

ÉRIC OLSEN (MBA.93), CEO LAFARGEHOLCIM

A CONCRETE MAN

Last summer, building giants Lafarge and Holcim merged in one of the biggest M&A operations worldwide. Eric Olsen (MBA.93) was appointed to lead this new actor on the scene, the undisputed industry leader. The 51-year-old French-American executive was able to take some time out of his busy schedule to answer our questions.

10%
Only India and the United States represent more than 10 % in the group net sales

HEC Since you were appointed CEO of Lafarge-Holcim, the group has been facing very challenging market conditions, with a stronger Swiss franc and a slowdown in emerging markets like China, India and Brazil. Was the timing of the operation wrong?

Eric Olsen Not at all! This merger is a unique opportunity to bring the two industry leaders together. It's a deal that works just as well in good times as in bad times. Bringing our operations together helps us respond more quickly to the tough market conditions that we are currently experiencing. Take a market like Brazil, whose economy is facing real challenges right now. Merging Lafarge and Holcim operations there allows us to optimize our overall cost structure. The same is true in many countries around the world. It gives us an extra tool for reducing costs and strengthening our position.

HEC You have announced asset disposals focused on markets where LafargeHolcim is not in the top three. Is market share a more

relevant criterion than profitability?

E. O. It is not as simple as that. The market share is certainly important, but there are many other factors. We consider the quality of our assets, overall market attractiveness and long-term market growth outlook. We look to exit markets where we don't think we can earn an attractive return on capital over time.

HEC In the press, you mentioned overcapacity in China, Indonesia, Brazil, Greece and others. Do you consider exiting entire countries—maybe small countries where profitability is not there?

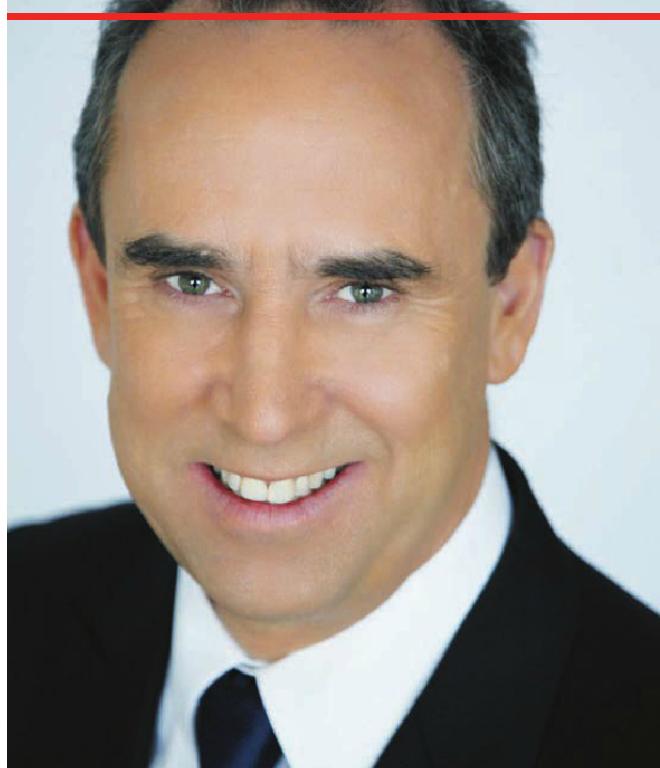
E. O. Asset utilization is currently close to 70%, while a "good" level would be at least 80%. In markets with a long-term growth outlook, that 70% ratio is acceptable because capacity utilization is expected to grow over time. Elsewhere, we have to reduce costs and to bring capacity utilization in line. That is something we look at on a country-by-country basis.

HEC Speaking of China, the country consumes more than half of the world's cement output, but housing and infrastructure projects are slowing down, so capacity utilization is at a mere 65%. How long can LafargeHolcim bear such a situation?

E. O. China will remain the main market for cement in the world, but there needs to be restructuring and probably consolidation. LafargeHolcim will continue to play a role there. We look to find ways to optimize our portfolio and have already brought together our subsidiaries

A GLOBAL LEADER IN BUILDING MATERIALS

Following the merger of Lafarge and Holcim in 2015, LafargeHolcim has become the new leader of the worldwide building materials industry. With a presence in 90 countries, the group produces cement, concrete, aggregates and asphalt for market segments including building, infrastructure, distribution & retail, oil & gas and affordable housing.



WHAT THEY SAY ABOUT HIM

Bruno Lafont (H.77), co-chairman of LafargeHolcim

"Eric is a thoughtful and resilient individual. He is warm, he has good judgment, and he is able to challenge himself even though he defends his views firmly. He knows how to make decisions and takes full ownership of them."

"He embodies the values of integrity and humanity, which make him both appealing and loyal."

Marc-Henri Chamay (MBA.93), CEO at Aosphere (affiliate of Allen & Overy)

"Eric is a hard worker. He interacts directly and easily with people at all levels. He is very curious and loves to explore new things. He is incredibly open minded about the world. Despite his success, he has maintained a simple relationship with people and is still approachable."

AN INSIDER: **1988** Senior Associate at Deloitte
1993 MBA at HEC Paris **1993** Partner at Trinity
Associates **1999** Joins Lafarge North America
2004 CFO of Lafarge's US subsidiary **2007** Group VP
in charge of HR and organization **2013** Group VP in
charge of operations **July 2015** CEO of LafargeHolcim

management teams to increase efficiency. That said, if you look at our consolidated results, China only represents 3% of our revenues and 1% of our EBITDA. Remember that LafargeHolcim operates in 90 countries around the world.

HEC **So China represents half of global consumption, but only 3% of LafargeHolcim's turnover?**

E. O. Yes. In China, we have a 43% ownership in a Chinese company that is not consolidated in our results, as we don't have control. On top of that, we have a 100% share in Chinese assets that account for 3% of our overall turnover.

HEC **Before the merger, battles between shareholders over leadership almost made the deal collapse. Furthermore, Lafarge has a strong French culture, whereas Holcim is located on the Germanic side of Switzerland. How do you intend to reconcile those corporate cultures?**

E. O. You know, 98% of our 115,000 employees are local. When we merge our operations in Brazil, we have Brazilians from two top-tier international companies join. It has nothing to do with merging a French company and a Swiss one.

If you refer to the merger of the two head offices, we

don't focus on what language people speak or what country they grew up in. We insist on what their core beliefs are. Both Lafarge and Holcim have set health, safety and sustainability as core values.

HEC **You were born in Chicago and got French citizenship in 2014. Did your international profile make you the right candidate for conducting the integration of those two giants?**

E. O. I agree with you that I was a right candidate! (He laughs) But it is not just a question of passports. I have lived and worked in many different countries. I worked in strategy, operations, finance and human resources. I learned to adapt. That background certainly helps me in my current challenge—bringing these two great companies together. I expect from my team the same openness to different ideas and the same willingness to do things differently. I want to drive and build something new.

HEC **Can you provide an example?**

E. O. Take any function inside the company. Let's say an internal audit. Holcim had a way of performing internal audits, and Lafarge had another way. We need to look at the two and, with an objective eye, identify which best practices we can leverage.

This merger of equals is a unique opportunity. You don't have one company taking over the other. Everyone at Lafarge and Holcim knew that things were going to change. Usually, everyone gets entrenched in how things are supposed to be, what "normal" is, what their territory

386
tons is the installed capacity of LafargeHolcim

1,5

billion Swiss Francs
of synergies
expected by 2017

25%

reduction in CO₂
emissions (Lafarge
and Holcim) since
1990

32

billion Swiss Francs
(26 billion euros)
net sales for Lafar-
geHolcim in 2014

LAFARGE AND HOLCIM, A PERFECT FIT

"The two companies were really complementary. First, their core values were similar. Then the geographic alignment is excellent. In Latin America, Lafarge had a relatively small footprint and Holcim was extremely strong. In Africa it was exactly the reverse. In Asia, Lafarge had a very strong position in Malaysia while Holcim was a leader in Indonesia. As a consequence, our global footprint is remarkable. In 55% of the markets we serve, we are the number one player. In 80%, we are in the top three."



is. In a merger of equals, the situation is different. All 115,000 people at LafargeHolcim know that things are going to shift. Their openness for change is immense at this point. We need to keep that and use it as an opportunity to really build something better. Eventually, I'm sure, some of these walls of resistance to change will go back up (*he smiles*). But in the meantime, we have this window of opportunity to create something different at every level and in every area of the company.

HEC Cement is costly to transport, so markets tend to be local. Why does it make sense to create huge multinational companies like LafargeHolcim?

E.O. Both companies had complementary geographical portfolios and we now have a best-in-class portfolio balanced between emerging and mature countries. Moreover, the distribution of the product is local, but the know-how is global. We can make a difference in technology and innovation. We have the largest R&D center in the industry. Our ability to out-innovate the compe-

"I SEE MY ROLE NOT ONLY AS THAT OF OPERATIONAL LEADER BUT ALSO AS AN INTEGRATOR OF CULTURES."

tition is going to be a critical success factor. The world continues to urbanize. From a climate change perspective, buildings throughout their life represent about 30% of CO₂ emissions. They are one of the biggest levers for reducing our CO₂ footprint. A company like LafargeHolcim has the ability and the technology to bring innovative solutions. If we just act as a local player, I don't think we will make the same difference.

HEC You mentioned the various positions you held at Lafarge for the last 16 years. What was the achievement you are the most proud of?

E.O. For six years, I was the global head of HR at Lafarge. I set myself a couple of goals, including gender diversity.

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Throughout my tenure, we doubled the percentage of women in the top 1500 people, from 9% to 18%. The change was visible, and it made a tremendous positive impact on Lafarge. We are talking about more than 100 additional senior-level women. That made Lafarge a much stronger company.

As CEO of LafargeHolcim, I am all the more committed to make similar progress in gender diversity. Right after becoming CEO, I got the top 200 managers together.

Speaking to them, it was one of the things that I highlighted. Gender diversity is going to be one of our important tools for change going forward.

HEC More broadly speaking, what is your vision for the future of the group?

E.O. First, LafargeHolcim has to be market-driven and must become an even more customer-centric organization. We need to be a provider of solutions for our key market segments, as opposed to a mere provider of material. Regarding large infrastructure projects, we need to get involved early, in the design stage. Another thing to keep in mind is that 60% of our volume is ultimately

The Bandra Worli Sea Link, Mumbai.





Batistore in Rouiba, Algeria, a retail chain store for building materials.



© MédiaLage Lafarge - Erik Barros Pinto

sold through a retail network—basically, sacks of cement sold in stores. The distribution chain is very much like fast-moving consumer goods. We have to master the downstream distribution chain all the way down to the store shelf at the retailer. In some parts of the world like Morocco or Latin America, we are excelling in that—and we notice the difference in our margins. Our ability to go from a material producer to a marketer is going to make a big difference.

On top of that, we need to be a **cost leader** as well. We have lots of competitors all over the world. The merger will certainly help us drive some of the cost reduction. The third point is **sustainability**. We need to have a positive impact where we operate our factories. We are by far the largest cement and building company in the world. We want to lead the industry from a climate change standpoint. During the COP21 discussions, we were pushing for carbon pricing, which we consider critical for driving continued reduction of CO₂ emissions. We want to make sure that carbon pricing is implemented in an ambitious but realistic way.

HEC How do you like your life in Switzerland?

E. O. Switzerland is great! I moved in a nice house in Zurich on the lake with a beautiful view. So far, I haven't had the opportunity to ski, but I am familiar with mountains and ski slopes from my undergraduate time in Colorado! Right now we are in the middle of the integration phase, and I spend a lot of time traveling between

115,000
The number of employees
in the group (90 countries)

HEC You graduated from the **HEC MBA** program in 1993. What do you remember most fondly about your time in Jouy-en-Josas?

E. O. HEC Paris was a critical step in my career development. I am grateful for how I grew when I was there. I learned a lot about the world and myself. I was able to shift my career path.

What I appreciated most in the program was its incredible international scope. I was in contact with 120 other MBA students and I made friends from all over the world, with many of whom I am still in touch. I liked working in teams. I learned how to collaborate with people who were wired differently than me. I grew a lot personally.

HEC Any advice to Peter Todd, the new **CEO** of **HEC Paris**?

E. O. International diversity is a major strength for HEC Paris. I'd like to see him continue to nurture and develop that. It is absolutely fundamental to leverage international diversity so that future leaders can have an impact on this world. ●



A GLOBAL MARKET DRIVEN BY EMERGING COUNTRIES

90% of the world's cement output is consumed by emerging countries

5 international firms account for 40% of the market: LafargeHolcim, Buzzi (Italy), Cemex (Mexico), Heidelberg (Germany) and Italcementi (Italy)