



## Usinor and the French Steel Industry: From “Private” Monopoly to “Public” Competitor, 1948-2001

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During the 1980s an intense debate began on the role the French state had taken in economic regulation and industrial structure. A close study of the steel industry—in particular of Usinor, one of the most important French steel companies—shows that the public sector has influenced private business. Just after World War II, there had been intense political and industrial debates concerning the necessity of nationalizing or reorganizing the steel industry. One argument for claiming financial support and resisting nationalization was that the steel industry should be viewed as a kind of “public service.” From 1948 onward, Usinor, like most of the French steel industry, directly or indirectly received public financial support. Usinor recruited many senior managers (trained in some of the most selective schools) from within French ministries. Appointed to high-ranking positions in Usinor, they brought, apart from their technical and intellectual competence, a wide technocratic, social, and sometimes political network from French administration and society.

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During the 1980s an intense debate began on the role that the French state had taken in economic regulation and industrial structures. Critics, mostly members of right-wing parties and neoclassical economists, pointed out the lack of efficiency in the state’s budgetary and monetary policies, as well as its inappropriate industrial strategies or lack of legitimacy as owner of large sectors of French industry. They proposed to reduce the size of French government and to loosen state control over the economy. Soon after, the Socialist Party and some former keynesians began to support this point of view. In addition to privatizations and cuts in the number of civil servants, innovations and sources of efficiency were sought within the private sector or large corporations. Experts and politicians strongly supported the

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implementation of methods, business models, and management tools as ways to modernize the country. Reflections on public-private frontiers are not new. Looking back, we can see that this issue is cyclical. A close study of the steel industry, and especially of Usinor, one of the most important French steel companies since 1948, shows that the public sector has been a source of influence for private business through economic regulation, financial support, and, indirectly, by providing the steel industry with selected and well-educated engineers, senior executives, and management tools.

Just after World War II, there were intense political and industrial debates concerning the necessity of nationalizing or reorganizing the steel industry. It is interesting to see the arguments of those who were pro-restructuring (Alexis Aron, for example). One argument for claiming financial support and resisting nationalization was that the steel industry should be considered a kind of “public service,” rather than a purely capitalistic and competitive sector.

From 1948 onward, Usinor, like most of the French steel industry, directly or indirectly received public financial support. This brought a decrease in Usinor’s financial costs and at the same time helped keep non-competitive plants or companies alive. First, the French state allowed the employers’ organization, CSSF (Chambre syndicale de la sidérurgie française), to borrow funds collectively for steel companies. Second, it backed some of their private loans. Finally, of course, it saved Usinor through a national mortgage and nationalization during the 1980s and 1990s.

Many Usinor senior managers, recruited from within French ministries, trained in some of the country’s most selective schools (such as the *Ecole Polytechnique* and the *Ecole des Mines*). Apart from their technical and intellectual competence, they brought a wide technocratic, social—and sometimes political—network from within French administration and society to these high-ranking positions.

In this paper, I develop the idea that the state can have an important influence on private business management, not only through ownership structure, but also through indirect influence or diffusion of management models and tools among corporations, economic sectors, and the education system.

### **The French Steel Industry: A “Private” Public Service?**

At the time of Usinor’s creation in July 1948, the political and social climate was not very favorable toward industrial leaders and corporate managers.<sup>1</sup>

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<sup>1</sup> I have described Usinor’s creation in a previous paper presented at the 2005 Business History Conference in Minneapolis, Minn. For more details, please see Eric Godelier, and Muriel LeRoux, “Did the 1970s Crisis Lead to Convergences or Divergences: USINOR vs. PECHINEY? A Cross-Examination of Renewal in the

In the public's opinion, both groups were "bad" French people who were lacking in patriotism, having collaborated with the Germans during World War II.<sup>2</sup> This critical evaluation came not only from the left-wing parties and Socialist trade unions, but also from conservative parties such as the Christian Democrats (making it more painful for those being criticized), as well as the Gaullists. One of the best examples of this climate is General Charles de Gaulle's acid welcome to a delegation of employers. On October 4, 1944, a delegation of industrial "Very Important Persons," who hoped that de Gaulle would support their denial of these false accusations, heard the leader of the French Resistance pronounce them guilty: "I have not seen many of you with me in London. . . . And you are not in jail."<sup>3</sup> At that time, French economic leaders were generally seen as Malthusianist, fearing innovation and risk, and therefore responsible for the decline of France. To regain a better image, the name of the employers' organization, CGPF (Confédération générale de la production française), was changed to CNPF (Conseil national du patronat français).<sup>4</sup> Public authorities and some of the most progressive business leaders initiated this evolution.

From the very beginning, steel industrialists such as Pierre Ricard (who was previously in charge of the organization of Vichy's casting industry) also played an important role. Ricard was educated at the Polytechnique and joined the steel industry in 1938. After World War II, he was elected president of the steel industry employers' organization, the Comité des forges.<sup>5</sup> As an entrepreneur, he was a manager rather than an owner of capital. From that point on, steel employers would play a preeminent role in the new CNPF. Through their own organization, the Union des Industries Métallurgiques et Minières (UIMM), they were (and are) one of the two most important branches.<sup>6</sup> Therefore, they were able to influence (and even define) the CNPF's strategy, through social relationships and negotiations with trade unions. Nevertheless, the political and social climate was not very good for the steel industry.

French capitalists were accused not only of collaboration with the enemy, but also of economic and technological Malthusianism. To break with the past, the time had come to modernize the structures of the French

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Steel and Aluminium Industrie," <http://www.thebhc.org/publications/BEHonline/2005/lerouxandgodelier.pdf>.

<sup>2</sup> Interview of François Ceyrac, former president of CNPF, in Henri Weber, *Le parti des patrons: Le CNPF, 1946-1990* (Paris, 1991), 83.

<sup>3</sup> Henry W. Ehrmann, *La politique du patronat français, 1936-1955* (Paris, 1959), 99. J.-N. Jeanneney felt that this sentence had probably been misquoted. Nevertheless, he agreed that the atmosphere of the meeting had been very cold and tense.

<sup>4</sup> The CGPF was created in 1919 by 21 industrial federations and 1,200 employers' associations.

<sup>5</sup> In 1952, the name became Chambre syndicale de la sidérurgie française (CSSF).

<sup>6</sup> The Union des Industries Métallurgiques et Minières includes all mining, automobile, steel, and metallurgical corporations.

economy and develop the welfare state. New capitalist leaders were not only promoted from within the national employers' association, CNPF, but also, like Pierre Lefauchaux, in new nationalized corporations such as Renault.<sup>7</sup> The "Productivity Missions" facilitated the importation of many ideas from the United States.<sup>8</sup> Keynesianism took the lead in politics and economics. How did these changes affect the steel industry and Usinor?

After 1944, there were several proposals to nationalize the steel companies and the coal mines. Although the coal industry was nationalized, things evolved quite differently for the steel sector, where there were influential high-ranking civil servants in the Ministry of Industrial Production. Between 1945 and 1949, Albert Bureau, chief of the ministry's steel branch, wrote several texts organizing a nationalization process.<sup>9</sup> Among political forces, only the Communist Party strongly supported the idea. Twice, on February 28, 1945, and September 5, 1945, it submitted a nationalization law, and twice it was rejected. Even the Confédération Générale du Travail (CGT), which usually supported nationalization as a means to industrial recovery, did not want a complete change of ownership for steel corporations.<sup>10</sup> It preferred a partial nationalization in order to reduce costs.<sup>11</sup>

We can explain this strange situation by pointing to the widespread debates that occurred during this period between pro-Communist tendencies and the minority reformist group that criticized state control in France. Tensions were so high that the organization soon split, and in 1948 the minority created a new trade union, the CGT-Force ouvrière. Meanwhile, the orthodox CGT began to work more systematically, side by side with the Communist Party, for the nationalization of the steel industry. In May 1947, the Communist ministers left the government, abandoning the nationalization projects. Nevertheless, the heated debates had indirect consequences.

First, the debates about ownership rapidly expanded to include restructuring steel plants and corporations. In this industry, branch

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<sup>7</sup> Cyrille Sardais, "Leadership et création d'institution: Les actions, intentions et perceptions d'un dirigeant: Pierre Lefauchaux, PDG de la Régie Renault" (Ph.D. diss., HEC management school, 2005). PDG means president of the board and CEO.

<sup>8</sup> Dominique Barjot, ed., *Catching up With America: Productivity Missions and the Diffusion of American Economic and Technological Influence after the Second World War* (Paris, 2002).

<sup>9</sup> Philippe Mioche, "La sidérurgie et l'État en France des années quarante aux années soixante" (Ph.D. diss., Université Paris IV, 1992), 340, 565-70.

<sup>10</sup> Confédération Générale du Travail is a trade union very close to the French Communist Party. At that time, it was the most important national workers' association; see René Mouriaux, *Le syndicalisme en France depuis 1945* (Paris, 1994).

<sup>11</sup> Claire Andrieu et al. eds., *Les nationalisations de la Libération* (Paris, 1987), 262, 264.

concentration appeared to be a prior condition for possible nationalization. Some steel industry leaders proposed modernization of plant installations in exchange for a withdrawal of all nationalization projects. They developed a very interesting argument, which portrayed steel as a unique, vital part of France. They supported the idea that steel was an industry that was more like a public service than a business regulated by capitalistic rules. Therefore, from their point of view, special criteria should be used to evaluate and manage steel corporations, closer to those implemented in national strategic sectors such as the military industry and set apart from normal private companies. This was a good example of what we could call the national myth of steel and iron.<sup>12</sup> In fact, from World War II onward, the steel industry's symbolic importance far exceeded its real economic weight. At that time, it represented only 6 percent of the Gross National Product (GNP) and employed 130,000 workers, whereas the mechanical industry investments were 25 percent of the GNP and 1.3 million workers.<sup>13</sup>

The threat of nationalization had a second indirect consequence. The leaders of the steel industry used it as a cornerstone in bargaining for public financial support to speed up reorganization.<sup>14</sup> For some of them, this was simply a ploy. Others, such as Alexis Aron, clearly supported reorganization. He chaired the board of one of Usinor's mother companies: the Forges et Aciéries du Nord et de l'Est. From 1944 on, he anticipated that France would have one or two continuous rolling mills. Before the end of World War II, he prepared a three-point framework: plant rationalization, specialization, and product standardization. His plan presupposed a geographical reorganization of all steel corporations, at the end of which only three large "united steel corporations" would have remained. In a way, we can see that Usinor is a perfect example of what Aron's rationalization plan could have produced. Aron obviously had an influence on Jean Monnet's modernization commission, partly because Aron was one of its members, but also because Usinor had two other representatives: Maurice Borgeaud and René Damien.<sup>15</sup>

It is important to consider Monnet's plan for the steel industry. In 1946, Jean Monnet underlined the industry's low productivity: 53 tons of raw iron per hour in France and 90 in Germany, and the latter figure was for 1937. The first commission for the modernization of the steel industry was created on March 9, 1946. Its aim was to find the means for the industry to reach the production goals fixed by the national five-year plan: 6 million tons per year in 1947, 10 in 1950, 12 in 1952, and 15 by the end of the fifth year. To fulfill this plan, investment in several well-equipped U.S. plants was suggested. All should have a capacity of a million tons per year, considered

<sup>12</sup> Jean G. Padioleau, *Quand la France s'enferme* (Paris, 1981).

<sup>13</sup> Matthias Kipping, "L'amélioration de la compétitivité de l'industrie française et les origines du Plan Schuman" (M.A. thesis, EHESS, 1992), 109.

<sup>14</sup> Mioche, "La sidérurgie et l'État," 569.

<sup>15</sup> Both of them were appointed CEO: Damien in 1956, and Borgeaud in 1966.

optimum at that time. By this logic, in 1952, France should have had only twelve specialized plants left. Yet the industry's leaders, and especially the steel industrialists' federation, the *Chambre syndicale de la sidérurgie française* (CSSF), criticized this ambitious project, and it was quickly withdrawn. A short time later, the CSSF took control of the restructuring plan and moved to a smoother path with three steps: first, setting up modern production facilities; second, production specialization; and third, consolidating firms or equipment. In fact, most of these steps were never implemented, which delayed the closure of the oldest plants and postponed the modernization of social relationships within the steel industry.

Usinor vice-president René Damien criticized the CSSF method, believing it ignored the core issues. In contrast, he accepted that, under CSSF control, steel corporations must sign agreements and sometimes enter into programs for rationalization and modernization of technical equipment and fabrication.<sup>16</sup> This was a complete change of strategy in comparison with the cartelistic view supported by some, such as François de Wendel from a Lorraine steel family and the capitalist leader of the de Wendel group.<sup>17</sup> Implementing Damien's analysis, Usinor invested in a 0.7 million-ton U.S. rolling mill. Damien also requested support from the newly created Monnet commission, which, once granted, allowed Usinor to receive funds under the Marshall Plan. Many others would follow the path of this first public guarantee.

### **Money for Nothing: How to Share Risks and Financial Costs with the French State and the Public**

Usinor's continuous rolling mill project was ready on February 20, 1946, even before the official creation of the Monnet commission for modernization on March 9. Roger Martin evaluated the project, and it was accepted.<sup>18</sup> This recognition publicly guaranteed the project and allowed it to file a claim for Marshall funds. Help from the Marshall Plan obviously facilitated the creation of Usinor:

There was a heaven-sent opportunity to catch and we feared that there wouldn't be enough money for everybody. R. Damien<sup>19</sup>, very cleared-minded and dynamic, felt that if he didn't launch the project as soon as possible, there was a possibility of being passed over. He believed there was a risk. In fact, there was no such risk, since even our competitor Sollac had its own project; it would take almost 15 years for the Lorraine companies to come to a real agreement. The wide strip mill was ordered, paid for with Marshall francs and paid

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<sup>16</sup> Mioche, "La sidérurgie et l'État," 594-97.

<sup>17</sup> Denis Woronoff, *François de Wendel* (Paris, 2001).

<sup>18</sup> He was appointed senior CEO of Saint-Gobain.

<sup>19</sup> René Damien was trained at the Ecole Polytechnique. In 1948, he ranked second in Usinor's top management hierarchy.

back with “monkey-money” because inflation started to accelerate. On a financial basis, this operation was a master stroke.<sup>20</sup>

Like that of most of the steel companies, the financial strategy of Usinor from its very beginnings was to use public support directly or indirectly to fulfill its needs for cash or investments. Was Usinor’s financial history unique? What was the steel industry’s situation in the late 1940s and later?

Philippe Mioche and Jacques Roux have described the close relationship between this branch and different kinds of public financing, directly using public entities such as the Fonds de modernisation et d’équipement (FME), or indirectly through loans to corporations.<sup>21</sup> From 1945 to 1970, the French steel industry spent 30.45 billion francs (in 1970 value). Investment in new plant installations accounted for 75 percent of this amount. Half of these resources came from corporations (44 percent from their profits and 6 percent from capital increase), the other half from debts: around 4 percent in very expensive medium-term bank credits, 20 percent in public guaranteed bonds through the Groupement des industries sidérurgiques (GIS), and 26 percent in long-term public credits.<sup>22</sup>

During the next twenty-five years, things evolved. From 1945 to 1948, steel companies had huge cash problems. A public organization—the Caisse nationale des marchés de l’État—provided some assistance.<sup>23</sup> Market prices were frozen and the state allowed a specific compensation subsidy. At that

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<sup>20</sup> Paul Aussure, interview with author, 21 Oct. 1992; Aussure was former general manager of Usinor.

<sup>21</sup> The modernization and equipment fund. This organization was the Ministry of Finance’s responsibility. It was in charge of distributing U.S. Marshall funds. Representatives from the French Department of Industry and from the Commissariat général au Plan (the public body which coordinated the five-year plan) evaluated corporate requests for financial support. In 1953, it was replaced by the Fonds d’expansion économique and in 1955 by the Fonds de développement économique et social (FDES). Both were state bodies of the French Treasury. Philippe Mioche and Jacques Roux, *Henri Malcor: Un héritier des maîtres de forges* (Paris, 1988), 276 (all dates and figures except for those on Usinor are taken from their book).

<sup>22</sup> Le Groupement des industries sidérurgiques was an association created in 1947 after difficult negotiations with the Ministry of Industrial Production. It was a collective borrower for steel corporations on the bond market. The French state feared that the low rates could benefit unprofitable plants or companies, and artificially keep them alive. On the contrary, the state tried to select the most competitive projects to improve the steel corporations’ performance. The GIS began to play an important role after 1953 and the end of U.S. funding. After 1955, through systematic rate allowances based on the differences between market rates and lower public bond rates, the French state decreased the real financial costs of bond borrowing. In a way, one can conclude, “private debts were nationalized step by step”; see Mioche and Roux, *Henri Malcor: Un héritier des maîtres de forges*, 279.

<sup>23</sup> Created in July 1935 to back private companies or local public organizations while they were doing business with the French state.

time, they did not propose long-term public financial support of the steel industry. Because of the enormous cost of the rolling mills of Denain (in the north of France) and Montataire (60 kms from Paris), Usinor's costs were very great, around 23 billion francs.<sup>24</sup> Backed by the FME and helped by its two mother companies—Forges et Aciéries du Nord et de l'Est de la France and Forges et aciéries de Denain et Anzin—it borrowed 22 billion francs, mostly from the Crédit National.

From 1949 to 1954, public funding comprised 40 percent of the steel industry's resources. Until 1952, Usinor's financing was through Marshall funds and the FME. It received \$6.1 million between 1949 and 1950. In 1951, the FME converted the \$6.1 million debt into francs at a very attractive rate. Finally, the 1948 devaluation of the franc lowered Usinor's debt to 900 million French francs (FF).<sup>25</sup>

From 1955 to 1965, public financial support provided less than 10 percent of the steel industry's resources, using mainly previous loans' rate allowances. In 1965, the loans exceeded 60 percent of the branch expenditure. The 1966 public plan for the steel industry forecast 2.7 billion francs in support to help the reorganization of corporations and new investments. Thus, we could conclude that in the early 1970s, funding for the steel industry was as much as for all state-owned companies and much more than that for any other private industrial branch.<sup>26</sup> During this ten-year period, Dunkirk (in the north of France) was an exceptional project. Usinor decided in 1956 to build a completely new seashore plant at Dunkirk with three other corporations.<sup>27</sup> The estimated cost was enormous but, thanks to its remarkable results, bearable. Soon, the company changed the project from a heavy sheet metal plant to a continuous rolling mill installation and, in the process, bought back its two partners' shares. In 1959, René Damien estimated the investment would be around 60 billion FF.<sup>28</sup> Despite its financially favorable situation, Usinor tried to obtain public support. During the general annual meeting on May 16, the top managers stated, "It is clearly obvious that this realization can be considered only if we are sure that this plant will not be launched by the public authorities in a weakened situation in comparison with similar plants in Germany, Holland or Italy."<sup>29</sup> In 1958, the FDES<sup>30</sup> refused to finance the

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<sup>24</sup> A 1945 value of \$23 million; Eric Godelier, *Usinor-Arcelor: du local au global* (Paris, 2006), 60.

<sup>25</sup> Mioche, "La sidérurgie et l'État," 619.

<sup>26</sup> Mioche and Roux, *Henri Malcor: Un héritier des maîtres de forges*, 277.

<sup>27</sup> A new corporation was created: the Société Dunkerquoise de Sidérurgie, in which Usinor had a capital share of 51%, Société des aciéries de Firminy 24%, Compagnies de Châtillon-Commentry-Neuves-Maisons, 20%, and Banque de Paris et des Pays-Bas, 5%. Usinor took over the leadership by buying all the shares in 1960.

<sup>28</sup> 600 million new FF, EGM, 21 May 1959, Archives Usinor.

<sup>29</sup> AGM, 16 May 1957, Archives Usinor.

construction. One year later, Valéry Giscard d'Estaing, Secretary of State for Finances, explained that: "The state could support them through a rate allowance only if the capital market was not able to finance the plant in Dunkirke."

On the other hand, the Minister of Industry strongly defended public support. In 1961, Usinor once again petitioned the FDES, which again rejected the claim; they finally accepted the claim in 1962.<sup>31</sup> Nevertheless, Usinor had to find other resources. The company increased its capital in 1959 from 331 to 500 million FF. That was not enough. In 1956, 1957, and 1958, Usinor borrowed large amounts of money through the GIS and became its biggest user from 1956 until 1962 (the company had been in second place in 1953 and 1954).<sup>32</sup> From 1960 to 1964, Usinor had to find 2.6 billion new FF, 1.6 billion for Dunkirk. In addition to the GIS bonds, Usinor also used public funds. At the beginning of 1961, they received 100 million FF from the European Coal and Steel Community (ECSC), in October 1960 and in 1961, two infusions of 40 million FF from the Caisse des dépôts en consignation.<sup>33</sup> Funds from the GIS totaled 60 million FF in 1966, 100 million in 1967, and 130 million in 1968.

During the 1970s, Usinor remained very close to the public authorities, especially after the 1978 "shadow" nationalization.<sup>34</sup> At the beginning of the 1970s, Usinor had to invest in order to increase production at Dunkirk from one to eight million tons per year. In 1972, Usinor, pushed by the French state, took a capital share in the Fos-sur-Mer seashore plant from its competitor Sollac. These events increased both financial needs and public intervention. Usinor turned to its old methods once more, borrowing 50 million FF from the GIS in 1970, 110 million in 1971, 465 in 1972, 310 in 1973, and 205 in 1974, reaching a maximum of 627 million in 1975.<sup>35</sup>

The oil crises and a decline in the demand for steel led to a very difficult situation.<sup>36</sup> In December 1976, the top managers recognized that they were facing a real crisis. In the early days of 1977, Usinor, with no cash left, was virtually bankrupt. For the first time in its history, Usinor faced heavy losses, and its needs were so great that it used medium-term private bank

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<sup>30</sup> See note 21.

<sup>31</sup> Probably after an intervention by Albert Bureau, the head of the Steel and Iron Industries Department of the Ministry of Industry.

<sup>32</sup> The total amount from 1953 to 1962 was likely far above 400 million new FF.

<sup>33</sup> At that time, the five-year plan commission used this public organization as a bank to support local installations.

<sup>34</sup> Usinor's housing policy, inherited from nineteenth-century paternalism, one example of these close relations. For Dunkirk workers, the company's top management decided to invest in new flats through a public real estate organization specializing in low-rent flats (*habitations à loyers modérés*). For more details, see Godelier, *Usinor-Arcelor*, 162, or Guy Groux and Catherine Lévy, *La possession ouvrière: Du taudis à la propriété (XIXe-XXe siècles)* (Paris, 1993).

<sup>35</sup> AGM reports of 1970 to 1975, Archives Usinor.

<sup>36</sup> For more details, see Godelier and LeRoux, "Convergence or Divergence?"

loans. For the 800 million Fos-sur-Mer operation, the FDES helped Usinor with a loan of 400 million at 5 percent interest. The Crédit National, a publicly supported bank, financed the rest with another 400 million loan.

It is interesting to compare France with other European countries such as Belgium or Germany, where private banks had always had a strong role in supporting the steel industry.<sup>37</sup> After 1972, Usinor used private banks, not only for short-term credit, but also for medium- and long-term loans. The banks also helped the company sell GIS bonds to the public. Usinor used two major banks: the Banque Nationale de Paris (BNP) and Paribas, and two less important ones: Société Générale and Crédit Lyonnais. Nevertheless, the situation was not good. In 1976, for the first time, private banks began to raise mortgages on Usinor plants; the French state and GIS soon followed. It was a complete turnaround. In 1977 and 1978, the financial difficulties worsened; losses reached 75 percent of capital, which legally should have imposed a shutdown of Usinor. On January 9, 1978, the French state, GIS, and Usinor signed a series of agreements that allowed stretching out of payments until the end of March and April 1978 (to allow Usinor to find 30 million and 60 million FF, respectively) to reduce the cash-flow problems. In May, Usinor's top management accused the state of being responsible for Usinor's poor financial situation. Because it had strictly controlled steel prices since the 1950s, and imposed the buying of Fos-sur-Mer in the 1970s, the French state had decreased the company's profitability; therefore, it was the state's duty to help Usinor and find a solution.<sup>38</sup> Instead, Usinor's creditors soon found a solution and the firm's top managers and shareholders were shunted aside.

In the spring of 1978, talks began among creditors. In a September 20 press conference, René Monory, Minister of Finance, and André Giraud, Minister of Industry, presented an agreement signed a few days earlier with the three remaining French steel companies: Usinor, Sacilor, and Châtillon-Neuves-Maisons. It had two objectives: to increase the shareholders' equity and to reduce financial expenses through debt transformation into a specific type of capital shares.

There were two steps involved in increasing shareholders' equity. To clear the losses, Usinor's capital was reduced, then increased, with only one new holding allowed: the société financière Usinor-Châtillon. This holding's capital was controlled by Usinor's creditors: banks (30 percent), Caisse des dépôts et consignations, (30 percent), FDES (15 percent), GIS (15 percent) and Crédit National (10 percent). Combined, they had 67 percent of Usinor's capital. Actually, this constituted shadow nationalization. One must remember that Raymond Barre's right-wing government was

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<sup>37</sup> Philipp Messerlin and Christopher Saunders, "Steel: Too Much Investment Too Late," in *Europe's Industries: Public and Private Strategies for Change*, ed. Geoffrey Shephard, François Duchêne, and Christopher Saunders (London, 1983), 52-81.

<sup>38</sup> Board of Directors, 11 May 1978, Archives Usinor.

anticipating a political defeat in the 1978 general elections. For François Mitterrand's Socialist program, nationalization was a key issue. Ironically, Maurice Borgeaud, Usinor's chief executive officer, made a strong statement to defend small shareholders, even though there had never been many: "I wish it were possible to find a solution that could preserve small shareholding interests in a situation where the responsibility of the public authorities is clearly engaged and where the nation has a moral debt toward its steel industry."

Reducing financial expenses involved organizing a quasi-moratorium to transform the FDES credits into long-term, very low-rate loans.<sup>39</sup> These credits represented 20 percent of Usinor's debts. The public entity, the Caisse d'amortissement pour l'acier (CAPA), managed GIS and Crédit National debts. GIS loans represented 36 percent of Usinor's debts. The French Treasury supported CAPA and paid 2-3 billion FF for Usinor's cash annually to preserve the French bond market's equilibrium. Usinor's new capital led to a change in the company's top management. On December 1, 1978, Claude Etchegaray was appointed CEO through the support of the bank Paribas. With the official nationalization of Usinor in 1982, after Mitterrand's election as president, Raymond Lévy replaced Etchegaray.<sup>40</sup>

This plan had industrial as well as financial impact. Several plants (for example, Thionville and Valenciennes) were supposed to close as soon as possible. Facing growing social pressure and fearing the loss of the forthcoming 1978 general elections, the government, with the employers' federation UIMM and the trade unions, organized a general early retirement and transfer scheme, the Convention générale de protection de la sidérurgie (CGPS). Workers aged at least 56 could retire with 95 or 100 percent of their wages, and workers moving from closed factories or workshops were to replace them.<sup>41</sup> By the end of 1977, 4,500 workers had benefited from the CGPS. Between April and December 1979, the Usinor work force dropped from 45,000 to 40,200. Violent public reaction to these staff reductions led to extending the CGPS until 1991 to smooth the plant closures in Denain and Longwy.

The French government financed this social scheme, and estimates show that each early-retired worker during this period cost between 100,000 and 120,000 francs.<sup>42</sup> How did the financial relationship between Usinor and the French state evolve between 1980 and 2000?

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<sup>39</sup> PACS (prêts à caractéristiques spéciales) with a rate of 0.1% per year for five years and 1% after that, based on Usinor's results.

<sup>40</sup> Godelier, *Usinor-Arcelor*, 377.

<sup>41</sup> The left-wing government reduced the official retirement age in France from 65 to 60 by 1982. The age requirement for the CGPS was lowered to 50.

<sup>42</sup> Around 120,000 employees and workers left the steel industry after 1974. The overall cost of this early retirement scheme to the public treasury can be valued at between 12 and 14 billion FF.

In 1986, Usinor merged with its old competitor Sacilor, and Francis Mer was appointed as CEO. Even then, the company's situation was rather fragile. It was not until 1988 that Usinor-Sacilor earned its first profits since the 1974 oil crisis. Nevertheless, from 1991 to 1994, the group again faced heavy losses and growing debt.<sup>43</sup> The new European Community rules prevented intervention by the French state, but public authorities found an indirect way to help Usinor-Sacilor. In 1991, a public bank, the *Crédit Lyonnais*, took a 20 percent share of Usinor-Sacilor's capital. The company also started to sell businesses that were not directly involved in the high value-added production of flat products. These operations brought some cash flow, but a change of political majority led to a new series of privatizations.

Did that mean that the close relationship with the French state was definitively broken? Not really. In May 1995, with Usinor-Sacilor's value estimated at 15.7 billion FF, the company was privatized. It is interesting to note that only 77 percent of the company's capital was sold, and that 55 percent of those shares were reserved for institutional investors, most of them with public status. Usinor-Sacilor changed its name to Usinor. Once again, the French state was not far away. Perhaps this long, close relationship can be explained by the fact that, since World War II, almost all of Usinor's top managers were trained as civil servants (at the *Ecole Polytechnique*, for example).

### **From State to Steel: The Demography, Education, and Management Models of Usinor's Top Managers**

One of the sources of inspiration for the behavior and models of Usinor's senior managers was, most certainly, the French state. The first path of influence had a demographic element, for almost all Usinor's CEOs from 1948 to 2000 had been educated at the *Ecole Polytechnique*. The second path of influence was the choice of management tools.

The first step in a precise demographic study must be an attempt to clarify the definition of management leaders or top managers. From its very beginning, Usinor's headquarters was rather small. It was not until the late 1970s that the number of general managers climbed from 80 to 450.<sup>44</sup> From a Chandlerian point of view, Usinor's case seems strange. The increase in the company's size should have led to a dramatic change in the number and type of top managers, the creation of a multi-product structure, and a more centralized and rationalized organization. With technological complexity, family control of capital and management was supposed to

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<sup>43</sup> From 20.8 billion FF in 1989, the debt climbed to 27.8 billion, essentially because of difficulties with long product subsidiaries.

<sup>44</sup> Godelier, *Usinor-Arcelor*, 406. Some sources say that only 45 people were really working in Usinor headquarters; *ibid.*, 255. During the same period, the number of staff climbed from 15,000 to approximately 39,000.

become less prominent, to be replaced by public ownership and technocratic management.<sup>45</sup>

Here we can see Alfred Chandler's approach to corporate change as a very Hegelian explanation of historical moves toward modernity and progress. This common interpretation of Chandler's model is widespread, even if it is partially incorrect.<sup>46</sup> We can view the appointment of new corporate elites as a definitive step out of the past and into the future, from closure to openness, from local to national or global, from tradition to modernity, from conservatism to progress and innovation.<sup>47</sup> Nevertheless, this model is not a practical tool for understanding the history of Usinor's ownership and top management.

On the one hand, "modern" managers trained and influenced by the French state clearly inspired the company's strategy and management. On the other hand, the heirs of the traditional steel families were never far away, and from time to time they gained new seats on Usinor's board of directors in the wake of mergers and acquisitions. Who then were the company's real leaders?

Before attempting to answer this question, it is important to define the categories of actors involved in strategic management. Who really were Usinor's top executives and business leaders? This is not a simple matter to resolve.<sup>48</sup> Should corporate historians focus on official status without trying to evaluate the officeholder's real power? Although understanding the power dynamics may be easy to do for CEOs, what about those in other roles, such as senior executives and engineers? Should we assume that members of Usinor's board of directors were as powerful as its senior executives? Here, official status and linear responsibility are not sufficient to answer the question fully. It is important to study the social and family origins, the education, training, and the cultural references of these "other" leaders. This will help to determine commonalities and differences among top executives, shareholders, and stakeholders. Obviously, in doing this, there is a risk of pushing past, even dissolving, the limits of the common definition of top managers. Despite the vastness of the subject, a brief theoretical debate is necessary to understand Usinor's senior executive history.

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<sup>45</sup> Alfred D. Chandler, Jr., *Strategy and Structure: Chapters in the History of the Industrial Enterprise* (Cambridge, Mass., 1962).

<sup>46</sup> One can see Chandler's evolution in two of his most famous books: *The Visible Hand: The Managerial Revolution in American Business* (Cambridge, Mass., 1977), and *Scale and Scope: The Dynamics of Industrial Capitalism* (Cambridge, Mass., 1990).

<sup>47</sup> Pierre Bourdieu, *La noblesse d'État: Grandes écoles et esprit de corps* (Paris, 1989), 458.

<sup>48</sup> Nicole Defortrie-Soubeyrou, *Les dirigeants de l'industrie française* (Paris, 1956), 1-5.

Most of the time, academics as well as business people clearly contrast “family” executives and corporations with “managerial” ones. The first are supposed to be more “patrimonial,” oriented toward using more conservative management models than the second. However, how can we clearly distinguish between these two categories? Henri Weber suggested several criteria: corporate size, nature of control and governance, systems of values, and action—but he emphasized that this is not a comprehensive list. It is also useful to add sociological and psychological approaches. A “patrimonial” businessperson can be recognized by “ancien régime” behavior and values: an aristocratic model of a landlord in a private kingdom, a Saint-Simonian ideal of alliance between workers and capitalists in order to build the perfect industrial city.

The patrimonial category’s three main values are protectionism (claims to public authorities for barriers against competition, especially from foreign companies); Malthusianism (a search for corporate equilibrium rather than growth); and paternalism (the company is seen as an extended family led by the boss). It is the boss’s duty to organize the social and material development of the workers. Here, autonomy and self-organization (meaning trade unions) are not allowed, because they are a symbol of *lèse-paternité*. In contrast, a “managerial” businessperson has a greater investment in the company’s expansion than in social status or the preservation of patrimony. Autonomy is preferred over the accumulation of power, with legitimacy based on performance rather than on ownership.<sup>49</sup> This theoretical framework is not completely satisfying, however, for it makes too neat a separation between two kinds of organizations.

In reality, in companies like Usinor ownership and power structures include a combination of technocratic managers and “family” representatives. On this issue, Chandler developed a more sophisticated model. On the one hand, he describes a U.S. type of corporation, staffed with autonomous salaried managers.<sup>50</sup> These big corporations succeeded in creating and managing three core competencies: technology for scale economies, sales techniques, and organizational skills through the recruitment and training of managers. In these cases, the founding families who delegated the leadership and power found themselves gradually pushed aside. Chandler also describes the traditional “family corporation” or U.K. model.<sup>51</sup> There, ownership and management are tightly linked, or even merged. This does not mean that there are no managers working in the company, but rather that they are not autonomous. These corporations have not succeeded in fulfilling the three core investment competencies, especially in management capabilities.

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<sup>49</sup> Weber, *Le parti des patrons*, 60-61.

<sup>50</sup> Alfred D. Chandler, Jr., *Organisation et performance des entreprises*, vol. 1, *Les USA, 1880-1948* (Paris, 1992), 37.

<sup>51</sup> Alfred D. Chandler Jr., *ibid.*, vol. 2: *La Grande-Bretagne, 1880-1948*, 14-15.

Mary O'Sullivan has criticized this point of view. She showed that Chandler's analysis was too individualistic, focused only on the competence of professional managers.<sup>52</sup> If the manager's duty is to organize and promote innovation inside the company, managers also have to network outside the company. Therefore, in spite of agency theories or financial models, we cannot reduce corporate governance to a simple relationship between shareholders and top managers through the board of directors. From O'Sullivan's point of view, sociology is missing from Chandler's thesis; we must define corporate governance as a "social process that influences those who manage corporate investments, the types of investments implemented, and the manner of distributing the results."<sup>53</sup> These remarks are useful in understanding the history of Usinor's top management and how the French state influenced the company's strategy and structure.

Usinor's top management—CEO or board of directors—remained independent at times. Indirectly, however, the government-initiated plan of 1966 led to changes in the demography of Usinor's managers. After 1978, and even more so after 1982, the French state took stronger control of the company. How did the demography of leaders and managers evolve during those years?

In 1948, the board of directors comprised eight members: Fernand Balthazar, president; René Damien, vice-president; Mathieu Goudchaux, Georges Lenormand, Paul Naud, Jacques de Nervo, Emmanuel Vergé, and Jean Le Blan. There was a 50/50 equilibrium between Usinor's mother companies: René Damien, Jacques de Nervo, Paul Naud and Emmanuel Vergé came from the Société des Forges et Aciéries de Denain et Anzin; and Fernand Balthazar, Mathieu Goudchaux, Jean Le Blan and Georges Lenormand were from the Société des Forges et Aciéries du Nord et de l'Est.<sup>54</sup> Among these men, there were several heirs of old steel families, including de Nervo, Naud, and Goudchaux.<sup>55</sup>

However, "managers"—individuals who did not come from old steel families, or own steel companies, dominated this board. Some members of Usinor's top management were invited to the board meetings: Maurice Borgeaud, Georges Crancée, Maurice Geib, Jean Hüe de la Colombe,

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<sup>52</sup> Mary O'Sullivan, "Innovation, Industrial Development, and Corporate Governance" (Ph.D. diss., Harvard University, 1996), 90.

<sup>53</sup> *Ibid.*, 1. Eric Godelier, "Le changement dans les entreprises: crise ou mutation? Chandler contre Pettigrew?" *Revue Française de Gestion* 120 (Sept.-Oct. 1998): 24-36.

<sup>54</sup> He was CEO of Nord-Est from 1960 on, vice-president of Usinor after 1962, and honorary president of the two merged mother companies, Denain-Nord-Est-Lorraine in 1966. He died in 1968. Boards of directors, Archives Usinor.

<sup>55</sup> Vice-president of Usinor in 1962, CEO of Denain-Anzin in 1965, and probably earlier. Boards of directors, Archives Usinor.

Jacques Porché and Pierre Presles.<sup>56</sup> Again, the balance was carefully preserved. Half of them were from Nord-Est: Borgeaud, Crancée, Presles; half from Denain-Anzin: Hüe de la Colombe, Geib, and Porché. This group of managers—especially the younger ones such as Borgeaud (39 years old) and Hüe de la Colombe (32 years old)—was a kind of fish-tank for future CEOs of Usinor or important subsidiaries.

It is important to note how stable power was within the board. From 1948 to 1960 (when the Société Dunkerquoise de sidérurgie was taken over) and even to 1966 (the Lorraine-Escaut merger), there were no major changes, even if small moves occurred from time to time.<sup>57</sup> For instance, in 1950 Guillaume Descamps, who would be the president-elect of the Lille and North regional Chambers of Commerce in 1960, replaced Mathieu Goudchaux.<sup>58</sup> Descamps was the son of Alfred Descamps, the previous president.<sup>59</sup> A “Nord-Est” replaced a “Nord-Est.” In 1958, Paul Naud died. He was the son of Joseph Naud, former chair of Denain-Anzin, one of Usinor’s mother companies.<sup>60</sup> His replacement was Pierre Champin, another well-known name, whose father, Marcel Champin, was the chairman of Louvroil-Montbard-Aulnoye, a company specializing in pipes, launched at the same time as Denain-Anzin Vallourec, Inc. Pierre became Vallourec’s CEO, and one “Denain-Anzin” replaced another “Denain-Anzin.”<sup>61</sup>

In March 1960, new board members were appointed. Although they did not come from steel companies located in the north of France, they nevertheless had connections with the steel industry and with Usinor, as partners in the Société Dunkerquoise de Sidérurgie. Emmanuel Mönick

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<sup>56</sup> They were, respectively, headquarters executive director (Maurice Borgeaud); head of the flat product plants group until 1956 (Georges Crancée), who joined the European Coal and Steel Community (ECSC); headquarters top executive (Maurice Geib), who replaced Crancée from 1956 to 1958 (when he died); headquarters executive director (Jean Hüe de la Colombe); headquarters executive director (Jacques Porché); head of the long product plants branch (Pierre Presles).

<sup>57</sup> This company was created in 1956 to support the investment made in the new Dunkirk seashore plant. The capital was controlled by Usinor (44%), les Aciéries de Firminy (34%), la Société de Châtillon-Commentry (18%), and the bank Paribas (4%). Lorraine-Escaut is an economic association of three steel companies, mainly from the east of France: Société des Aciéries de Longwy (51%), Senelle-Maubeuge (24,5%), and Escaut-Meuse (24,5%). It was created in 1953 in order to prepare for the 1954 opening of the ECSC.

<sup>58</sup> Board of Directors, May 1971, Archives Usinor.

<sup>59</sup> The Descamps family owned a small metallurgical company in Raisme (in northern France) and was a member of the employers’ association of the local steel branch (Groupement des industriels métallurgistes); see Catherine Omnès, *De l’atelier au groupe industriel: Vallourec, 1882-1978* (Paris, 1980), 275, 290, and 298. Alfred Descamps was the chair of the Nord-Est board until 1935.

<sup>60</sup> Board of Directors, 19 June 1958, Archives Usinor.

<sup>61</sup> Omnès, *De l’atelier au groupe industriel*, 200 and 263.

was chair of the bank Paribas at the time, and had joined the Nord-Est board of directors in 1950. Another banker came with him, Charles Farnier, chair of the Comptoir National d'Escompte de Paris, which played an important role in the creation of the Banque Nationale de Paris. He was also a member of the Denain-Anzin board. The last new members were from steel industries. Pierre Fontaine was the executive officer of Nord-Est. Léon Bureau was vice-president of Châtillon-Commentry, Inc. Usinor's new board of directors had eleven members. The weight of the industrial families decreased slightly, to only one-third of the members. Therefore, the mother companies' control of Usinor was not dependent on the presence of the steel families.<sup>62</sup>

The two "managers" who were appointed to the Usinor board in the 1960s, Maurice Borgeaud (in 1963) and Jean Hüe de la Colombe (in 1966), both became CEOs (in 1966 and 1973, respectively). Both were educated at the Ecole Polytechnique. Here we begin to see a pattern in Usinor's selection and training of its CEOs. Does this mean that "managers" had definitely won over "families"? No, indeed: in 1967, Lorraine-Escaut merged with Usinor, and four new members joined the board. This was the result of a state rationalization plan launched in 1966 by Prime Minister Michel Debré. The convention was signed January 30, 1967.<sup>63</sup> François Lenté was the son of Escaut-Meuse's vice-president. His family had a close relationship with another famous steel family: the Laveissières, who had created a plant in Anzin.<sup>64</sup> Through an old and famous steel family from eastern France, first cousins Daniel Raty and Roland Labbé controlled Aciéries de Longwy, one of Lorraine-Escaut's mother companies. In an interview, a former deputy manager described them as "two people who are definitively not technicians, but courteous and decent guys with a lot of good business sense." The last new member was Jean Seillière, since 1958 chair of Senelle-Maubeuge. Married to Renée de Wendel and son of Baron Ernest Seillière de Laborde, he had close ties to the old steel families.

Thus, instead of an increase in managers' power on Usinor's board, steel families gained the new positions. In 1968, Usinor's board had fifteen members, and the families' representatives were still numerous. It is difficult to calculate their Malthusian influence on Usinor's strategy. After the Lorraine-Escaut merger, board members and executives imported more centralized and objective management models or practices, for instance in Human Resources policy.<sup>65</sup> The families' influence began to decrease again

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<sup>62</sup> We have not been able to find the exact composition of the Denain-Anzin and Nord-Est boards of directors. It remains difficult to draw conclusions about the actual influence of families on Usinor's strategy.

<sup>63</sup> Godelier, *Usinor-Arcelor*, 284.

<sup>64</sup> Omnès, *De l'atelier au groupe industriel*, 292.

<sup>65</sup> Jean-Marie Nathan-Hudson, interviews with author, 13 May 1991, and 21 Jan. 1993; Nathan-Hudson was deputy managing director in charge of human resources management and public relations of Usinor between 1968 and 1982.

in the early 1970s. In 1974, “managers” Paul Aussure and Jean Lerebours-Pigeonnière were appointed to the board. The former was the oldest son of Roland Labbé’s brother-in-law, recruited in 1958 at the Aciéries de Longwy, when Labbé was its chair. Both were educated at the Ecole Polytechnique. They were supposed to become CEOs in the 1980s, but from that time on, the “families” progressively, and definitively, lost their influence.

The first break took place in 1978, with the creditors’ financial takeover of Usinor, during which de Nervo, Lenté, and Raty resigned in protest. The following year, after Pierre Champin’s resignation was also accepted, the steel families had no representatives left on Usinor’s board. Several managers had replaced them. Jean-Claude Achille, president of the Chemical Industries Employers’ Federation, was the former senior executive manager of Rhône-Poulenc. Since 1977, he was the chair of CNPF’s social commission.<sup>66</sup> Jean Chenevier was CEO for British Petroleum; Jean Gandillon, CEO for Crédit Lyonnais, an important commercial bank; and Jacques Mason, CEO for Société des Constructions Métalliques de Provence. The last member, but the most important one, was Claude Etchegaray. He was CEO of another large steel corporation, Société sidérurgique Chiers-Châtillon, controlled by Paribas.

In 1978, Chiers-Châtillon merged with Usinor and Etchegaray became the new CEO. For the first time in Usinor’s history, its CEO was not someone promoted after a long career within the company. This was a drastic change. Moreover, Etchegaray imported some of the management models and tools he had used during his twenty-year career at ITT. In 1982, with Usinor’s official nationalization, Raymond H. Lévy was appointed CEO.<sup>67</sup> Twelve new board members joined the board: six representatives from French ministries and six elected workers.<sup>68</sup> The 1995 privatization did not bring back the steel families.

At the end of this story, what can we say about the real influence of the families or managers in the evolution of Usinor? The answer is still open to debate. The steel families, especially those from eastern France, played an important role in the maintenance of paternalistic social relations. They often favored local and regional interests, which explains why the company kept a very small headquarters building. The 1967 merger between Usinor and Lorraine-Escaut led to an increase in the representation of the steel families but, at the same time, imported new management tools and models through a staff and line structure. During the 1960s, this organization was seen in France as one of the most innovative management structures imported from the United States. In the field of administrative and managerial issues, one cannot conclude definitively that the families’

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<sup>66</sup> Weber, *Le parti des patrons*, 515.

<sup>67</sup> Later, he was CEO of Renault.

<sup>68</sup> They came from the Ministries of Planning, Treasury, Budget, Industry, and Labor.

representatives had a negative influence. Nevertheless, as Paul Aussure, a former senior executive, explains, they had an influence on top managers:

At the end of WWII and through the late 1960s, families were still present on the industrial scene. At that time, they had lost their coal mines, but now owned spinning mills and wireworks plants. They were named LeBlan, Descamps. They still had some influence through their holdings. For instance, Mr de Nervo was at the holding company. He was a society man involved with industrial problems, he was not a captain of industry. After a while, families lost their position because capital needs were so enormous that they were not able to finance them. M. de Nervo for instance was listened to because he was very clever and full of good sense, but not as a real capitalist. Things were different in the East with de Wendel and Labbé. Here the families still had an important influence.<sup>69</sup>

Obviously, the board of directors became a place of increasing management power. It was also a place of power repartition and equilibrium between tradition and modernity. This was true in the selection and promotion of CEOs in the company.<sup>70</sup> In these activities, once again, the French state was not far away.

Many of Usinor's top managers were educated at the Ecole Polytechnique and were members of the prestigious "corps des mines."<sup>71</sup> After several years as civil servants, generally within the Department of Industry, they were recruited by private companies. Usinor did the same. The corporation organized a systematic training process near the top of the ladder, as Aussure described:

Borgeaud and de la Colombe had a difference of eight years at the EP [Ecole Polytechnique]. There were also eight years between de la Colombe and myself. It was clearly organized. I arrived at Usinor from Lorraine-Escout, but in spite of that, everything fit perfectly. If things had not gone wrong, I would have been appointed CEO in the early 1980s, after Jean de la Colombe's retirement.<sup>72</sup>

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<sup>69</sup> Paul Aussure, interview with author, 15 Oct. 1992.

<sup>70</sup> From 1948 to 2001, only seven CEOs led the company: Fernand Baltahzar, René Damien, Jean Hüe de la Colombe, Claude Etchegaray, Raymond H. Lévy, unknown, Francis Mer.

<sup>71</sup> This "corps" recruited neither René Damien nor Claude Etchegaray. The "corps des mines" allows only the five or ten top-ranked students from the Ecole Polytechnique to join at the end of their school period. The "corps" is a specific list of highly qualified public jobs. The Ecole Polytechnique is the top undergraduate and graduate school for science and engineering in France. Students have military status and train as army officers for one full year before resuming their scientific studies. Even the most recent two CEOs of Usinor, and today of Arcelor, were educated at the Ecole Polytechnique and recruited by the "corps des mines."

<sup>72</sup> Paul Aussure, interview with author, 15 Oct. 1992.

In 1966, CEO René Damien explained his vision of CEOs and top managerial training:

If the company does not have a man on staff qualified for this heavy work, one must, of course, find him among the men who have achieved good results. But if the company has a long history, it is almost certainly within the staff that the right man can and must be found, one who will become the business's leader as a result of his personal qualities and his knowledge of life within the corporation. If someone could learn in few evening classes how to lead a company, what would be the need of decades of education and training?<sup>73</sup>

It is possible to see this statement as a framework for the selection and training of CEOs. The rise to the top was perfectly well-organized with several steps. First, the future CEO attended the meetings of the board of directors as an observer. During this period, he was appointed deputy managing director and soon after, general manager. The evolution of the older candidates determined the speed of this race. Maurice Borgeaud appeared in the board records in 1948, was appointed deputy managing director in 1952, and general manager in 1956 when René Damien became CEO. Next, Jean Hüe de la Colombe made his first step and became a deputy managing director. Borgeaud officially joined the board in 1963. He became vice-president in 1964 and CEO in 1966 when he was 57 years old. Damien then became honorary president. He began his term as CEO in 1955 at the age of 62. In 1966, Jean Hüe de la Colombe received his first invitation to join the board and appointment as general manager. Next, two new Polytechnicians, also "corps des mines," Jean Lerebours-Pigeonnière and Paul Aussure, were recruited. The first became a board observer in 1962 and deputy general manager in 1965; the second attained the same appointments in 1967. In 1973, there was another change of Usinor's top managers. Jean Hüe de la Colombe became CEO and Borgeaud honorary president. In 1974, the two young managers moved up to general manager and member of the board. The oil crisis and the 1978 public takeover changed the procedure: Claude Etchegaray arrived and Paul Aussure did not become the next CEO. Nevertheless, Etchegaray was also an Ecole Polytechnique graduate.

These CEO selection and training methods were somewhere between the Rhenan model (in which leaders are promoted after a long internal career), and the Anglo-Saxon model (in which a candidate is directly pushed to the top as general manager or sometimes CEO). Note that Usinor's selection process also accounts for the perfect alternation between a Denain-Anzin representative and a Nord-Est representative, the two mother companies of Usinor.

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<sup>73</sup> *Plaquette de présentation d'Usinor, 1966*. My thanks to Mrs. Jacqueline Damien for giving me this document.

Once again, the influence of the French state, although it varied, was important. All these managers spent several years inside the Ministry of Industry, very often in charge of the steel companies' problems. They acquired in-depth knowledge of the system and built a vast network of contacts within the public administration. This, in turn, was useful to the private corporations for solving all kinds of problems, including social and financial ones.<sup>74</sup> The system was unique to the French. In the rest of Europe, the selection of most CEOs was from among experienced engineers. In the United States, 45 percent of top managers had experience or were educated in another industry or company.<sup>75</sup>

How did Usinor's top managers work together? What kind of tools did they use? Did the French state have any influence?

Until the 1980s, Usinor's headquarters staff was very small. This helped top managers develop efficient and informal decision-making processes. At the same time, it preserved the old tradition of secrecy in the steel industry.<sup>76</sup> From its very beginnings, the company had the reputation of being one of the most successful steel organizations: "At that time, one of Usinor's characteristics was that a decision had to be made at the precise time a problem emerged."<sup>77</sup>

We could criticize this organization for its lack of hierarchical distance between top managers and day-to-day problems. Yet, this proximity of field managers and operational issues was effective in institutionalizing the best decision-making practices. The common knowledge of company business strategy brought about by diffusion of learning enhanced the firm's ability to react quickly.<sup>78</sup> This limited decision-making structure changed slightly after 1961 with the creation of a three-member strategic committee. Although it is difficult to estimate the real influence of the committee on Usinor's strategy, its membership (de Nervo, Fontaine, and Bureau) as well as the date (Dunkirk was about to start up) were both important.<sup>79</sup> The French or Fayolian way of conceiving power relationships in corporations clearly influenced the concentration of power and the very hierarchical organization. We can see the influence of the French Army through the Ecole Polytechnique in Usinor's culture, which viewed engineers as

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<sup>74</sup> Michel Bauer and Bénédicte Bertin-Mouro, *Radiographie des grands patrons français: Les conditions d'accès au pouvoir* (Paris, 1997), 17-18.

<sup>75</sup> Benjamin Stora, *Crise, puissance, perspectives de la sidérurgie mondiale* (Paris, 1979), 81.

<sup>76</sup> Richard Kuisel, *Seducing the French: The Dilemma of Americanization* (Berkeley, Calif., 1991), 85.

<sup>77</sup> Jacques Leclerc, interview with author, 3 March 1993; Leclerc was Usinor's managing director of research.

<sup>78</sup> O'Sullivan, "Innovation, Industrial Development, and Corporate Governance," 222.

<sup>79</sup> Board of Directors, Sept. 1961, Archives Usinor.

“production officers.”<sup>80</sup> Their main task was to supervise and control workers and management.<sup>81</sup>

What kind of management tools did the top managers use? Unfortunately, there are few archival documents available on the subject. Nevertheless, two sets of management tools can be found: a five-year plan closely inspired by the French five-year plan and actual cost-calculating methods. These were developed to organize relations with public authorities and the steel industry employers' association, the CSSF. As Aussure explained, “We had technical and sale projection tools. The government budget and State Plan was based on a five-year period; therefore our headquarters had to prepare figures and forecasts to answer requests from the planning body.”<sup>82</sup> Obviously, there was a draft of the strategic plan that Usinor used for restructuring and financial negotiation with the French state. This explains the centralized financial activities and investment plans. After the 1978 “nationalization,” controls over financial strategy tightened, creating a push toward more sophisticated management tools.

The second set of business tools was the use of actual costs. Philippe Mioche has explained that costs were probably the most confidential information for all steel corporations (and steel associations as well), especially vis-à-vis public authorities.<sup>83</sup> Usinor also used this strategy of secrecy.<sup>84</sup> Their decentralized monthly budgeting process occurred at the level of the plant directors, and only the directors knew and monitored costs. To follow the budgetary regulations, sales managers provided statistics about customer demand and commercial results, which the board of directors discussed at each meeting. After the 1982 nationalization, the French Audit Office regularly monitored Usinor. In their official conclusions, the office underlined the progress that Usinor had made in internal budget and cost control, but noted that the entire system was not truly standardized.<sup>85</sup> The French state was still nearby.

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<sup>80</sup> Many retired and active employees used military metaphors to describe Usinor's hierarchical relations. This is not new; in 1933, a famous book used the title “the social role of the engineer”: Georges Lamirand, *Le rôle social de l'ingénieur* (Paris, 1954; 1st ed., 1933). It was inspired by a very famous book written by a highly ranked officer, Maréchal Lyautey, titled “the social role of the officer” (*Le rôle social de l'officier* (Paris, 1892; reprinted, 1954).

<sup>81</sup> Henri Lasserre, *Le pouvoir de l'ingénieur* (Paris, 1989).

<sup>82</sup> Paul Aussure, interview with author, 21 Oct. 1992.

<sup>83</sup> Mioche, *La sidérurgie et l'État*, 226.

<sup>84</sup> Jean Lerebours-Pigeonnière, interview with author, 12 Nov. 1992; Lerebours-Pigeonnière was Usinor's managing director from 1973 to 1981.

<sup>85</sup> *Rapport de la Cour des comptes sur la gestion de la société Usinor, 1985*, Archives Nationales, IND. 910444, p. 42.

### **Conclusion**

Did the creation of Arcelor in 2001 signal the end of the complex relationship between the steel industry and the state? In France, the answer is probably yes. At the same time, on the European level, the Mittal 2006 takeover bid shows that governments still closely observe the steel industry. Have the managers definitely won out over the families? Once again, the answer in France is affirmative. For Europe as a whole, however, things are more complicated. Will the Mittal group become the symbol of a renewal of, and return to, family capitalism in the steel industry? Time will tell.