The Headquarters-Subsidiaries Relationships in Corporate Social Responsibility Practices: Lafarge Fights AIDS in Africa

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Georgia Tech Center for International Business Education and Research
Working Paper 020-07/08
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October 2006

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Paper to be presented at the Multinational Enterprise and Sustainable Development (MESD) Conference
October, 19th-20th 2006
Atlanta, USA

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Abstract:
This research intends to enhance the understanding of the process of implementing Corporate Social Responsibility in Multinational Corporations. That question is assessed in the context of headquarters-subsidiaries relationships. An explorative case-study methodology is adopted to analyse the management of HIV/AIDS program in a French Multinational Corporation, Lafarge. This paper provides insights into the following three questions: Do CSR issues require specific management systems? How much does the local context matter? And how do subsidiaries develop local initiatives to a global issue of CSR?

Keys words:
Corporate Social Responsibility, qualitative research, multinational corporations, headquarters-subsiidiaries relationships

¹ The data was collected from a case study conducted in a multinational company, Lafarge, to which I am very indebted for the information, time and collaboration generously provided
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Introduction

How should Multinational Companies (MNC) manage their Corporate Social Responsibility (CSR) in their multiple subsidiaries environments? CSR has a powerful potential to make positive contribution to local communities. Yet, there are still ways in which CSR could, whether by mistake or design, damage the same communities. The maintenance of the overall legitimacy of the MNC involve a strong integration of CSR activities. But at the same time, subsidiary management is not confined to simply passively implement the CSR policy of the MNC. Subsequently, the type of relationships between headquarters and subsidiaries appear to be of central importance in the management of CSR in MNCs. However, the literature on the implementation of CSR programs in large MNCs is underdeveloped.

The aim of this research is double. Firstly, this paper intends to provide some insights into the role of headquarters in managing CSR activities. In particular, the study focuses on the design of appropriate tools and mechanisms for coordination, incitation and control. Secondly, the research seeks to clarify the role of the subsidiary in developing relevant CSR initiatives. In doing so, the research addresses the influence of local contexts on CSR activities.

The corporate engagement to fight against HIV/AIDS illustrates a concrete application of the sustainable development discourse. So far, most companies recognize that the disease constitutes one of the most significant business and humanitarian issues facing companies in Southern Africa. Consequently, this paper presents an explorative case study methodology based on the study of the management of a CSR proxy, the HIV/AIDS policy in a large MNC.

2 « Perhaps, the biggest challenge we face when operating in Southern Africa is the HIV/AIDS epidemic », Speech of Tony Trahar, Anglo American CEO, to the World Summit, 31st August 2002
The first section of this paper proposes a literature review on Corporate Social Responsibility research and on Multinational Corporations research. In doing so, this paper intends to bridge these 2 disconnected fields. The second section outlines the research design, including a justification of the focus on a single case study. The third section provides a description of the case study. It starts with an overview on the pandemic, continues with a biography of Lafarge and introduces the different features of the HIV/AIDS programme designed by the Lafarge Group. An illustration on the initiatives of the South African Subsidiary follows. By describing the process, this research seeks to identify some of the factors that can facilitate or impede CSR implementation in the MNC. The final section offers some initial findings and thoughts, and concludes on the limitations of this case study presentation.

I. Previous research

   a. Multinational Corporations (MNCs) and Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) is difficult to define. The concept emerged in the 1960s, and perhaps even earlier, and was rooted deeply in moral ideas about the primacy of human interests over corporate ones. CSR literature appears predominantly as a prescription of moral considerations to businesses. It invites companies to do more for social prosperity (Wood, 2000). McWilliams and Siegel (2001) defined CSR as situations where the firm goes beyond compliance and engages in “actions that appear to further some social good, beyond the interests of the firm and that which is required by law”. The United Nations Global
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Compact (2003) proposes three common conceptual domains of CSR: human rights, labor and the environment. However, the concept of CSR has been criticized as being too broad and too ambiguous.

Literature on CSR distinguishes two different motivations on the engagement towards CSR activities. Firstly, some corporations adopt a purely philanthropic approach with minimal concern for any business gain. Baron (2001) explains that if the motivation is to serve society, at the costs of profits, the action is ‘socially responsible’. Secondly, some corporations integrate their CSR programs into their strategy looking for favorable impacts on their business interests. Baron indicates that if the motivation is to serve the ‘bottom line’, then the action is ‘privately responsible’. In this case, there may be social benefits that exceed the costs of the action of the firm.

Some scholars argued that the language of CSR was progressively being replaced by “corporate citizenship” (Logsdon and Wood, 1999), a shift in normative understandings of how business organizations should act with respect to their stakeholders. More recently, Logsdon and Wood (2002) and Wood et al (2006) defined the concept of the Global Business Citizen as “a business enterprise (including its managers) that responsibly exercises its rights and implements its duties to individuals, stakeholders, and societies within and across national and cultural boarders” (2006: 35). This definition illustrates two major transformations in the unit of analysis: from person to organization, and from local to global arena.

The literature examining CSR in an international context is still embryonic. Multinational Corporations (MNCs) are increasingly exploring emerging markets in the developing world

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(London and Hart, 2004). Markets in emerging economies present both tremendous opportunities and challenges. However, one of the critical issues faced by Multinational Companies involves the establishment and maintenance of their legitimacy. Kostova and Zaheer (1999) distinguish between the legitimacy of the MNC as a whole and that of its parts. Such firms operate in diverse environments and cultures. As local residents, they must respond to each country’s rules and institutions and they face diverse socio-economic conditions. With the internationalization of stakeholders, the MNCs are confronted with increasingly complex and sometimes competing social demands: they face the challenge to combine and conciliate the expectations of different stakeholder groups and Non-Governmental Organizations (NGOs). International institutions, such as Organization for Economic Co-operation and Development (OECD) and the UN Global Compact, are pressuring MNCs to adopt harmonized or common standards of conduct. The management of CSR issues in MNCs received little attention in the literature.

In the literature on international business ethics, the central question is posed as follows: How should managers operating across boarders behave when the standards followed in the host country are lower than those followed in the home country? Donaldson and Dunfee (1999) indicated that international managers have to maneuver in the disturbing gray zones that lie at the intersections of different cultures. The implementation of ethics policies need to be adequately thought out and requires specific attention.

A variety of cases illustrate the ‘best practices’ in the fields of international CSR⁴ and there are some outstanding examples of excellent CSR actions to be found. Many experiments are taking place and a great deal is being learned about how MNCs manage their relationships

⁴ See, for example, the collection of case studies proposed by the World Business Council on Sustainable Development WBCSD: www.wbcsd.org
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with their stakeholders. However, there is still a lack of understanding on how these initiatives emerge and develop inside the company. This paper proposes to analyse the CSR activities in the spectrum of headquarters – subsidiaries relationships.

b. Multinational Companies and the implementation of global policies

The effective management of headquarters-subsidiaries relationships has emerged as one of the key challenge for the managers of MNCs. This center-periphery approach considers that integration within large and complex organizations depends mainly on 2 processes: control and coordination (Baliga and Jaeger, 1984). A synthesis of the formal and informal mechanisms for coordination and control, traditional used by MNCs, is provided by Martinez and Jarillo (1989). There is evidence that formal and bureaucratic mechanisms are limited in their capacity to coordinate and control international subsidiaries. Informal approaches gained considerable importance in MNCs. As research on MNCs evolved, the focus moved progressively from the study of a simple parent-subsidiary relationship to the study of a more comprehensive and complex type of relationships. Ghoshal and Bartlett (1990) defined the MNC as “an interorganizational network embedded in an external network consisting of all other organizations such as customers, suppliers, regulators and so on, and with which the different units of the MNC must interact”. The MNC has also been conceptualized as knowledge-creating and learning entities (Macharzina and al, 2001). More recently, the role of the subsidiary in the MNC has been a matter of great interest to international business researchers. Birkinshaw et al (2005) adopted a subsidiary perspective to study the potential for independent and entrepreneurial behavior of some subsidiaries. The importance of a balanced perspective on the relationships between headquarters and subsidiaries has been pointed out by the work of O’Donnell (2000). He argued that the use of monitoring
mechanisms and incentive compensation, grounded on agency theory, is not sufficient to explain the phenomenon of foreign subsidiary control. The study of intra-firm interdependence is necessary.

Birkinshaw and Hood (1998) proposed a framework to analyse the role of the subsidiary. It is influenced by three factors: head office assignment, subsidiary choice and local environment determinism. Head office assignments comprise the decisions made by head office managers regarding the allocation of activities to the subsidiary, the subsidiary choice concerns decisions made by subsidiary managers regarding the activities undertaken by the subsidiary. Local environment determinism is the influence of environmental factors on decisions made by head office and/or subsidiary managers regarding the activities undertaken by the subsidiary.

Kostova (1999) analysed the phenomenon of the transnational transfer of strategic organizational practices. In her research, the author pointed out 3 types of factors: social, organizational and relational. The social context refers to the institutional distance between the countries of the parent company and the subsidiary. The organizational context concerns the organizational culture of the subsidiary in terms of compatibility with the practice, and the relational context is about the past relationships between the parent company and the subsidiary. Three different levels are therefore under study: the country, the organization and the individual.

From this brief overview on the literature, three types of factors appear to be important in the process of implementation of global policies and programs in the MNC:
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- The role of the headquarters: in designing the program and in elaborating the appropriate tools and mechanisms for coordination and control.

Literature on center-periphery relationships reveal factors such as: the degree of formalization of the program, the degree of planification, the type of control and the impact of culture, the degree of centralization of decision making, the management systems and the reporting tools.

- The characteristics of the subsidiary

Some aspects are crucial to understand the behavior of the subsidiary: The role of the subsidiary manager, the level of autonomy, the type of relationship with the headquarters and the type of resources hold by the subsidiary.

- The characteristics of the local context

The local environment is likely to help or slow down the implementation of a global policy. Cultural features and pressures from local institutions are important forces to take into account.

II. Methodology

Given the relatively new and unexplored nature of the phenomenon, headquarters-subsidiaries relationships in CSR practices, this research adopted an exploratory research strategy (Yin, 1994; Eisenhardt, 1989). Quantitative methods are predominantly applied in international business research. Applying the principles of CSR in the context of the MNC has received few empirical contributions. The objective of this research was to conduct an analysis of the experience of practitioners that operate at various levels in the organization in
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The implementation of CSR. The research question provided guidance and helped to identify relevant activities (Yin, 1994). This included collecting data on two levels: the strategy used by the headquarters in designing CSR policy and appropriate management systems, and the concrete implementation by subsidiaries. The object of the study was HIV/AIDS policy implementation in a major French MNC, Lafarge, the world leader in construction materials.

The selection of the company to be studied was based on two major criteria. The company is a large French MNC, highly internationalized, and operating in more than 76 countries. As such, the company is highly engaged in Sustainable Development issues. In 2006, the company has been listed for the second year among the ‘100 Global Most Sustainable Corporations in the World’^5. A contribution of the management of CSR and its concrete application requires studying companies that have the intention and experiences in implementing CSR policies. The CEO, Bertrand Collomb, is highly committed to ethical concerns. He describes the strong culture of the company as being inspired by the “Christian humanism” of the founders of the company. Opting for a single case allows the researcher to study a phenomenon in its specific context (Dyer and Wilkins, 1991). Although a single case contains important limitations, the purpose of this study is not to confirm but to explore.

The research was conducted during the summer 2005 and involved triangulation among different sources of data: analysis of internal company documents (access was given via the Intranet), external documents (such as annual report, existing case studies, press articles, etc) and conducting interviews at two levels: managers at the headquarters and actors in a subsidiary. A first set of interviews consisted in 15 face-to-face interviews with managers at the headquarters of the Group, in Paris, and with the major NGO partner of the company.

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Each interview lasted for about 1 hour on average and was held in French (some interviews have been repeated). Subsequently, the South African subsidiary of the company was selected as being representative of a ‘good’ example of the implementation of the HIV/AIDS program. During spring 2005, the company organized an international press visit to South Africa to communicate its actions. Following this visit, major French newspapers published articles on the involvement of Lafarge in the fight against AIDS with specific examples from Lafarge South Africa.

The CEO of this subsidiary accepted to organize a 10-day visit for this research. Interviews have been run at the head office in Johannesburg, with the CEO and managers of the company which are responsible for the implementation of the HIV/AIDS policy. Following this, a visit was organized in the major cementery located in Lichtenburg, a remote area known as being very conservative. Meetings with employees gave the opportunity to interview respondents from the lower level of the organization and also with the nurse of the plant. Travel to Durban permitted to get the opinion of the operational Director for the Aggregates and Concrete Division of the company and to meet with some employees working in a quarry. Separate contact has been directly established by the researcher to a South African Professor at the WITS University of Johannesburg to get the point of view of an independent expert. In total, 10 interviews, lasting on average one hour, were lead in English. Contacts with front line workers (5 people) were shorter and came in addition to this list.

The critical reader could require explanation on the decision to study a “successful” example of implementation through the analysis of the South African subsidiary. The analysis would be of greater interest if data were also collected on a failure case of implementation. It would

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6 Le Monde, Libération, La Croix, Le Point, Alternatives Internationales
allow for comparison inside the firm. As the purpose of the paper is not to generalize findings, the choice has been made to conduct an in-depth study by gathering rich data on the context and on the process by which the South African’ initiative developed and met the objectives of the Group. However, during the interviews at the headquarters, questions were not focusing only on this subsidiary’ behavior but was also addressing the difficulties and hurdles met in the implementation process. In addition, an interview by phone has been conducted with the CEO of the Nigerian subsidiary (WAPCO) who was experiencing difficulties in implementing the HIV/AIDS program.

Case study research is reliable if the data collection can be repeated with the same results (Yin, 1994: 33). For reliability, all interviews, in French or in English, were recorded and transcribed (it represents 250 A4-pages, single-space), and a protocol for data collection was followed through an interview guide. At the end of the process, a monography of the case has been written and submitted in 2006 to the Vice President of Social Policies of Lafarge for validation and review, a step recommended by Yin (1994). For internal validity motivations, internal and external documents were gathered to achieve triangulation of data collection methods.

Through the interviews at the headquarters, data was collected on a wide range of headquarters-subsidiaries relationships and on CSR policy design. It included general questions on the type of control, reporting and coordination mechanisms traditionally used by the company to interact with its business units, and questions on the key success factors for implementing global policies. Subsequently, more specific questions addressing the level of formalization of the CSR proxy were analyzed: the HIV/AIDS program. Respondants were interviewed on the different steps followed in the construction of the HIV/AIDS program, on
the role of each actor involved in it, on the type of interactions with subsidiaries, and on the tools used for control and coordination of this policy.

In the subsidiary, a different guide was followed. Questions addressed more specifically the type of support, help, or constraint brought by the Group to the subsidiary and the type of relationships with the headquarters and with other subsidiaries. Further questions dealt with the subsidiary’s environment and the local context characteristics. These interviews focused also on the role of local actors and on the description of the different steps of the local HIV/AIDS actions and initiatives undertaken.

III. Case study

a. The HIV/AIDS Pandemic

The global pandemic of HIV/AIDS is becoming the worst infectious disease catastrophe in recorded history. More than 25 million people have already died because of AIDS and HIV has infected 40 million people. The pandemic stands to alter economic potential and political stability in the countries hardest hit by the disease. In Africa, AIDS had orphaned 13 million children. In the countries suffering from high infection rates, the disease is depleting already limited human resources in the health and education fields. According to the Human Development Report\(^7\), AIDS has already decreased life expectancy in Botswana from 61 years in 1990 to 36 years in 2005. Due to unprecedented turnover in their workforce, some companies decided to hire three employees for every two jobs to compensate the loss of

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workers. In South Africa, the HIV infection rate reached more than 21.5% in 2003. While Africa has received the most attention, AIDS is spreading swiftly in other parts of the world. It was recognized as a very important threat to India, Russia, Ukraine and China.

The use of anti-retroviral drugs (ARV) extended the life of those with HIV/AIDS. Treatments were becoming more tolerable and more convenient to take. However, in 2003, only 2% of the people who were in need of medications were receiving ARV. Without the drugs, the virus destroys the immune system. Opportunistic infections such as tuberculosis of Kaposi syndrome inevitably lead to death.

In 2001, the devastating economic and social consequences of the epidemic received international attention, especially through the United Nations, which called for greater world commitment to fight AIDS. One of the major changes which occurred in 2000 and 2001 was the reduction in prices of antiretroviral drugs. Although the price of the treatment fell from $12,000 a year per person in 1998 to $700 in 2002, the therapy remained beyond the means of the vast majority of those infected in low income regions. In South Africa, 5,000 people were receiving ARV drugs at the beginning of 2004. At the end of 2005, there were 190,000 people receiving drugs.

Until recently, most in the business sector assigned responsibility for the pandemic to governments, activists, or to the public health community. However, companies operating in Africa were increasingly faced with the impact of HIV/AIDS in their own workplace and

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surrounding communities. External pressure from stakeholders such as NGOs, unions, and governments grew substantially. It became crucial for companies to be involved in the fight against HIV/AIDS for two reasons: it was raising issues of corporate responsibility and it was also an understanding of corporate self-interest. There is a growing body of evidence showing that investments in comprehensive HIV/AIDS programs are profitable for the companies in that their cost is less than the savings to which they can lead. Numerous studies tended to quantify the direct costs of HIV/AIDS on the corporate activities\textsuperscript{11}. In 2001, the Global Coalition on HIV/AIDS\textsuperscript{12}, which is a professional network dedicated to fight against the epidemic, identified three direct costs on business:

- **lower productivity**: increased absenteeism, staff turnover, loss of skills, loss of morale and workplace cohesion

- **increased costs**, including training and re-hiring of workers, decreased reliability of supply chain and distribution channels, insurance coverage, retirements funds and funeral costs

- **declining profits and investments**, as the epidemic is also reducing the demand for goods and services: it affects consumers and erodes business confidence.

These costs range from readily measurable impacts on the activity to much more difficult to estimate effects. The stigmatisation of the disease, the feeling of exclusion, the fear of discrimination and the spread of rumors between employees alter the relationships in the firm.

\textsuperscript{11} For example, see S. Rosen et al, « Care and Treatment to Extend the Working Lives of HIV Positive Employees: Calculating the Benefits to Business", *South African Journal of Science*, June 2000

b. Multiple stakes and challenges

In early 2001, none of the multinationals in Africa had a corporate AIDS policy that included treatment for all African workers. In 2006, the situation changed drastically: drugs are provided by most of the companies. However, numerous challenges remain to be addressed.

At the end of 2005, Heineken, which has breweries in six African countries, had 370 HIV positive staff or spouses or children of staff. Of these, 230 were receiving treatment\(^\text{13}\). The company has also doctors in each of its breweries in Africa, 20 in total, they meet once every 18 months to review the company’s health programmes. At the same period, Angloamerican, the giant mining company, estimates the HIV prevalence among employees to be 23% in Eastern and Southern Africa. With a total number of 120,000 employees in South Africa, 3034 are on Antiretroviral Therapy\(^\text{14}\). On average, the company estimates the costs to be $194 per patient per month on treatment.

The fight against AIDS does not only mean providing treatments. The process is complex and companies are facing new problems. Usually, the HIV/AIDS programs start with Voluntary Confidential Counselling and Testing (VCCT). HIV testing involves a simple mouth swab, which is quick and easy. However, employees are often reluctant to participate because they are sceptical and suspicious of management’s motives. In May 2005, Lafarge has managed to test 40% of its sub-Saharan workforce. Heineken indicates that 70% to 80% of employees and more than 50% of employees’ spouses and children have been tested.


\(^{14}\) Angloamerican Report to Society 2005: [http://www.angloamerican.co.uk/static/reports/2006/rts/hc-hiv-aids.htm](http://www.angloamerican.co.uk/static/reports/2006/rts/hc-hiv-aids.htm)
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The frontiers, in terms of corporate involvement, are difficult to delimitate. It raises the question of how far a company’s responsibility extends. The need to treat families and partners of the employees that have HIV illustrates the type of relationship between the company and its local community. Heineken, for example, provides treatment to 10 ex-employees who are HIV positive. The question is also relevant to suppliers and distributors although companies could find it very hard to influence them.

It is important to understand that HIV/AIDS in an African context is far broader than healthcare. Some studies show that in Africa there is a higher HIV prevalence in the lower income categories: contract employees, seasonal workers and employees living away from home. In South Africa and also in Mozambique, Botswana, Zambia, Zimbabwe, the work is based on a migrant labour system. There is a massive population migration due to the mining industry. Adding to that phenomenon are instability of the region (the war in Angola and in Mozambique) and the starving of the population (in Zimbabwe); significant numbers of people are on the move. From a health point of view, when people move, diseases move with them. There is therefore a crucial point in getting the workers informed about HIV.

Public-private partnerships offer the possibility for corporate sector to engage in a comprehensive program. In the last few years, the development of partnerships between private companies and NGOs or governmental agencies gave the opportunity to stabilize the response to HIV/AIDS issue. Involving multiple actors permit to lower the risk of dependence that could create a company running alone its HIV/AIDS program.
c. Context of the Lafarge Group

Lafarge Group is currently the world leader in cement and building materials, operating in nearly 80 countries and employing 80,000 collaborators. Lafarge began industrial limestone production in 1833 and was a local French cement company. The company faced major changes in its organization and structure in the last decade. Over the last 8 years, sales increased from 6,413 million Euros in 1997 to 15,969 million Euros in 2005, and during this period, the number of employees has doubled. Lafarge accelerated the pace of its growth through a strong internationalization strategy, by acquiring companies. In 1997, the company bought Redland and consolidated its position in Roofing and in Aggregates and Concrete. In January 2001, Lafarge acquired Britain’s cement competitor Blue Circle and became the world’s leading cement producer. Emerging markets represent high growth and high consumption in cement and these countries are in the heart of the internationalization strategy of the Group. In 2005, there were 7,000 collaborators of Lafarge in Africa. The Group owns 12 cementeries in the sub-Saharan region of Africa.

The transformation of the company to the global leader was not an easy task. Lafarge initiated at the end of the 1990’s an organizational restructuration to facilitate the change process. The company reframed its Group policies in each functional area for simplification, clarification and formalization motives. The company engaged in a wide consultation process in redefining its ambition and in rewriting its “Principles of action” in 2003, during a management meeting gathering 800 managers of the Group at Evian, France. The Group launched the “Leader For Tomorrow” project (LFT) which formalizes the ambition of the Group as being the “undisputed world leader in building materials”. This document outlines the commitment of the Group to be “the preferred supplier for our customers, the preferred company for our
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employees, the preferred partner for our communities and the preferred investment for our shareholders”. In addition, the “Lafarge Way” has been set out to provide managers with guidance on the management style expected of all Lafarge managers. Following the 2003 discussion, the concept of multi-local strategy has been adopted to meet the challenge of “leveraging our global strengths without undermining our local entrepreneurial spirit”. It recognizes that each of its business is primarily a local one since products cannot be transported over significant distances, relationships with local communities are key and construction markets have strong local characteristics. Headquarters-subsidiaries relationships are built on four principles: “divisions are responsible for improving performance and ensuring the long term success of their activities, corporate is responsible for long term strategies and for the global identity of the Group, international networks accelerate the ability to share global experience and the recognition that the Group relies on the initiatives of the Business units”.

d. Lafarge fights HIV/AIDS

The story began in 2001, when Bertrand Collomb, the CEO of Lafarge Group, realized during a travel in Africa, the human and social issue of HIV/AIDS. At that time, the President recognized a major ethical dilemma since prices of Anti-retroviral drugs were excessively expensive. There were no information on how far the company was affected and no obvious solutions to bring. Bertrand Collomb expressed 2 basic principles to be respected in addressing the HIV/AIDS: Confidentiality and non-discrimination towards employees.

15 The Principles of Action can be found on www.lafarge.com
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Then, an important phase of discussion and thinking followed. In 2001-2002, the Group was looking for help and experience in its external environment. In 2002, a long term partnership was defined between Lafarge and Care, an international NGO. This partnership, based on mutual learning, helped the Group to formalize its actions towards HIV/Aids. Lafarge rapidly engaged in professional networks and became an active member of the Global Business Coalition on HIV/AIDS (GBC), and of Private Investors for Africa (PIA).

In 2002, the Group decided to launch a pilot-project in Africa with the cooperation of the Africa Zone Management. The first step was to collect and gather existing initiatives and actions by questionnaires sent to African subsidiaries. At the same time, the Group asked the subsidiaries to evaluate induced costs of HIV/AIDS on their activities. The Group provided them with a tool to calculate precisely these costs.

A crystallization operated the following year, in 2002-2003, between the ethical stake and the economical issue. Managing HIV/AIDS became a key success factor in the activity. The African Region appropriated the issue as it became a business issue. The Group decided to reinforce its capacity by hiring a full-time project manager in charge of HIV/AIDS. The nomination of this “internal champion” occurred in June 2002 at the Social Policies Department. The Africa Health Committee was created at the same period and constituted the SPEARHEAD of the HIV/AIDS program. Headed by the President of the Africa Region, it included a Corporate representative, subsidiaries managers, a medical advisor, a NGO representative (Care).
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An extensive work on the formalization of policies with external partners (NGO, unions, Federations, international organisations, professional networks) resulted in the publication in October 2003 of three major documents:

- Group public health guidelines
- Group HIV/AIDS guidelines
- Regional HIV/AIDS guidelines

The company emphasizes non discrimination and confidentiality. Lafarge affirms that “public health is primarily the responsibility of government” but also that Lafarge will act in case of urgent need especially if the “contribution of the company is a component and a support of sustainable local initiatives coming from the community”.

Since then, management systems have been created to implement the HIV/AIDS policy. Lafarge Africa Region elaborated at the beginning of 2004, a roadmap based on the local best practices: it described the different steps to follow in the implementation of the HIV/AIDS program. Subsidiaries face issues of local importance but are required to implement all aspects of the broad based HIV/AIDS strategy itself. Experiences of other companies participating in the PIA or in the GBC were of great value while designing these tools. During the Africa Health Committee meetings, a ‘dashboard’ was used to compare and stimulate subsidiaries on a set of different criteria. Multi-expert visits were organized and interestingly some managers in subsidiaries, received their bonuses indexed on HIV/AIDS objectives. An Intranet web site for the Africa Health Committee was regularly updated: minutes from the meetings resources on the disease, best practices are made available to each subsidiary.

In 2006, audit guides of HIV/AIDS program are under study through discussions between the Social Policy Departement and the Audit Department. The Group is looking to extend the
HIV/AIDS program into others countries (Russia, India and China). The Group capitalizes the experience developed in the fight against AIDS by applying lessons learned to the management of other chronic diseases such as malaria.

e. Actions in Lafarge South Africa

In 2001, Frédéric de Rougemont was appointed as a new CEO for Lafarge South Africa. Confronted with HIV/AIDS pandemic in the workplace, he elevated the HIV/AIDS issue as a strategic company priority and impelled a coordinated approach to face the pandemic. Little information was available on the situation and there was a great deal of uncertainty on what actions to take. Frederic de Rougemont asked his management team to design a comprehensive program oriented towards performance. In 2006, the subsidiary employs 2,300 people and presents a full range of HIV/AIDS activities ranging from treatment, care and prevention of HIV/AIDS. Key aspects of the program are presented below.

- Designing the program: employees’s participation in 2001

The first step was the organization of meetings all over the country, in each company facility. An external consultant, expert in managing HIV/AIDS in the workplace, involved the employees and the main union (COSATU) in the elaboration of a relevant programme for Lafarge South Africa. The communication, consultation and the involvement of employees were not an easy task: 50% of workers are illiterate; there are 11 official languages in South Africa and there is still suspicion from the black population on management motives.

- Steering committee
Rapidly, a committee dedicated to HIV/AIDS issues was struck under the supervision of the Human Resource Director. This committee comprises the Communication Director and operational managers. The prerequisite is that each manager has HIV/AIDS management responsibilities and should be prepared to manage their people and plan its business adequately. The committee defines the policy, plans actions and reports to the CEO. The Human Resource Director is also a member of the Health Africa Committe and is in contact with other African subsidiaries and with the Group’s headquarters.

- Testing and KAP (Knowledge, Attitude, Practice) studies

To get an indicator on the prevalence of HIV infection in the company, a large testing campaign was conducted first in 2001 and repeated the ensuing years. Knowing the status of employees is the first step of the programme. For confidentiality reasons, VCCT (Voluntary Confidential Counselling and Testing) was managed by a third party disease management service provider, Lifeworks. The General Manager participated in the first testing. KAP studies are conducted through all employees regularly. These surveys evaluate and monitor the progress to shape subsequent actions. Planning strategies are reviewed according to the results of such surveys and according to estimated prevalence figures.

- Communication

HIV/AIDS requires creative communications that interrogate attitudes, beliefs and practices. The Communication Director elaborated innovative communications events with $160,000 budgeted in 2004. To spread awareness, employees are required to attend a number of activities such as “industrial theaters”, testimonies from HIV positive people and workshops organized by peer educators. Condoms are distributed and Lafarge promotes their use through various educational events.
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- Peer education system

Lafarge South Africa counted 70 peer educators in 2005. They represent a critical component of the HIV/AIDS programme. Volunteers from the different levels of the organization (managers/employees, black/white, speaking different languages, unionized or not, man/woman) receive training and support from Lafarge to disseminate education and prevention in the company with the aim to empower people. Peer educators answer employee questions and know how to refer employees for assistance. Lafarge provides support structures such as a phone number that each employee can call for free (ICAS) to help address issues that may cause physical and emotional stress for employees and their families. Peer educators also organize workshops. They receive a certificate at the end of the year from the CEO, acknowledging their work.

- Treatment

In July 2004, Lafarge South Africa decided to fully subsidised treatments (anti-retroviral therapy) for employees and spouse or life partner. In addition, the programme includes proactive interventions such as dietary counselling, dietary supplements such as vitamins. The total cost of the HIV/AIDS programme represents approximately $500,000 per year. But Lafarge knows that the cost of inaction will ultimately far exceed the cost of treatment.

IV. Discussion and conclusion

Lafarge’s concerns for HIV/AIDS issues result from the internationalization strategy which brought the company to significantly increase its presence in Africa Region. The present case study illustrates two major steps in the way Lafarge managed this issue. Firstly, the
identification of the ethical dilemma situation in 2001 and the willingness to engage the Group in addressing HIV/AIDS issues in the workplace was the responsibility of the CEO. Secondly, the approach changed from an ethical dilemma identification to the management of a business issue. This transformation is the consequence of evolutions in the environment and of internal efforts deployed by the Group to provide effective solutions. However, the corporate social responsibility remains questioned over time through the emergence of new challenges. The frontiers of corporate responsibility are evolving.

The headquarters-subsidiary relationships in the implementation of such CSR programs are characterized by an important need for local autonomy and a strong need for interactions.

The description of the Lafarge South Africa initiatives indicates that the HIV/AIDS program is mainly designed on a local basis. Contextual features bring the subsidiary to find the appropriate way of addressing the issue. The South African company expresses a significant level of creative and innovative thinking in the actions undertaken and in the choice of relevant local partners. The extend of appropriation of the issue by the subsidiary is to linked with the involvement of the General Manager and its willingness to manage HIV/AIDS through a performance-oriented programme.

Interactions between subsidiaries and headquarters could be seen as a learning process. Initiatives, concrete actions and best practices of subsidiaries helped the ‘Corporate’\(^{16}\) to define and formalize the Group HIV/AIDS policy.

\(^{16}\) The term « Corporate » refers here to the Social Policies Department, which is in charge of the HIV/AIDS program at the headquarters of the Group.
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This case study shows clear evidence that the effective implementation of the HIV/AIDS program depends on the value added proposed by the ‘Corporate’ to its business units. Informal coordination and incentive tools are largely used. The ‘Corporate’ positions itself as an expert able to provide the business units with the adequate methodology to follow and the correct tools to use. Credibility to convince business units is essential. The ‘Corporate’ builds its credibility by acquiring competencies through participation to various external institutions and think-tanks. The ‘regalian’ role of the Corporate is limited in the sense that it does not have coercitive means to impose the HIV/AIDS program in the business units. Instead, the ‘Corporate’ encourages stimulation and emulation between subsidiaries. The executive power resides at the level of the Africa Region. As the degree of maturity in the CSR issue progresses, the level of formalization of tools used increases and control mechanisms are being created.

As this was an exploratory study, there are limitations to the conclusions that can be drawn. Further analysis is necessary. This paper mainly described a business case. The density of the case invites the researcher for a deeper analysis, using the tools of qualitative analysis. Broader empirical work would be valuable. An additional direction for future research would be a comparative study that more fully analyses the headquarters-subsidiaries relationships in different organisational settings.
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