources in areas like manufacturing and engineering, Faurecia was able to put a new generation of seat mechanisms on the market within four years. "Which is short," he says. "We're now producing millions of units per year and the seat mechanism is a key element in safety, so we can't take any shortcuts."

"What is also very encouraging is how much the teams at the divisional level now own their targets," says Le Folcavez. "Prior to the new culture, we had gotten to the point where someone in France was supposed to validate the recruitment of a quality supervisor in Mexico, even if the situation was urgent and within the budget of the plant," Koller says. Now,

local teams are responsible and the number of validations has been slashed from seven to three.

The most notable thing about Faurecia's overhaul, according to Koller, is how the employees have reacted. "What's remarkable about this initiative, this cultural shift, is the enthusiasm we've generated," he says. "We're telling employees that they're the creators. We're telling them what the expectations are, and it's up to them to help transform the company."

That, in turn, has led to a big change in how management and employees interact. "We've been able to improve communication and give better direction to our employees, which has resulted in more trust, greater empowerment, and more autonomy to the people," Koller says.

Koller also concedes that large-scale, strategic transformations and more granular tactical changes can be difficult for everyone involved. "A few years ago, we weren't prepared for this," he says. "It took time to get the results to where we wanted, to have a good chance to perform."

But even now, he says, the evolution at Faurecia is alive and organic.

"Will it be easy? Not every day. We have to deal with issues related to this significant change," he says. "But I'm optimistic. People are dealing with this at the right level and with the right understanding."