

PRESENTATION
WARWICK BUSINESS SCHOOL CENTER FOR CORPORATE
STRATEGY AND CHANGE

by

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COMPAGNIE GENERALE DES EAUX

REVENUE = 163 BILLION OF FF IN 1995 (\$ 32 BILLION)

RANK AMONG THE 1000 LARGEST FRENCH CORPORATION = 3rd IN REVENUE

30% GENERATED ABROAD

2600 SUBSIDIARIES (THE LARGEST CONSOLIDATION BASE IN EUROPE)

EMPLOYEES = 221,157

COMPAGNIE GENERALE DES EAUX

FOUNDED IN 1853 (UNDER THE SECOND EMPIRE)

BY CIVIL ENGINEERS (INGENIEURS DES PONTS) WITH THE SUPPORT OF BANKERS

BUILDING A MODERN WATER COLLECTION AND DISTRIBUTION NETWORK

A NATIONAL PROJECT

CLIENTS = MUNICIPALITIES AND LOCAL GOVERNMENTS

MARKET ORGANIZATION = CONCESSION CONTRACTS OVER SEVERAL DECADES

THREE STRATEGIC PHASES

ACQUISITION OF LOCAL SMALL COMPETITORS

UPSTREAM (CONSTRUCTION, PIPE MAKERS) AND DOWNSTREAM (WASTE WATER PROCESSING)

HORIZONTAL DIVERSIFICATION

MULTIPLYING THE SERVICES OFFERED TO MUNICIPALITIES

MARKETING SERVICES TO NEW MARKETS

COMPAGNIE GENERALE DES EAUX

WATER = **26%** OF REVENUE IN 1995

ENERGY = **24.5%**

CONSTRUCTION AND PUBLIC WORKS = **24.5%**

HEALTHCARE = **3.3%**

PUBLIC TRANSPORTATION AND OTHER SERVICES = **4.8%**

DEVELOPMENT = **5.6%**

WASTE MANAGEMENT = **7.6%**

COMMUNICATIONS = **3.7%**

THE MANAGEMENT OF CGE

LACK OF FORMAL HIERARCHY AND NO FORMAL DECISION MAKING PROCESSES

ACQUIRED BUSINESSES RETAIN SUBSTANTIAL STRATEGIC AND OPERATIONAL AUTONOMY

PRESENCE IN THE CGE NETWORK OF REDUNDANT UNITS AND INTERNAL COMPETITION

FOUNDERS OF ACQUIRED BUSINESSES AND MANAGING TEAMS ARE USUALLY RETAINED

ALLIANCES WITH INDEPENDENT ENTREPRENEURS TO BUILD MARKET PRESENCE IN NEW BUSINESSES

SMALL HEADQUARTERS (150 PEOPLE)

CGE ACQUIRES THE UNITS NEEDED FOR DEVELOPMENT IN A NEW MARKET AND LEAVES THE UNITS RELATIVELY FREE TO COLLABORATE WITH OTHER UNITS

“The N-Form of Organization”, european study coordinated by Professor Andrew Pettigrew (Warwick Business School)

THE RESEARCH QUESTION

**HOW DO UNITS OF A NETWORK ORGANIZATION INTERACT WITH EACH OTHER
AND HOW IS IT POSSIBLE TO PROMOTE AUTONOMY AND ACHIEVE
COORDINATION ?**

THE RESEARCH PROCESS

CGE = A SECRETIVE ORGANIZATION

A "UNDERCOVER" INVESTIGATION

BUILDING A PERSONAL NETWORK FOR DATA COLLECTION

SELECTION OF TWO GEOGRAPHICAL SITES IN THE PARISIAN AREA

DATA COLLECTION ON 5 NEW PROJECTS TO TRACK THE INTERACTIONS PATTERNS BETWEEN THE UNITS INVOLVED IN THESE PROJECTS

THE AURORA PROJECT : A DECENTRALIZED COOPERATION

CONSTRUCTION OF A WASTE PROCESSING PLANT (400 MILLIONS OF FF)

INVOLVING :

- **CGC** (ENERGY : HEAT GENERATION THROUGH WASTE INCINERATION) : 70%
- **CGEA-ONYX** (WASTE COLLECTION AND TRANSPORTATION) : 20 % OF THE INVESTMENT
- **OTV-D** (RECYCLING) : 10%

INITIATED BY CGC WHICH HAS THE TECHNOLOGICAL LEADERSHIP

A JOINT ENGINEERING OFFICE

CGC TAKES THE LEAD AND COORDINATES CGE

THE CPA PROJECT : COLLABORATION AFTER RIVALRY

CONSTRUCTION AND OPERATION OF A WASTE WATER PROCESSING PLANT (200 MILLION FF)

INVOLVING :

- SFDE (REGIONAL WATER DISTRIBUTION UNIT) : 51%
- OTV-INTERNATIONAL (WASTE WATER ENGINEERING) : 49%

SFDE (MARKET ADVANTAGE) AND OTV (TECHNOLOGICAL ADVANTAGE) COMPETE FOR THE PROJECT

THE CLIENT (SAN) PROPOSED THAT THEY SUBMIT A JOINT BID

SFDE AND OTV SET UP A JOINT SUBSIDIARY

OTV = RESPONSIBLE FOR DESIGN AND CONSTRUCTION OF THE PLANT

SFDE = RESPONSIBLE FOR OPERATING THE PLANT

SFDE AND OTV BROUGHT OTHER UPSTREAM AND DOWNSTREAM UNITS OF CGE
IN THE PROJECT

THE C4 PROJECT : UNRESOLVED COMPETITION

CONSTRUCTION AND OPERATION OF A WASTE PROCESSING PLANT (SAME AS
AURORA, 400 MILLION FF)

SOGEA (A GENERALIST UNIT) COMPETES WITH CGC (ENERGY)

UNSUCCESSFUL BARGAINING WITHOUT HIERARCHICAL INTERVENTION

BOTH UNITS SUBMIT A SEPARATE BID

NEITHER WINS THE PROJECT