

Pierre Bellon, founder and President-Director General of Sodexho Alliance, on working hard and having fun

Interview by Robert C. Ford

Executive Summary

Sodexho Alliance is a global diversified service business founded by Pierre Bellon, its current President-Director General, in 1966 in Marseilles, France. M. Bellon's family had over 60 years' experience in maritime catering for cruise ships, and he wanted to go further. He began by providing food service for company cafeterias, hospitals, and schools and by 1968 had expanded to Paris. In 1971 he obtained a cafeteria contract in Belgium, and from that continued into Germany and Africa. In 1983, the company offered its stock for the first time on the Paris Bourse. By 1984 it had expanded to the Americas, Japan, South Africa, and Russia. In 1995 it formed an alliance with Gardner Merchant in the UK and changed its name in recognition of this alliance. Most recently, Sodexho Alliance bought Marriott's Management Services and is now the largest contract food service operator in the world.

Today, Sodexho is also the world's largest operator of remote work sites (e.g., mining and drilling locations located at a distance from populations centers), the second largest service voucher issuer, and the largest operator of river and harbor cruises. Sodexho is a part of the CAC 40, the primary industrial index on the Paris Stock Exchange.

M. Bellon was instrumental in establishing the Sodexho Institute on the Quality of Daily Life and the Center for Young Company Managers. He has served as the president of the National Federation of Hotel and Restaurant Chains and the Management Improvement Council. He served as a member of the Economic and Social Council of France and the Executive Council of the National Council of French Employers.

M. Bellon, what do you see as your organization's competitive strengths and core competencies in your market?

We provide food services and facilities management services for corporations, educational institutions, health and senior care facilities, and remote sites, which include oil exploration, mining, and large construction sites in the most remote locations of the world.

I founded the company in Marseille in 1966 when I had read that the employees at the power plant were going to go on strike because the food was so bad. I won that first contract, and today we have 24,700 client sites and we employ 315,000 people in over 74 countries. Our sales are about 12.6 billion

euros (which is about the same in US dollars) today.

Despite our size, we remain a very decentralized and multicultural company. Generally, our activities in each nation are managed by a local team. This ensures that we keep our focus on our clients—we call this "the cult of the client"—and we are very successful in this regard. Our annual client retention rate averages 95 percent, and people are astounded when they hear that we have client relationships dating back 50 years through our acquisitions of companies that predated the creation of Sodexho.

Ours is not a capital intensive business—our capital investment is less than 2.5 percent of



Pierre Bellon

sales—so our competency must lie in our ability to manage people, because we have a people intensive service business. We think that this is one of our company's competitive strengths.

Tell us a little about how you see the future of your company and your industry and what you are doing to prepare your organization to the meet the future you see.

When I founded Sodexo, I asked myself, Why do I want to create a company? What is a company? The answer I came to is that, first, the company comprises the clients and customers it serves. The company is also its employees and its shareholders. My problem was how to satisfy the needs of all these groups.

For example, our clients might ask us to serve five-star meals for the price of a sandwich—how are we going to do it? And how can we meet the needs of our employees? No employee has ever come to me and said, "M. Bellon, I am getting paid too much for what I am doing. You can keep my pay increase in order to expand the business." How can

we meet the needs of our shareholders, who are looking for more from us as well?

No employee has ever come to me and said, "M. Bellon, I am getting paid too much for what I am doing. You can keep my pay increase in order to expand the business."

My answer has been that I must have a growing company. It's not just growth for growth's sake. It's growth for customers, for employees, and for shareholders. If you have internal or organic growth, you can be reasonably sure that your clients are satisfied because you cannot have internal growth unless you can retain your present clients. As for employees, with organic growth you can offer your people employment and the prospect for career growth opportunities. The organic growth philosophy is very important for the company. Our innovations have helped generate a good organic growth rate that has kept us financially strong and able to pay dividends to our shareholders.

The good news is that we have a vast potential for the future because many of the markets we serve are still largely under-penetrated. We estimate our future worldwide market at 380 billion euros. Our sales have risen 20,000 times since our first year of business, but there is still a tremendous opportunity for future growth.

In reading about the history of the company, I was fascinated to see that you had taken it from a food service provider serving companies in Marseille in 1966, moving into serving hospitals in Brussels, and from there to remote sites in Africa and to service vouchers in Belgium and Germany—all in 12 years. Why did you jump across all these different countries instead of just concentrating in France, for instance?

My personal background played a role in my interest in expanding internationally. I was born in Marseille, which is a leading seaport on the Mediterranean, and I traveled a lot when I was a student. Also, I served as an officer in the French Navy on a destroyer, so I traveled all over the world and was exposed to international cultures.

In the beginning I had several competitors in Marseille who had started in the business before me. When Sodexo became number one in the Marseille region, I went into Toulouse, Rouen, Lyon, and then to Paris. But even as we were ex-

panding across France, I dreamed of having an international company.

France was at that time the fourth or fifth largest economy in the world, with less than one per cent of the global population. That meant that while Sodexo had a strong future in France, an even bigger future was outside France. Today we are located in 74 countries that represent 85 percent of the world's population. We are very well positioned for the next 50 years, and that is very important for us.

An incident with my children also helped shaped my vision for Sodexo. Two of my children went to the University of Southern California. One night we received a phone call from them. They were very happy because they were on the beach and they could make the call on a credit card. They had to wake us up in the middle of the night to tell us this great news. From that late night call from halfway around the world, I suddenly had this vision that the world is a small village and that our company must be international to serve this village. I knew having a strong international network would be an important competitive advantage. With this vision in mind, we continued to seek opportunities around the world. As it turned out, this simple phone call had major ramifications for our company.

Many companies are having trouble attracting and retaining the types of employees they need to be competitive. What special strategies does your organization use to hire and keep the best?

One very important thing that we do is define our mission, which is to create and offer services that contribute to a more pleasant way of life for people whenever and wherever they come together. We want to increase the quality of life for our clients and customers and also for our own people. Our mission is very important for us because it gives us a sense of who we are.

I think what many big companies don't do too well is to give their employees a sense of who they are and what they do. We try to give our employees the idea that this company belongs to all of us and that despite our many differences in background and culture, we share the same core values.

The core values of the leader heavily influence the way an organization operates and its managers manage. What are the values that you brought to this company at its founding and that you still hope are represented in how your company does business?

Our people work in concert with our clients and customers, so it is very important that our employ-

ees share a passionate desire to provide service to others. After that, the most important quality is team spirit. If you've ever played a sport like soccer or rugby, you know you play as a team to win. That team spirit on the field of sport is the same in the cafeteria. If it is a good team, if the chef works with the service employees, with the cafeteria manager, the service is good. If they are a poor team and don't work together, then the restaurant is bad.

It is exactly the same in our different executive teams. You can have some individuals there, but when a position has been taken, each of the team has to support the decisions. And for us that is very, very important. I'll give you an example. When I was deciding to appoint Albert George as president and chief operating officer of Sodexo Alliance, I asked each member of the executive team to assess this man for the position and tell me if they would agree to support him. When you are bringing in a new leader, this is a key question to ask of a team. The Sodexo Alliance executive group is united with the same sense of team spirit as our people working at our accounts around the world. That is key to our success.

How do you communicate the core values to all of your people?

It is always a challenge, but the main thing is to keep the values alive by talking about them. We start all of our management meetings with references to our mission and values. Obviously, all new employees who attend orientation learn about not only the history of the company but our values because our mission and values are the framework of how we expect everyone to work together, how we manage our company, and how we relate to our clients and customers. So, it is the essence of who we are.

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Seven years ago we created the Sodexo Management Institute, which has been attended by more than 800 of our top managers worldwide. Over a three-day period, they learn even more about our culture and our international management philosophy. It's there that we explain the values, the story of the company. Our model is the General Electric Management Institute.

How do you deal with the operational and managerial issues that are associated with being a global company? What do global cultural differences mean in terms of how you manage, how you are organized, and how you select managers?

I am often asked how we can serve all the different cuisines in the different places where we operate in the world. We are successful at this because of our philosophy that food is part of culture, and culture must be local.

In the early days, I made some mistakes. I thought that we could just send French food to Belgium, but I soon learned that this would not work. In America, we have American chefs, and even within America we hire different chefs for different regions because cuisine in California is quite different from cuisine in New Orleans which is not the same as New England. In Italy we have Italian chefs; in China we have Chinese chefs—and there are regional differences there as well because the cuisine in Beijing is different from Shanghai or Canton. The same is true for our management. They must be local to understand the local culture.

In my opinion it is not so difficult to have a multicultural management. What is difficult is to have the same competencies and capabilities carried out in many different locations.

When we made acquisitions, as we did in the United Kingdom with Gardner Merchant and in North America with Marriott Management Services, the managers of these companies had grown up with another culture and a different way of managing. The policies and even their types of contracts were not the same. In France, for example, we were accustomed to operating profit-and-loss contracts, but in America and in the UK many accounts were operated for a management fee. If your contracts are based on management fees determined by a percentage of revenues instead of based on operating efficiencies (a profit and loss for the site), you are less motivated by the final results than if you had a profit-and-loss responsibility. It is a big challenge for us to help these managers to learn how to operate P&L contracts and to operate more as entrepreneurs.

What I hear you say is that you have appointed nationals in the various countries that you have built alliances in, but then you must still find ways to have them coordinate back with the parent French company, and it sounds to me that you do that very well.

Sodexo is not a French company. Sodexo is a multinational company, a multicultural company.

My philosophy was to build an organization of entrepreneurs. When we decided on our first location outside of France in 1971, we chose Belgium. I thought it would be easy to start in a new country, but in fact it took three years to digest the acquisition.

As we expanded into Spain and Italy, we were obliged to have entrepreneurs or pioneers who were able to make decisions that fit with the culture. Local managers are in charge of suppliers, customers, clients, employees, and also the financial resources. They have a profit-and-loss statement to manage and a balance sheet. They must really be entrepreneurs. That is our culture.

When we went into Africa and the Middle East, many times our people were given a briefcase and a plane ticket and they would go to a country and start the business—make the local contacts, figure out how to do the purchasing, literally start the business. In those countries in the early days, that was how we grew. The exceptions were in countries like the UK and the US, where there were very large and established competitors, and so acquisitions were made.

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How do you separate the pioneers that will succeed from the pioneers that will fail? How do you know what people to put on a plane with a briefcase to start your new companies? Do you use any specific criteria to select these pioneers?

These pioneers make a tremendous commitment in time and in living in new countries. They do it for the adventure and for the entrepreneurial spirit of creation. We have to select people with the right attitude, people we trust and people who have a proven track record.

When I started the company, at the beginning I knew all my cafeteria managers, their stories, their families, and so on. But by the time I had 30 sites, I said, "Bellon, you can't manage this all by yourself." I was at a breaking point. It was personally beyond my capabilities to be the boss of the company, and so I hired women and men who had high potential.

I have always tried to hire people who were better than I was or who would complement my weaknesses. So when they asked me, "What are my prospects for a career?" I said, "I trust you and you trust me. We are a growing company, and you will build yourself a career growing with me."

In fact Sodexo has become a machine to create entrepreneurs. The people who built the company are still with me. They grew and have developed very good careers. In fact, they are the story of the company. I think it's very important to keep your top people, and it is one of the reasons for the success of our company.

Patrice Douce, who is 60 and recently retired, illustrates exactly that. He started with a small briefcase and went to the Middle East to start our business there many years ago. He started from scratch. More recently we have Patrick Poireaux who started in China in 1995 and from a very small base of operations has grown the business in China to about 200 sites.

We don't employ rocket scientists. When we select people, we believe interpersonal skills are more important than specific competencies. Our people must have more of what I call human qualities because the service spirit is so very important. We think that hiring for these human skills is very important to our competitive advantage.

How does the concept of organic growth or responsible growth tie in to which companies you acquire or decide to start?

The word "acquisition" is not often used within our company. Originally, we planned to start our business in the UK from scratch. However, in 1995 Gardner Merchant was the market leader and was 40 times bigger than we were, and we felt obliged to acquire them because of this competitive situation.

But when we acquired Gardner Merchant, we used the concept of alliance. When you acquire a company, it's not like buying machinery. You cannot buy the culture and the hearts and the motivation of the people. You cannot purchase the history of a company that was founded in 1865.

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After we acquired Gardner Merchant, we changed the name of our company from Sodexo to Sodexo Alliance, and we incorporated the five stars that were part of the Gardner Merchant logo into the logo of Sodexo. This change upset some people who had been with Sodexo for many years. They said, "We made the acquisition. Why should we change our logo to accommodate them?" I told our people that I thought that it was

important to show what we meant by the spirit of an alliance and how we should all approach alliances in the future. We re-named the company Sodexo Alliance to demonstrate this spirit.

Too many times acquiring companies are arrogant and kill the real value of the company that they acquired and the spirit of the people along with it. We always regard these alliances as a very valuable opportunity to learn how they competed against us, how they tried to gain competitive advantage. We also look to incorporate their best practices throughout our company.

Because of the Gardner Merchant acquisition, we became number one in the UK. Since that time two of our biggest competitors merged, so we are now only number two, but we are very competitive.

After that purchase, we had an opportunity in Scandinavia. Because we did not have time to start our own companies in those countries, we acquired a company called Partena, which was number three in Sweden. Then we became number one in the Nordic countries.

Our largest acquisition was Marriott Management Services. We were already number four in the US market, and we understood that Marriott wanted to concentrate its business in hotel management and focus more on international expansion. So we made the acquisition to merge our North American operations with Marriott Management Services which was three times our size. Last year we completed the acquisition and became number one in the United States, which is currently the biggest market in the world. Now we are ready to focus again on internal organic growth.

Your Web site refers to your company as a community. Is that term intentionally used to stress the idea that you are trying to tie everyone together instead of appearing like a sovereign company running other companies?

We use the term "community" to show the relationships between the company and our partners in business: the shareholders, the operators, and the community. It emphasizes the point that the company includes its clients, shareholders and employees as part of its community.

Were there any special role models or educational experiences, or any books or ideas, that heavily influenced how you developed as a manager/leader?

My management philosophy has been strongly influenced by my Jesuit education. That is important because I have tried to incorporate my core be-

liefs—a respect for human rights and social justice—into how we operate the company on a daily basis.

I believe we must contribute to the economic and social development of the countries where we are located, and we must provide opportunities for people in those countries. And if you offer the possibility of career promotion to everyone, people will become very loyal to the company.

A lot of our managers began their careers with our company working as cooks or dishwashers and moved their way up. We have a man in China who started with us as a cook in 1966, and now he has been promoted to general manager of 1,500 operators. Bill Hamman in the United States is a good example. He started as a student employee, became the president of our Campus Services division for the US, and just recently retired after nearly 40 years with the company.

I do have a passion for management. I created an association of entrepreneurs in France, and we have in the organization 3,000 specialists, including human resources, strategy, stock exchange specialists, etc. They meet every month to exchange best practices, to learn from each other, and to learn how to progress as managers. We all try to make progress in our ability to manage.

I have also read many books on management. Most of them came from American authors. I admire, for example, Peter Drucker, Michael Porter, and Jack Welch.

Peters and Waterman wrote *In Search of Excellence* about all these "excellent" companies. I have always been very reluctant to claim excellence because five years later some are not so excellent. I think that is important because when you start seeking excellence and say "Now I am excellent," you stop growing.

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How can organizations as large as yours be managed by anyone? Do you use any special strategies or approaches to keep everyone focused on the organization's goals and mission?

In countries where we have such large operations, it is difficult to maintain the spirit of entrepreneurship and to share the essence of the company. North America, the UK, and France comprise about 70 percent of our total sales.

It is far easier to start a new company in China

or other countries from scratch than to be entrepreneurial in places where we have a huge infrastructure. We must continue to grow the company and at the same time maintain my dream that we stay a confederation of small companies. I want every one of our managers to maintain that feeling that they are running a single-site cafeteria or a small unit.

One of our biggest challenges is to stay innovative. This is not easy to do in a big company, but we must allow innovation to rise despite the heavy hierarchy. We must fight against the baronies in the hierarchy. We must ensure that we continue to promote the good people—the innovators and the entrepreneurs.

I am fascinated by your comment. What you are referring to is that you are trying to find the right balance of getting people to pay attention to the big organization and also pay attention to their own unit and its entrepreneurial challenges.

Exactly.

How do you do that?

We just spent the last two days here in New York working on that. We have established for the past fifteen years a culture of innovation that begins with looking for products and services that increase value for clients and customers. We just completed our 7th World Innovation Forum here in New York. This event brings together our people from around the world who have the opportunity to share their innovations with the rest of our company. We have selected 21 innovations to present here that we hope can be implemented worldwide.

Is that unique? I have never heard of anything quite like that before.

Only Sodexo does this. Our innovation development system is unique to our company, and a lot of companies admire the way we promote innovation.

I serve on the board of directors of Liquid Air, which makes air products—oxygen, nitrogen, and so forth. They have a big research budget, but they also imitate our Innovation Forum because they know innovation starts from the bottom, at the operator level. Liquid Air has different needs, but they can effectively use our idea.

To be a successful company, we know we must protect innovation and innovative ideas from being lost in the hierarchy. By holding this competition for innovation, we can promote new ideas in

spite of the resistance of the hierarchy. It is very important. At this forum, we give awards to the innovators and let them know we value what they've done, and they are proud.

During this last forum in New York, we had an innovator from Poland who was given an hour to explain his innovation in front of 350 managers. Without such a forum, this innovation might never be heard.

What I am hearing you describe is a culture that encourages entrepreneurship across its entire organizational alliance, and people know that and feel excited about the opportunity your symbolic and tangible support for entrepreneurship means to them. That is probably why you have such high retention rates.

My role is a political role, in the high sense of politics—to provide a vision of our company, to give it principle. I am speaking to our managers tomorrow, and I will insist that they address the question of how we can continue to create entrepreneurs for our future. It is easier to create an entrepreneur when starting from scratch in a new division or a new company than it is to create a spirit of entrepreneurship in a big organization with thousands of employees like we have in the US, the UK, or France.

In this era of publicized corporate malfeasance cases, what do you believe is the responsibility of the leader of any major corporation like yours for leadership in the local and global community?

At this time, capitalism is having some problems, especially with companies like Enron, Worldcom, and others. I think that this is really a question of dishonesty. When you manipulate your numbers, when you have some unfair advantages from personal stock options, when your auditors shred the files, when the analysts give bad information and tell those outside the firm to buy shares, it is totally dishonest and these people must be put in jail as soon as possible because it's very important that investors have total trust in the company's management. We know that as managers we must have the trust of our investors, so it is very important that we insist on transparency. Not only is it important to give external investors transparency but we must also have internal transparency. We must verify that the manager gives good figures, and we must strongly enforce internal controls and conduct internal audits.

In addition to our outside auditors, we have an audit committee within the company worldwide. We

tell our managers that we are auditing them, not because we don't trust them, but because we must do this to create trust among shareholders to safeguard the security of everyone in the company. Because we are an international and global company, it is very important for the long term that we maintain the trust of investors. That is my first observation.

My second observation is that some companies are working only for short-term profits. For example, some analysts reproach me and say, "Your company has too big a position or exposure in the US." It is clear that the US has been in an economic freeze since the last part of 2000, but still I laugh at that advice. Why? Because the analysts don't understand that these are short-term problems. Certainly, we are exposed to some risk, but we are the number one player in our industry in a country—the US—which represents 30 percent of worldwide GDP, and we cannot ignore a market this big. By comparison, France represents only about 3.5 percent of worldwide GDP.

The US is the most important market in our business. So this means that I am very happy to be in this market in spite of the economic downturn. Perhaps we have some financial risk, but I am totally confident in our future. Wouldn't you love to invest in our company?

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It is a serious problem—and I speak from experience—if a leader runs a company not to satisfy the needs of the clients, the operators, or the shareholders, but instead to rule a company to satisfy his or her own ego and the media star system. It is the cult of the personality, and it can be deadly for a company.

I don't want to mention any names, but I have visited the headquarters of some companies and there you see a big statue of the founder, and I laugh about that. It's like going to Versailles. When you enter Versailles, you see the statue of Louis XIV.

I totally agree. I have seen other people study this situation and come to the same conclusion. As long as you make business leaders into individual stars, you tend to distort the view that an organization is a lot of people, not just one person.

Exactly. The person who rules the company must have a big ambition for the company. The difficulty for the leaders is to find a balance between big

ambition for the company and the humility that comes from the facts.

For example, for the first time in our history, Sodexo's stock shares have gone down in value. Our company's stock has been listed since 1983 in France, and this is the first time the value of the company has decreased. That will give you some humility! But we will continue to have a big ambition for the company.

Is there anything else about yourself or your company that you would like for our readers to know?

I started the company from scratch, the company has become big, and unfortunately I have become old. As you know, my children own 40 percent of the company. The problem is not to create a dynasty for the future, and my problem is not to have a statue built of me [*laughs*]. But I think it is important for me that the company will sustain itself after I die—not in order to continue the name but in order to show that I tried to set up a company with a core value and a simple strategy.

I am proud to see some of my people who started at the bottom and got promoted to where they are today. That is very important to me. I am proud to see these people succeed.

Two days ago, we had a gala dinner on one of our boats here, *The Spirit of New York*. We were all very happy. The people were very happy to be together. We drank together. We danced together. We laughed together. In our company that is very important because the work is so very hard and so difficult to understand. My dream is that this will continue.

What are the most enduring institutions in the world? Not companies driven by net profit or the

price of their shares. Being among the top 1,000 companies in the world or even in the top 20 doesn't guarantee the future.

My dream is not for us to be number one, but for Sodexo to continue for a long time.

My observation has been that what are most sustainable over time are the world's religions. If you consider Christians or Muslims or Buddhists, you will see that what is most permanent, most sustainable, is religion. My dream is that the company is sustainable like that.

I don't want us to create some new religious order—I don't want us to become priests. My vision is to create a corporate religion of value. It is not a sad religion. It is a religion where you can drink, you can play, you can be a comedian, you can dance, you can love. It is a religion of joy. You must be able to work and dance at the same time.

I don't think I have ever talked to a leader who talks about singing and dancing and joy as part of his company's culture. Thank you for taking the time to talk to me and allowing our readers to learn about your company and your managerial approach to leading it. It has been my pleasure to talk to you.

It has been my pleasure as well. Thank you.

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