



Restructuring of the industrial plant belonging to Alcatel Business System in Illkirch-Graffenstaden (Alsace, France)

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Executive summary

This establishment belonged to the company Alcatel Business Systems (ABS) of the Alcatel group. The closure of this plant in Illkirch in 2004 affected 773 employees. This plant is a relatively recent industrial establishment that has known numerous changes in its activities and tasks following significant changes in the business.

In this case, all the players, at all levels, have been strongly committed to allowing the plant and its employees a future that values their individual and collective competence. Thus the players were going to try everything to avoid the closure of the factory, through seeking multiple ways of reconversion. Faced with the partial blockage of these developments an exemplary employment safeguard plan would be put in place, going beyond the simple legal obligations of the employer in this respect, inscribing itself within the framework of ambitious objectives of reclassifying the employees concerned, all of course within a negotiated framework. In fact the methods in which the restructuring was managed that have now been deployed go quite a way beyond the simple legal French framework of employment changes, whether it be in terms of information/consultation or other means that were deployed to ensure a professional transition to the employees involved.

This case is now considered by all the players involved in the process as an "exemplary" model of restructuring that we can translate as being "socially responsible". As we will see, the construction of socially responsible behaviour where restructuring is concerned tends to require a strong commitment from the different players, inscribed within internal networks and in a history of previous restructurings and practices of social relationships characterised by the negotiation of agreements. At the end of the day this case poses the question of conditions of construction and the susceptibility to reproducing such practices when they have not been framed or supported in an institutionalised fashion.

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**CASE STUDY : RESTRUCTURING OF THE INDUSTRIAL PLANT
BELONGING TO ALCATEL BUSINESS SYSTEMS IN ILLKIRCH
GRAFFENSTADEN (ALSACE, FRANCE)**

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This case study traces the development of the closure of the Alcatel Industrial plant in Illkirch-Graffenstaden in France. This establishment belonged to the company Alcatel Business Systems (ABS) of the Alcatel group. The closure of this plant in Illkirch in 2004 affected 773 employees. This plant is a relatively recent industrial establishment that has known numerous changes in its activities and tasks following significant changes in the business.

The restructuring of the Illkirch plant contrasts sharply with the previous restructuring operations carried out by the Alcatel group, which until then had had the advantage of being able to cede the business as a way of managing restructuring of manufacturing facilities. Within this practice, which almost became a standard model for managing restructuring within the Alcatel group, the steering of these operations was strongly centralised at group level, with the group top management taking charge of the initiation and implementation of the operation along with the accompaniment of change with the employees, thus guaranteeing a plan of digressive load to the enterprise that took over the facilities. But in the case of Illkirch although certain transfers of personnel did take place it was impossible to cede the business activity because there was no manufacturing business left to transfer. Consequently the group had to invent a new method of restructuring.

In this case, all the players, at all levels, have been strongly committed to allowing the plant and its employees a future that values their individual and collective competence. Thus the players were going to try everything to avoid the closure of the factory, through seeking multiple ways of reconversion. Faced with the partial blockage of these developments an exemplary employment safeguard plan would be put in place, going beyond the simple legal obligations of the employer in this respect, inscribing itself within the framework of ambitious objectives of reclassifying the employees concerned, all of course within a negotiated framework. In fact the methods in which the restructuring was managed that have now been deployed go quite a way beyond the simple legal French framework of employment changes, whether it be in terms of information/consultation or other means that were deployed to ensure a professional transition to the employees involved.

This case is now considered by all the players involved in the process as an “exemplary” model of restructuring that we can translate as being “socially responsible”. As we will see, the construction of socially responsible behaviour where restructuring is concerned tends to require a strong commitment from the different players, inscribed within internal networks and in a history of previous restructurings and practices of social relationships characterised by the negotiation of agreements. At the end of the day this case poses the question of conditions of construction and the susceptibility to reproducing such practices when they have not been framed or supported in an institutionalised fashion.

This case study rests on the interviews, half direct, with the major players at the Illkirch factory (see list of participants in the annex) as well as interviews with the ABS senior management and the group’s social affairs management, along with the main documents linked to the restructuring. We would point out that the interviews were conducted with very favourable welcoming conditions, the players that we met with participated a strong feeling of pride in having contributed to this human and social enterprise, despite the fact that it was painful to a degree.

1.-PRESENTATION OF THE ALCATEL GROUP, THE ALCATEL BUSINESS SYSTEMS COMPANY AND THE ILLKIRCH MANUFACTURING FACILITIES (ALSACE)

1.1The Alcatel group where restructuring is concerned

In 1898 Pierre Azaria created the company called Compagnie General de Electricité (CGE) which a century later would become Alcatel. Alcatel's history is marked by three very important movements of buy-backs, mergers and cessions that reflect the commitments within numerous fields of activity: energy, transport (cabling, firstly electrical and then optical fibres) as well as communications, together with involvement in the space and defence industries. Within the field of telecommunications these movements were significantly noted in the merger with Thomson telecommunications in 1985 and by the buy-back of ITT in 1986. In 1991 CGE changed its name to Alcatel Alsthom. Serge Tchuruk became the President of Alcatel Alsthom in 1995 and decided to refocus the company's activity on telecommunications. In 1998 Alcatel Alsthom changed its name again and became simply Alcatel.

In 2004 the Alcatel business was divided into three major sectors: fixed communications, mobile communications and private communications (for industry and the public sector). As of today Alcatel employs 56,000 people, in 130 countries.

1.1.1.The general strategy for refocusing the activities with a high added value content in the face of the changes within the telecommunications sector.

Since the 1980's the telecommunications sector has undergone three very important mutations. In order to respond to these changes the companies within the sector have had to make major changes to their production tools. One can distinguish two successive evolutions. Firstly this sector went through a major change in production processes (from electromechanical controls to electronic controls) which in the first instance manifested itself in a first wave of loss of employment. At the end of the 1990's the companies in this sector have also had to face up to extremely severe competition from those countries which have a very low labour cost which in turn has led to a very significant reduction in their competitiveness and thereby their levels of production. Once again these companies have been obliged to reduce their workforce.

Faced with these sectorial upheavals Alcatel has established a strategic project aimed at changing the company from the industrial area to the services area, with a strong refocus on the research and development business, logistics and after sales service. Consequently the group's top management decided to dispose of its production facilities, thereby favouring investment in the activities which had a strong added value. Mr Tchuruk for example stated in an article printed in the Wall Street Journal on 26th of June 2001 that: "*soon we will be a group without any factories*".

The combination of external impact and strategic choices meant that successive restructuring programmes were applied in the first phase to the cession of the plants of St Nicholas d'Alhiermont in 1992, the Woerth factory in 1995 and the closure of the Colfontaine installations in 1997. The second stage of this process consisted of the cession of the Laval factory in 2001, the Brest factory in 2002 and the closure of the Illkirch factory in 2004.

1.1.2. A group with a social tradition: means deployed and social dialogue.

The successive restructuring of Alcatel has been developed within the framework of a company which has the reputation of being a socially generous enterprise: its employees are privileged to have advantageous status and salaries, inherited from the enterprise's industrial origins. On a separate note Alcatel always tries to carry out any restructuring operations by significantly limiting the human and social effects of the decisions where restructuring is concerned. The CFTD delegate at ABS delegate reported in this fashion in regard to the proposal of an Alcatel executive in connection with the best way of approaching the Illkirch plant restructuring: *"OK, this is going to cost us a lot. The money must be on the table. We will do anything that is necessary. But I really wish that the whole process be carried out as correctly as possible."* In this way the group's social affairs manager has established a norm at group level in terms of the means to be deployed where social accompaniment is concerned; this norm is subsequently implemented in a variable fashion according to the local restructuring configuration.

Apart from the means that were deployed to accompany the social aspect of the restructuring the various aspects of the group's social policy are accompanied by a social dialogue practice with the trade union organisations. Thus the group's strategy of separating itself from the manufacturing activity is described as being discussed with the social partners. Generally speaking the Alcatel group has accepted - even though this is not a legal obligation - that all restructuring processes be negotiated.

These different elements are attributed to a "Group Culture" which although it is not written so much as implicit is characterised according to the ABS Director of Human Resources *"by a traditional French approach with a sense of social responsibilities"* where the management *"at decisive moments knows how to integrate the social variables in order to avoid a drama"*.

Therefore we have not identified a real social policy regarding restructuring which would be explicit and shared at all the different levels in the structure; it seems more that within a heritage of strong decentralisation of management practices and in the absence of an undertaking in the heart of the group on the contents of a socially responsible stance on the part of the group, it is more a question of the players themselves who are going to - or not going to - construct practices that will be capable of evaluation as socially responsible within a cultural context that authorises it.

1.1.3.A role model for steering restructuring: cession

The combination of the deteriorated climate, this strategic choice of abandoning the manufacturing activities and a social policy aimed at limiting the human and social effects of restructuring have led Alcatel to favour within its method of managing restructuring an organisational choice consisting of ceding manufacturing facilities rather than closing them.

Through ceding these facilities Alcatel hopes to allow the workers to conserve not only their employment but also their advantageous remuneration conditions along with their status, thus capitalising the skills acquired in the company. In fact within the framework of article L 122-12 of the French Employment Code, in the event of cession of activity all the employment contracts and the rights of the employees are maintained between the new employer and the company's personnel. It is in this context that the restructuring of the factories in St Nicholas d'Aliermont, Woerth, Laval and Brest have taken place.

Moreover it was normal practice for Alcatel, when carrying out these cessions, to guarantee the new company a gradually diminishing order book over a two or three year period to allow the new company enough time to gradually find other outlets or activities. Through prolonging the activity of the new companies Alcatel equally hoped to guarantee the employment of their employees, although this objective has only had limited success.

In the case of Illkirch the option of ceding was not feasible to the extent that the establishment no longer had any activity: therefore a different method of restructuring had to be found with strong coordination between the different players and within the different dimensions of the internal context of a group which had known numerous restructurings with an important social tradition.

1.2 Alcatel Business Systems and their site at Illkirch

In 1999 Aaron Weil created the company SARL Le Téléphone Privée in Strasbourg. This would become, in 1927, Téléphonie Industrielle et Commerciale (Télic). In 1965 Télic was merged with CIT, a subsidiary company of CGE. In 1980 the company changed its name and became Télic Alcatel before becoming Alcatel Business Systems in 1990.

Alcatel's internal organisation has known a very large number of transformations, some of which were determined by the evolution of the economic climate but others were in response to different approaches taken by the management of the time (product focused organisation, market focused organisation,...). This organisation consists of numerous divisions among which is the business systems division (equally known as Business Systems Group) which brings together all the communication activities of the company. The Illkirch-Graffenstaden factory depended on this division.

In 2000 ABS achieved a turnover of almost 2.9 thousand million Euros but in 2004 the turnover was only 634 million. In 2000 ABS had almost 6000 employees whereas today they only have 1500, mostly in the domain of research and development, marketing, computer systems and various transversal functions. ABS had 9 facilities in 1990 but no more than 4 in 2000 (Colombes, Brest, Laval and Illkirch).

Manufacturing at Illkirch had been taking place since 1919. Consequently it was one of the oldest establishments of the group, which translates into a form of reciprocal attachment between the group and the factory. In 1998 the ABS production was installed on a new site allowing the group to bring together in the same place all the production activities that existed within the region of Strasbourg (which would be approximately 14 according to the ABS Assistant Human Resources Manager) along with the research and development activities, administrative and support functions (marketing, finance, computer services). This location also offered the advantage of a space that could be distributed in modules allowing easier evolution of the enterprise from the perspectives of the development that were then foreseen.

Over the years the production at this factory which was at first strongly diversified started to be concentrated towards the end of the 1990's on exclusive production of GSM. The Illkirch factory constituted a twin with that of Laval in terms of size and production output. The introduction of GSM on the market has deeply transformed the enterprise. At that time it was a question of responding to the needs of a massive public market in which the products evolved much more quickly than in the traditional telephony market. In order to be able to produce in very large series the production machinery had to be extremely automated and capable of working to very tight schedules. At this point ABS started to work with night and weekend shifts and the factory was producing non-stop twenty four hours a day and seven days a week. However this was still not enough to follow the extraordinary production growth that occurred over only a few years, going

from two million to four million and then to twenty million GSM per year. At this point ABS had to resort to a massive volume of part time labour and to sub-contracting. In 2000 sixty per cent of the Illkirch factory's production was outsourced within the region of Strasbourg, in Hungary and in Rumania. This situation offered the establishment a strong sense of security which appeared to protect it from the conjunctural risks.

In order to follow the transformation of this production equipment and change from a work which was mostly manual to a very automated system it was equally necessary for ABS to develop their employees' skills. At this point eighty per cent of the workers were OS before the change to GSM, whereas by the end of this industrial mutation sixty per cent of them were workshop technicians.

This adaptation of the workforce is inscribed within a specific culture, put into place from the 1990's onwards by the industrial management of ABS and the Illkirch factory managers, in order to meet the needs of production that were perpetually changing. This culture was born with the PRIMA project ("Integrated Response to Alcatel's Markets") which fixed the objective of increasing sales and reducing stock levels along with the operating expenses, relying on a policy of total quality and just in time production. The transformation in the method of working generated by the PRIMA project was to involve all the hierarchical services and levels, develop the understanding of the company's economic model and favour the involvement of the employees in the work organisation decisions.

2.- A SUCCESSION OF MARKET UPSETS AND INDUSTRIAL RECONVERSIONS

At this stage all the forecasts envisaged a number of healthy and wealthy years ahead for the GSM market. However in January 2001 the whole situation overturned, placing the group on a course heading for crisis and severe deterioration of results.

For Illkirch the blow was so severe (production reduced by 13 million units as compared to the 2001 budget for the two factories in Illkirch and Laval) that within six months the factory was no longer capable of giving any work to the subcontractors. The company was obliged to release the part time workers and put some of their personnel on partial layoff. This same phenomenon also hit the Laval factory in the same way, where GSM were also produced. ABS then found itself with two factories with an excess of production capacity. The group's management then made the decision to concentrate all the GSM activity at the Laval factory with a view to preparing a cession and then withdraw all production activity at the Illkirch factory, thus threatening its closure.

However, as we will see, various players at the same time at the group level, company level and factory level mobilised themselves so that this plant would not be sacrificed. These different players were successively going to look for different possibilities of industrial reconversion of the production machinery and the employees that form it with the objective of finding global and collective solutions that would particularly allow the conservation of the acquired collective skills, recognised by everybody as being of good quality.

These initiatives were to meet numerous obstacles but nonetheless they were pursued with tenacity over almost four years, finally culminating in individual reclassification for a part of the workforce concerned.

2.1. First reconversion attempt: optoelectronics

Firstly, at the beginning of 2001 the decision had been made at group level to transfer all GSM production volume to the Laval factory with a view to a later cession, and to close the Illkirch site. But at the same time a different branch of Alcatel that produced optoelectronics components was

enjoying strong growth and planned the construction of production facilities in the Paris region. At the initiative of the group's Social Affairs Manager who considered that an industrial solution is always better than a social solution and who acted as the link between these two concurrent situations, the ABS general manager and the optoelectronics manager were to evaluate the feasibility of industrial reconversion and rapidly reached the decision, particularly bearing in mind the skills of the Illkirch workforce and the capacity to adapt which they had already shown, that such reconversion was possible.

Thus the decision was very quickly made to convert the Illkirch factory to optoelectronics. GSM production was progressively withdrawn and transferred to Laval, which would be ceded to Flextronics shortly afterwards. Once again this factory was to undergo a complete reconversion along with its personnel. Optoelectronics needs longer production times (average 16 hours per product) and also requires extremely meticulous manual work. It was also a question of working with completely new materials - optic fibres. Over a three month period about sixty employees were sent to the Alcatel optronics establishment in Nosay in order to learn the production techniques with a view to them in turn training the rest of the workers in the factory. The operation involved 281 workers who attended 34,310 hours of training to respond to the needs of this change - in other words more than 122 hours of training per employee. The challenge was taken up enthusiastically and the first optoelectronic products left the factory in August of that same year. At the same time substantial investments were made mostly to allow production in a grey room. However at the end of 2001 the activity suddenly ceased - once again a crisis situation had arisen.

2.2 Second reconversion attempt: the Intraprise project

Faced with this new conjunctural reverse the ABS central management once again foresaw closure of the Illkirch factory. However the factory's management, following an idea suggested by a specialised bureau in reconversions that had already been involved with Alcatel factories, proposed an alternative to this closure - the creation of an enterprise within the enterprise. This received the agreement of ABS management and the group management. This would be known as the Intraprise project where the objective was to transform the Illkirch factory into an independent structure that would effectively perform subcontracted work for the account of companies unrelated to Alcatel. It was a question of putting on the market the skills available at the Illkirch factory and making them available to developing electronic companies that were growing on different markets to those of Alcatel.

In 2002 ABS envisaged putting the division "Illkirch Industries" on its feet, where it had identified three fields of prospecting : automobile electronics markets, added value logistics and after sales service and niche markets within the electronics sector. In October of that same year the factory management informed the trade union representatives in the context of Book IV of the Code¹ that the optoelectronics production would be replaced by Intraprise activities. The Intraprise project was immediately presented to the employees' representatives thereafter and they quickly accepted it. According to the factory's human resources management the employees equally adopted this project because it allowed them to stay together: *"they said we are still a collective with skills and we will try to find an entrepreneur having charge of markets"*.

This reconversion once again demanded that all the employees adapt to new products and to new working methods. In order to obtain orders in the automobile industry any manufacturer or supplier has to have the ISO16949 quality certification. This certificate is recognised as being particularly

¹ Within the framework of the information/consultation process with the employees' representatives regarding a restructuring operation that entail the suppression of jobs, Book IV of the Code governs the financial justification for restructuring

difficult to obtain, nonetheless Illkirch Industries obtained it at its first attempt at the end of six months.

In order to give Illkirch Industries enough time to find a book of orders sufficiently large as to occupy all its workforce ABS then accepted repatriation of the production of “UA” telephone terminals, of which the production which had first been sent to Mexico and Spain was now in Hungary and Rumania. This solution, more costly than the localised production, did however allow a reduction in the losses that would have been generated through laying off a large number of personnel.

3. THE RESTRUCTURING OPERATION ITSELF

From the beginning the choice of implementing these industrial reconversion developments corresponded to a common desire shared by the Alcatel group’s social affairs management, the ABS management and the Illkirch factory management, all aimed at putting into place everything that was within their power to avoid the social consequences of restructuring that this site had experienced or at least in limiting as far as possible the social impact. Consequently in the first instance the route that was sought consisted of collective industrial reconversion.

The success of these reconversion projects at first sight appeared credible, particularly considering the number of trump cards that the Illkirch factory held (the employees’ proven strong ability to adapt, positive reactions, quality of service, adaptability to production volumes, strong industrialisation skills in electronics and a building in which the modules can be easily rearranged) along with the existence of identified potential demand.

This desire to find long lasting solutions for the employees whose jobs had been suppressed became evident again through the way that the reorganisation and the successive employment safeguard plans were conducted at this location between 2002 and the end of 2004. The Book IV format presented in October 2002 put on record Alcatel’s commitment “*not to undertake any collective redundancy for financial reasons during the Intraprise structuring and development phase*”.

In order to achieve this objective the management rapidly established a framework for action :

- Before all the management would look for implementing a collective reclassification solution for the largest number of employees possible.
- It was necessary for this restructuring to take place in the least possible coercive fashion. If workforce reductions had to be undertaken in the first instance they would be based on voluntary departures.
- Departures would be accepted on the condition that the employees could prove a stable situation - either an indefinite duration contract, the creation of their own company or a specific training plan.

Unfortunately as and when the Intraprise project encountered difficulties the management was obliged to resize it through implementing less ambitious collective classification projects before finally having to act in a more coercive fashion. This development translated into the successive implementation of a voluntary departure plan, laying off the weekend teams and three successive phases of employment safeguard plan, within the framework of two agreed methods.

3.1 Upstream of the social plan : voluntary departures and reorganisation

It rapidly became more and more obvious that it would not be possible to find an entrepreneur to take over all the employees at the Illkirch factory. At this point the factory's management called for voluntary departures in order to reduce the size of the workforce and give a better chance of success to the Intraprise project. In order to improve the chances of success of the initiative it was necessary to reduce the number of employees but at the same time maintain the major part of the skills. The people who wanted to leave at that time signed an individual agreement with the company by way of an individual transaction.

This measure was mainly targeted at the youngest employees in the factory, the latest recruits who in 2000 had had the chance to change to a 35 hour working week. This segment of the workforce was better trained and therefore was more likely to find employment more easily than others. Moreover two years working for Alcatel could only be considered as an advantage within their professional careers. One condition was imposed on these departures: the voluntary leavers had to be able to prove that they had already found alternative employment on an indefinite duration contract. As of the first of January 2003 the old Illkirch factory only had 694 employees.

The definitive stoppage of GSM production planned for the end of 2003 made the existence of 84 weekend working positions superfluous. The Illkirch plant proceeded therefore in January 2003 to reorganise this situation, through proposing to these 84 workers that they be reintegrated within the weekly shifts. This reorganisation was the object of an information and consultation procedure with the trade union representatives which culminated in the preparation of reorganisation in two phases

- A "preventive" phase that would last until May 2003 to allow those employees who so wished to change to the weekly shifts and also to allow those who wanted to leave the company to benefit from the accompaniment measures (help with searching for employment and help with creating their own business).
- A "compulsory" phase that would start in June 2003 and foresaw the implementation of an Employment Safeguard Plan comprising measures for assistance in reclassification, geographic mobility, as well as training, adaptation and reconversion.

3.2 First phase of the employment safeguard plan: signature of an agreed method

In March 2003 despite the efforts deployed in trying to find a sufficient amount of business orders to keep the Illkirch Industries' personnel actively employed the order book grew much more slowly than was expected. Consequently it was decided to redimension the Intraprise project around a more restricted number of employees. Of the 650 people who were initially involved in this project the plan was to reduce this number to 400.

In order to implement this important reduction in the workforce it was proposed to the trade unions that an agreed method be signed and this actually took place on the 31st of March 2003 with the unanimous agreement of the parties.

This agreed method foresaw supporting reconversion of those employees who wished to leave the enterprise irrespective of whether they were looking for employment with another company or creating their own business or engaging in a training programme.

This agreement is founded on three main elements :

- An information and consultation calendar with the employees' representatives

- A list of social accompaniment measures that would be presented to the trade union representatives within the framework of Book IV of the Employment Code.
- The creation of a parity commission for information and consultation.

This agreed method, valid until December 2003, also specifies the points to be examined by the parity commission as well as how said commission was to function (frequency of meetings and the means put at its disposal).

This agreed method was followed until the 16th of May 2003 by the signature between the trade union delegates and the ABS management of an agreement for implementing the method which describes how the first employment safeguard plan was to be put into place. This agreement was due to expire on the 31st of December 2003.

3.3 The search for entrepreneurs.

In parallel with the negotiations undertaken with the trade unions and the signature of the agreed method for its implementation Illkirch Industries continued to explore the possibilities offered by potential entrepreneurs. To assist in this procedure Alcatel had put at their disposal consultants from a bureau specialising in this field. With their assistance Illkirch Industries identified and explored several domains of business that were susceptible to furnishing orders to the factory. The route that proved most successful by a long way was the field of automobile electronics.

Despite numerous contacts that were made and numerous replies to the offers no viable solution appeared in the short term. Some of these projects also foundered due to the reticence on the part of the Illkirch factory management who in looking for a single solution for their 400 employees delayed the signature of less ambitious projects in the hope of not having to accept them.

3.4 Second and third phases of the employment safeguard plan

Once again it progressively became apparent that the expected results were not going to be realised. In addition to the difficulties encountered in finalising a contract with an entrepreneur the automobile industry underwent a severe reverse in 2003. What was more, the automobile equipment manufacturers then expressed their desire to delocalise their production towards countries with cheaper labour costs (Eastern Europe and Asia in particular). In October 2003 the evidence had to be recognised, Intraprise was a long way away from achieving its objective: only 75 employees were engaged in meeting orders external to Alcatel. The Intraprise project had expired. There was no other alternative from this point onwards other than closing down.

A new information and consultation procedure was undertaken with the employees' representatives in October 2003. At the same time the factory management initiated new negotiations with the trade unions that would culminate in the signature in January 2004 of a new agreement relating to the social measures, approved by all the trade union organisations. This agreement was aimed at allowing the implementation of a progressive reduction of the workforce at the Illkirch factory with definitive closure foreseen for the 31st of December 2004.

This second phase of the employment safeguard plan, still functioning on the basis of voluntary departures, was identical in the measures and conditions of the first phase but in fact extended them. In addition to the individual reclassification assistance this second agreement complemented these

measures through introducing assistance measures to collective reclassifications. Among the new measures to assist with individual reclassification we would mention :

- Lowering of the early retirement age to below 53 under certain conditions ;
- The implementation of salary differential compensation scheme (otherwise known as temporary gradually reducing allocation) for a 24 month period which was aimed at reducing the impact of the difference between the old salary (Alcatel) and the new salaries of the employees ;
- Increasing the financial incentives to companies that recruited personnel from the Illkirch factory, which went from €7,600 per employee aged less than 50 to €10,000.
- The incentive for employees aged more than 50 was increased from €10,000 to €15,000.

The assistance foreseen for collective reclassification project comprised:

- Financial assistance to companies that recruited as in the case of individual reclassification
- Dispensation or temporary reduction of the rent for those companies who were to install themselves at the Illkirch installations.
- Making available tooling and materials to the new companies.
- Detachment of employees or taking charge of their remuneration during the trial period.

By November 2004 only 22 people remained active at this location. By now Alcatel could no longer continue to function normally and had to move on to more coercive action. This was the last employment safeguard plan that was presented in the form of a follow-up to the January 2004 agreement, through the issue of a sixth information and consultation procedure. This employment safeguard plan picked up the same measures as were implemented in January 2004 (with the exception of those measures relating to the collective reclassification projects), but adding to it the constraint that all employees who were not able to benefit from an early retirement programme would be made redundant by 31st December 2004 at the latest. This was the end of the Illkirch factory.

3.5. Evaluation of the restructuring results.

Four years had passed since the collapse of the GSM market with the initial decision to close, followed by industrial reconversion at the Illkirch factory, until its effective closure. None of the players could have foreseen that the process would have needed so much time : they all believed that a collective future was possible for this location and the employees who worked there, before implementing a quality employment safeguard plan, being almost obliged to produce good results.

3.5.1. Collective reclassification: two partial operations

Throughout the year 2004 two collective reclassification solutions arose. The first was provided by the company Asteel that was looking to implant itself in the region. This represented 130 jobs within the field of niche electronics. Asteel would initiate its activity on the 1st of January 2004 within the Illkirch facilities. Six months later HPF services were to provide a second solution, taking on board 60 employees also at that same location.

Within these events the assistance given by Alcatel to these two companies went a long way beyond the subsidies foreseen in the January 2004 agreement. These companies benefited substantially from very favourable conditions by taking over the industrial equipment. But above all and this was an essential element, Alcatel gave them guaranteed business during a certain period of time to allow them sufficient time to develop their own client base.

All the players that we spoke to were in agreement on the long lasting nature of the two collective reclassification solutions. Asteel that took on 130 workers from the Illkirch factory presented what appeared to be a coherent business project. The various people that we spoke to expressed their trust in the future of this company. By contrast they showed fairly substantial reservations regarding the coherence of the HPF Services operation, which took on board 50 employees at the Illkirch location. This company would apparently have more difficulty in finding their own clientele within their field of activity - added value logistics.

3.5.2 Results of the operation in employment terms.

By the time the restructuring operation was completed at the Illkirch facilities the 773 affected employees had left ABS. The details of the various forms of reclassification that led to this restructuring is presented in the following table.

	2002	2003	2004	2005	Total
<i>Workforce as of 1st January</i>	773	694	465	22	
Internal reclassifications	8	3	30	0	41
Collective reclassification ²	0	0	201	0	201
Individual reclassification	48	143	90	22	303
Retirement/early retirement	23	83	122	0	228
Total	79	229	443	0	773

Table 1 evolution of the Illkirch workforce between 2002 and 2004.

The objective announced by the local management at this site of ensuring a solution for every one of the employees concerned seems therefore to have been achieved. Nonetheless the proportion of collective reclassification is lower than that initially expected and very few elements of information are available to evaluate the quality of the employment that was found in the case of individual reclassification. One would note therefore the relatively strong weight of the anticipated cessation of activity contributing to the achievement of the marked objective.

3.5.3 Perception of the operation from the viewpoint of the people who steered it through and the employees' representatives

All the people who steered the restructuring that we spoke to were unanimous in recognising that, despite the pain of seeing an industrial history of eighty years coming to an end, this restructuring was a success. Obviously it would have been much more preferable for the optoelectronics market to have stayed on its feet ; it is even more obvious that it would have been preferable to have been able to make the Intraprise project function better and subsequently cede the entire plant to a new company. These solutions would have allowed preservation of the unity of the industrial team at Illkirch and its collective competence.

However the market was simply not there and the fact that solutions were found for practically all the people concerned remains a successful operation and is considered such by the different players.

Thus this restructuring remains far away one of the most complete restructurings that has taken place in recent economic history. In all events it can be considered, as stated by the secretary of the employees' representatives that it was *“the most powerful, most correct industrial restructuring that I have known and it certainly went beyond all previous”*

² The collective reclassifications consisted of 130 employees to Asteel, 60 to HPF Services and 11 in re-industrialisation

4. THE PLAYERS' ROLES AND CONSTRUCTION OF RESTRUCTURING JUDGED AS BEING HIGH QUALITY.

Restructuring of the industrial division of the Alcatel site at Illkirch-Graffenstaden has particularly mobilised several types of players: the Alcatel management, the ABS management, the local factory management, the employees' representatives and other local players (political and administrative)

4.1. The players on stage

Where the company's internal players are concerned they have all described, at all levels of decision, how because they were strongly involved in searching for industrial solutions and then social solutions for this activity, they often found themselves performing tasks way beyond those which could have been expected of them within their respective functions.

4.1.1. The managerial players: group management, company management, local factory management.

In Alcatel the decisions weighing on the future of each establishment are generally speaking strongly centralised at group level : it is at this level that mergers, cessions and successive fusions that the company has known have been decided. However the Alcatel management equally intervenes in a very direct fashion once any cessions have been put into place, whereas in a general fashion the group's functioning is rather characterised by strong decentralisation.

On the other hand in the case of the Illkirch restructuring the Alcatel group's management did not wish to implement a cession operation and foresaw closure of the site, before giving a chance to the possibility of industrial solutions to ensure the continuity of the plant. As we have mentioned the closure of the Illkirch facilities was envisaged on two separate occasions: in 2001 after the GSM business collapsed and the decision was made to transfer all production orders to the Laval factory. And then in 2002 closure was again foreseen after the optoelectronics business was brutally cut short. In the first case it was the intervention of the group's Social Affairs Manager and then the intervention of operational management which would put the first attempt at reconversion on the rails. In the second case it was the intervention of the Illkirch factory manager, proposing a new alternative that would lead to the closure decision being revised. Subsequently after searching for individual reclassification solutions ambitious objectives were announced and implemented (we have to find a long term solution for each employee: *"we will not let employees depart until they have found an acceptable solution"*) an attitude that was strongly sustained over time by the factory manager.

We can consider therefore that the Alcatel management at its different levels has achieved a context of sharing strong ambitions regarding the future of this site and finally went a long way beyond the legal obligations as well as the current practices in this matter. If we have not identified an institutional posture of the Alcatel group laying down a policy of "social responsibility" (and it appears that a policy as such does not exist, for example in the form of a code of conduct), we can appreciate that in this restructuring case the different players have allowed the construction of restructuring management practices that can be considered as socially responsible. In this context what were the mechanisms and the logic? Several elements can be mentioned at this point.

One of the identifiable logics of the revision of the initial closure decision lies in the search for maintaining social peace, reasons of external image and internal stability. This operation has been

developed within an economic climate that was already strongly affected by restructuring and delocalisation that had in fact led to significant confrontations and the degradation of the institutional image of certain enterprises (closure of the Renault plant at Vilvoorde in 1998, closure of Moulinex in Alençon and that of Danone in Risoranges in 2001,). As it happened, in this case it was also a question of Alcatel wanting to avoid being attributed the image of a company that sold short its social plans by ceding its facilities to other companies, then leaving such companies responsible for any subsequent employment adjustments.

It was a question therefore of ensuring internal social peace with particular interest in avoiding the “oil slick” effect, generating possible conflicts and concern among all the group employees, and thus ensuring the stability of other divisions.

The different players in terms of local management have also played a very important part, particularly committed to maintaining this social cohesion : for these executives it was essential to protect the spirit of unity, cohesion, and family atmosphere that existed in this plant. Any changes had to be made without conflict, gently. Besides these executives are convinced of the value of the employees’ collective competence that has been proved through the employees ability to adapt to new products and new work organisational structures. These players have also been very concerned about the future of the employees and have mobilised themselves in a very committed fashion, sometimes expressing their severe disagreement regarding the decisions made by the Alcatel group management and practically forcing them to equip them with the means to put in place a quality restructuring process, corresponding to the representation that they held and their sense of responsibility towards their employees, their community and their history. Nonetheless it does appear that this equation, producing such spectacular results is not systematically found in the various cases of restructuring that have occurred in the Alcatel group; as we have mentioned it appears that a formal social policy does not exist when it comes to managing restructuring which is essentially a very decentralised function of the group, except for the fact that all restructuring processes must be negotiated (in the case of France, this does in fact constitute a significant advance in relation to the strictly legal framework).

What other complementary elements have existed, in addition to those mentioned above, that may have led to this exemplary restructuring?

For the group management players this commitment to find solutions is equally supported by the sense of responsibility derived from the decision to transfer all the GSM production orders to the Laval factory: this decision can be interpreted as a sacrifice of the Illkirch plant, an establishment that apart from anything else was one of the group’s historic plants, translating into a long term attachment. This feeling of having been sacrificed was to constitute one of the implicit negotiating levers for the local players in relation to the central players. It appears that the counterpart to this outcome arises as a debt owed by the group towards this historic establishment payable through giving this plant sufficient time for solutions to emerge and equipping the facilities with the means to search for industrial solutions and accompany individual reclassification. In addition the managerial players involved in this story are described as having shared at least two common parameters: sensitivity to or hunger for social dialogue along with a very strong personal commitment. In fact it is shown that all the parties shared a certain social relations culture, all the parties had already experienced earlier restructuring operations and this fact has given the players strong credibility in this field. Besides they knew each other well because in one way or another they had already worked together, they shared mutual respect, along with common values. In particular, the existence of internal interpersonal relations networks at different levels of the structure appears to have contributed to facilitating the coordination of all parties in this project.

This double dimension of credibility and personal commitment is particularly highlighted in the case of the Illkirch manager. He enjoyed very strong local and internal credibility: after working for thirty years in the Strasbourg region he had forged strong links with the main members of the local financial community. The factory employees held him in high esteem and trusted him implicitly to the extent that he had already proved his commitment to the factory and its workers. Besides he had a long experience in restructuring situations having steered a number of restructuring operations in the course of his career. Similarly he is described as a person with a very strong sense of personal ethics. The CFDT delegate at the Illkirch factory described his factory manager as “*a man with moral rectitude although he has often irritated us*”³. The manager himself affirmed “*I had understood well that one could no longer develop the production industry within Alcatel’s higher technologies but I refused to put 800 people on the street, for ethical reasons, affection, all the reasons that you wish, social, but I refused to let that happen*”. His sense of responsibility was equally highlighted by the CFDT delegate for whom the Illkirch manager “*felt totally responsible for the entire factory, all its employees, everything*”. At the end of the day he was well aware of all the workings of the situation, at local company level and at group level and had possibilities of a direct relationship with both sides of the equation.

We can consider therefore that at the major decision levels - group, company, local factory - the managerial players have shared similar objectives in regard to the steering of this restructuring, although their definition was not institutionalised at group level so much as simply following a common line (social negotiation). Within this framework that a priori was relatively poorly defined internal networks arose and personal commitments were undertaken by every party involved, bringing into the situation experience, a strong sense of ethics and these factors constituted the essence of the performance of these managerial players.

Within this scenario the group then allotted time and resources to this factory to implement a quality restructuring process whereas the local management, with impressive tenacity did everything that it could to ensure that initial contacts materialised in the form of concrete solutions, adapted to the local context. The factory manager announced this share of responsibilities in the following fashion: “*the choice is between giving up, which would entail a social plan leading to the end of a shared adventure and the wish to construct together a new future for the Illkirch plant even though its existence may be outside Alcatel. Where I am concerned the choice is clear : the Illkirch plant has to take its future into its own hands. Alcatel shares this choice and is giving the plant the time and the resources*”.

4.1.2 The trade union organisations

Although differences of opinions did exist between the trade unions on certain subjects despite everything they were to do everything in their power to present a common global front throughout the entire restructuring operation at the Illkirch factory. Led by a charismatic delegate of the CFDT who also had important contacts within the heart of the group the trade unions organisations have played an important role as counterweight. In addition the trade union leaders came out as being the real leaders, strongly committed to their mission, and having to hand important experience in crisis situations and restructuring processes. Moreover the leader of the CFDT trade union, because of his previous experience and at the same time direct relationship with the factory manager, but even beyond that with numerous managerial players in the company and the group, had also built up a strong internal network that allowed him access to information and to discuss aspects of the restructuring outside the scope or boundaries of the negotiating process.

³ Extracted from “*Alcatel, a shared history*”.

One of the main objectives that the trade unions set for themselves consisted of not allowing the Illkirch site to be ceded under the conditions of article L.122-12 of the Employment Code. They had already been able to witness the wicked effects of the operation on other occasions, in the course of several cessions of Alcatel factories (Woerth, St Nicholas d'Aliermont.....). If the years following the cession had not provoked negative changes for the employees of these establishments, they had in fact created conflictive situations in that closure was threatened; the social treatment therefore was revealed to be far away from the level of these practices where Alcatel were concerned. Consequently the trade unions were certainly not prepared to live through this experience again. They preferred the measures entailed by an Alcatel social plan and a worse paid job to employment that offered identical remuneration but which also presented the risk of leading to a poor social plan. Generally speaking the trade unions themselves were aiming for an exemplary restructuring, sharing the objectives of a quality and long lasting solution for every individual.

The unions resorted to several levers of action. By threatening to stage demonstrations, organise one day strikes or blockade the site, the unions, on many occasions, exerted pressure on the Alcatel management. However they also had at their disposal other weapons that they knew how to use in order to tilt decisions. One of their most powerful weapons in 2004, once the definitive shutdown of the manufacturing facilities at Illkirch had been decided, was the possibility of demanding that Alcatel repatriate the production of UA equipment to the Illkirch factory which was at that time being manufactured in Hungary and in Rumania. This threat was never finally executed but it weighed on the scope and the level of the social measures put into place by Alcatel when shutting down the Illkirch installations. Through cleverly manipulating the threats that were never carried out the trade unions contributed to ensuring the concrete and effective materialisation of the commitments undertaken by the group.

4.1.3 The local political and administrative environment

The local administrative and political environment, made up at the same time of the departmental divisions of labour, employment and professional training (DDTEFP) of the Illkirch commune, forming part of the Strasbourg Urban Community (CUS), but also the city of Strasbourg and the Region of Alsace, only intervened on the sidelines of this restructuring operation. Their roles consisted of verifying, on the one hand that the legal framework of the operation was duly respected, and on the other hand, that the operation would not produce disastrous economic consequences on the labour pool and at the end of the day that social peace was preserved.

These parties were content to oversee the development of operations on the basis of the information that they were given on each major decision by the factory manager.

4.2. Construction of the conditions for an “exceptional” restructuring.

4.2.1. Capitalising on previous experiences

At all levels, whether it was on the side of management or the employees' representatives the players in this scenario shared very substantial experience where restructuring operations were concerned.

Thus the technological evolution within the telecommunications sector had led Alcatel to proceed to implement numerous restructuring operations. As a result the Illkirch factory manager who was at the same time the Human Resources Manager for ABS had developed a veritable expertise in the question of social management of restructuring. In his thirty year career he says that he has overcome *“restructuring and redundancy programmes that comprise practically all possible formulas as well as all the legal possibilities that have evolved over the years”*. In the present case

he was able to take full advantage of his excellent knowledge of the legal framework that regulates restructuring, in order to *“handle the situation with hindsight and not simply apply procedures”* as he himself declared and in addition looked for new ways of implementing a restructuring process for what for him *“at the end of the day will lead to a reconstruction that everybody believes in”*. This expertise makes the factory manager a very credible performer, in the eyes of the group and in the eyes of the employees and the trade union representatives. At the same time the managers who were involved at group level and at ABS company level had very substantial experience in the matter, either within the heart of the Alcatel group or with other affiliated companies.

The trade unions, thanks to their involvement in all the restructuring operations that Alcatel had carried out in France also had perfect knowledge of the accompaniment measures that had been obtained on every previous occasion. Consequently they were quite capable of knowing precisely what the most favourable conditions were that Alcatel had accepted on previous occasions. The trade unions took full advantage of this knowledge in the course of negotiations on redundancy conditions for the Illkirch employees and presented them as the minimal starting point below which no negotiation could even start. The use of this tactic, invoked as a binding precedent, bore fruit because Alcatel accepted application of these conditions to Illkirch. The steering of this restructuring has been inscribed therefore within a collective and individual restructuring history that has been able to give rise to capitalisation of experience, even though it is not formalised. This shared expertise is inscribed within a play where the different actors have already found themselves working and even negotiating together, with an already acquired mutual recognition of previous practices in connection with social dialogue and change.

At the same time the previous practices of managing skills, put to the test on various occasions through previous changes, can be understood a posteriori as a form of development of the capacity to change and thereby the employability of the workforce. The economic culture (cf. Prima project) that evolved from this previous development has certainly contributed to make the multiple reconversions that were attempted credible and acceptable.

We can consider therefore that a certain stability - the players on stage, common reference points - but also the previous investment in the skills and social dialogue including the economic evolution of the enterprise, in this case constitute one of the conditions for effective construction of original and flexible solutions.

4.2.2 Permanent Social Dialogue

Communication and negotiation have played an important role in facilitating all this restructuring process. The factory management was always totally insistent on maintaining direct and regular communication with the employees. This was aimed not only at controlling the contents of the information that was transmitted, but also to reassuring and remobilising the workforce as a group. To achieve this objective the factory manager sent a document to every employee (ABS Flash) presenting the detailed situation and the new measures that were being implemented. In order to make sure his message reached the employees in an even better way the factory manager organised meetings with all the employees at every new stage in order to transmit all new information directly. This entailed the organisation of numerous meetings because the company was working in five teams, two of them at night, and everybody had to be kept informed of their role.

This facet of transparency and direct communication was even more marked during the development of the Intraprise project. At that time the factory manager kept all employees constantly informed of the contacts that had been made and the progress achieved, but he did not hesitate, because of his honesty towards them, to report phases of stagnation or uncertainty. Later, at each new phase of the ESP the local management communicated directly with all personnel, after

having informed the employees' representatives. This entailed five meetings every time a new stage was reached, one for each of the five teams that alternately worked at the plant. In addition these meetings were complemented by the publication of an internal news bulletin, clearly setting out the information that had just been given to the employees' representatives.

This omnipresent communication was not aimed at "short-circuiting" the trade unions or the employees' representatives, it overlapped with numerous very important negotiations with the trade union organisations. Given that the process of collective redundancies does not require anything more than informing and consulting the employees' representatives, the factory manager wanted to go further in obtaining the signature of agreements with the trade unions and above all ensuring that all the conditions for implementing restructuring were the object of an agreement signed by all the trade unions involved.

According to all the persons we interviewed the signature of the agreements reflected the adhesion of all the trade unions to the project presented by the ABS management. The signature of the agreement significantly allowed the union delegates to prove to the employees that they went all the way to the end of the process and that they secured the implementation of negotiated elements. Besides, it allowed the production of tangible results in the eyes of the employees. From the management viewpoint the need to obtain signed agreements was linked closely to the complexity and volatile nature of the French legal framework where restructuring is concerned; the existence of a signed agreement a priori allows improved security in the process and control over delays. In brief, we can consider that this negotiation procedure contributed to the construction of a form of social acceptability for the restructuring decision.

4.2.3. Representation of a local coalition of players under debate

Although we can stress the important coordination between all the players in this process at all levels in the structure, it was not achieved without casualties or conflictive situations or difficulties or collision of forces.

In agreeing to review the decision to close down the plant Alcatel transferred responsibility for the structure's future to the hands of local management, leaving them free to conduct the operations under the conditions that they considered most favourable. This appropriation by local factory management of the future of their establishment translated into the formation of project teams dedicated entirely to finding solutions. These teams have benefited from the financial support given by Alcatel, particularly by allowing them to engage specialist consultancy firms. The teams were mainly guided by the factory manager in very close collaboration with the secretary of the employee's representatives.

From the local players' viewpoint - managers and trade unions – it was necessary to form a type of local coalition of players, whose objective was to convince the Alcatel management that the Illkirch plant should not be closed down, followed by supporting a very wide ranging reclassification process. The local management mentioned the fact that at the time they rested their recommendations on relaying to the Alcatel management the threats of strong mobilisation expressed by the trade union delegates at the plant. This performance by a group of local players who knew how to exert pressure on the group and maintain combined strengths, supported by a local coalition, can be understood in several different ways.

In the first instance the origin of restructuring is found in the group's decision to sacrifice the Illkirch plant in favour of the Laval factory when the GSM market collapsed. In this regard the group was seen to be responsible for a decision that was imposed - against their will – on the local players. In this context one can understand why the players mobilised themselves, and their feelings

of having to battle against decisions – with heavy consequences – imposed on them by a player – the group – that in fact had much more power in the matter. Likewise, still in this context, it seemed legitimate for the local players to have their doubts as to the effectiveness or durability of the undertakings assumed by the group. For these players, maintaining pressure was a method that a priori would ensure that these undertakings were really executed; even more so when the group's undertakings rested on personal commitments, more or less formalised in writing but certainly not contained in the framework of an explicit general policy or set of official norms governing the way restructuring would be conducted.

Besides, the representation of the existence of an external threat constituted a lever where internal mobilisation was concerned, ensuring the solidity of the internal cooperation between the players involved at this location and, a priori, eliminating the risk of this community breaking down, which was in fact threatened by individual logics that can often prevail in situations of impending crisis.

Thus, a posteriori, one can affirm that every party involved, in place and playing its role, has had commitments throughout the whole period, but these were not acquired a priori, and through maintaining combined forces the local players were able to create a form of guarantee of the effective execution of the undertakings.

These elements now lead us to ask to what degree this process could be reproduced, considering particularly that it was linked to a very contingent equation and rested above all on a history of inter-personal relationships and strong personalities who were committed to going beyond the classic boundaries of their functions. This question changes the stakes, introducing the issue of institutionalisation, at group level for example, of procedures and “socially responsible” norms for steering restructuring operations, in such a way that they could constitute secured guidelines for determining the actions of the different players.