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Managerialism and the Post-war Evolution of the French National Business System

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'For as long as man's habits and memories and ideals carry forward past patterns, this heritage exerts a lasting impress on the subsequent evolution of the social order.'
(Sawyer)¹

Managerial revolutions – which witness the appropriation of corporate power by professional managers – come in different shapes and sizes. This article builds upon existing critiques of Chandler's universal theory of the managerial revolution through reference to the French national business system, arguing that the concept of the managerial revolution is best understood within specific cultural contexts, elite ideologies and national business systems. It demonstrates, through the inclusion of original data, and a business historical case study, that the French model of capitalism is distinguished by continuing links between the state and business, by the density of its corporate networks, and the large number of elite actors with experience of working in an executive capacity in both the public and private sectors, in stark contrast to the UK.

Keywords: elites; French national business system; managerial revolution; networks; state-business relations.

Managerial revolutions – which witness the appropriation of corporate power by professional managers – come in different shapes and sizes. This article argues that the stereotypical 'managerial revolution', the term adopted by Chandler as the subtitle to his classic text *The Visible Hand* (1977), and associated with the United States, differs in important respects from those of other countries.² In the case of post-war France, the rise of the corporate economy and the flowering of managerialism were not the natural products of competitive pressures, but rather of economic and social engineering on the part of the ruling elite.³ The article demonstrates, through the inclusion of original data

and a business historical case study, which illuminates the essential features of the system, that the French model of capitalism has three features that set it apart and are fundamental to its *modus operandi*. The first is the significant participation of the state and other companies in the equity of top companies, which brings with it an entitlement to representation on the boards. The second is the nexus of relations that exist between leading companies in the form of director interlocks. The third is the large number of elite actors with direct experience of working in an executive capacity in both the public and private sectors, in marked contrast to countries like the UK. In France, the managerial class is unified across the public-private divide by common educational experiences and a shared ideology of national self-interest. In addition, family ownership remains important in France.

This article stems from a cross-nationally comparative research project, *Business Elites and Corporate Governance in France and the UK*. The project has been conducted by the authors since 1999 and consists of four related sub-projects: first, a study of the institutional histories of the top 100 companies in 1998 in France and the UK respectively; second, a prosopographical study of the education, qualifications, careers, roles and responsibilities of 2,291 directors of the top 100 French and UK companies; third, an in-depth study of the social backgrounds and accomplishments of the top 100 most powerful directors in France and the UK respectively, analysing their social origins and career trajectories; and fourth, a study of the social reality of business elites based upon a set of semi-structured interviews with past and present business leaders in France and the UK.⁴ A ‘census date’ of 1 January 1998 was selected to ascertain organisational and individual membership of the corporate elites of France and the UK. The top 100

companies in each country were identified as possessing the greatest amounts of ‘corporate power’, defined as ‘command over resources’ – financial, physical, human, intellectual, social and symbolic (see note to Table 2).⁵ Membership of the business elite was confined to individuals with decisional authority at the summit of top 100 companies. Data were gathered from a wide range of publicly available sources on each of the directors identified as belonging to the business elites of France and the UK in 1998.

The article builds upon existing critiques of Chandler’s universal theory of the managerial revolution with reference to the French national business system. It draws upon several aspects of the research to demonstrate that the concept of the managerial revolution is best understood within specific cultural contexts, elite ideologies and national business systems. The main point of comparison is the UK.

Managerialism as Ideology and Organisational Imperative

The transfer of corporate power from owners to professional managers in advanced industrial societies has fascinated business historians and economists since the 1930s. Ever since companies grew large enough to warrant the appointment of salaried managers to run them, bringing about a separation of ownership and control, problems of governance potentially have existed. The ‘managerial revolution’ observed by Berle and Means in the US in 1929, caused by a growing dispersal in shareholdings, was deemed to be incomplete due to the continuing influence exerted in the boardroom by minority shareholders, often relatives of founding entrepreneurs.⁶ As share ownership became increasingly dispersed, so, it was argued, would the divorce of ownership and control

near completion, allowing managers to act unchecked. Principal-and-agent issues might arise, with executives able to substitute their own managerial goals for the profit-maximising goals of company owners, leading in turn to a potential abuse of power to the benefit of managers, no longer acting in the best interests of owners or employees.⁷

The managerial thesis, however, has flaws and limitations, which are well documented. Chandler's research focused essentially on the American industrial corporation in the first half of the twentieth century. As Whittington *et al.* point out, Chandler's framework is fundamentally universalistic and his argument 'without geography'.⁸ His thesis has been criticised for losing its empirical support in crossing the Atlantic without being modified.⁹ *Scale and Scope* (1990) went some way towards recognising this, examining industrial enterprise in Germany, Britain and the US, and distinguishing between their various brands of capitalism, characterised respectively as 'cooperative managerial', 'personal' and 'competitive managerial capitalism'. The advantages of American competitive capitalism, however, are emphasised over those of the other two models.¹⁰ The European visible hand, Hannah observes, is misrepresented in Chandler's 'distorting mirror'.¹¹

Moreover, while some commentators regard the Chandlerian model as able to withstand the passage of time,¹² others take a different view. Langlois argues that Chandler's portrayal of the managerial revolution does not extend well into the present, and that the 'visible hand' has given way to the 'vanishing hand' – driven by technological developments and the globalisation of increasingly disembodied markets – now in danger of 'fading into ghostly translucence'.¹³ Langlois concludes that the

managerial revolution applies to a particular moment in time: ‘Far from being a historical trend, the managerial revolution ... is a temporary episode that arose in a particular era’.

Lazonick, meanwhile, points to the need to adopt a deeper and broader perspective on types of organisational structure by extending the analysis across nations and over time ‘to understand new modes of business organisation that generate innovation’.¹⁴ Europe, after all, has its own traditions of organisational structure, with France in particular having a long tradition of state involvement in the economy, dating back to Colbert (1619-1683), an enlightened supporter of fledgling industries and commerce.¹⁵ He lends his name to the long-standing French tradition of state intervention in the economy through discriminatory fiscal and public procurement policies, designed to favour and protect public and private national champions, and nascent industries, in order that they might withstand foreign competition. The principal objective of French industrial policy in the post-war period was commercial success in the international marketplace through high-tech Colbertism. The state bolstered its ‘national champions’ (*champions nationaux*) in industries perceived to be of the future with grants and public procurement measures designed to provide secure markets. The general interest – national sovereignty, national defence and technological autonomy – has been customarily proffered as justification for what might be termed ‘offensive protectionism’.¹⁶

Ownership and control, moreover, are not sharply separated in many companies and national business systems. By the 1970s it was being suggested that the separation of ownership and control in the US might itself be greatly exaggerated, with the element of private ownership of the large majority of firms being disregarded without having been

investigated.¹⁷ The French and British brands of corporate capitalism have resulted in very different ownership patterns. In France, we can observe the continuation down to the present of extensive family and state ownership (see Table 1). In the UK, the overwhelming tendency has been for ownership to become widely distributed amongst multiple shareholders, reflecting the accumulation of private sector savings in the hands of pension, insurance and investment companies. These fund holders spread their risks by distributing funds widely between companies. In France, this tendency is far less pronounced, and in consequence banks, dominant corporations, and powerful individuals in effect control large numbers of companies. As Table 1 demonstrates, only 22 of France's top 100 companies in 1998 had a dispersed shareholding, unlike the UK, where this was the norm. A slight increase in trend is perhaps apparent however: examining an earlier period, 1983-1993, and looking more widely than the top 100 firms, Whittington and Mayer found that the proportion of firms under dispersed ownership was 12.2 per cent in France in 1983, and just 7.6 per cent in 1993.¹⁸

[Insert Table 1 Ownership of Top 100 Companies in France and the UK in 1998 about here.]

Since the late 1990s the French economy has undergone significant change, due principally to the growing presence of foreign, mainly US, institutional investors in the share capital of French firms. By 1998, Maréchal found that non-residents held as much as one quarter of the equity of French listed companies.¹⁹ Morin estimated the proportion of share capital held by foreign investors to be as high as 35 per cent (as against 9 per

cent in the UK, and just 5 per cent in the US).²⁰ In his view, France has moved from being a “financial network economy” to being a “financial market economy”. Foreign institutional investors were now playing a significant role in the French stock market, making new demands on corporate management: ‘Directly inspired by the American “shareholder value” model, the largest French groups are going through a managerial revolution, whose consequences are only now beginning to become apparent’.²¹

Corporatism and the Evolution of the French National Business System

In examining the post-war development of the French economy, and the rise of the corporate economy in particular, it is important to examine what is distinctive about the French economy, French companies and the French national business system. In comparing the French and British corporate economies, we have been struck by both similarities and differences. From a systemic perspective, it is our contention that continuity is more apparent than change. This is not to deny important changes that have taken place – in governance, and inward and outward investment, for example, both of which have risen dramatically in the post-war era.²²

Family ownership is of enduring significance in France, in stark contrast to the near complete corporatism of business life in the UK, and in which ownership and control are profoundly separated. While family ownership became gradually less important in the post-war period,²³ nevertheless by 1998, as Table 1 highlights, it continued to dominate in as many as 15 leading French firms. Far from being industrial laggards, as Chadeau notes with respect to the interwar years, many large French family-owned firms have performed well over long periods, successfully reaching out into

international markets. As the economy grew, family control was maintained. By using alternatives to managerial structures, such as the holding company, families were able to ‘reconcile expansion with personalised control, without sacrificing efficiency’.²⁴ This contradicts the Chandlerian view that efficiency and growth came only when familial control yielded to managerial control. Some very large French companies remain family-dominated to this day, such as Michelin, the former world leader in tyres, and Peugeot-Citroën SA, one of only six European volume car manufacturers remaining, with several family members on its board. Contrary to the logic of the Chandler thesis, there is no evidence that companies like Michelin, L’Oréal (Bettencourt family), Sodexo (Bellon family) and LVMH (Arnault family) have had their investment and internationalisation plans curtailed due to family ownership. L’Oréal, for example, is present in over 130 countries, with operations in 56, having expanded into the US, Latin America, the Middle East, Africa, Asia and the South Pacific. The company has a portfolio of 17 international brands, including Lancôme, Maybelline and the Japanese Shu Uemura.²⁵ New entrepreneurs have also arrived on the scene, such as Bernard Arnault of LVMH or François Pinault of PPR. The type of entrepreneur Arnault exemplifies (of which there were as many as nine in our top 100 French super-elite) is intricately associated with the establishment. Such entrepreneurs are not compelled to found their own business for ‘lack of alternative opportunity’, but on the contrary use privilege ‘to create still more privilege’.²⁶ At the time of the Popular Front, ‘les 200 familles’ were said to have a stranglehold on the French economy. Now the founders of family firms like François de Wendel, Paul Ricard and Pierre Taittinger are venerated for their ambition and foresight.²⁷ The stocking of boards with family members ensures continuity in

management, enabling families such as Peugeot to keep control of their ‘birthright’ in the event of an attempted takeover.²⁸ Succession issues, however, may arise, as occurred at Michelin in May 2006 with the unexpected death in a boating accident of 42-year-old Edouard Michelin, great-grandson of the founder and head of the company.

In the 1970s, Monjardet observed that the family-controlled enterprise in France was characterised by two types of director: the head of the family in 75 per cent of all cases, and the ‘faithful servant’, brought up in the company, in the remainder, a ‘trusted lieutenant’, on whom the owners relied. It is this role of ‘general’ that Claude Bébéar has arguably fulfilled at the insurance company AXA (where he served as CEO and Chairman, Président Directeur-Général or PDG, from 1982 to 2000, thereafter as Chairman), or Lindsay Owen-Jones at the cosmetic giant L’Oréal (PDG from 1988 to 2006). Bébéar joined Anciennes Mutuelles, the mutual insurance company that would later become AXA, in 1958, the business belonging to the father of his roommate at Ecole Polytechnique, who was looking for someone to manage it. Over four decades, through several metamorphoses, and making numerous acquisitions along the way (including that of Union des Assurances de Paris in 1996), Bébéar helped to turn the struggling provincial insurer from Normandy into a world leader.

Similarly, Owen-Jones proved himself over the years to be a skilful captain of the L’Oréal ship. Trusted implicitly by the Bettencourt family, he has been well rewarded for his achievements, believed to be France’s top-earning executive in 2003. L’Oréal’s success confirms the conclusions of a recent study by the Ecole des Mines, according to which a combination of family ownership and professional management provides the best corporate model for France, ‘uniting wisdom and dynamism’.²⁹ In such cases, the owner

may well be absent from the nominal direction of the firm; but this does not mean to say that their ownership has been diluted. Liliane Bettencourt provides an example of the enduring nature of family control in leading French firms. She is the daughter of Eugène Schueller, a French chemist and engineer who developed a formula for hair dye and, in 1907, founded L'Oréal. Madame Bettencourt holds a controlling stake in the company of 27.5 per cent of equity. Now in her eighties, she still attends board meetings, often accompanied by her daughter, also a board member. With a fortune estimated at \$17.2 billion in 2005, she is believed to be France's richest person, and the 16th richest in the world.³⁰ L'Oréal was run by its founder until 1957, when the reins were handed to François Dalle, credited with transforming the firm from one of France's PME (*petites et moyennes entreprises* or small and medium-sized businesses) into one of the largest cosmetic companies in the world.³¹ Dalle had attended school in Paris³² with the future president François Mitterrand and future Cabinet minister André Bettencourt, who introduced Dalle to Schueller (whose daughter, Liliane, Bettencourt married), illustrative of the fact that the friendships that unite the French ruling elite are often forged on school benches. Dalle continued as PDG of L'Oréal until 1984.

Our research has established that the French and British top 100 companies in 1998 were collectively of approximately the same size (in terms of turnover, employment and total capital employed).³³ These surface similarities, however, belie deeper structural differences. Table 2 highlights some of the major differences and similarities that exist in the developmental trajectories of the French and British corporate economies.

[Insert Table 2 Corporate Power by Industry Group amongst Top 100 French and UK Companies in 1998 about here.]

The most obvious difference is the contrast between the relative weights of the manufacturing and financial services sectors. In France, a combination of state support and private sector initiative, underpinned by extensive investment in the education of engineers, have secured the future for manufacturing industry, whereas in the UK manufacturing and manufacturing companies have suffered a long period of relative decline in terms of status, investment, output and employment. Financial services, meanwhile, have become ever more prominent in the UK, and, while important in France, the sector has never exerted the same dominating influence that it has across the Channel.³⁴ Utilities and telecommunications are also heavily weighted in France relative to Britain, reflecting continued protectionism and other forms of support for such companies in France, whereas British companies have been far more exposed to international competition.³⁵ Other interesting contrasts include the importance of consumer goods producers and food and drink conglomerates within the UK corporate economy, as well as the strength nationally and internationally of French retailing companies. One of the most interesting similarities is the high weighting of extractive (including oil and gas) and materials handling companies in both countries.

[Insert Table 3 Concentration of Power Amongst Top 100 Companies in France and the UK in 1998 about here.]

A further differentiating feature between the two economies concerns the extent of concentration in the two economies. The pursuit of economies of scale, of critical mass, has been a feature of both French and British economic development since 1945, with consolidation taking place in a series of waves, increasingly on a pan-European and international basis. The effect has been to concentrate power in the hands of the very largest companies. Table 3 charts the distribution of corporate power amongst the top 100 companies in France and the UK respectively. There are two main findings. First, concentration is marked in both economies, with the top five, ten and twenty companies each possessing multiples of the mean amount of power. Second, concentration is, however, more marked in France, as can be seen from the percentage distributions and confirmed by the relative sizes of concentration coefficients. By the end of the twentieth century, and notwithstanding the extent of family ownership and state involvement in the economy, France had nevertheless become in many respects a corporate economy *par excellence*.

Managerialism and the Ruling Elite: the Case of Electricité de France

The case of Electricité de France (EdF) demonstrates continuity in French policy, and usefully highlights the essential features of the system. These include strategic initiatives driven by the ruling elite; long-term thinking on a large-scale fuelled by the dual imperatives of national energy security and the saving of foreign exchange; technological and capital intensity; internationalisation; and the French ‘take’ on managerialism and corporate hierarchies. EdF provides an excellent illustration of the kind of state support from which French utilities typically benefit, their pan-European and global strategies

being supported at home by closed and quasi-monopolistic markets, often in direct contravention of European Union (EU) directives. Table 1 highlights the continuing importance of state ownership in 1998, despite more than a decade of privatisation, which began in France in 1986. Table 2 points to the incommensurate hold on power of French utilities relative to their number, just six utility firms representing almost 20 per cent of corporate power in 1998.

EdF was born in the immediate aftermath of the war, in April 1946, with the amalgamation and nationalisation of French utility companies. Guaranteed nationwide energy supplies were seen as quintessential to economic recovery and prosperity. As General de Gaulle explained, ‘the country’s activity depended on coal, electricity, gas and petroleum, and would eventually depend on atomic fission and in order to bring France’s economy to the level that progress demanded these resources must be developed on the largest possible scale. Expenditure and efforts were necessary, therefore, which only the state was in a position to realize and nationalization was a necessity.’³⁶

The decision to develop nuclear power was taken in 1955. But little was done, and the subsequent fall in the price of oil in the 1960s initially cast doubt on the wisdom of a nuclear programme, until the Yom Kippur War of 1973 strengthened government resolve. In March 1974, it was decided to begin construction of six nuclear energy plants that year and a further seven in 1975. These were built with great speed. In the UK, the development of nuclear energy attracted widespread public protest, epitomised by the high-profile demonstration at Windscale (later renamed Sellafield). In France, however, the nuclear programme met with limited resistance, greeted by general public acceptance of the need for a secure national energy supply. Indeed, it was a source of national pride

when, in the early 1980s, France became self-sufficient in electricity thanks to the nuclear programme, and began exporting electricity to other countries, including by the mid-1980s oil-rich Britain. When, following the Chernobyl disaster in 1986, other European countries scaled down or halted their nuclear plant construction programmes, the French actually speeded up construction. EdF promoted nuclear energy at the time in a televised advertisement featuring a sole pair of ballroom dancers surrounded by fighting pairs of boxers in a ring, confirming French ease at doing things differently.

French electricity production expanded considerably in the 1980s, such that production in 1998 was almost twice its 1980 level. Electricity production benefited from the huge cost reductions derived from cheap nuclear energy, confirming the financial wisdom of France's heavy investment in nuclear power in the 1970s and 1980s (if not its environmental sense). In the 1980s, France overtook Japan and the former USSR to become the world's second largest producer of electricity generated from nuclear energy, behind only the US.³⁷ In 1998 almost half (46 per cent) of nuclear-generated electricity in the EU was produced by France's network of 58 nuclear plants, with EdF producing some 76 per cent of its energy from nuclear power stations.³⁸

Self-sufficiency in energy is a prodigious achievement for a country with little gas and almost no oil. The pursuit and ultimate achievement of self-sufficiency was the French reaction to the oil crisis, which 25 years previously had sent the country reeling into a decade-long recession. The contrast with the UK, which has benefited since 1975 from North Sea oil, now beginning to run out, is salient. With self-sufficiency in energy acquired, EdF and its fellow state monopoly, Gaz de France (GdF), set about capturing international markets through export and acquisition.³⁹ In doing so, they benefited from

state ownership coupled with closed, *de facto* monopolistic markets at home. This protected position allowed them to take full advantage of market liberalisation elsewhere in the EU with relative impunity, to the bitter resentment of energy producers in neighbouring EU member states, such as Germany, Spain and the UK.⁴⁰

In 1996, Edmond Alphandéry, the newly appointed PDG (following a two-year period as Minister of the Economy), addressed a conference celebrating the fiftieth anniversary of EdF at La Villette. The energy supplier, he vowed, would remain in the public sector. His discourse was redolent of cultural continuity, echoing the sentiments of de Gaulle in nationalising the utility 50 years previously: ‘EDF identified almost perfectly with the spirit of the Liberation and the Reconstruction ... Fifty years after its birth, EDF is more than ever the instrument of the nation.’⁴¹

That same year the EU electricity directive on market liberalisation took effect, in response to which other EU member states broke up their electricity industries. France, however, did not. EdF embarked on a strategy of international expansion, acquiring assets (power stations and physical interconnectors) in the EU as well as customers (supply businesses). Its primary European export markets included Germany, Italy, Spain, Belgium, Switzerland, Andorra and the UK. Further afield it supplied a growing customer base in Asia, Africa and South America; altogether it supplied some 15 million customers outside France in 1998. By then, EdF had become the second largest electricity producer in the world, possessing the greatest export capacity of any EU electricity generator, while the domestic electricity market remained the least open in the EU. As a public-sector monopoly, EdF benefited from the tutelage of the state, including financial support and credit guarantees.⁴² The cost of capital advantage derived by EdF from state

ownership should not be underestimated. EdF has been able to raise money for acquisitions at a rate of interest lower than government bond rates, while its private-sector European competitors, such as British Energy, could do no better than central bank base rates. EdF's assets include, in the UK, London Electricity and SWEB, as well as generation assets such as Sutton Bridge power station. It has purchased the rights to control the flows of electricity throughout continental Europe, successfully buying up the interconnectors that link France to the UK, France to Spain, and so on.⁴³ It has also acquired the interconnectors that join continental Europe to external electricity systems such as Eastern Europe and the Nordic countries.

In short, EdF has used government finance terms to acquire assets abroad, engaging in a strategy of state-funded international expansion. It has been operating for the past decade in commercial spheres, but not on commercial terms, being (until November 2005) without shareholders to satisfy. Its expansion abroad has been supported by protection at home, coupled with unrivalled access to low cost capital. It is a formidable combination and a unique source of competitive advantage. French attachment to protectionism within the energy sectors stands in flagrant contradiction to its economic aspirations for European construction. As Alain Vernholes observes, 'It is incoherent to rejoice that a firm such as EdF should control a large part of electricity distribution in London while refusing – or deferring – reciprocity on national territory on the pretext of protecting the general interest which depends on a public monopoly'.⁴⁴ French interpretation of EU legislation on the liberalisation of energy markets has been belated and minimalist. The partial privatisation of EdF in October/November 2005 is unlikely to appease the group's critics. The stake sold off was small, just 15 per cent.

Ironically, the motivation behind the sell-off was the need to raise a further 7 billion euros to finance EdF's continuing expansion in Europe.⁴⁵

This state-sponsored strategy has proved highly effective for manipulating the rules of the game, highlighting two of the key characteristics of French capitalism. These are, first, the readiness of the state and ruling elite to manage the competitive landscape in favour of French firms;⁴⁶ and second, the elite cohesion which serves the collective interests of French business, and which is institutionally embedded and served, in turn, by the state.⁴⁷

Social Stratification and the Making of the French Managerial Class

The ways in which managerial hierarchies are established in France very much reflect other social processes that endorse social stratification and status distinctions. Education, in particular, mirrors the situation in business organisations and government departments. It is the basis of ideological coherence amongst French managerial, business and ruling elites, explaining the closeness of the ties between big business and the state, amply illustrated by the EdF case. Table 4 provides a summation of the educational backgrounds and career experiences of the French managerial class, compiled from data relating to main board level executive directors of top 100 companies in France and the UK in 1998.

[Insert Table 4 The Managerial Elites of France and the UK in 1998 about here.]

Table 4 reveals that the leading executive directors in both countries in 1998 were predominantly males born in the 1940s and 1950s, who were born and bred in the country

in which their company was domiciled. Few women or foreigners rose to the very top of these companies. The table highlights very striking differences in terms of the educational backgrounds between the two cohorts in 1998. Members of the French managerial elite were mainly educated in a select group of schools and higher education institutions, elite coherence being fostered by the likelihood of their having attended the same schools. Particularly influential were three Parisian *lycées*: Louis-le-Grand, Janson-de-Sailly and Saint-Louis. Nine out of the top ten schools, attended by 44.5 per cent of the cohort, are clustered in the Paris basin. There is some concentration in the UK but nowhere to the same degree (16.4 per cent). The French, moreover, were typically educated for longer and at a higher level than their British counterparts, often at a leading *grande école*, the Ecole Polytechnique, the Institut des Sciences Politiques de Paris (Sciences-Po) and the Ecole Nationale d'Administration (ENA) being especially prized. More than half of the French cohort (54.9 per cent) attended one of the top five higher education institutions, as against 39 per cent in the UK. The added value of the *grandes écoles* derives from the rigour of their selection process. They are endowed with a disciplinary ethos; Polytechnique, for example, was established by Napoleon in 1794, and falls under the jurisdiction of the Ministry of Defence, not Education.⁴⁸ Again, nine out of the top ten institutions of higher education favoured by the elite are in the Paris basin. This concentration of elite establishments in Paris and its surrounding area is extraordinary. Though it may have led in the past to accusations of a two-tier nation,⁴⁹ the domination of the capital has itself played a critical role in fostering strong ties among the

French business elite, being home to the best schools and higher education institutions, the key organs of government and the headquarters of most leading companies.

For students who excel, attendance at a *grande école* may be followed by the invitation to join one of the civil service *grand corps*, such as the Inspection des Finances, the Corps des Mines or the Corps des Ponts et Chaussées. These serve as funnels to channel the cream of the *grandes écoles* to the top jobs, playing a pivotal role in the selection and education of the elite in the business, administrative, political and military domains.⁵⁰ They function as a sort of extended family, encouraging an *esprit de caste*, again strengthening the tight-knit ties amongst the ruling elite.

Regarding the mix of career experience that best fits people out for elevation to the uppermost echelons of management, by far the largest part of the elite was drawn in both countries from within the ranks of career corporate executives. A significant minority in France, however, was drawn from the pool of individuals with high-level experience in public administration (16.6 per cent), a phenomenon almost unknown in the UK, exemplifying the strong links between the state and business in France. A relatively small proportion of UK elite members had a professional background of some kind, far more than in France. The managerial context in which individual careers were forged was far more diverse in France than in the UK, reflecting the continued significance of the state, families and co-operatives in the corporate world.

Finally, Table 4 shows that a large majority of members of the managerial elite in both countries have very little leadership experience beyond the confines of their own enterprise. In the UK, the practice is for one and occasionally two non-executive directorships to be permitted for senior directors towards the end of their managerial

career. In France, the situation is very similar apart from members of the ‘super-elite’, the elite within the elite, the PDG of the very largest companies. These individuals typically hold multiple non-executive directorships, forming a bridge between the top teams of the most powerful French companies (see Table 5, below).

Corporate Networks and Institutional Cohesion

The ideological coherence fostered by the French system of elite recruitment, outlined above, ensures that the ruling elite is composed of like-minded individuals, capable of concerted action. Moreover, the central role of the state in this education needs to be underscored. The top *lycées* mentioned above are state schools, not independent ‘public’ schools, as in the UK. The *grandes écoles* were created by the state, and serve the state, as do the *grands corps*. The state is central to the selection process.⁵¹ The brightest students who have successfully made it through the *grandes écoles* repay their ‘debt’ to the state by working for it for a number of years in some capacity, perhaps at the Treasury, or in a ministerial cabinet, before moving on, as many of them do, to the world of business. As Roger Fauroux, a former director of ENA and a former Minister of Industry, puts it: ‘French organizations are run by the nation’s star pupils’.⁵²

An essential element of the training experienced by gifted individuals at elite establishments, however, is not just the acquisition of competence but, equally, the acquisition of connections.⁵³ Managerialism has indeed triumphed in France.⁵⁴ The conversion of the socialist government to the market economy in the mid-1980s in particular had profound consequences for the reconstitution of French capitalism, engendering a new confidence and greater cohesiveness on the part of the managerial

elite. While some commentators suggest that the power relationship between the state and firms may have reversed since then, and that large firms may have used government policies to support their own adjustment and advancement,⁵⁵ our position is rather that this is the product of having a unified elite, rather than large firms *per se*, increasingly calling the shots. The products of the *grands corps d'état*, 'les corpsards', for example, are able to exchange positions in government, politics and business in the domain that is controlled by their particular *corps*. Thus, given that the Corps des Mines controls the domain of nuclear energy, it is students of the Ecole des Mines that occupy the top positions in the nuclear energy industry. Anne Lauvergeon, the current PDG of the nuclear engineering company Areva, is a graduate of the Ecole des Mines. Her previous positions include Deputy Chief of Staff at the French Presidency under Mitterrand and CEO of the nuclear fuel cycle specialist Cogema. Members of the Corps des Mines control the political positions where critical decisions are taken regarding nuclear energy; as Groenewegen explains, 'When someone changes jobs, then automatically another member of the same corps takes his or her place'.⁵⁶ The institutional nature of the ties that bind the French business elite together is historically determined, French business leaders having a long-standing preference, as Cassis and Bussière observe, for institutions over markets.⁵⁷ Despite the triumph of managerialism in France, there is a strong sense in which this preference endures.

Table 5 examines the known career and educational profiles of the CEOs of the top 100 companies in France in 1998. Here, company size is cross-referenced with various features of the managerial elite by focusing exclusively on the super-elite at the very summit of France's leading corporations. The table provides some evidence to

suggest that the CEOs of the most powerful companies are more likely to have benefited from an elite education. Notably, those attending ENA are clustered in the very largest, top 25, enterprises. The vast majority of CEOs, whatever the size of company, are educated in the sciences and engineering, or economics and business, or in both disciplinary fields (86.9 per cent). The French have a low tolerance for the arts, humanities and social sciences. This is in marked contrast to the UK, where students, even high-flying ones, often shun engineering courses in preference for the humanities, such that major engineering companies – Airbus UK, for example – increasingly have to seek engineering graduates abroad to meet their needs.⁵⁸

The pursuit of critical mass, the conviction that size matters, has characterised both French and British economic development in the post-war period. Table 5 turns the spotlight on the CEOs of the largest companies, the super-elite, suggesting that they are indeed more likely to have particular career trajectories. The rule would seem to hold good that the larger the company, the more likely that the CEO will have a background in public administration – this applies to almost one half (48 per cent) of CEOs of the top 25 companies. This correlates with the appointment of ENA graduates to CEO positions within many top 25 companies. In addition, four CEOs of top 100 companies have come directly from the world of politics. These include Edmond Alphandéry of EdF, who served as Minister of the Economy (1993-1995) before becoming PDG of the energy group. Movement from the top echelons of business to politics is also possible. Francis Mer went from being PDG of the steel group Arcelor (a position he had held since 1986 as head of Usinor, which merged in 2002 with Aceralia and Arbed to form the new group) to Minister of the Economy, Finance and Industry (2002-2004). Table 5 confirms,

moreover, that the CEOs of largest companies are more likely than others to hold multiple directorships at the pinnacle of French business, with almost one-third (32 per cent) of CEOs of all top 100 companies serving as a non-executive director of two or more top 100 companies, as against more than two-thirds (68 per cent) of CEOs of the top 25 companies. Our research suggests that the density of directorial interlocks in France is almost double that in the UK.⁵⁹ In short, this table highlights the importance of corporate networks for French business, throwing into critical relief the institutional nature of elite cohesion in France, characterised in particular by strong links between business and the state.

Conclusion: the Enduring Particularities of the Managerial Revolution in France

This article confirms the limitations of universal theories of the managerial revolution. As Penrose states, ‘universal truths without reference to time and space are unlikely to characterise economic affairs’.⁶⁰ That said, the intellectual climate in which Chandler began was one in which it was generally believed that industrial economies would eventually converge on the American model.⁶¹ We propose here an alternative approach that recognises the economic and social realities of different national business systems. The French model of capitalism is marked by enduring links between the state and business, by the close-knit nature of its corporate networks, and the sizeable number of elite members with experience of working in an executive capacity in both the public and private sectors, unlike the UK. The state, in the words of Fridenson, has a ‘pivotal place ... in a society of ranks’, whose managerial elites ‘have yet to complete their emancipation from the nation’s government’.⁶² This is in spite of 20 years of

privatisation, 50 years of closer European integration, and the arrival in France in the late 1990s of international institutional investors, bringing new techniques and demands on corporate management.⁶³ All of these, admittedly, have altered the French corporate economy in different ways, but without, arguably, changing its essential core. Family ownership, too, remains highly significant in France, even amongst the largest companies, with a significant proportion of elite managers having had some personal route to the top – another marked contrast to the UK.⁶⁴

Our research suggests that cultural reproduction serves as a source of continuity and distinctiveness. This has important implications for France and the French capitalist model. Education is a powerful instrument of cultural reproduction. It is the basis of ideological coherence amongst the managerial, business and ruling elites, engendering a common mindset. This enables elite circulation among the fields of business, government and the civil service, bolstering solidarity amongst the ruling elite. Managerialism in France has embraced this mindset, which remains heroically wedded to the general interest, convinced that companies such as EdF can still serve as the ‘instrument of the nation’.⁶⁵ Members of the managerial and political classes have been the architects of France’s post-war economic recovery, and also the beneficiaries.⁶⁶ Despite Europeanisation, and globalisation, bringing undeniable change in governance practices and investment patterns, establishment solidarity, self-serving, and sustained and supported by the state, arguably remains as powerful a force at the heart of the French corporate economy as ever it was.

Table 1**Ownership of Top 100 Companies in France and the UK in 1998**

Ownership	France No.	UK No.
Public company with dispersed shareholding	22	95
Public company with concentrated shareholding	42	5
Dominant family shareholding	15	0
Dominant state shareholding	15	0
Co-operative or other enterprise	6	0

Note: A company with a dispersed shareholding is defined as no single shareholder or shareholder group holding 20 per cent or more of equity. A single shareholder or shareholder group holding 20 per cent or more of equity defines a company with a concentrated shareholding. A dominant family or state holding is 20 per cent or more of equity.

Table 2
Corporate Power by Industry Group amongst Top 100 French and UK Companies in 1998

Industry Group	France		UK	
	No. of Companies	% Share of Corporate Power	No. of Companies	% Share of Corporate Power
Construction	3	2.0	0	0.00
Financial services	2	4.9	19	23.5
Food and drink	12	4.5	10	8.6
IT and business services	6	1.5	3	1.8
Manufacturing	28	26.9	15	13.5
Media, consumer services and products	9	6.7	11	9.9
Oil and gas, mining and materials	14	13.4	9	16.6
Retailing	15	14.7	11	9.9
Transport and distribution services	5	5.5	7	4.7
Utilities and telecommunications	6	19.9	15	11.5

Note: A power score was calculated for each company based upon equally weighted values for total capital employed, turnover, net profit and number of employees. Each company was then assigned to a single industry group wherein power scores were combined and percentage shares of total corporate power calculated.

Table 3
Concentration of Power Amongst Top 100 Companies in France and the UK in 1998

Share of Combined Power of Top 100 Companies	France (%)	UK (%)
Top 5 companies	22.3	20.4
Top 10 companies	37.3	31.0
Top 20 companies	58.4	46.7
Top 50 companies	87.1	76.7
All 100 companies	100.0	100.0
Coefficient of concentration	0.02250	0.01759

Notes: The procedures for the determination of corporate power are defined in the note to Table 2. The coefficient of concentration, C, combines in a single measure the two main components of the concept of concentration: the number of firms in the sample and the inequality of the distribution of their size. This particular measure is known as the Herfindahl Index of Concentration, and as applied here uses the coefficient of variation of power as a measure of inequality. The coefficient of variation of power equals the standard deviation of corporate power for the top 100 companies divided by the mean power score, and C is calculated as follows:

$$C = (1 / N) (1 + CV^2)$$

Where CV = coefficient of variation and N = 100.

If power were divided equally between the Top 100 companies in either France or the UK, then C would equal 0.01 – the reciprocal of the number of firms in the sample. The more unequally power is distributed, the higher C becomes.

Table 4
The Managerial Elites of France and the UK in 1998

Group Characteristics	France	UK
Demographics		
Number	554	588
% French nationals	89.7	1.4
% UK nationals	1.8	86.7
% Men	96.8	98.5
% Women	3.2	1.5
Mean age	51.9	52.3
Education		
% of known attendances at top 20 school	53.2	25.6
% of known attendances at top 10 school	44.5	16.4
% of known attendances at top 5 school	34.7	15.5
% of known attendances at elite HE institution	82.1	68.0
% of known attendances at top 5 elite HE institution	54.9	39.0
Holders of HE qualifications above first degree as % of subjects with known educational backgrounds	90.3	38.1
Career experience		
% corporate only	81.5	88.5
% public administration and corporate	16.6	1.7
% politics and corporate	0.4	1.0
% professional and corporate	1.0	7.9
% academic and corporate	0.5	0.9
Managerial context		
% in managerially controlled enterprises	64.5	100.0
% in state controlled enterprises	18.2	0.0
% in family controlled enterprises	12.9	0.0
% in cooperative enterprises	4.4	0.0
Career type		
% executive only	84.1	80.4
% executive + 1 other top 100 non-executive directorship	8.6	13.7
% executive + 2 or more other top 100 non-executive directorships	7.3	5.9

Note: This table relates to the entire population of main board members (or equivalent in the French case) holding executive roles in top 100 French and UK companies.

Table 5
Known Career and Educational Profiles of the Chief Executive Officers of the Top 100
Companies in France in 1998

Profile	All Companies	Companies Ranked by Size			
		1-25	26-50	51-75	76-100
Attendance at Educational Institutions					
% of known attendances at top 20 school	62.3	68.4	68.4	61.1	46.2
% of known attendances at top 10 HE institution	82.9	81.0	90.5	81.0	66.7
% of known attendances at Ecole National d'Administration	22.4	38.1	14.3	21.1	13.3
Higher Education Type					
% engineering & science	24.7	27.2	30.5	30.0	13.3
% economics & business	37.5	36.4	30.4	30.0	56.3
% both engineering & science and economics & business	24.7	27.3	21.7	30.0	11.7
% other subjects	13.1	8.1	17.4	10.0	18.7
Career Profile					
% corporate	63.0	48.0	68.0	60.0	76.0
% public administration and corporate	27.0	48.0	24.0	36.0	0.0
% enterprise and corporate	4.0	4.0	8.0	0.0	4.0
% politics and corporate	4.0	0.0	0.0	4.0	12.0
% academia and corporate	2.0	0.0	0.0	0.0	8.0
Director Roles					
% also chairman	73.0	72.0	80.0	76.0	64.0
% also non-executive of 1 other top 100 company	17.0	12.0	24.0	24.0	8.0
% also non-executive of 2 or more other top 100 companies	32.0	68.0	24.0	24.0	12.0

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Notes

- ¹ Sawyer, “Social Structure and Economic Progress,” 324.
- ² Chandler, *The Visible Hand*.
- ³ Djelic, *Exporting the American Model*; Maclean, *Economic Management and French Business*.
- ⁴ Maclean, Harvey and Press, *Business Elites and Corporate Governance*.
- ⁵ For a full listing see *ibid.*, 269-71.
- ⁶ Berle and Means, *The Modern Corporation and Private Property*.
- ⁷ Fama and Jensen, “Separation of Ownership and Control.”
- ⁸ Whittington *et al.*, “Chandlerism in Post-war Europe”; Kogut, “National Organizing Principles of Work”, 286, cited in Whittington *et al.*
- ⁹ Monjardet, “Carrière des dirigeants et contrôle de l’entreprise.”
- ¹⁰ Barjot, “Americanisation,” 43.
- ¹¹ Hannah, “Scale and Scope,” 299.
- ¹² Whittington *et al.*, “Chandlerism in Post-war Europe.”
- ¹³ Langlois, “The Vanishing Hand.”
- ¹⁴ Lazonick, “Innovative Enterprise and Historical Transformation”.
- ¹⁵ Maclean, *Economic Management and French Business*, 27-28.
- ¹⁶ Cohen, “France,” 30-31.
- ¹⁷ Savage, “Patterns of Access to Business Leadership in France”, 115, 133; Zeitlin, “Corporate Ownership and Control”.
- ¹⁸ Whittington and Mayer, *The European Corporation*.
- ¹⁹ Maréchal, “Les critères d’investissement”.
- ²⁰ Morin, *Le Modèle français* ; Hancké, “Revisiting the French Model”.

- ²¹ Morin, “A Transformation in the French Model”, 37.
- ²² Fridenson, “France,” 231-233.
- ²³ *Ibid.*, 231.
- ²⁴ Chadeau, “The Large Family Firm in Twentieth-Century France,” 184, 191.
- ²⁵ Rahman, “L’Oréal Boosts its Shu Uemura Stake,” 17.
- ²⁶ Whittington and Mayer, *The European Corporation*.
- ²⁷ Jacquin, “OPA sur les grandes familles.”
- ²⁸ Maclean, *Economic Management and French Business*, 211-212.
- ²⁹ Le Foll and de Pirey, “L’heureuse alliance de l’héritier et du manager,” 1.
- ³⁰ www.l'oreal.com
- ³¹ “François Dalle,” 48.
- ³² The Marist Fathers’ boarding school of Saint-Paul d’Angoulême in the Rue de Vaugirard, Paris.
- ³³ Maclean, Harvey and Press, *Business Elites and Corporate Governance*, 12.
- ³⁴ Cassis and Bussière, “Introduction.”
- ³⁵ Maclean, *Economic Management and French Business*; Vernholes, “La France n’accepte pas de payer le prix de ses ambitions.”
- ³⁶ De Gaulle, *Salvation*, 98.
- ³⁷ EIU, *Country Profile 2000*, 21.
- ³⁸ *Ibid.*
- ³⁹ Like EdF, Gaz de France was partially privatised in 2005.
- ⁴⁰ Interview with David Love, Head of Regulation, British Energy, 11 May 2001.
- ⁴¹ Hecht, *The Radiance of France*, 326.

⁴² Tizier and Mauchamp, *EdF-GdF*.

⁴³ Access to the British market is provided through the interconnector that lies on the seabed, equivalent to having a large power station in Sussex.

⁴⁴ Vernholes, “La France n’accepte pas de payer le prix de ses ambitions,” 291.

Translated by M. Maclean.

⁴⁵ Gow, “French take a gamble.”

⁴⁶ Maclean, *Economic Management and French Business*, 224-225.

⁴⁷ Maclean, Harvey and Press, *Business Elites and Corporate Governance*, 240-245.

⁴⁸ Barsoux and Lawrence, “The Making of a French Manager,” 63.

⁴⁹ Gravier, *Paris et le désert français*.

⁵⁰ Suleiman, *Les Elites en France*; Loriaux, “France,” 112.

⁵¹ Savage, “Patterns of Access to Business Leadership in France”, 133.

⁵² Barsoux and Lawrence, “The Making of a French Manager,” 63.

⁵³ Monjardet, “Carrière des dirigeants et contrôle de l’entreprise.”

⁵⁴ Meuleau, “From Inheritors to Managers,” 142-143. The post-war years saw the introduction of American business methods, often through management consultants, placing a new emphasis on marketing, modern accounting practices and human resource management. Marketing classes were introduced in the 1950s at the Ecole des Hautes Etudes Commerciales.

⁵⁵ Hancké, *Large Firms and Institutional Change*, 190; Schmidt, *From State to Market?*

⁵⁶ Groenewegen, “European Integration and Changing Corporate Governance Structures,” 474.

⁵⁷ Cassis and Bussière, “Introduction,” 8.

⁵⁸ Interview with Iain Gray, Managing Director Airbus UK, 17 January 2006, Bristol; see also Lane, *Industry and Society*.

⁵⁹ Maclean, Harvey and Press, *Business Elites and Corporate Governance*, 166-167.

⁶⁰ Penrose, "History, the Social Sciences and Economic Theory," 11, cited in Lazonick.

⁶¹ Whittington *et al.*, "Chandlerism in Post-war Europe."

⁶² Fridenson, "France," 244-245.

⁶³ Morin, "A Transformation in the French Model," 37.

⁶⁴ Whittington and Mayer, *The European Corporation*; Bauer and Bertin-Mouro, *Vers un modèle européen des dirigeants?*

⁶⁵ Hecht, *The Radiance of France*, 326.

⁶⁶ Barsoux and Lawrence, "The Making of a French Manager," 60.