

**INNOVATION, ENTREPRENEURSHIP
AND MANAGEMENT SERIES**



Social Business and Base of the Pyramid

Levers for Strategic Renewal

Bénédicte Faivre-Tavignot

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Foreword

In 1976, Milton Friedman won the Nobel Peace Prize for Economics for his Monetary Theory. A fundamental imbalance then appeared in business, from then on set in stone, that the role of business and the aim of business leaders was to maximize profit for the shareholders. The supremacy of the shareholders over all other stakeholders was engrained in the mind. From then on the economy seemed to be no more to the department of finance than a question of turnover and financial gain.

Reality is different; Muhammad Yunus has had the genius to show that it is possible to create businesses which operate in contrast to Milton Friedman's theory: social businesses (SBs), businesses that are entirely dedicated to the good of all stakeholders and at no personal gain to the shareholders.

These are cause-driven companies, for whom profit is necessary but is not the central focus. It enables the company to continue its social impact.

This change in model is ground-breaking, as it shows that in modern day economics, it is possible to create completely new rules of value share between stakeholders of a company; contrary to the rules of Milton Friedman, of the "capital asset pricing model" and those presented as reference models by American Financiers.

I do not know if the SB phenomenon will be one of great magnitude. That is not the fundamental question. What is fundamental is that it shows us that like a virus, and a virus is more powerful than not, the current plague of capitalism can be defeated quite simply. It is about proposing a more meaningful venture to people, through business; a venture based on collective creation, which speaks about mankind and not only figures and profit to be obtained for the shareholders.

Danone invested in the SB venture, with the idea, shared by Franck Riboud, that what was called for was a virus that would transform Danone from the inside. To transform by means of a more inclusive economy which shares value equitably among all stakeholders of the business. To transform by breathing new life into and really launching the mission statement of Danone redefined in 2003: “to bring health through food to as many people as possible”. What is at stake is societal contribution to today’s great challenges and also the risk of remaining competitive for the company: to help “as many as possible” and particularly those at the bottom of the economic pyramid of emerging countries; and reinventing how we react, reinventing our products, our economic models, our value chains in an ever-changing world where the only ones who survive are those will have known to anticipate changes that are taking place and that are to come, and reinvent themselves.

This book analyzes first and foremost Danone’s process of transformation. It begins with the instinct that was shared at the heart of the management team that proceeding towards a SB approach could be the propeller for this transformation. It looks at the way that this intuition emerged, was articulated, shared, tested then established in a true process of strategic renewal. It is like a kind of clear and helpful documentary on what we are trying to do, and the different means put in place but also on areas we have not succeeded in. This analysis clearly highlights the constraints and impediments of this renewal process. It raises several individual and collective restraints and exposes the keys to success in such a transformation. It shows how a process such as this takes time and calls for a shared vision among the directors, and among all the players as well as a strong commitment from each of them.

I hope this analysis will help others to learn from our mistakes, to not fall into the same traps and to seize opportunities for change that we sometimes have not been aware of or have not wanted to take advantage of immediately.

I hope also that our ventures, analyzed in this research, will inspire other leaders, tempt them to take risks, to lead their companies on an evolution towards more of a connection with the real world, towards a more inclusive economy and one that brings with it greater meaning and life. I deeply believe in the responsibility of the leaders of the economy, not only of their right but of their duty to work for this Utopia so that our businesses make a real contribution in responding to the challenges of our time.

Emmanuel FABER
Chief Executive Officer of Danone
October 2015

Preface

The subject of this book arises from strong personal experiences. One of these experiences was just after my studies at HEC, while spending several months in a slum in Santiago de Chile, enabling me to confront misery in all its horror. I also discovered there, poverty as opposed to misery: I lived with a very poor family, (a mother raising two sons as a single parent on the equivalent of \$50 per month), whose life force, sense of solidarity and welcome as well as their great freedom really taught me a lot and had a profound impact on me.

While working as a volunteer in a day-care centre for children from families of extreme poverty in the heart of this shanty town, I witnessed in Chile the conception of a microfinance organization, Contigo (With You) set up by French friends, Hubert de Boisredon and Laurent Marbacher from whom I sensed importance and wealth: the objective was to allow people with little hope to get out of their predicament by granting small loans and by mentoring them. A former young delinquent with whom I had struck up a friendship had been left paralyzed following a gangland retaliation; he showed me a little machine he had been given after his accident, which enabled him to make little objects out of wood from his bed. He explained to me that he would not have been in the situation he was if someone had given him the opportunity earlier to buy this machine and to start his own business. Economic activity clearly emerged to me as a way of contributing to human dignity: that which allows us to hold our heads up high.

The following instinct has strongly preoccupied me since that trip to Chile. The southern hemisphere countries have a lot to offer industrialized society, so frequently numb in their abundance of comfort. I was astonished to find so many people who were comfortably well-off and yet depressed. The bridges created between the most comfortable and the poorest appeared to me to be such a source of reciprocal enrichment.

Thoughts of, and an interest in, two “worlds” arose in me: society and its issues: extreme poverty, climate change, resource depletion, etc.; and business: its strategic stakes and its role in society. Fifteen or so years later, my work became centered on sustainable development and social responsibility particularly in 2003 when Pascal Chaigneau and I co-founded the Masters in Sustainable Development at the HEC. In 2005, the theme of poverty and its relation to business came up again: with Muhammad Yunus, founder of the Grameen Bank in Bangladesh, accepting my invitation to give an outstanding conference on this subject to the HEC students. Two years later, he and Martin Hirsch became co-presidents of the HEC *Social Business/Enterprise and Poverty* that I then co-founded with Frederic Dalsace.

Our work enabled us to uncover several projects with poorer populations lead by multinationals (Danone, Schneider Electric, Renault, Kraft, Bel, etc.). The enthusiasm and the creativity of the individuals from the companies involved in these initiatives and the visible consequences of these often astounded me.

It is the multinationals’ processes of involvement in these moves and their transformational impact that I then wanted to understand, to analyze. From this, a research project was undertaken between 2006 and 2012 with Danone as the case study in the framework of my Doctorate thesis; then, a less in-depth analysis of four companies carried out more recently, in 2015, which I also present in this book: Schneider Electric, Renault, Essilor and Bel which show that the Danone case is not unique.

This preface has enabled us to pinpoint the source of this research to real-life personal experience (as well as to a professional one actually). The following introduction focuses more on the concepts leading to my research topic.

Bénédicte FAIVRE-TAVIGNOT
October 2015

Introduction

In 2009–2010, the theme of *reverse innovation* appeared; this had resonance with our personal experience – described in the Preface – as well as with the aforementioned individuals and organizations.

What is *reverse innovation*? This term refers to an innovation discovered in the developing world before spreading into the industrialized world. More globally, it refers to the process where products designed in the beginning for people on a modest income, are then adapted and distributed to sometimes more well-off consumers in the west.

It was introduced in 2009 by two Professors, *Vijay Govindarajan*, *Chris Trimble* and the CEO of General Electric Jeffrey Immelt in a Harvard Business Review article.

Actually this theme had already been covered toward the end of the 1990s by some researchers interested in emerging markets [ARN 98, KAN 99, PRA 02]. But the term *reverse innovation* became official after this article in 2009, opening up a whole new field of research.

As the authors explain, *reverse innovation* became inscribed in the new context of globalization: in a way, it constitutes the fourth stage of globalization:

– what the first stage (*globalizing market presence*, in the decades 1950 and 1960) amounted to for the American companies was to sell their US manufactured goods in different areas of the world;

– in the second stage (*globalizing the resource base*), in the 1970s and 1980s, it was more a question of moving production off-shore to poor and developing countries to reduce costs;

– the third stage, called *glocalization*, emerged in the 1990s and is still continuing today: with industrialized countries now being developed, even saturated, the large multinationals began to sell their products in emerging markets, very often in the countries where they had developed, production in the last stage. So, sales for General Electric, outside of the US market, went from more than \$US 4.8 million in 1980, (19% of total revenue) to \$US 97 million (more than 50% of total revenue) in 2008;

– the fourth stage, which is actually developing in parallel to *glocalization*, is that of *reverse innovation*: while selling their products in emerging markets, the multinationals soon realized that they could develop two or three times faster in countries like India or China, if they went further than simply adapting their products: by listening to the needs of the present especially in the poor countries and by designing products that are suitable to them, very often more simple and cheaper). A company like General Electric is convinced that this is the only way in the future to hold out against the competition coming out of the developing countries (*emerging giants*), but also in developed countries: these new firms constitute a much bigger threat than usual competitors as they are innovative and underrated.

The *reverse innovation* covered in this article shows it to be more than a simple strategic innovation or product; it refers to a true transformation of business which first of all becomes discovered in the poorer populations, then globally. As the title of the HBR article puts it: “How GE is disrupting itself”. *Reverse innovation* would thus be a new approach to what academic literature calls “strategic renewal”. Let us bear in mind that the strategic component of this concept is essential in that:

– the worry of being competitive when one comes up against a potential rival is core;

– the economic crisis particularly pertinent in southern Europe (Greece, Portugal, Spain, with 50% of the youth unemployed) and the insecurity that results from this makes returning to simple and inexpensive products all the more pertinent.

An article from the “Monde” in August 2012 is entitled “Unilever is prepared to return to poverty in Europe” it then continues: “Unilever wants to inspire Europe to use the methods it has used in Asian developing countries” (Le Monde, 2012).

The examples of *reverse innovation* are multiplying these days.

In addition to General Electric, which is now selling a very light electrocardiogram, produced in India for rural areas at a price 80% cheaper than a similar machine in America, there are other businesses trying this new type of process:

– Nokia, for example, develops new categories of mobile phones (*hand-held phones*) following trials carried out in Kenya and Ghana;

– Unilever is said to have learned a lot from trials carried out in India by its subsidiary Hindustan Lever Ltd (HLL). HLL has created a different product to ward off emerging competition in a break from usual practice: it is a detergent made with less oil and more water reducing washing related pollution in the river waters. Unilever replicated this experiment in Brazil, creating a new market of detergents;

– L’Oreal claims to have invested in *reverse innovation* and quotes shampoo Elseve Repair as an example, having been launched in Latin America before being sold world-wide;

– Hewlett Packard has learned a lot from “*i-communities*” set up in India in the rural parts of the State of Andhra Pradesh by means of partnerships with local NGOs: the group in return gets a much better knowledge of customers in rural areas and is able to replicate these activities in other countries.

These examples refer to approaches called “base of the pyramid” or BOP¹; to quote J.-K. Pralahad and S. Hart. For the authors of this concept it’s about reconciling the struggle against poverty and the quest for profit: for them the societal objective is tied in with the economic objective [PRA 02].

Let us bear in mind that today a certain diversity exists regarding the aim of these models: some companies conduct them in the spirit of Pralahad and Hart, wanting to integrate the societal and the economic and they strive toward these two objectives: others continue to seek pure profit maximization.

In addition to the articles on the BOP quoted above, which since the end of the 1990s has hinted at this theme, *reverse innovation* has also been touched on (without the actual term being used) in articles on philanthropy: learning with a philanthropic approach carried out in relation to core business, is being looked at there.

A recent article also describes learning which stems from a mixture of projects linking big companies and social entrepreneurs.

This *reverse innovation* was also mentioned recently in another framework resembling the *base of the pyramid* approach: it relates to *social business* (SB) initiatives carried out by some large businesses since 2006. Unlike BOP initiatives, social purpose takes precedence over the pursuit of profit: the latter is a security for

¹ We will use the abbreviation BOP throughout the book to refer to: either the populations situated at the base of the pyramid, or the economic models aimed at these populations.

continued existence but it is not an end in itself. This term *social business* is promoted throughout the world by the founder of the Grameen Bank, Bangladesh, Muhammad Yunus who defines it in this way:

A *social business* is a business “whose objective is to solve social, economic and environmental issues which affect humanity: hunger, homelessness, illness, pollution, ignorance...” It relates to solutions for poverty relief or to wider issues in society (such as old age and the loneliness suffered by old people for example). Social businesses should generate profit; but in the strict definition of Yunus this profit has to be reinvested; and so no return is collected by the shareholders. The most high-profile initiatives are those lead by the multi-national Danone, in association with the Nobel Peace Prize. Other companies embarked on similar initiatives: Véolia Eau, for example on access to water in rural areas of Bangladesh, Adidas, BASF on the sale Water of anti-malaria nets. Experiments are emerging in France: Blédina and the Red Cross have launched a social business directed toward deprived mothers: they will have access to child nutrition at a reduced price; Essilor are carrying out experiment involving selling glasses, specially manufactured in France, to deprived old people; SFR in partnership with Emmaus Défi are selling prepaid phone cards to those who are deeply in debt. The social business started by Renault, allows people who are not in secure employment to access car-sharing schemes or to repair their car at a lower cost.

These social business initiatives constitute a real paradox: firms launch into these activities that have a social/societal goal without the aim of profit maximization; while at the same time being subject to market laws and more often than not quoted on the stock exchange. Furthermore, these activities are inscribed in their core business.

Companies call upon their meaning of societal responsibility to justify themselves particularly on subjects of poverty.

However, they are not only putting forward ethical reasons; they refer at the same time to strategic reasons: they recognize that they will not be able to continue and prosper in an environment of resource depletion and poverty.

They also refer to two major factors considered to be vectors of performance: the need to increase the motivation of their workforce by adding more meaning, on the one hand; the conviction proven by the pioneers of these *social businesses* that they can become innovation laboratories, on the other hand.

In fact, on questioning some of the key players of these business models, it seems that learning can take place in both directions, challenging certain thought patterns that remain dominant, often on both sides: knowledge transfer from the

so-called “developed” countries is necessary toward the “developing” nations who have all to learn from those who have the knowledge.

Considering the contact with poor populations and local players, in partnership with civil society, the individuals involved in these projects discover not only new ways of working but also new ways of thinking. On a more global scale, these new economic models in certain cases give rise to organizational and even strategic innovations: the Grameen Danone joint venture created in 2006 by Grameen bank and Danone was followed by the creation of a new fund, danone.communities, and the setting up of other similar projects.

Once again *business models* are today put in place at the heart of the business, which draw on the Bangladeshi experience: in Senegal, Indonesia and India, etc.

However, up until now neither the BOP nor the *social business* models carried out by the multinationals of the northern countries have proved the concept: cost-effective projects, with strong social impact, on a large scale rollout. So, why do these companies continue in their complex initiatives where the pitfalls keep multiplying?

We think it is the quest for innovation that remains an important explanatory factor in their actions and that legitimizes them in the eyes of the shareholders.

The stakes are high for the big companies of the developed world, who often complain about having partly lost their capacity to be innovative and who are all the more fragile before or in front of competition (in particular from the emerging giants).

In a way, this reverse innovation tends to challenge this paradigm of neo-colonialism of which civil society often suspects businesses: this is a vision of development which consists of the transfer of know-how, but also lifestyles and values from so-called “developed” countries to “developing” ones. It means here a transfer of knowledge also from emerging countries to developed ones, and finally a two-way exchange.

However, some of the articles mentioned above, the one by Govindarajan [GOV 11] and the ones about the BOP, are do not go too deeply into the key factors and processes of this *reverse innovation*.

This research aims to understand the process of this *reverse innovation* better, by expanding on the notion of transformation mentioned earlier.

In fact, as we were saying, the article of Govindarajan notably through its title (“How GE is disrupting itself”) introduces in reality the concept of reinvention/transformation of business beyond the concept of innovation. It is that

transformation (which admittedly includes the aspect of innovation) leading into a reverse logic (starting with a confrontation in the poorer countries) which attracts our attention in as much, as the stake is higher.

Furthermore the articles which exist on *reverse innovation* come within the dominant paradigm of profit maximization and do not explore the role that the societal aspect can play in terms of *reverse innovation*. Meanwhile, when our research includes a strategic perspective, the societal aspect arouses our curiosity also. From then on we wonder about the contribution of these approaches to society. Do they or do they not contribute to clarifying or enhancing the role that business can play with regards to our society?

When we observe recent crises in our world – ethical crises (Enron, Madoff, etc.), hunger (the crises of 2007 and 2011), economic and financial crises in 2008 and 2011, the ongoing and future ecological crisis, and the one of meaning too – it leads us to think that our society and our economy are going through profound changes. The end of an era is emerging in our opinion, an era based on plenty of natural resources for next to nothing and access to human resources at a very low price in the southern countries: the era of productivism, where man has become “superman”, mainly due to fossil fuels; the era of externalization of negative overconsumption effects of the rich countries, and the widening of social gaps, sources of social unrest and major geopolitical crises; the era of domination by the northern countries and of globalization. Some new characteristics are emerging already: temperatures rising by on average 2 to 5 degrees throughout the 21st Century, water levels rising and the disappearing of a certain amount of lands, costly resources that are difficult to source, progressive decarbonization of our lifestyles and our economy, the process of economic convergence, demographic transition characterized by the internalization of negative effects, moving from 7 to 10 billion inhabitants between 2010 and 2050 and a different class division (predominantly in Africa and India), political fragmentation and de-globalization, with walls being erected like the one in China, in Russia, the growing pressure of civil society, in particular through social media, etc.

The collective challenge, for the inhabitants of our planet is of course to make the best of our time here. One way is to be proactive, to try to control it as far as possible instead of suffering it? Is it not our responsibility to build this new era, taking into consideration all the constraints, according to a shared vision of the common good by:

- limiting environmental depletion as far as possible, even by “repairing” the planet, by taking pressure off our resources through the invention of new means of production and consumption;
- trying to meet the fundamental needs of people and reducing social inequalities;

– finally and undoubtedly devising new models of “prosperity” as proclaimed by others.

The well-being of each individual and peace for all depend on it.

Faced with this challenge we are individually and collectively confronting a choice: that of despairing determinism which was behind the film of Nicolas Hulot in 2009, *Le Syndrome du Titanic*; or rather that of creative determination, confident in the new possibilities of genius/engineering and the freedom of man.

It is this last option that underlies our research.

Getting back to businesses, such changes arose from the need for profound reform, transformation of them even. There are two ways to look at it:

1) From society’s viewpoint, what role should and could business play in the formation of this new era?

2) With regards to business performance, how do firms remain competitive and even survive in this new context?

There is no simple answer to this. A certain knowledge of the situation in the south, and having read some recent articles on *reverse innovation*, impels us instinctively to wonder, positioning ourselves from the side of the developing countries:

“What if the answers to these questions lay partly somewhere else?” Alluding more to a world which is not yet that of abundance and overconsumption, one where you must be creative to survive, could that not go some way toward an answer?

Could this allusion not provide new opportunities to resolve the environmental, social and economic difficulties that our current lifestyles, as well as the galloping demographics of certain continents lead us into?

On the supply side, the challenge is without doubt to invent new means of production.

Social entrepreneurs and the pioneers of technologies are making inroads.

But what about existing companies, standard companies, what one would call the *mainstream*, and those which make up the main part of the economy?

Certain businesses in the south are already inventing very innovative ways of production based on limited access to resources, or targeting BOP populations.

We choose to concentrate on companies in the developed world, whose current practices are still based on the concept of abundance and for whom change is a real challenge.

This book therefore aims to explore the phenomenon of transformation generated by the *social business* or BOP models, whose objective is to meet the fundamental needs of poor populations by granting access to goods and services. We are interested in models whose social purpose prevail over the economic purpose (in the case of the *social business*) or is placed at the same level: in the case of BOP approaches, we are interested in seeing companies seeking to create social and economic value.

We thought at the start that we would focus exclusively on *social businesses*; in fact, their social purpose is clearly defined and their experiences open more doors in theory in terms of partnerships with the NGOs and the public authorities; the latter are more inclined to collaborate with businesses that are prepared to put general interest before the quest for profit. But we have noted after several interviews that the mind and the approach of people working in *social business* are actually *quite similar* to those working in BOP approaches (in the case of BOP projects carried out in a dual initiative both economic and societal). If the models contain a certain number of differences, the players that were interviewed feel equally driven to be innovative in both. When there are major constraints, this dual search for economic efficiency and social impact stimulates their creativity and energizes them.

It has become apparent therefore that *reverse innovation* could go in two ways: *social business* toward conventional business (or *mainstream*); or *social business* heading more in the direction of BOP, then BOP toward *mainstream* business.

Our research sits on the intersection between *social business* and BOP and in the abstract field of corporate social responsibility (or CSR). We will expand on this concept in the theoretical part, as well as the concepts of BOP and SB.

The societal dimension and these two concepts of *social business* and BOP, and their positioning in CSR are important elements of this research and they distinguish it from the work of Govindarajan as mentioned above.

These concepts are, as we will see, on the intersection of great academic and managerial debates on CSR. Do they enhance this academic field? That is what we will be studying.

We will also explore the possible contribution of the societal aspect of these initiatives on *reverse innovation* and the transformation of business.

The diagram below indicates the area of study in this project, positioning it relation to the concepts mentioned above (CSR, BOP, SB, etc.)

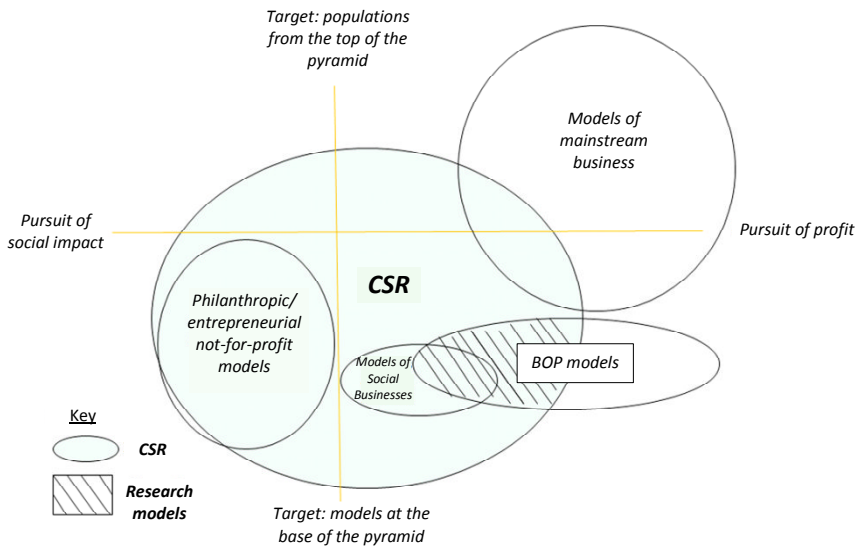


Figure I.1. Positioning of field of study and its connection with the other models

Besides the wealth of these social initiatives, there is another reason which inspires this choice of *social business* and BOP in order to explore the parameters of *reverse innovation*. It is a privileged access to these two fields, from which I benefit thanks to my professorship.

From now on, for convenience, we will use the term *social BOP* (under the acronym SBOP), to indicate the research subject: the societal models of access to goods and services.

Furthermore, the many meetings with the players of SBOP have led us to the following conclusion: the SBOP experiments really do represent sources of innovation, but sometimes this learning does not go further than the field based team that created it. This is the case with a trial conducted by SC Johnston in Kenya; a company manager had come up with a business model for access to sanitary products which involved selling products for cleaning latrines through a network of micro-entrepreneurs responsible for the cleaning of all the latrines. He conducted this action-research project over 4 years, without, until now, the rest of the organization really being implicated or impacted upon. This manager multiplied innovations in numerous areas in particular in distribution. He has therefore tested a

learning process which has allowed him to acquire several new skills. But the rest of the company did not really take advantage of these innovations and the skills do not seem to have been shared within the organization.

However, in the case of General Electric in India, the effects for the company of initiatives carried out among the poorest populations, seemed very significant; they are even replicated in the developed countries where companies learn to manufacture simple products again for less, and in doing so clearly meet the expectations of the consumer. The transition from the individual to the collective level in this case takes place there, even going so far as to allow the company to reinvent itself.

Transformation results from this passage from the individual to the collective and even organizational level, through a learning process of the whole firm.

Understanding this process is the motivation behind my research, with the assumption that such a transformation is possible. Without doubt it is this potential transformation that inspires a certain number of companies and individuals, committed to the SBOP initiatives.

This theme of transformation and learning has fascinated me for a long time: I am of the conviction that a company that does not learn is doomed in the long term. It is a question of survival; in an extreme way, certain authors have demonstrated how civilizations who do not learn end up disappearing. It could be the same for businesses: a lack of calling into question and learning is a weakening factor: it leaves the company vulnerable in the face of innovative competitors, waiting to take advantage.

In this book we will tackle it in terms of skills, and the connection between individual competence, collective competence (at an intermediary level of the group) and organizational competence (at the most global level of the organization).

This connection between the individual and the collective and organizational levels is relatively untouched in academic literature, as we will see; it is at the heart of this research.

The research question is therefore as follows:

Based on the fact that profound changes are taking place (environmental, demographic, economic and social) and supposing the necessary transformation of businesses in the developed world in a dual perspective – societal (a creative and responsible contribution to the formation of a new era) and strategic (maintaining and even strengthening of their competitiveness in this new context) – what are the

processes that draw from SBOP projects, making them vehicles of transformation, progressing from individual learning to organizational learning?

The underlying issues of this research subject are therefore the following:

- What are the important stages or characteristics of these processes?
- What are the individual skills acquired by the players involved in SBOP initiatives?
- What is the process one passes through going from individual competence to collective then on to competence at an organizational level?
- What are the necessary components of business transformation which emerge from this study?

Finally, if this research is above all a process analysis, it will question at the end (without going into an in-depth impact assessment) the strategic nature of organizational skills developed through this process and their potential impact on society.

First, we will explore the literature on CSR before studying the literature relating to BOP and SB.

We will touch on the great debates past and present as well as the thoughts relating to innovation, *reverse innovation*, and even the transformation of models.

Second, we will study the literature on strategic renewal, the closest concept to that of transformation, which is raised at the end of the CSR study: this is the core of our work.

PART 1

Review of Publications

This part aims to give an overview of the publications on the themes tackled by this particular research issue. How do these publications shed light on our thinking and allow us to draw up an analytical framework? What are their potential limitations?

From CSR to Business Models of Access to Goods and Services for All

The starting point for our conceptual study focuses on corporate social responsibility (CSR). It is linked to the fundamental line of questioning within this research, which we touched upon in the introduction, as to the role of business in the transition to this new era: what responses do the current major transformations and the associated large social challenges assume on the part of businesses? Furthermore what are the requirements for businesses to remain competitive, and indeed survive, in this new context?

We will analyze the trends and past and present discussions, as well as the limitations of this theoretical field.

We will then look into the most recent managerial publications relating to the base of the pyramid theory (BOP), as well as the more limited studies on social business (SB), looking to understand to what extent these concepts can give us new perspectives on CSR.

1.1. Corporate social responsibility (CSR)

The publications on CSR offer several standpoints on the role of businesses within society which cast light on our line of questioning. It seems necessary to us to return initially to the origins of this concept before studying the two questions which these works underpin, in a very schematic and simplistic way:

– The question “why?” – why should businesses play a role in society and assimilate environmental and social aspects within their operational priorities? Indeed this question seems to us to be inescapable. It is as present in the publications in this field as in business managers’ minds.

– The question “how”? How should businesses take account of the social aspects and what changes should they manage in their chosen strategies and practices?

We will then study the more recent trend of CSR 2.0, which calls the concept of CSR into question, and offers a new, indeed ground-breaking, method to approach the role of companies within society.

1.1.1. *Origins and definitions*

CSR is a relatively well-defined concept which began with American corporate practices at the beginning of the second industrial revolution from the beginning of twentieth century.

CSR is made up of two notions deeply embedded in protestant principles and practical business needs:

– that of *stewardship* or of *giving back*: successful businessmen must “give back”, in particular through philanthropy;

– that of *trusteeship*: those entrusted with property are invited to manage it as if it belonged to them. This idea appeared at the birth of large businesses, which were perceived as a potential threat to democracy [GON 08]. It was the American economist, Howard Bowen in his book *Social Responsibilities of the Businessman* [BOW 53], who introduced the concept of CSR to the academic world.

At that time, he gave it the following definition:

CSR “refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society”. The more recent spread of CSR in Europe has gone back to a more benevolent tradition.

Since then *academic definitions* of CSR have abounded. Some have opted for a minimalist approach: a business acts responsibly if it does not harm its immediate stakeholders, or at least, if it repairs any potential damage caused by its activity.

Other researchers with a more appealing view of CSR, have asserted that a business can be considered socially responsible when its actions go beyond a basic respect of the law in the search for common good, in its relations with stakeholders.

A. Caroll, a noted author in the field, suggests a reasonably assimilated inclusive approach using a pyramid made up of four levels of responsibility: economic, legal, ethical and philanthropic or discretionary [CAR 79]. The first two levels are requirements, the third is expected and the last is desirable.

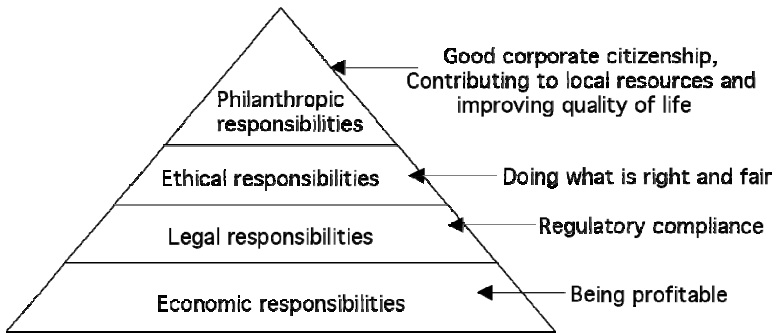


Figure 1.1. *The different responsibilities of busines, per Archie Carroll's perspective [CAR 79]*

This definition shows the importance of distinguishing between the various levels of corporate responsibility. However, it bypasses the interactions between the different levels and the complexity resulting therefrom. Furthermore, from an opportunistic perspective it immediately puts the economic dimension first.

In actual fact, the majority of authors agree in thinking that CSR is a vague concept based upon weak theoretical foundations. Faced with this limitation, some researchers even advocate a proper assimilation of CSR as part of business strategy. They warn against disparate and uncoordinated initiatives, which fit with the most common business practices. Only such an integrated approach will allow business performance and community benevolence to flourish in the long run as, after all, society and businesses are interdependent.

Nowadays CSR is often associated with the concept of sustainable development, another concept which is considered comparatively vague. This notion of *sustainable development* was made famous in 1987 by the World Commission on Environment and Development (WCED), through its report “*Our common future*”, known as the *Brundtland* report. It is this definition which we suggest is worth bearing in mind:

“Sustainable development “meets the needs of the present without compromising the ability of future generations to meet their own needs.”

The Brundtland report then mentions the needs of “the world’s poorest....to whom it agrees to give the greatest priority.”

Sustainable development is thus defined as finding a balance between respect for the environment, economic prosperity and social fairness.

According to the European Commission, CSR is also defined as “a concept whereby businesses integrate social and environmental concerns into their business operations and in their interaction with their *stakeholders* on a voluntary basis”, elaborating further saying that it is “the contribution of businesses to sustainable development” (European Union, 2001).

The Commission further states that “Being socially responsible means not only fulfilling applicable legal expectations, but also going beyond compliance and investing ‘more’ into human capital, the environment and relations with stakeholders.”

CSR and sustainable development are unquestioningly a focus for businesses, or at least for big business, a point evidenced by reports on sustainable development, businesses offering services of the same name and the proliferation of business initiatives. Indeed, businesses are assimilating to a greater or lesser defensive or proactive extent, a social expectation and an increased regulatory framework to implement CSR. We know the causes: ethical debates, the economic and financial crises and an awareness through public opinion of environmental challenges. Confidence in businesses has been damaged. Institutional pressures have increased on the latter.

These various definitions and the fundamental question which underpins this research lead us to suggest *our definition of CSR which we have chosen to link to the concept of sustainable development*:

A business exhibits societally responsible behaviors if, beyond respecting laws and rules, it aims to reduce significantly its negative environmental and social impact, indeed seeks to create positive impacts, thus contributing to sustainable development, as defined by the Brundtland Commission (compare the definition above).

1.1.2. The question “why?”: why should businesses adopt socially responsible behavior?

As we have explained, the study of business change, when faced with the major societal challenges, constantly returns to the question of “why”: why should business play a social role and find answers to the present challenges?

Before deploying some of the arguments developed by the publications in this field to justify businesses taking a socially responsible approach, it is important to

remember the radical challenges to the concept of CSR, expressed by notable authors, and whose theories have widely permeated minds. In part, it includes *Milton Friedman's* theories, which harshly warn against the subversive nature of CSR approaches:

“Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible. This is a fundamentally subversive doctrine. If businessmen have a responsibility other than maximizing stockholder profits, how can they know what it is? Can self-appointed individuals decide what is in society’s interests?” and “It is neither permissible nor prudent to allocate business resources to social causes; this would entail subjecting stockholders, customers and employees to a type of tax, having no respect for democratic principles.”

More recently supporters of the economic approach have asserted that it is in maximizing not just short-term value but also long-term value for stockholders that contributes most to social good.

They refer directly to Adam Smith who advocates minimal state intervention in comparatively free and competitive market context: “Without any intervention of law, therefore, the private interest and passions of men naturally lead them to divide and distribute the stock of every society among all the different employments carried on in it as nearly as possible in the proportion which is most agreeable to the interest of the whole society” [SMI 76]. In their view, decisions on the allocation of resources should only relate to profitable projects.

These two trends develop two arguments as follows:

– corporate managements running social initiatives are, in a way, diverting resources which should be returned to shareholders and eventually employees (the concept of *misappropriation*);

– resources allocated by businesses to community initiatives are not used as effectively as they could be. That is to say, they could be allocated to the activity which businesses know how to do best: contributing to society through economic wealth creation by producing and selling goods and services in commercial markets. (the concept of *misallocation*).

Faced with such a challenge, which has recently been taken up again with substantiating evidence, what are the arguments in favor of CSR?

We have chosen the classification suggested by Capron and taken up again by Arjaliès, Goubert & Ponssard. It seems to us to clearly reflect the three major

categories of reasons which successfully justify the adoption of corporate social responsibility policies by businesses. Three trends have been identified:

- the *business ethics* trend, for which adopting socially-responsible behavior stems from a moral obligation;

- the *business and society* trend, which considers that as the business has society's permission to exist and, in particular, to use resources, the business is hence accountable and responsible to society for the proper use of its resources;

- the *business case* approach, which aims to justify the adoption of a CSR policy using economic arguments, linking CSR to the business's economic performance.

1.1.2.1. *The business ethics trend*

The *business ethics* trend advocates a particular altruism consisting of running initiatives for the common good without any recompense for the business concerned. It seeks to lay down prescriptive foundations for responsible behavior. It is centered upon values and moral judgments which are at the heart of human actions.

This approach is defined by many as post-positivist because it does not seek to explain all phenomena with a scientific approach like that of so-called "hard" science.

This prescriptive approach is for the greater part of the time based on the judgments or perceptions of individuals or categories of individuals. It is, for example, concerned with moral judgments over justifying the choices a manager makes, when faced with a specific dilemma. However, it does not seek to take into account the judgments of all concerned parties. For this reason, it is criticized as it does not necessarily involve the most remote stakeholders, and it is for the greater part of the time permeated by our Western views. It is thus described as "monological".

It is thus why Scherer and Palazzo [SCH 07] advocate an approach inspired by the philosopher Habermas, one of the leaders in the field of critical theory. This approach, the so-called post-positive normative discursive approach, consists of deciding what is and is not right, starting from a consensus of experts and concerned players in the given business activity, united in an approach based upon participative democracy. These authors thus insist upon the political nature of this approach.

We touch here upon the delicate subject of the role of businesses regarding social matters compared to that occupied by states. In a globalized world, where multinational companies transcend borders, their power frees them, in part, from the power of governments, insofar as they can choose the legal context in which they

wish to develop. They can either take advantage of a lack of state regulation, with a view to maximizing profits and choose, first and foremost, for example countries where human rights constraints are vague or non-existent. On the contrary, they may compensate for the state disengagement regarding respect for social, civic and political rights, such businesses sometimes contributing constructive game changes through their responsible activities.

From then on, this shapes the political and socially-aware role that these businesses have in the region, whether they intend it to or not.

Obviously this increased corporate power has its limitations. It risks bringing about state disengagement. It raises the issues of the democratic nature of states' power – they are not elected – as well as that of the governance authorities regulating corporate practices, which is almost non-existent in such countries. At a transnational level, only activist NGOs like Sherpa¹ play or try to play the role of a counterpower.

1.1.2.2. *The business and society trend*

This trend is based upon two theories.

1.1.2.2.1. Stakeholder theory

The so-called *stakeholders theory*, was essentially started by Freeman. It stipulates that it is the responsibility – but also in the interests of – the business – and is even a prerequisite for its continuity – to take account of stakeholder interests as far as:

- the business activity affects or might affect, directly or indirectly these stakeholders. It is this potential impact which allows us to define the stakeholders of the given business;
- the support of stakeholders allows the business to exist.

It is therefore a matter of broadening the scope of responsibility of the business and its management, whose role is no longer simply to maximize shareholder profits. Such a change in perspective can have repercussions on the business's economic performance. In some cases it can be demonstrated that the impact on profits will remain positive – at least in the longer term (only in a few cases because some risks will have been avoided). It is true that the case cannot always be made, for example when a business has to relocate, or take staff redeployment measures, which will, out of necessity have a non-negligible cost, without any evident financial return.

¹ An association of lawyers defending victims of economic crime.

In fact, the stakeholders commonly included in this approach are the following: stockholders, customers, employees, suppliers and local communities.

The beginnings of this theory are commonly traced back to the Stanford Research Institute's note, from 1963 which identified the term *stakeholders*, a pun on the word *shareholders*. Freeman's works then contributed to the development of this theory. The definition of the term *stakeholders* coined by the latter is today one of the most commonly used: a stakeholder (or interested party) is "any group or individual who can influence or be influenced by the achievement of a firm's objectives."

In 2015, although in diagrams and financial market operation, the neoliberal approach still proves its predominance, in statements, however, a positive consensus appears as to broadening the role of business, as evidenced by the recent and often quoted article by Porter and Kramer, which suggests the concept of creating shared value and no longer solely economic value.

1.1.2.2.2. Neo-institutional theory

CSR has appeared in this theory as a response to institutional pressures: laws, standards, civil society expectations, investors, employees, consumers and other stakeholders. We note the increasing weight attached to civil society, which has appeared particularly with the increase in importance of social forums. The role of the Internet and social networks also deserves to be emphasized. It is currently the subject of research.

1.1.2.3. *The strategic/opportunist approach: the so-called business case*

The strategic approach is based on a two-fold viewpoint. The first viewpoint returns to the notion of business survival: it is the interest of the business to act over the long term and to include social responsibility in its strategy. The second falls within the classical tradition touched upon above: what is good for the company is good for society.

Publications on CSR have been highly focused up to now on this second approach: the *business case*, namely the link between responsible business behavior and economic performance. The issue is indeed serious: if they are incompatible concepts, if CSR means a reduction in competitiveness, then managements are unlikely to see their CSR actions encouraged by stockholders. This being so, however urgent the challenges, managements are unlikely to commit to proactive responses, beyond regulatory compliance.

1.1.2.3.1. Universal business case

Numerous researchers have therefore sought to establish the link between CSR and *corporate financial performance*. They have thus considered the well-known

business case concept, qualified by some with the word “universal” in seeking to establish a quasi-systematic link between these two notions.

Several works have shown that CSR could in particular be a source for:

- strategic differentiation;
- risk reduction;
- cost reduction: greater efficiency and productivity;
- market access/operating licenses;
- growth in demand.

Orlitzky and his colleagues have thus completed a study entitled “*Corporate Social and Financial Performance: a meta-analysis*” [ORL 03]. They analyzed 52 studies completed between 1972 and 1997 and concluded: “This meta-analysis offers a greater degree of certitude concerning the relationship between social performance and financial performance of the business, than that currently accepted by a number of specialists.”

Some have developed a *profit-maximizing CSR* theoretical model, allowing managers to analyze the cost-benefit relationships of CSR investments, in order to determine the level of resources to be allocated to CSR.

However, the *business case* researchers, focused, over a nearly 30-year timespan, on the link between social performance and profitability, have now gone as far as possible, shown by the inconclusive findings from numerous studies. CSR is sometimes accompanied by an improvement in financial performance and sometimes it is not. Overall it seems that there is a positive, if somewhat weak, link between CSR and short-term performance.

Between 1972 and 2002, 127 studies were published, which examined the link between corporate social behavior and corresponding economic performance. Of the 127 cases analysed, 70 showed a positive correlation, seven studies showed a negative correlation and 50 studies showed nothing meaningful.

The scientific precision of these studies has often been called into question: concerns have included the choice of samples, the insufficient longitudinal nature of research, a lack of control samples, omission of particular variables like R&D and advertising and isolation of causal mechanisms. In respect of the latter the particular issue is supposing that a business is performing on a social and economic level, is there a causal relationship and in what direction does it apply? It may be that a highly competitive business manages CSR issues as it does total quality management: in a professional and efficient way.

Some even speak of the end of a myth. “The Holy Grail of CSR – ‘doing well by doing good’ although it has a noble air, is an unrealistic aim and is, however, impossible.” If the majority of authors specializing in CSR have seen a pertinent study that cannot be ignored, the focus of researchers on this approach can also be seriously criticized: as much time and energy might have been spent on more useful work, such as measuring the impact of social approaches on society.

Nevertheless, whatever the criticisms made about the *universal business case* it has the merit of proving that responsible behavior does not, a priori, tend toward a lesser financial performance, the correlation being somewhat non-negative. For this reason, CSR is not incompatible with business competitiveness. It falls in the end for businesses to choose to use CSR to improve their performance, or at least in doing this, to avoid damaging their reputation.

1.1.2.3.2. Contingent business case

The limits of the traditional *business case* stem without doubt from taking little account of the contingent nature of the link between CSR and the business’s financial performance. Barnett [BAR 05] has observed a two-fold contingency.

1) Time contingency: *a priori* the same CSR measurement does not have the same impact on a business’s profitability at a given time and some months or years later, the competitive context having evolved;

2) Inter-business contingency: the same CSR investment will have different effects from one company to another.

Other contingency factors are highlighted by publications in this field, concerning, in particular, the impact of CSR on customers [LUO 06]. These show that CSR improves customer satisfaction only if the companies are innovative and offer high quality products.

Moreover, Fisman *et al.* [FIS 05] considered the link between CSR and business financial performance particularly true in the case of products which were, mass-consumed, mass advertized, in highly competitive markets and in sectors where many businesses had adopted CSR strategies.

1.1.2.3.3. Business case and intangible assets

Consequently some authors have suggested another route allowing the limitations of the universal *business case* to be transcended; that is to say intangible assets.

For them the failure of *business case* results from not taking account of intangible assets, the single factor which explains the link between *corporate responsibility performance* (defined by these authors as integral to the business,

unlike CSR as they see it, much more discretionary) and business financial performance. Intangible assets indeed assimilate the long-term dimension, when it becomes clear that finding a short-term CSR-financial performance link is fruitless. This is shown when considering the transaction costs generated by stakeholder dialog. In the short-term they can be relatively high: building mutual relationships of trust with the latter assumes a need to allot time and resources. However, *a priori*, they allow for lower costs in building up relationships of trust in the long-term.

By falling within the framework of the *resource-based view* (RBV), this link can be proved. Indeed one of the main representations of this theory explains that in relation to competitors, business resources are competitiveness factors and are therefore strategic, when they are rare, relevant and recyclable, difficult to imitate, and lack both substitutability and transferability.

Intangible assets provide the best guarantee in ensuring respect for these criteria.

Surroca *et al.* [SUR 10] have thus shown that socially responsible business is more capable of generating intangible resources, such as innovation, human capital, reputation and culture than a non-socially responsible business. These resources allow the business to increase its competitiveness and increase its social performance.

The link is bi-directional, leading to a type of virtuous circle. The relationship between *corporate responsible performance* and business financial performance makes up an indirect link *via* intangible assets.

This approach seems very relevant to us as it is very much in the long-term that a business's socially responsible behavior can have an impact. In the short term it is clear that reducing its environmental footprint can have a positive impact on results, for example by reducing energy expenditure, but in a number of cases social performance assumes costs whose return on investment is not immediate.

This approach is in reality very close to the much earlier approaches of Hart [HAR 97], and of Sharma and Vredenburg [SHA 98], insofar as as they use the RBV framework to analyze the link between CSR and financial performance. Indeed, Hart showed that for some types of business, innovative environmental strategies can lead to the development of resources or capacities which give a company a competitive advantage.

Sharma and Vredenburg [SHA 98], attempted to validate Hart's hypotheses, by analyzing the gas and oil sectors in Canada. They deduced that the most proactive businesses in the environmental sphere developed three capacities: the capacity for dialog with stakeholders, the capacity to innovate and the capacity for *high order* learning.

The approach of Surroca *et al.* [SUR 10] can be credited with clarifying the indirect and long-term nature of this link.

We now propose to develop the different intangible assets cited by these different authors: Hart, Sharma and Vredenburg, and Surroca *et al.* Even if the first two spoke of strategic resources more than intangible assets, it seems to us that they in fact treated all assets as immaterial. We have grouped them together, according to the following categories, seeking to understand how they were approached more widely within the framework of the CSR publications.

1.1.2.3.3.1. Stakeholder dialog

The question explored in the publications is the following: to what extent or not does a CSR policy stimulate the capacity for dialog with company stakeholders who make building so intangible strategic resource?

Sharma and Vredenburg [SHA 98] note that businesses which are proactive in the environmental sphere achieve greater success than others in establishing relationships of trust with their stakeholders, whether these be customers, suppliers, local communities, regulatory bodies or NGOs, shown by significantly lower levels of customer complaint.

1.1.2.3.3.2. Learning

In this section, the question is as follows: to what extent if any does a CSR policy allow for stimulation of learning potential, thus constituting a strategic intangible resource?

Sharma and Vredenburg [SHA 98] note that businesses which are proactive in environmental matters succeed in developing superior learning capacities. They indeed acquire new ways of seeing things and interpreting events, thus advancing their beliefs and values, adopting for example circular lines of argument and no longer just binary ones.

1.1.2.3.3.3. Innovation

To what extent if any does a CSR policy allow for stimulation of business innovation capacity, thus constituting a strategic intangible resource?

CSR can give rise to different types of innovation, either technological innovations, leading to product innovation, *process*, or even, for example, managerial innovations or *business models*. Hart thus talks of this capacity that the most proactive firms acquire to continually innovate, for example, always seeking new means to reduce waste or to consume natural resources. Husted and Allen studied the case of Mexican-based multinationals and noted a strong correlation between integration of stakeholders and continuous innovation.

1.1.2.3.3.4. Human capital

To what extent if any does a CSR policy allow development of a business's human capital, thus constituting a strategic intangible resource?

The publications in this field identify three key areas for human capital growth through social measures:

- appealing to and loyalty of staff, attracted by business commitment to CSR;
- work attitudes linked to responsible business performance: an increased sense of responsibility by different players, commitment toward the organization and more holistically toward society. This results in lower rates of absenteeism, lower staff *turnover*, and increased productivity;
- development of HR practices and organizational efficiency: a policy of human skills development and of *empowerment*. The implementation of flexible organizational structures allows collaborative discussions.

So that CSR initiatives are actually accompanied effectively by an increase in value of human capital, the authors suggest using a number of levers:

- most definitely initiating external communications, but also internally within the business, which is often inadequately done;
- involving employees by making them co-designers of the CSR approach which encourages even greater commitment.

Certain authors even go so far as to speak of emotional commitment which links the employee to the business. This emotional commitment is defined as a “psychological state which refers to emotional attachment to, identification with and involvement in, the organization.” A lever to increase this employee emotional commitment, consists, per Grant *et al.* [GRA 08], of offering employees the chance to take part in support programs, in a beneficial capacity, examples being child care centers or specific support granted to poor workers. However they can also contribute – the act of giving reinforces more the sense of belonging and commitment.

Besides this emotional commitment (which if it not conducted with integrity, can amount to skillful deceit by those involved), the involvement of employees in community approaches, satisfies another of their needs – to bring together their personal and professional lives.

1.1.2.3.3.5. Reputation

To what extent, if any, does a CSR policy allow the business reputation to grow, thus constituting an intangible strategic resource?

A CSR policy can contribute to increasing a business's reputation with stakeholders, from the moment that it is considered by the latter as comparatively authentic and genuine. It enhances the business's image at brand and corporate level. It allows the business to attract talent, (see above), to establish customer loyalty and possibly sometimes to establish shareholder loyalty. We see reputation is a general concept which in fact affects several categories of intangible assets: human capital (which we have already mentioned) but also supplier capital and customer capital. It is also called social capital.

1.1.2.3.3.6. Culture

The question to be considered is as follows: to what extent, if any, does a CSR policy permit positive development of company culture, constituting a strategic intangible resource.

The adoption of a socially responsible strategy can give rise to fundamental changes in the business philosophy. Decision-making criteria, ways of working together and group internal and external training, all of which are based upon trust. It can thus develop a culture of dialog, innovation and training.

More recently a new concept has been introduced, which has come to enrich the link between CSR and financial performance in the context of resource-based theory. It is known as the *culturally informed-Resource Based View* by Maurer, Bansal and Crossan [MAV 10]. These authors support the idea that socially responsible initiatives will be, to varying extents, generators of economic value, according to the external cultural context in which the business evolves, as well as the inherent social values in this context. Thus a business which leads initiatives relating to a social problem, for example, the issue of diversity and non-discrimination will be confronted by sometimes very different and heterogenous reactions, according the different social networks and social values which drive stakeholders. Some initiatives might be rejected by social groups and prove in the end to be economically counter-productive. However, conversely, they might be accepted by stakeholders and generate economic value.

The authors cite the case of two businesses. Wal Mart, in 2006 wished to support the National Gay Chamber of Commerce. The company did this with a view to reaching the lucrative segment of gay consumers and suppliers. Faced with an uprising of religious groups and its own employees, the firm renounced its support provoking a boycott by the gay community. Conversely, Canada's Toronto Dominion Bank Financial wanted to sponsor the "gay parade". It resisted all objections and positioned its approach in line with respect for human rights, coherent with its policy of diversity and in the end backed up its image as a diversity player.

This new *culturally informed Resource Based View* explains the importance of widening the business's viewpoint outside of its own field. The resource-based view theory is highly focused on internal forces and thus is potentially powerful.

However even if this latter *business case* approach, focused on the major criticisms leveled at the latter, another criticism remains. It relates to its instrumental and simplistic nature, which is often denounced, which tends to restrict social responsibility to a simple key success factor, that of making profits.

Further reinforcing the instrumental and simplistic nature of CSR, occasionally resources and skills developed thanks to CSR in fact serve the interests of the business, sometimes contrary to general interests. Devinney [DEV 09] gives the example of mining companies who have used skills developed from CSR for practicing effective lobbying, planning to put in place standards, which imposed excessively high costs for small competitors. Practicing lobbying initiatives and encouraging the regulator to impose restrictive environmental standards, to raise the barriers to entry and/or lead masked protectionist approaches are frequently cited practices.

Finally the consistency between businesses and the credibility of their approaches are often harmed as the case of BP showed; where extra-financial rating agencies gave the company a very positive rating between 2001 and 2009 until the disaster of the Gulf of Mexico in 2010.

After studying the three trends which justify the adoption of CSR by a business, two questions occur to us:

- Is the strategic approach incompatible with the ethical approach, seemingly the most remote?
- What business purpose underlies these different theories?

Is the strategic approach incompatible with the ethical approach, seemingly the most remote?

Are the strategic and ethical approaches resolutely antagonistic? Is a reconciliation possible?

One of the trends of CSR (“*Corporate Social Performance*”; CSP), appeared between 1980 and 2000, and suggested an assimilated approach. It sought, above all, to assess the impact of CSP.

This integration has been shown as a diagram in Carroll's pyramid quoted above. Other integrated concepts appeared such as *corporate citizenship* from the French *Centre des Jeunes Dirigeants* (young leaders organization) at the beginning of the 1990s based upon *overall performance* or indeed the accounting framework devised

by John Elkington [ELK 98], known as *Triple Bottom Line*, which invited businesses to simultaneously manage economic, social and environmental dimensions.

However, more recently, A. Karnani, the American strategy professor, raised the following debate in relation to these two major approaches to CSR. On the one hand, the ethical/moralistic approach and, on the other hand, the strategic/opportunist approach. If CSR is in fact only a competitiveness lever or factor, then why speak of social responsibility? It is actually only good management conducted in a way which maximizes shareholder profit; nothing new.

Moreover, if CSR is managed in an ethical perspective (involving a possible reduction in profits) it then calls into question the principal of profit maximization, and is not tenable within market logic.

Karnani [KAR 10] has deduced that no paradigm shift is in process and/or acceptable for the markets. The prevailing logic remains unchanged (that of maximizing profit). Society is unlikely to expect business responses to major environmental and social issues. Listening to Karnani, it seems that CSR is at a dead end, as a result of the impossible reconciliation, at business level, subject to market restrictions, between economics and social issues.

Effectively, markets do not reward business approaches to responsibility in a consistent way. Except in very rare cases, markets favor business outsourcing of their negative environmental and social impacts. Indeed, one of the funds which has over-performed at market level is the *Vice Fund*, which finances industries such as tobacco, alcohol, gaming and defense.

In Karnani's view, the only issue, faced with environmental and social challenges, remains the coercive approach. Tough laws regulating businesses and restricting them to reduce their negative externalities dramatically, as well as governance authorities, at an international level, which should be tough and capable of acting ruthlessly in the event of non-compliance with international regulations.

We mention here, in passing, another debate, which is of equal importance and linked to this question of ethical and strategic reconciliation of dimension: regulation versus voluntary commitment.

This clear perception of an impossible reconciliation of business economic and social dimensions rests upon several classic examples of representations and beliefs, which are sometimes (but not necessarily) concomitant; although located at very different levels they are nevertheless intertwined:

- the short-term logic of the financial markets is too powerful to allow a significant evolution of the logic of maximizing profits;

– whether he is a worker, manager or financial player, “*homo economicus*” is, above all, driven by the pursuit of his personal interests.

We notice that very different anthropological and philosophical views and very diverse perceptions of “*homo economicus*” underpin this debate:

– his degree of freedom and the extent of his capacity if any to initiate changes to the course of events;

– the extent, if at all, to which he is capable of altruism. Is he uniquely focused upon himself and his own interest, or is he capable of acting without financial motivation, and even of gaining a sense of accomplishment through giving?

The skeptical point of view of some, contrasts with the more optimistic perceptions of others on human nature: Mintzberg, for example, in his article *Beyond Selfishness* in the *Sloan Management Review* [MIN 02] denies the uniquely selfish nature of “*homo economicus*.” He invites managers to restore an equilibrium between the pursuit of personal interest and the capacity of commitment to helping others. He mentions the urgency of it and details the reasons for this: the feeling of deception on the part of company workers, who perceive how much *stockholder value* threatens their position; growing inequalities, for example in the US. In 1989, there were 66 billionaires and 31.5 million people living below the poverty line, while in 1999, there were 268 billionaires and 34.5 million people living below the poverty line.

Other authors mention that the responsibility will not play out uniquely at organizational level. The individuals themselves can become driven by the personal values of the agents for change. Some mention that sometimes “even” financial players are human beings capable of a sense of morality and bringing about an element of change to practices.

M. Yunus often sets out his view embedded in *social business*. He believes that current capitalism is driven by a false image. He rises up against the one-dimensional view of the individual which underpins it. He considers that man is not only selfish. Although it is true that effectively he is, he is also capable of acting without selfishness and of giving. We notice that those with more confidence in the possible reconciliation between economic and social dimensions are those for whom regulation is not the only lever, even though it may remain important.

Lastly, some take the debate beyond the intentions that drive economic players (whether businesses or individuals), when they manage CSR initiatives. Whatever their intentions, whether they are self-seeking or altruistic, in the end only their efficiency counts, that is the extent if any to which they have contributed to resolving societal problems.

To conclude this point, in the event that the hypothesis proves to be true or the concepts of *social business*/BOP are effectively vectors of *reverse innovation*, for this reason enhancers of efficiency given their societal dimension, we may have to consider new paths to reconciliation between the ethical and the strategic approach. The concepts of *social business*/BOP will be defined in more detail in section 1.2.

1.1.2.4. *What is in the purpose of business?*

The question of the purpose of business obviously underlies the two main debates mentioned above.

Is the purpose of business to:

- to maximize shareholder value?
- to produce goods and services useful for society and/or individuals? (However, who is able to judge their usefulness?)
- to create value for principal stakeholders thereby satisfying their expectations? (However, who are the stakeholders?)
- to contribute to the common good?

We can formulate this question in a more hypothetical way:

- is the purpose of business to maximize profits while under economic and social constraints?
- alternatively can it maximize its social impact while constrained by economics?
- alternatively might it increase shared value, which would please its stakeholders?

In that sense, *social business*/BOP (see section 1.2) are central to this fundamental question suggesting:

- a primary societal purpose for *SB*;
- a dual economic and social purpose for *BOP*.

We have thus explored the main arguments justifying the adoption of CSR by a business: the *business ethics* trend, the *business and society* trend, and the *business case* approach. We have deduced two fundamental lines of questioning relating to the reconciliation or the divide between the ethical and strategic approach, as well as the purpose of business.

We will now tackle the “how” question: what methods allow a company to implement a CSR policy?

1.1.3. The question of “how?”: how can businesses implement socially responsible behavior?

A more recent debate, still in progress, concerns the theoretical angle of CSR. Should researchers, in the end, endeavor as a priority, to justify “why”? Shouldn’t they instead focus on “how”?

Up to now, academic publications in the field have very much endeavored to answer the question “why”: why is it in the interests of businesses to implement CSP strategies? Is there a competitive advantage factor? As we touched on earlier, numerous studies conducted on the relationship between CSR and business financial performance have not produced clear conclusions, even if they are reasonably positive. Consequently, as John Ruggie, of Harvard University’s Kennedy School for Government, quoted by *The Economist*, has said, the question is not, ultimately, “why” businesses should adopt CSR behaviors but “how”?

The reality is that the context has changed and that our society is confronted with very great transformations which it has become impossible to completely ignore. Civil society (through NGO and media pressure), regulations, and even financial markets (with the development of responsible investment practices) are pressuring businesses to become aware of this. Climate change, depletion of natural resources and the increase of social inequalities become an increasingly critical issues for our whole civilization and for business.

To deny such a context and the increasing constraints to which business are now subject to, and will increasingly be, would be counter-productive and contrary to their interests. It is better to accept the constraints and to try to turn them into an opportunities. Moreover, seeking to attempt a complete reconciliation between social and economic dimensions is equally utopic, as the limits of the *business case* prove.

In that sense, we must also accept the inevitable inherent tension in company operation at present, subject to a dual increasing constraint on the part of civil society to contribute to society’s pressing needs on the one hand, and by shareholders, often demanding increased profits, on the other hand. We should get away from this tension, from all contradiction which companies go through, the ambiguous expectations and motivations of all concerned, and accept the complex and contradictory nature of each individual and organisation, namely, “a complex mix of virtues and vices which cannot be separated out” and “to accept the ambiguity as the starting point of our line of questioning.”

It is right to wonder about the “how” and even the “how well”: how should we develop CSR behaviors balancing the good of society and company

competitiveness, at this point betting that it is possible? How should we “discover, conceive and reinvent the right ways to live together”, transforming the different constraints and tensions into opportunities and levers?

A wealth of publications have thus developed that study to what extent CSR and the new constraints can constitute opportunities for businesses. Porter’s “hypothesis” supports the idea that increased environmental regulatory constraints, when they are well thought out and particularly favor better resource productivity, can stimulate innovation and reinforce company competitiveness [POR 11].

In practice, the current highly constrained context forces them to reinvent capitalism, to innovate in fresh ways to institute new growth. With a greater social emphasis, Prahalad and Hart [PRA 02] considered that poor populations, those at the so-called base of the pyramid, make up an opportunity for businesses, reducing poverty while developing new growth markets.

What have the academic publications to say about the means of implementing CSR? We will start by studying the trigger factors, before analyzing the implementation process.

1.1.3.1. *Analysis of trigger factors*

First of all, what are the trigger elements? The CSR publications, which abound with investigations of a positivist nature, go along with such an analysis. We will review these elements, reasonably succinctly, as, above all, our aim is to study the “how”. Nevertheless, these trigger factors are interesting, and in some cases, they constitute genuine key success factors, as for example, management team commitment, which we will talk about below.

The publications illustrate that trigger factors are, above all, of an institutional nature. There are diverse pressures exerted upon businesses: regulatory pressures, *soft law*, civil society, media, financial markets with the development of social investment being responsible for “copycat” phenomena. Trigger factors may also be internal. Leadership commitment is often underlined, hence special attention to manager recruitment and training. This commitment guarantees genuine integration of CSR in business practices, which are otherwise run from the sidelines.

Waldman *et al.* [WAL 06] believe that the transformational *leadership* of some leaders, particularly distinguished by an intellectually stimulating behavior, is combined, with greater investment in resources and business capacities, and favors greater societal and financial performance. Several authors analyze these internal factors from an RBV perspective. Thus the international nature of the business is exploited, thus allowing the chance to discover numerous good practices in countries where the organization locates subsidiary plants.

1.1.3.2. *Process analysis*

Having explained the the trigger factors, the question is now the following: by what process will the business completely change its practices, to respond to pressures exerted upon it, and provide answers to current major social challenges?

We accept two types of approaches:

– the description of major stages between a defensive, often seen at the beginning, and a proactive business commitment.

– the analyses of the levers allowing the passage from a defensive attitude to proactive commitment.

1.1.3.2.1. From a defensive attitude to one of proactive commitment: description of the major stages

Some authors study the process of learning and commitment of particular businesses, highlighting the major stages of this process.

Simon Zadek [ZAD 07] describes in the Harvard Business Review the five stages of learning undertaken by Nike as regards social responsibility:

1) Defensive stage (specifically in Nike’s case, in relation to NGO attacks on child labor): the company rejected the attacks and denied its responsibility;

2) Acceptance stage: the company began to perceive its reputation was at stake;

3) Managerial stage: the company appreciated that there was a long-term problem, for which managers must be made responsible with, for example, modified objectives agreed with buyers and also to payment methods;

4) Strategic stage: the company understood the importance of a more global approach and redefined its strategy;

5) The so-called “civil” stage: the company embarked upon promoting a collective social initiative. This involved contributing toward changing the whole of the industry. Some businesses go as far as thinking in terms of a “meta-strategy”: “Thinking in terms of a meta-strategy involves considering the future role of the company in society and the stability and the openings within global society.”

Googins *et al.* describe their view of the different stages of *citizenship*, on the basis of studies led by the *Center for Corporate Citizenship* in Boston over several years on business managers in companies, such as Abbott, JP Morgan, IBM, Cargill, Manpower and Cemex. Here are the stages:

1) elementary stage during which the business respects laws and acts in a rather reactive way;

2) commitment stage, during which the business starts to adopt a more proactive attitude; business leaders understand the stakes and particularly decide to reduce the business's negative impacts setting their sights on operating in this way;

3) innovation stage, based upon a dialog with stakeholders and implementation of key performance indicators, targets and evaluation reports;

4) integration stage: implementation of economic, environmental and social performance management, as well as organization and managerial levers, determining an ambitious vision statement such as that of Ray Anderson, the manager of Interface, American fitted carpet company who defines his ten-year vision statement as: "Zero environmental impact." Several processes are thus modified;

5) transformation and game changing: The business in transforming itself contributes for example more extensively to an inclusive economy. Smith thus cites the case of Hewlett Packard which has put in place a strategy aiming to reduce the digital divide.

These descriptions are advantageous in clarifying the different possible stages in corporate social responsibility and give some indication as to the means to implement them. Nevertheless, they remain a little superficial. They do not, for example, analyze the obstacles to the passage from one stage to another.

1.1.3.2.2. From a defensive attitude to proactive commitment: the levers implemented

Some authors have focused on the levers used in one or several stages of the commitment process. Their research seems in line with our initial line of questioning. This is why we mention it below in some detail. Dontenwil and Reynaud [DON 06], for example, studied the role of a dialog approach with stakeholders, in setting up a sustainable development policy through an urban transport business.

They identified four main stages:

- the problem occurrence;
- the problem overview;
- definition of a new strategy;
- decisions on strategic focuses and choice of methodology.

They deduced from their observations that stakeholder dialog had added value to some problem overviews and when assessing strengths and weaknesses. However this dialog sometimes caused delay while working out a strategy. The large number of stakeholders and the sometimes contradictory nature of their interests, make the

process of strategy definition heavy-going. The approach of stakeholders involves the limitation of neglecting environmental dimensions, which are harder to represent.

Other authors have analyzed internal levers, allowing the passage from a relatively simple phase to a more marked commitment.

Arjaliès and Ponsard [ARJ 10] have studied the impact of management systems on traveling from a defensive to a proactive approach as regards reducing CO₂ emissions. They have identified more precisely through three case studies, Lafarge, Unilever and Dupont, two main phases:

– a primary so-called “conformity” phase, where the company approaches CSR from the risk management and compliance angle;

– an “opportunity” phase, where the company perceives the opportunities underpinned by CSR and defines a vision statement.

They use the decision-making approach conceived by Simons to analyze the management systems implemented by these three companies as levers for strategic renewal [SIM 94].

Let us recall his definition of management systems. It focuses on procedures and formal routines based upon information, used by managers to maintain or modify organizational operation. He identifies four categories of systems.

– *Belief systems*: they consist, for example, in value or mission statements;

– *Boundary systems*: these systems define the sphere of activity;

– *Diagnostic control systems*: these systems involve business plans and budgets, as well as budget monitoring tools/*reporting*;

– *Interactive control systems*: they encourage learning in a more bottom-up approach.

Arjaliès and Ponsard [ARO 10] thus analyze the development of these four categories of management system between the so-called “conformity” stage and the so-called “opportunity” stage.

Thus, for example for Dupont, diagnostic systems have developed from a simple measure of emissions at plant level by implementation of consolidated emission measurements, using chart parameters and nominating a sustainable development manager.

They identify two conditions necessary to pass from the “conformity” stage to the “opportunity” stage as following:

- a transversal approach;
- a comprehensive transformation of the four categories of systems aligned to strategy.

These different approaches provide us with interesting indications of the feasible methods to implement CSR policies. They focus on one particular category of lever and take place exclusively at organizational level. The role of individuals other than that of managers, was not studied.

Moreover, as Arjaliès *et al.* emphasize [ARJ 11], empirical comparative studies should be carried out on a sector by sector basis. Significant differences appear, for example, between the chemical sector and the cement sector. Structural constraints, such as the dependence of the production process on natural resources and the structure of the downstream sector, may hold up or encourage the adoption of proactive CSR policies by business.

These issues are part of a large sphere of research as yet to be investigated .

The study of *reverse innovation* and the transformations generated by *social business* type approaches, or BOP, will allow the question of “how” to be approached from both a different and complementary perspective.

1.1.4. Are we heading toward CSR 2.0?

Recently, Wayne Visser, a Cambridge professor, declared CSR a failure [VIS 11]. He advocates a genuine transformation of economic models and suggests upgrading to CSR version 2.0.

CSR has definitely failed. Although, we have to admit that there have been many micro-level improvements, at a macro-level, social and environmental indicators are worryingly in decline. The climate continues to warm up, natural resources to dissipate and social gaps to widen. As he says, “the global financial crisis represents ‘a multilevel failure of responsibility – from the individual and corporate level to the finance sector and entire capitalist system’ [VIS 10]. Underlying this failure of responsibility lies a cancer of greed that has corrupted our business systems, governance and ethics, particularly in our Western economies.”

Visser’s point of view is close to that of M. Yunus, who often criticizes the greed undermining the current system and asserts the urgency of devising a new

capitalism. He acknowledges that businesses are not the only culprits, states, civil society and consumers, are also to blame. Visser advocates new breakthrough models and the removal of and transformation of the previous models. He believes that all players should decisively compete, and businesses in particular should do so.

Returning to the latter, to a degree following the example of the authors mentioned previously in the part on “how”, he identifies several stages of commitment:

- stage 1: “defensive” CSR belonging to the “*age of greed*”;
- stage 2: “charitable” or “the age of philanthropy” CSR: the company finances initiatives bearing no relation to its core business;
- stage 3: “promotional” or “the age of marketing” CSR: the company sees CSR, as above all, a means to improve its image;
- stage 4: “strategic” or “the age of management” CSR: the company defines a CSR strategy which is assimilated into its core business;
- stage 5: “systemic” or “the age of responsibility” CSR: the company endeavors to identify and obliterate at source, all incidents of non-sustainability, generated by its business, and does so using the following levers: the implementation of new economic models, process innovation and intensive lobbying to change laws and standards.

He agrees that few companies have reached the CSR “strategic” stage, and that even fewer are at the “systemic” CSR level. In fact the core paradigms have not changed.

Visser cites several pioneers, such as founder of The Body Shop, Anita Roddick, the founders of Ben & Jerry’s, Ben Cohen and Jerry Greenfield and the Chairman/Managing Director of Interface, Ray Anderson, who sees himself as a one-off, to lay down the the principals for the CSR 2.0 Revolution:

- creativeness and innovation;
- capacity to deploy and replicate new models;
- *responsiveness*, based on greater transparency, openness and knowledge sharing (mirroring Web 2.0);
- *glocality* that is to say this capacity to “think global and act local”;
- recycling, allowing the transformation of waste into resources;
- social contribution to communities;

- environmental integrity, consisting of ongoing research in the maximum reduction of environmental impacts;

- fair value-sharing.

He suggests a new conception of business purpose, that is not maximizing shareholder profits, but serving society, by producing high quality healthy products and services, which increase our well-being without damaging the earth's ecological and community systems.

We note that the most marked stage of commitment, that of “systematic CSR” is close to stage 5) – that of “transformation and game changing” cited in section 1.15.

Moreover, other authors highlight the following immense challenge: that of turning an unsustainable economy, heading for worrying levels of global warming and depletion of resources, into a sustainable global economy. Thus in particular, Hart in a article in the Harvard Business Review *Beyond Greenings: strategies for a sustainable world* [HAR 97], considers that in responding to our needs today, we are destroying the capacity of future generations to respond to theirs. Businesses must no longer simply be content to reduce their negative impacts or even to eradicate them as such an arrangement will lead, in absolute terms, the position worsening. The current state of our world necessitates a more ambitious approach creating positive impacts. For example we must, as a minimum, restore the environment and not merely be satisfied with mitigating any damage caused to it. He advocates the development of new technologies, so called “clean” or “green” technologies, the implementation of strategies assimilated within the business, new relationships with suppliers, customers and public bodies. He invites businesses to educate their customers.

However, Visser goes further through the principles of CSR 2.0: he advocates tangible breakthroughs.

We share this point of view of CSR 2.0, regarding the limits of CSR, just as it has been approached by academic publications in the field and practiced by managers over the last few decades. Several authors have raised the limits of the most evident trends in CSR-related publications, in particular:

- the limits of the *business case* approach: much effort has been spent in justifying businesses adopting social behaviors, however there has been very little work on the strategies for adopting such an approach;

- the limitations of the comparatively prevalent stakeholder approach. Often seen as progress, it promotes taking account of business stakeholders. However, stakeholders, above all, are generally immediate stakeholders, that is to say shareholders, customers, employees, suppliers and local stakeholders.

Indirect stakeholders are future generations or populations in remote countries who are rarely, if ever, taken into account. Others pick out the “socio-centric” nature of the stakeholder approach, to the detriment of the environmental dimension, which has a tendency to fade into the background.

Moreover, if we cling to the traditional CSR definitions related to benevolent managerial behavior, which involves going beyond applying standards, and acting in a responsible way, there is no obvious link with innovation. A manager acting in a responsible way may tend to reduce his negative impact, particularly at the environmental level. We may assume that he will succeed in making incremental changes, without major innovation and without making broader game changing strides.

We believe that a highly ground-breaking approach, based upon a paradigm shift is essential and that its emphasis should be centered on the question of changes.

Several authors talk of a necessary paradigm shift, which, however, they do not always believe in. American researchers Gladwyn, Kennelly and Krause suggest a new paradigm, that of *sustain-centrism* in substitution for two prevailing paradigms, those of *techno-centrism* and *eco-centrism*.

The main aspect of *techno-centrism* is man’s dominance over nature, and through trust without any specific limits on human ingenuity or market forces. This clearly prevails among managers and business leaders and has a tendency to differentiate man from nature.

Eco-centrism is characterized by the superiority of nature over man and the conviction that sustainability is not solely dependent upon ecology, whatever the prevailing economic and social conditions.

Sustain-centrism of nature over man and the conviction that sustainability is not solely:

- global: assimilating human, socio-economic and environmental aspects;
- systemic;
- focused upon sustainability;
- integrating the finite nature of our planet and nature’s cyclical course into human behavior.

Upon returning to the traditional CSR perspectives, we notice that they were worked out in the context of the “old era” described in the introduction,

globalization in the second half of the twentieth century, marked by even more abundant resources which were almost free (where no externalities were taken into account), through development gaps which allowed for using a low-cost workforce in the so-called developed countries, due to a relatively stable global economic and political climate, resting upon the myth of unlimited growth. Our global economy is fundamentally based upon this growth.

Certainly businesses had started to become aware of the planet's finite nature and the changes that were happening. Within the framework of incremental changes, they had put in place comparatively disparate initiatives. However, henceforth, the constraints with which they are confronted, are of a new order and will only intensify in the years to come: among the points already touched on, we can cite a carbon-free economy, for which no one is properly prepared, access to resources which, for many, has become highly critical, a growing pressure forcing businesses to assimilate negative externalities, one of them being the increased scarcity of resources. Up to now, the markets have operated without a forward-looking vision or assimilating the future scarcity of resources.

Economists predict a weakening economic environment in the years to come, in particular in the older industrialized nations, which could translate into a fall or, at best, stagnating levels of GDP. A recent report produced by an English economist requested by the British government endorses this view.

We know that technological progress, and in particular, eco-efficiency in the use of resources may struggle to compensate for increased consumption linked to demographic growth and population development.

Some doubt the capacity of businesses to undertake the necessary changes, given short-term market pressures.

Karnani, as we touched on above, thus believes that nothing significant will be achieved by businesses, without tough regulatory constraints. Considering the failure of the recent negotiations upon the implementation of global environmental governance (examples being Copenhagen in 2010 and Rio in 2012) all expectations of regulatory and fiscal constraints are uncertain. If the implementation of the latter is necessary, a benevolent initiative on the part of businesses is also essential, for society on the one hand, and for its survival on the other. In fact in terms of access to resources, more and more worrying situations will confront them. We can reasonably think that only those with the know-how to undertake the required changes using the following two-strand approach will survive:

- on the one hand, reduced dependence upon resources and;

– on the other hand reinforcement of their social acceptability. This acceptability allows them to obtain the right to operate in an increasingly demanding society with respect to them, becoming a prerequisite to access the remaining resources.

Faced with the limits touched on above and the reasonable skepticism of some as to the changes which are needed, our suggested approach is to reflect upon the ways to get out of this impasse.

It rests upon:

- acceptance of the ambiguity of all CSR approaches undertaken by businesses;
- the assumption that new “possibilities” might emerge, in order to study in what conditions and how, such possibilities might take shape.

Consequently the concepts of BOP and SB seem to us to open up new perspectives a priori in line with the majority of CSR 2.0 principles previously cited: creativity and innovation, capacity to deploy, capacity to “think global and act local”, recycling, social contribution to communities, environmental integrity and fair value-sharing.

The aim of the following research is to explore what more the publications in the field say relating to the managerial aspects of SB and BOP: what are the definitions, the issues, the strategies and the conditions for success? What is the relationship between the two models, although often still very limited and “marginal”, and the rest of the organization?

As stated in the introduction, we have chosen to focus upon social approaches to accessing goods and services, where *social business* and BOP converge (the so-called SBOP), and therefore directed toward the poor, aiming for a dual economic and social purpose, which is not exclusively directed toward profit maximization.

1.2. Social models providing access for all – BOP/social business

1.2.1. Introduction to poverty and market approaches

One of the essential strands of the relationship between business and society concerns poverty. One could think that it should come below the environment or at least run in parallel to the environmental strand. In fact, it cannot be disassociated: above all, global warming and the increased scarcity of resources impacts upon the poor, who are the most dependent on their immediate natural environment, in particular in rural areas, but also in towns, where water supply, waste and pollution issues in particular affect the lives of inhabitants. The urgent nature of the situation

is obvious, particularly when one considers the hunger riots of 2008 and the famines in 2011. Conversely, we often see negative consequences of poverty on the environment, as the case of smallholder farmers being forced to clear forests to survive demonstrates.

Moreover, it is clear that globalization has had its winners and losers and that countries in the northern hemisphere have become richer through low-cost intensive exploitation of natural and human resources of those in the Southern Hemisphere. The gap between the rich and poor continues to increase, stirring up the developing world's frustrations and anger.

Voices calling for a more inclusive economy are on the increase. Some consider that the fight against terrorism which represents one of the most significant risks of the twenty first century assumes the need to fight poverty, while knowing that individuals deprived of everything are reluctant to attempt to defend the market economy. The fight against poverty has become a necessity, as is reflected in the UN Millenium Development Goals and more recently in the Sustainable Development Goals.

Moreover, as was touched upon in the introduction, some managements realize that business prosperity cannot be envisaged in a completely degraded environment. Notably, in August 2011, there was a significant measure by sixteen CAC40 business leaders who decided to suggest introducing a "special tax " which gave rise to a tax on very high salaries. Each leader was in fact fearful of an increasing uprising by the progressively socially and economically vulnerable, in the face of wealth accumulation and considerable salaries of some executives.

Faced with this persistence, indeed the increasing poverty and gaps, the limitations of traditional approaches to fight poverty are criticized, and many players are calling for greater account to be taken of the voices of the poorest people, to better work out the various aspects of poverty and to involve the most destitute in the fight against poverty.

It is essential to develop market approaches as a necessary alternative. While certainly non-exclusive, they complement philanthropic initiatives and subsidies which remain useful in order to finance, for example, education initiatives, infrastructures and initial capital injections.

These correspond to a two-fold process:

- the tendency of NGOs and the third sector to develop lifelong and profitable economic models allowing them to be less dependent on subsidies and complete their philanthropic initiatives;

– the trends of multinationals, who find themselves forced to broaden their operational sphere to emerging countries: given pressure from shareholders who are often demanding double-digit growth rates, and, from henceforth, the highly reduced growth rates (of the order of 2–3%, indeed often less) in developing countries, as well as hyper-competition, which reigns therein, they are often obliged to turn toward emerging markets and to move down to lower levels of the pyramid. In doing so, their hope is that today’s poor will become tomorrow’s middle class.

1.2.2. The set of BOP themes

1.2.2.1. The opportunities and threats of BOP

At the end of the twentieth century the concept of “Base of the Pyramid” thus appeared, in particular in the writings of Prahalad and Hart.

The base of the pyramid markets (BOP markets), generally located in developing countries are important sources of entrepreneurial opportunities. The definition of BOP has evolved through researchers and institutions, leading to a certain amount of confusion. For Prahalad, the BOP populations are those earning less than \$1,500 per year in terms of comparative purchasing power (CPP). We note that this indicator represents the price of “an identical fixed basket of market goods and services, this being a standard comparison of actual prices.” It affects a population of around 4 billion people. Others consider that the limit stands at those earning \$2 or less per day.

The World Resource Institute defines these markets as corresponding to populations whose annual average income, in CPP terms, is less than \$3000 (US\$ 2002). In spite their poor incomes, these inhabitants are confronted with a paradox which is, from now on, known as a so-called economic “double penalty”. They generally pay more for several goods and services than inhabitants living in more well off areas, as they buy less at small stalls and sometimes from economic players (such as users – those lending money at unreasonably high interest rates) who profit from their economic vulnerability.

The World Resource Institute values the BOP markets at around US\$5 trillion per year, while Prahalad values them at US\$13 trillion [PRA 04].

On the one hand, despite some disagreement on the figures, and the limitations of such a reduction in poverty, through, on the other hand, addressing the single issue of income when we know very well that poverty is a complex and multi-dimensional phenomenon [SEN 00]. Despite some disagreement on the figures, and on assimilating poverty to small earnings, when we know that poverty is a complex

and multidimensional phenomenon, base of the pyramid populations should be considered seriously.

They represent a huge potential of growth, especially for multinationals of developed countries, all the more as their standard of living should increase, particularly in emerging/fast growing countries.

What distinguishes these populations, more than their incomes which vary greatly from region to region, and are therefore endless sources of debate, is their exclusion from the capitalist system and their belonging to informal markets.

Moreover, Prahalad and Hart [PRA 02] consider that besides the business opportunities offered, the base of the pyramid markets are also an opportunity for multinational companies to bring an added social value: to contribute to poverty reduction, while developing a profitable economic activity with strong potential, such is BOP's dual challenge. In this sense, we could say that in the view of these researchers BOP themes that come within a corporate social responsibility approach may contribute to restoring confidence in big business; a confidence affected by scandals, such as Enron and Volkswagen more recently.

Nevertheless, there is still ambiguity around this concept, admittedly linked to a social responsibility approach in the view of some, but, above all, implied with business and profit maximization in the view of many, and particularly practitioners. BOP is becoming implicitly associated with the primary purpose of making profit, at odds with *social business*, whose primary purpose is social impact.

We suggest using the following definition for BOP:

We will use the term "BOP approaches or models" to refer to the economic models detailed, in a dual economic and social approach, close to the populations located at the base of the pyramid, allowing them to access goods and services at affordable prices.

By using economic and social considerations, authors like Prahalad and Hart are thereby inciting businesses who are interested in the poor populations of emerging countries to innovate and construct new hybrid economic models, sometimes offering greater added value at a lower cost.

Moreover for a multinational, locating in the BOP markets is a route littered with threats:

– *External threats:*

These markets are often characterized by failing or inexistent infrastructures (roads, communication and distribution networks).

They are also noted for a lack of formal institutions and weak property rights. Businesses are faced with the risk of sudden legislative changes, compulsory purchase orders and infringement of intellectual property rights. Informal markets have a large share within the BOP markets. Reliable statistical data is rare and furthermore, does not take into account informal markets. The evaluation of market potential is even more difficult for multinationals. Economic activity is subject to specific mechanisms, which depend for example upon local social norms, trust and family ties [SOT 03], mechanisms that multinationals have no control over. Their traditional partners are often unstable and capricious. Governments are in many cases corrupt. Moreover multinationals from developed countries often suffer from a bad image inherited from colonization. What is more, competition with multinationals from emerging countries becomes fierce.

– *Internal threats:*

The managers of multinational companies tend to sometimes project the development methods used by their own countries even though they are in emerging countries whose stages of development can be very different, as with the communications industry for example, which in emerging countries bypassed traditional forms and went straight to the mobile telephone. They also project northern solutions on the realities, cultures and consumer habits which are often very different to their own.

Faced with multiple threats, the BOP authors have written several analyses and recommendations regarding key success factors. For them, the opportunities that these markets represent make overcoming these difficulties worthwhile.

In his book *Fortune at the Bottom of the Pyramid* [PRA 04], Prahalad bases his work on the observations of the pioneering work of several businesses, in particular in India, to make recommendations for businesses to target the base of the pyramid population markets. Likewise, Anderson and Markides in their article *Strategic Innovation at the Base of the Pyramid* [AND 07a], suggest highly operational tools for businesses aiming to implement proactive strategies. In their view, it is essentially a matter of rephrasing the 4As: “*affordability, availability, acceptability, awareness*”.

The 4As framework seems to us highly pertinent to synthesize the major traditional challenges which multinational companies are confronted with when they seek to set up in the BOP markets, a point which the academic literature touches on.

Affordability is the first challenge: offering affordable products to those whose incomes are close to \$1 to \$2 a day, two thirds of which are given over to food costs. Thus, for example, in the Communications field in the Philippines, prepayment cards were in sold in the beginning for \$2, which equated to more than 80% of the daily income of half of the population. Smart Communications therefore had to innovate with top-ups of around USD 50 cents, just like the individual shampoo sachets developed by Unilever. This means of affordable communication also came to respond to another need: person to person currency transfers thereby developing *mobile banking*.

Accessibility – making products available is the second challenge, in particular:

– in rural areas, which are poorly served, indeed unreachable, due to inadequate road infrastructure, India, for example, has around 600,000 villages spread over an immense area and;

– in the slums, known for their violence, where no one living outside of their perimeters dares to venture, which amounts to a fresh major challenge.

Multiple innovations in the supply chain sphere and, in particular, distribution have thus been implemented by groups, such as the Avon franchise networks, where women who are micro-franchisees cover Amazonia by train, boat and canoe to serve isolated communities. We can also cite as examples, the door to door distribution models put in place by Unilever and Danone. This issue of last mile delivery is the subject of several research studies as it is very often amounts to a “crux” for businesses.

Acceptability is the third challenge. Products may be rejected owing to the culture and local customs of a country. Businesses must therefore understand cultures and customs and offer products which are acceptable to the market concerned. Thus the Indian subsidiary of Unilever (Hindustan Unilever Limited, HLL) noted that poor women used very little cheap shampoo as they feared damaging their hair, preferring to wash their hair with plain soap. HLL in consequence developed a dual purpose product (soap and shampoo), *Breeze 2 in 1* which met with great success.

The fourth challenge is *population awareness of their needs and the existence and availability of a corresponding product*. In fact this challenge is proliferating itself. Raising awareness that the product exists and is available nearby is the first subchallenge:

– some businesses try to use traditional means of communication/advertising through, for example, TV advertising, however such means are sometimes costly, or play a less significant role: Andersen and Markides for example, cite the very low penetration rates of the TV in the Philippines or in India (41% of rural populations

in India have a television). Other means have been explored in a creative way; publicity in jeeps, taxis, communication in schools (one example being Smart in the Philippines); small street shows/micro-events (Unilever in India and Danone in Bangladesh);

- to assist populations in becoming aware of their needs.

It is not sufficient to make the product known. It is also necessary for populations to perceive that the product responds to a need. This is what Mr. Yunus touched on with the joint venture Grameen Vand Danone in Bangladesh). mple, cite the very low penet supposes that people have understood the importance of buying such water, even though at the same time they have access to free water, admittedly, which is full of arsenic, the danger of which they have not necessarily understood.

1.2.2.2. *Criticisms of the BOP approach*

If these works offer several specific recommendations for businesses and have had genuine effects both in the academic and business sphere, recently they have been criticized and for several reasons The most virulent criticism has come from Karnani, who accuses Prahalad of angelism and errors of judgment.

Karnani [KAR 07] and then Garrette and Karnani [GAR 10] denounce a *dual myth*:

- *The fortune myth*:

The models amount to genuine mannas, when this is not the case, businesses make far less profits than they imagine and instead they even make losses.

These authors recognize that there have been some success stories, that is to say projects that have succeeded in being profitable in responding to a recognized need of poor populations. They *cite* two particularly, and the first being the mobile telephone, where technological leaps have been made on the one hand and, on the other hand, infrastructure investments have been covered by the most well off in the particular society. This allows the lowest prices to be offered to the poorest in societies, thus providing for the possibility for millions of inhabitants in rural areas to access mobile telephones for private and professional use. They also touch on the example of Nirma in India which has developed a lower quality detergent than that of Hindustan Unilever Limited, but corresponding much more to the spending power of the poor.

Andersen and Markides [AND 07b] also cite the case of Smart Communications in the Philippines, whose market value more than tripled between 2003 and 2006 and Hindustan Unilever: its turnover grew by 11% in 2005 and 9% in 2006, and its profits increased by more than 30% during these two years.

However, Garrette and Karnani [GAR 10] highlight several BOP initiatives that they describe as failures: Essilor in India, Grameen Danone in Bangladesh and Procter and Gamble through its water purification product to provide a market response to the genuine needs of poor populations but they did not succeed in being profitable (Grameen Danone and Pur) or in being sufficiently profitable for significant business growth (Essilor). Even Stuart Hart, one of the trail blazers of the BOP theory, recognized (at the Es X, HEC and Essec conference in February 2011), that ten years after BOPs beginnings, the results are still inconclusive and that few businesses have really achieved their objectives.

– *The myth of social good:*

Also an illusion. Changing the poor into consumers only contributes marginally to reducing poverty. It is instead convenient to acknowledge them as producers.

Moreover, these approaches focus on the social dimension of sustainable development, neglecting the environmental dimension.

These authors set out their view of the reason for the limits of the “myth”.

Garrette and Karnani [GAR 10] criticize the potential market confusion – which is often enormous when speaking of the fundamental unsatisfied needs of individuals in poor countries – and the existence of a market. There may be a need (for example in the case of drinking water), however if nobody wishes to buy drinking water even at very low prices, there is not – or at least not yet – a market for it.

We touched on it above in the context of *awareness*, and access to clean water: populations may have a need but this need is not necessarily recognized by consumers. It is then a question of helping populations become aware of this need and genuinely creating a market which, up to that point has not existed among these populations. For them, as for several authors, the difficulty with this type of approach lies in the necessity to create new markets.

Moreover, they criticize the major trap that a number of businesses fall into, the *adaptation trap*. Often by simply adapting products intended for developed countries’ populations, they offer not only excessively high prices to populations whose purchasing power they overestimate but also products which are a higher quality than these people are prepared to buy.

The authors cite the case of Essilor in India, which developed a solution for selling glasses at low prices, by means of horse trailers, a form of traveling opticians which identify people’s glasses needs and selling them products at highly reduced prices (of the order of \$4). Now Essilor struggles to break-even: from four horse trailers in 2005, the Indian subsidiary increased to eight horse trailers in 2010.

In the reasons cited by the authors, we find, above all, the *adaptation trap*; that is the sale of products which in fact are too expensive for poor people in rural areas. This price was assessed at 2% of annual incomes, a similar percentage to that of developed countries, when, in fact, one cannot compare annual incomes in developed countries and in poor and emerging countries: the share of essential expenditure allocated to food, clothing and fuel reaching 80% of their incomes.

One of the major limitations of a business such as Essilor, in its BOP attempt in India, was an unwillingness to question its quality standards coming from developed countries which were appropriate for its own populations but not for those of poor countries.

Now these populations would no doubt be satisfied with simpler products, of a lower quality but responding, for the most part, to their needs and financial means. For example, in the glasses field, one can imagine meeting needs without an eye examination, selling standard glasses for astigmatic, near-sighted or far-sighted patients. Likewise, Grameen Danone in Bangladesh sought to adapt a product intended, above all, for wealthy people: yoghurt, a product which is in fact much more costly for poor consumers as a result of the constraints of refrigeration and milk prices, hence the difficulties encountered.

1.2.2.3. *Toward new BOP ideas: BOP 2.0*

In view of all of the pitfalls encountered by multinationals through their initiatives at the base of the pyramid, and faced with different criticisms cited above, Stuart Hart is calling for a new stage: BOP 2.0. The main idea behind this proposition consists of not considering poor populations as simply consumers, but as genuine partners. This involves listening to their needs, without necessarily thinking that you know them better and working with them to find products which respond to their difficulties.

BOP 2.0 consequently implements genuine co-creation, described within the framework of a *BOP Protocol* and faced with different critics and social players (NGOs).

These authors' vision rests upon a key principle: that of so-called "embeddedness" of the economy at local level: local embeddedness.

Inspired by the reflections of Hart and Simanis [SIM 09], and the various criticisms made about BOP, London [LON 07] suggests a definition for BOP initiatives: far from consisting of initiatives led by big business seeking to adapt/downgrade products sold in industrialized nations to sell them to poor countries in low volumes, it involves initiatives led by organizations located outside

of a given community (foreign or national businesses, social enterprises, cooperatives and NGOs) using a joint creation approach with this community operating upon the boundary between the formal and informal sectors, financed by so-called “patient” investments. They can consider the BOP populations as consumers, or producers: in both cases they are partners.

Lastly, from Hart’s viewpoint [HAR 04], the environmental dimension must be better assimilated into BOP projects, as a result of major environmental challenges which we are all facing. It should not be seen as a greater constraint, making these projects even more difficult, (when they are already difficult enough), but as a dimension to assimilate even within the economic model or even within the economic object of the activity. Thus the entire *cleantech* sector could form a vast potential market to create and expand at the base of the pyramid.

BOP 2.0, which entails listening much more to the needs of poor populations, in a *bottom up* co-construction approach, without doubt allows for better management of the social dimension and thus brings a part-response to Karnani’s argument [KAR 07] on the lack of social impact within BOP projects: such an approach consists of starting from local needs rather than projecting northern hemisphere responses, and sometimes creating new needs; it ensures a greater respect for cultures and better social impact. Nevertheless, these projects take a lot of time as the SC Johnson and the Cambridge researchers’ Kenya initiative showed. They spent three months cleaning latrines with micro-entrepreneurs from slums to secure local population acceptance. Furthermore, their strong embeddedness in the locality obviously poses the question of replication. Co-constructed solutions involving a population from a highly specific region, taken from a particular culture, do not necessarily correspond to other cultures.

Karnani’s criticism relating to the lack of profitability of BOP approaches (and therefore their weak durability) does not come up with a clear response in that respect, in fact quite the contrary. The avenue of green technologies, advocated by Stuart Hart, as a result of the immense needs and technological progress linked, for example, to the sun, is without doubt the most promising route in this respect, although this remains to be proved.

We notice that more recently, one of the authors of BOP 2.0 questioned the approach to which he himself had contributed to designing: Simanis suggests returning to business basics, criticizing the approach overly social which, from his viewpoint, is partly responsible for frequent failure of the initiatives undertaken up to that point [SIM 12]. He adds that it is a matter of making the economic perspective of primary importance without claiming that we should be pursuing a social objective. The social impact will possibly come after a period of time once the BOP projects have been led with success and become profitable.

1.2.2.4. *BOP and first mover advantage*

Moreover, all of these models and lines of questioning raise the question of *first mover advantage*: let us assume that effectively BOP projects are not profitable in the short, or even first mover advantage medium term, poor populations *a priori*, represent no more than potential enormous markets for multinationals desirous of growing even more, all the more so as these populations could become tomorrow's middle classes.

Does looking to set up as soon as possible, in accepting a low profitability, even short- and medium-term losses, constitute a necessary stage, for future profitability, linked, in particular, to the purchasing power of populations? Is it an advantage or a disadvantage to be present before your market competitors? Is it better to wait until other competitors have created the market and discovered a number of difficulties? In particular:

- the lack of population awareness as to the usefulness of buying certain products (as with, for example clean water or glasses);
- the contribution to implementing infrastructures, distribution networks, laws and practices which favor foreign investors.

Alternatively is it indeed a mistake which lets competitors do the spadework before you then arrive too late?

This subject of the *first mover advantage*, discussed since the end of 90s, has been the topic of debates:

[ARN 98] quote a 1995 study on the application of *first mover advantage* in emerging countries (at the time the only one), which concludes: “The lack of favorable conditions for a rapid commercialization prevents initial capital injections from being profitable,” thus advocating delaying entry into emerging countries.

For Arnold and Quelch [ARN 98], breaking into an emerging country early affords a number of advantages:

- creation of special relationships with governments locally;
- capturing a sometimes-latent market, informed by modern means of communication of the existence of certain products to which the country does not yet have access;
- more cost-effective marketing expenditure (adverts, often much less expensive, have more of an impact because of the low number of adverts generally);

– access to quality human resources management (well trained managers being rare in a number of countries);

– finally access a rich source of learning, indeed a source of reverse innovation, the authors cite the case of Kentucky Fried Chicken (KFC) which developed know-how in China for setting up very large restaurants, which from now on it can replicate in other countries, in particular in the developed world.

Everyone accepts it nowadays: the learning curve of multinationals from the developed world looking to set up among poor populations is very long, much longer than had been anticipated in the beginning. Will they succeed in the long term? Nobody knows yet. The potential innovation that BOP represents for multinationals, without doubt is more marked in the BOP approaches which are close to those advocated by Hart (with the BOP 2.0), and could in and of itself justify such approaches.

1.2.2.5. *BOP: the learning and innovation laboratory*

The publications in the field which relate to BOP in fact describe in abundance this laboratory notion, from the standpoint of, on the one hand, results achieved, and on the other hand levers permitting success in doing so.

1.2.2.5.1. Learning and innovation at the heart of BOP populations

In addition to the article by Arnold and Quelch mentioned above [ARN 98], and relating to KFC innovations from China, several authors develop learning and innovation from BOP initiatives.

1.2.2.5.1.1. Learning and new ways of thinking

Social business/BOP models demand that managers of multinationals of industrialized countries operate normal practices very differently. They lead them to question their routines, to reconsider mindsets and beliefs. Simanis gives some examples of this. Instead of building large factories, as they have been used to doing, multinationals from developed countries are learning to act differently: they start “small”, with fixed costs as low as possible, then experiment with a trial, error and adjustment approach, with pilot testing. Only when the model has proved itself, is the approach then rolled out using a means which is different to that normally used. Not necessarily in building a very large factory elsewhere but rolling out those which have proven to work in other communities through means of so-called “pollination” namely reproducing small units, and progressively expanding within a country or indeed a region.

These *social business*/BOP models also demand that managers listen to populations while displaying humility which is often a new learning approach for them as they are used to powerful organizations.

Finally they are invited to think out of the box, starting by observing poor populations, which can sometimes mean learning to devise other product uses, no longer promoting a single use but rather a range of uses. Simanis gives the example of Kickstart, an African manual water pump business. The executives from this business started by selling very simple products, that is pedal water pumps, and testing them in some communities so as to roll them out in others, and then developed slightly more sophisticated pumps, such as solar pumps and others. They also discovered that their pumps were used not only for irrigation but also for other uses, such as cleaning cars or watering plants in hospitals.

We see that this learning affects the individuals' memory maps and individual or collective beliefs. In fact, for businesses from developed countries, it is a matter of starting by unlearning previous ideas.

“Whilst traditional beliefs in the development sphere consist in thinking that local partners must unlearn previous ideas, our study demonstrates the opposite: in complex operational environments, it is the business which must unlearn its ideas. This is what London and Hart have called *social embeddedness* or the capacity to create competitive advantage, in understanding completely and assimilating the local environment.”

Moreover, beyond evolving from a number of mindsets using with BOP approaches, BOP itself sometimes becomes the purpose for changing perceptions. Perrot [PER 11] thus explains the evolution of the perceptions of BOP within Lafarge: it was likened to philanthropic approaches (themselves compared by a number of players to CSR), allowing them to obtain a license to operate in poor and emerging countries, thus being viewed as a constraint. After two experiments undertaken in Indonesia, BOP has become in the eyes of players, a genuine business opportunity.

It even forced the perception of the business role to evolve. In the case of Lafarge, managers understand better that business can play a social role (beyond job creation) through its core activity, and rather than through further sponsorship initiatives.

1.2.2.5.1.2. Product innovation/packaging/processes

To respond to social needs, businesses are led to develop new products and services, as well as new processes, sometimes far removed from their normal

practices and often in a creative way. Kanter [KAN 99] in particular cites the case of two American businesses involved in social issues particular in the US:

1) IBM wishing to tackle problems in state schools in disadvantaged areas, developed new Internet-based technologies with important business applications.

2) Bankboston in creating the First Community Bank to allow poor people to become familiar with banking, developed products and services which since then which have been used throughout the whole of the banking sector: products intended for new customers, multilingual products, new forms of investments for small businesses in urban centres.

1.2.2.5.1.3. Innovative business models or breakthrough innovations

Beyond products and services, multinationals are inventing new *business models*, indeed breakthrough models.

Developing countries constitute a unique territory for multinational breakthrough innovations, as the populations are both significant in volume and, as, at the base of the pyramid, the risks of canibalization of their traditional products are much more limited.

Moreover, the capacity of a business to lead on breakthroughs, in creating new markets is a factor of competitiveness, even survival. Likewise, the capacity of a country to favor such breakthroughs, encouraging in particular entrepreneurship is a key performance and economic vitality factor.

Japan is an interesting example of businesses who had the know-how, at a given moment, to invent breakthrough technologies, in particular by designing products accessible to the greatest number of people. Sony is the best example of a business, having on several occasions created breakthrough markets in the sphere of radios, televisions and Walkmans. Other Japanese businesses created a highly important market, but only on one occasion. Toyota, Honda and Canon....

It is definitely not a question of the BOP approach but it appears relevant to us to recall a number of businesses which have already reinvented themselves in looking to design products which are accessible to the greatest number of consumers. It is as if the phenomenon that we were studying was similar but without doubt situated at several levels lower in terms of the pyramid.

However, these businesses cited by Christensen [CHR 01] and his colleagues, were victims of their own success, of their highly efficient management: having started with comparatively user-friendly products, accessible to the greatest number of consumers, as Toyota did with its Corona, to face the competition and increase their margins, they gradually developed more and more sophisticated and expensive

products, which no longer suited consumer needs. This is also the case with Xerox which designed highly sophisticated photocopiers and faced unexpected and highly ruthless competition at the time Canon launched more user-friendly products at the beginning of the 1980s.

Thanks, in particular to Silicon Valley and to a more global system which encouraged risk-taking and entrepreneurship, the United States had the know-how and invented constant breakthroughs while keeping unemployment rates fairly low, despite the reduction in staff numbers of large corporate groups.

Large companies generally have much less chance of continuing to lead on breakthroughs than start-ups. Most of the time, they are caught in a spiral of increased margins and product sophistication and fear that radical innovations will compete with existing products. Moreover, the products that they design are targeted at *mainstream* markets whereas, to start with, breakthrough innovations have both markets that are limited in size and reduced margins.

Several multinationals thus understood the opportunities offered by the base of the pyramid markets; one example being Hindustan Lever Ltd (HLL) already touched on above. This business had targeted the populations most in need of help in India until it faced competition from an Indian firm Nirma which organized highly dynamic activity producing and selling detergents to the poor. HLL then reacted by creating a new product at odds with its normal practices: a detergent which reduced the proportion of oil to water, allowing the limitation of pollution in rivers. The business very quickly decentralized this activity and started to sell its products in small stalls in impoverished areas, indeed even in disadvantaged rural areas, at highly reduced prices. Admittedly, margins were lower, but the volumes sold were such that it was one of the most significant growth areas within the group. This experience was used by Unilever to create a new detergent market in Brazil.

In some cases BOP can contribute to pushing the boundaries of business, making it go beyond a number of limits that it has set, in devising new lines of business. It is the case for Lafarge in Indonesia which went from being a basic supplier of concrete and cement to co-designing far less expensive houses working with architects and building materials traders to make dwellings accessible to the poor, thereby enlarging its customer base. Lafarge also constructed new economic models based upon micro-credit. The main players in the group realized that with Banda Aceh having fallen victim to the tsunami some months before, the problem for inhabitants was no longer building new houses (NGOs had taken this on) but extending them, and therefore, in order to do so, obtaining finance. They then decided to join with micro-finance institutions. From a B-to-B business in contact with middlemen – and not with end customers – the business developed a much closer relationship with consumers, tending toward the B-to-C models. Schneider Electric also experienced

this in South Africa, developing an activity selling electricity prepayment cards to those in the slums.

Among *business models* innovations we find hybrid models, associating with categories of organizations which are both highly diverse and complementary: big business, authorities, NGOs and social entrepreneurs. As we touched on above, it is becoming clearer, that the fight against poverty is in the hands of multi-player alliances: states or international big business contribute, for example, to infrastructure and education expenses, with local entrepreneurs and big business demonstrating, for their part, autonomous economic management models.

1.2.2.5.2. Levers and key success factors for learning and innovation

There are several principal levers for this learning and innovation, frequently cited, which in fact constitute conditions for success or key success factors in the view of specialist authors.

1.2.2.5.2.1. Immersion in and increased listening to needs

The first lever for learning is frequently described by Stuart Hart in his various works. He touched on (in BOP 2.0) the need for managers to start absorbing reality, listening empathetically, and to think outside of the box.

One of the most powerful means is immersion: for example therefore when HLL managers were asked to spend six weeks in impoverished rural areas to better understand the practices and hygiene needs of poor people. Another example is Tatiana Thieme spending three months cleaning the latrines with young entrepreneurs in the Nairobi slums as part of the pilot project led with the BOP laboratory of Cornell University and SC Johnson. Before becoming aware of eventual partners, this vertical approach of immersion is a necessary step, which favors empathetic listening, allowing for the avoidance of forecasts and the temptation to reproduce development models which are not properly adapted to these realities.

1.2.2.5.2.2. New partnerships

Of course, another lever for learning and innovation involves a horizontal approach, in partnerships with various stakeholders: local or national public stakeholders, civil society stakeholders, and with, in particular, NGOs. Some authors mention Public Private Partnerships, like Kanter [KAN 99], who describes the partnerships entered into by IBM and BankBoston with a number of city halls. NGO-business partnerships or *cross sector alliances*, are the subject of a multitude of publications. Henceforth, NGOs are considered, in the framework of those markets characterized by poverty, as a relatively essential vehicle.

We touched on above the numerous pitfalls of BOP projects; a lack of infrastructure, legal framework, political instability, corruption and the colonial image of multinationals.

Faced with these pitfalls, access to resources therefore constitutes a veritable crux, an essential competitiveness vector. Yet, it appears that henceforth this access to resources is better suited to the role that multinationals play, not only in the economic development but also the social development of these countries. Civil society and governments are more demanding in relation to multinationals. The term *social licence to operate* is used, which increases the level of requirement and expectation concerning these firms.

NGOs have consequently become increasingly essential players in the multinational strategy of these countries.

These NGOs are defined by Teegen, Doh and Vachani [TEE 04] as *private not for profit organizations* which seek to serve social ends concentrating upon social, political and economic objectives, including amongst others, notions of equality, education, health, environmental protection and human rights.” A United Nations Report in 2003 valued the sector with a turnover of more than a trillion US dollars, which would make it the eighth most powerful global economic power.

Consequently BOP innovations are considered as genuine co-creations between partners. Indeed, NGOs are an inherent part of the local fabric: they are inter-woven in local networks, and in particular connected with local organizations, all being, in turn, connected to broader international networks. They play the role of intermediaries for multinationals and contribute towards filling the frequent institutional void in these countries.

These partnerships contribute numerous benefits for multinationals providing:

- knowledge of and access to local networks, to informal institutions and more holistically access to resources;

- knowledge of the local population needs;

- a form of legitimacy;

- multiple stakeholder dialog skills;

- an element of *supply chain* compression, by reducing the number of intermediaries;

- optimization of the entrepreneurial process: identification and exploitation of opportunities and implementation thereof;

- development of *absorptive capacities*; these are increased through alliances which constitute a pre-condition for success at the outset;

- development of learning capacity (in particular double loop learning) and innovation: Confronted with very different rationales, business players return to their beliefs and mindsets, and consequently learn to think “outside of the box”;

- gaining an understanding of the choice of NGO partnerships, and in the pre-conditions for success for such partnerships;

- a reduction in transaction costs; we cite as an example HP in India: the alliance with local NGOs in the state of Andhra Pradesh allowed the group to access local networks to test its products, increase its marketing knowledge at a lower transaction cost than if the business had had to do everything on its own.

It therefore appears that alliances with NGOs constitute an almost indispensable foundation, or at least a major lever for all approaches within the BOP category and for all learning and innovation.

Some authors even suggest that we should, as a priority, be concerned with stakeholders who are considered as being *fringe stakeholders*, those who are not the most visible and the most immediate: several cases have shown that they may, in fact, become more formidable than we had thought. Thus Monsanto saw thousands of small Indian farmers rise up against its practices. Shell, in its decision to sink the Brent Spar platform, was faced with Greenpeace. It had not anticipated talks with this NGO.

However, beyond risk management, it is question for businesses of further increasing their capacity for creativity: *fringe stakeholders* ringe stakeholdersk management, it is question for businesses of further increasing their capacity for creativity: more formidable than we had thoughndian village, to explain the possibilities of information technologies in poor rural areas.

In this way, as well as for downstream *knowledge* transfer from a subsidiary or an expatriate staff member to the parent company, *absorptive capacities* are an important determining factor for learning and therefore optimization of these alliances. However Murphy, Perrot and Rivera-Santos [MUR 11] provide some nuances the concept has been developed by Cohen and Levinthal, then Todoroa and Durisin, and mainly applied to *business to business* alliances. These nuances arise due the characteristics of business-NGO alliances: in *cross sector alliances*, unlike traditional *business to business* alliances, partners (businesses and NGOs) have very different principles and modes of operation and the purpose of these partnerships includes a strong social component.

Murphy, Perrot, and Rivera-Santos [MUR 11] suggest a new theoretical framework, that of *relational capacity for social innovation*, which both takes up again and refines the determining and constitutive factors of absorption capacities:

- the capacity to recognize the value of external information, a capacity all the more necessary in the case of inter-sector alliances, to build strong relationships between partners;

- the capacity to acquire, assimilate and convert external knowledge, a capacity which assumes undertaking co-creation approaches with partners;

- the capacity to exploit/utilize this knowledge; which is trialed through pilot experiments.

These authors identify three additional contingency factors:

- the extent of the social dimension both in the business identity and in the mission to which it is devoted. This identity in its turn potentially impacts upon the projects undertaken, especially when they are successful. These authors give the example of Danone and its “dual economic and social project,” which makes up a major component of its identity, and cite the BOP experiments already undertaken by Danone: *Milkuat* in Indonesia, for example, made yogurts supplemented in Morocco, biscuits supplemented with calcium en Chine, and *Milky Start* in Poland. Among the triggers of these BOP approaches, we find the sale of Lu, the reputation crisis which resulted from it and the need to restore the social image of the group;

- the mechanisms for social integration: in new BOP models, the implementation of internal dissemination processes becomes even more necessary. We list here the process standardization which favors integration and dissemination of *knowledge*, such as for example for Danone; the Grameen Danone visits (opening the factory to many of the public), websites, creating a (*Social Innovation Committee*, frequently known as SIC), the presence of the *board* oardquently known as SIC), the presence of the none visits (openiation of a BOP department;

- major stakeholders: two international key figures are associated with this (M. Yunus and F. Riboud).

The pivotal role of the firm’s identity and its mission were thus highlighted. Learning depends upon this to a large extent. If the social dimension is highly present within identity and mission and assimilated into business strategy, and if social engagement therefore comes from within the business, there is a greater chance of alliances being pro-active, focused on exploration and risk-taking, taking a genuine learning approach. Conversely, when businesses change as regards social responsibility, essentially through external constraints, and have, above all, a reactive risk management approach, alliances are then more directed toward

exploitation, leaving less scope for learning: businesses endeavor to use more and implement their partner's knowledge than to return to a genuine learning approach.

As several writers have emphasized, multinationals can also bring a lot to NGOs.

- access to capital;
- efficiency, professionalism and organizational performance; various skills as, for example, with marketing;
- economies of scale and links with international markets;
- increased weight with governments in the relevant region (which can also incite jealousies and be a double-edged sword: see with Grameen view).

Partnerships between multinationals and social entrepreneurs potentially constitute in short a major source of wealth for both parties: social enterprises which have already designed a business model with a track record which allows big businesses to avoid starting from nothing. Conversely, powerful financial and marketing resources in multinationals assist social entrepreneurs to become established and operate.

However, several authors highlight the limits of these NGOs or social enterprise partnerships. Some speak of over embeddedness: sometimes being so involved with partners, the business loses the necessary hindsight and critical mind, lacking key information from outside of the network. This may be partners whose practices are not the most relevant to their business or who are indeed also not the most interested in their field. Faced with this risk, it is a matter of continuously reminding partners of the necessity of building a long term partnership and that a short term attitude might end the relationship. Moreover to avoid missing key information outside of the network, it is important to cultivate an openness and a willingness to listen and continuously learn.

1.2.2.5.2.3. Confrontation with extreme constraints

Another major lever for learning and innovation is inherent in BOP approaches: giving people who often earn no more than two dollars per day access to goods and services is often a seemingly impossible task for multinationals used to serving much more well off populations. The field of constraints is thus very large, and it is these acute constraints which force them to think outside of the box and devise breakthrough innovations.

Moreover, Anderson, Markides and Krupp have studied learning experienced by multinationals in extreme contexts, consequently involving particularly severe areas of constraint:

– slums or urban zones characterized by inadequate access to water and electricity, poor quality housing conditions, overpopulation and insecurity; at the end of 2010 *UN-Habitat* stated that 1.1 billion people (1 inhabitant in 7) were living in slums;

– isolated rural areas, characterized by a lack of basic infrastructure (surfaced roads and access to water and energy) and as a result a difficult environment in which to trade;

– conflict zones: zones of civil war or border wars, uprising, lawless zones; risks of assault, kidnapping, and vandalism are particularly rife.

Common features of these zones are as follows:

- lack of legal framework and difficulty for firms to establish legal contracts;
- absence of key infrastructure;
- lack of skilled individuals.

Linked to these constraints, multinationals are confronted with a large number of challenges:

– it is vitally important that they build relationships of trust with communities, beyond partnerships set up with local partners in traditional BOP markets. Sometimes becoming allies with “non-traditional” partners, such as heads of religion and spiritual sages. For success they must not be perceived as “do-good foreigners” but as part of the community (*the s vitally important*) and as contributing to the public good (in investing for example in schools, in sports activities, and in supporting local entrepreneurs);

– they are forced to go beyond the concept of *innovative business models*: everything hinges upon their implementation in often complex and dangerous contexts.

The authors give the example of Celtel, the mobile telephone group in Nigeria (having 28% of the country’s market share), which in 2007 directed its efforts toward rural areas (knowing that 50% of the population lived there). These areas, characterized by an absence of sufficient communications or electricity networks, are difficult to access during rainy periods and have vandalism or theft problems.

It is necessary:

- to negotiate with tribal chiefs as well as the local authorities;
- to then identify and recruit local micro-entrepreneurs who agree to become franchisees, as did Celtel with the a network of 900 franchises developed in rural areas of Nigeria.

The authors give the example of Airtel, the largest Indian mobile telephone operator which, in 2005, set up in the very poor areas of Bihar and Jharkhand. The business implemented dedicated marketing and distribution teams and had the know-how to communicate the role of the business as regards team development. Lastly the case of Vodafone in Bombay was studied. The business was wanting to install costly technical transmission equipment (*mobile transmitters*) in slums and was afraid of vandalism. It had to create small storekeeper networks, who each became distributors and installed a small transmitter above their shop. Airtel says, “Our retailer from the slums suddenly became the most respected man in the community.”

1.2.2.5.2.4. Implementation of specific organization and internal adapted management methods

Researchers who value the role of the BOP laboratory emphasize the necessity of retaining these models in specific structures, different to structures intended for traditional markets. They should be decentralized as much as possible, which assumes the creation of local units called *local growth teams* with a *zero based organizational design*, which expand their part of the business from zero with local teams and P&L management of their own R&D teams and appropriate performance indicators. intended for traditional markets. It can allow a consumer centric approach based on intimacy, and a better fit to people’s needs.

However, there must be strong links with the rest of the organization to allow mutual enrichment such as the transfer of knowledge. Indeed, some activities must be separate (for example marketing and distribution) and some activities must remain with the parent unit: HR, IT Finance and other support services. Moreover, the specific entity must depend on a manager who is recognized and well positioned within the hierarchy to benefit from the necessary support in case of major difficulty and to benefit from support entities, for example R&D and legal services. A link from this manager to a group top manager is after all desirable, one who can secure their access to resources and is capable of spotting potential opportunities for replicating projects in other countries.

Moreover it is necessary to mobilize employees for projects led in complex and often at-risk areas. Conquering skepticism and fear is, in particular, made possible by the following levers:

- 1) Identifying *quick wins* allows the feasibility and practicability of projects to be demonstrated;
- 2) Demonstrating opportunities and the risks of not taking them (leaving opportunities for competitors);

3) Developing the career paths of those who have entered these market areas, offering greater opportunities for those with the risk-taking know-how;

4) Highlighting the social role that business might play in development terms (see the example of Airtel below);

5) Finding the “right people” who fit the business profile having experience of several roles.

F. Perrot, in the case of Lafarge, shows the need to adapt management methods to the reality of areas explored. In some cases, it is a matter of creating new markets, and for that, in Perrot’s opinion [PER 11], the local subsidiary must not assume inevitable losses during the initial period: a central R&D/BOP entity at Lafarge must be responsible for the budget of these pilots. In other cases it is not a matter of creating a new market, but capturing an existing market: thus Perrot says [PER 11], it is the local subsidiary who should be responsible for the profit and loss account.

1.2.2.6. *BOP: Toward an essential return to business reactions*

At this point, we take up the affirmation of Simanis [SIM 11] touched on above and transform it into a question: in order to succeed with BOP initiatives, is it necessary to approach them as traditional businesses, without looking to follow a social objective, the impact of which happens subsequently? We will come back to this question in our discussion.

1.2.2.7. *BOP: a lever for reverse innovation*

The success of BOP assumes unlearning, learning and innovation. However, to what extent is learning and innovation implemented and replicated within other more well-off social classes and/or other developed countries?

Here we suggest broadening of the definition of *reverse innovation* cited by Govindarajan [GOV 11] in the introduction: *Reverse Innovation* may be experienced not only from emerging countries toward rich countries as Govindarajan and Timmelt specify, but also within the same country. This includes innovations marketed to the poor being aimed at higher-income populations.

Consequently we suggest a new definition of reverse innovation, slightly different from Govindarajan’s definition: we define reverse innovation as an innovation developed for the populations at the base of the pyramid, and replicated and adapted to populations located higher up in the same pyramid, whether in emerging countries or developed countries.

In fact, the examples of innovation which are cited above (section 1.2.2.5.1) are often examples of *reverse innovation*: hence the examples cited by Arnold and

Quelch [ARN 98] with Kentucky Fried Chicken in China, Kanter with BankBoston and IBM, Christensen *et al.* [CHR 01] with HLL in India and Simanis with Kickstart in Africa. Each time, however, this concept of *reverse innovation* is touched upon without being explained. Actually the article by Govindarajan and Immelt [IMM 09] gives this idea a name and specifies its form, and situates it within the different stages of globalization, as its new stage.

These authors recall the issues that Christensen *et al.* [CHR 01] have already studied, namely the increase in competitors from emerging countries, who do not have the same standards of quality as multinationals in developed countries: they offer products which present a quality-price relationship more adapted to the budget, customs and needs of these populations. Nirma which is a competitor of HLL in India is a good example. Brown and Hagel specify the characteristics of some *emerging Asiatic giants* which are innovative and active in the BOP markets:

- they target *low-income consumers* from their country of origin and genuinely listen to the needs of different population categories (using a community-based approach);

- through *incremental innovations*, they have ended up configuring breakthrough *business models*;

- they build networks of local suppliers, with whom they co-design innovative solutions (through using different *supply chain* practices);

- they base their *production* upon extensive *modularity*, often using a dual approach: of standardized core components allowing economies of scale; and modular parts, to answer the specific needs of different categories of people;

- they create affordable and definitely simpler but solid products (avoiding, for example, after-sales services which people cannot afford, and whose low margins mean businesses can no longer afford either).

In the sphere of telecommunications for example, China and India, thanks to countless new customers, became the largest world mobile telephone markets. An entrepreneur from Infosys, an Indian telecoms company, says that the equipment costs for mobile telephone networks, must be five times less than usual world market costs to succeed in the Indian markets.

In the field of motorcycles, the town of Chongqing in China is a model for *localized modulation*, based on a high performance system consisting of a series of *process networks*, which mobilizes highly specialized businesses, at different levels of the value chain. The assemblers merely define the broad outlines of units (size and weight) and instead of designing them themselves, leave the suppliers to carry out the design process. Such approaches involve decentralized co-creation with

local suppliers based upon modular systems more than traditional *top-down* approaches.

Due to this method of operation, Chinese businesses now manufacture 50% of global motorcycle production.

In Vietnam, Honda's market share has gone from 90% in 1997 to 30% in 2002, Chinese businesses having become market leaders.

In the sphere of production of diesel engines and energy generators (the *horsepower* market), Brown and Hagel [BRO 05] also give the example of Cummins in India: in 2002, the group was the market leader for *high horsepower generators* in India. It decided to invest in the *low horsepower market*, which responded to the needs of small retailers, regional hospitals and farmers. However, the needs of hospitals and farmers were different, hospitals needing quieter machinery, and farmers needing machinery which would be protected against mud and dirt. Cummins therefore designed machinery with a uniform base and modular systems for hospitals and farmers, with a solid and reliable low price product, allowing customers to avoid after-sales costs. The company gained 40% of the market share in India in three years, and started to export to Africa, South America and the Middle east. Such machinery could have a devastating effect, if it was sold in developed countries, where the margin of manufacturers very much rests these days on providing after-sales service.

Such competitors are formidable and constitute powerful threats for multinationals of developed countries: being either obstacles that prevent them from breaking into emerging countries; or market threats in the long run in developed countries. Thus the President of General Electric claims that he is much more threatened by these giants than by his traditional competitors such as Siemens, with whose ways of working he is acquainted.

In particular at the organizational level, the key success factors of this *reverse innovation* are in fact identical to those touched on above in section 1.2.2.5.2.4.

1.2.2.8. *BOP: Is it a Global Transformational Business Lever?*

BOP is effectively often cited as a laboratory for innovation (whether this is reverse innovation or not). However, between product, process and business model innovation, and the transformation of the whole organization, there is an important margin, even a gulf. Only a few authors touch on this theme of transformation, without studying it in depth. Kanter [KAN 99] cites the case of BankBoston which beyond innovations already cited, re-centered its retail detailed strategy on community banking. Hart and Sharma [HAR 04] stress the need to question the prevailing business logic often necessary for the success of BOP projects. Simanis

and Hart [SIM 09] speak of “transformational engagement” with stakeholders, and the equally transformational nature of innovative business models, embedded in local reality. Lastly in the title of Govindarajan and Immelt’s “Reverse innovation: how GE is disrupting itself” [IMM 09], the close link between reverse innovation and strategic renewal is highlighted. However, this link is more supported by the title than by the article itself which talks more about product innovation than strategic renewal.

For his part, Perrot in 2012, analyzed the process of the appearance and increasing power of the BOP strategy, not as trivial but genuinely assimilated into the business’s overall strategy. Even if it is not in fact a process of overall organizational transformation, nevertheless we notice here that a BOP strategy is being created, which is both novel for the group and whose methods are of interest to us. Perrot thus distinguishes several stages (describing the strategy in the context of Lafarge):

- the first stage is characterized by local attempts at BOP methods, led by subsidiaries in South Africa, China and India but without the support of head office;

- the second stage is marked by the development of the head office for which three phases are evident:

- the first consists of an approach whereby Lafarge leaders become sensitive to BOP issues, led by Perrot himself and supported by one of these leaders, as well as meetings, notably with one of the leaders of Danone engaged in these approaches,

- the second involves two pilots carried in Indonesia, and the promising prospects that they offer,

- the third phase involves preparing a roll-out strategy; which goes through a number of strategic decisions: appointment of a dedicated affordable housing team in 2010, linked to the Vice President for Strategy and Development; elaboration of a roll-out strategy for the Banda Aceh initiative in Indonesia, and the creation of a fund allowing the financing of micro-finance organizations to support BOP projects. The group decides to launch a growth program using “unfamiliar approaches”, for which BOP is a part.

Perrot then analyzes managerial control systems put in place by Lafarge, as development levers for this new strategy. He goes back to Simons’s grid [SIM 94], already mentioned in the section on CSR:

- belief systems: the mission is redefined, a statement of values is the tangible element of these, in the case of Lafarge, the intangible element consists of this new representation of BOP as a growth opportunity, instead of a constraint;

– boundary systems: looking at Lafarge, Perrot analyzes the possibilities for pushing the boundaries, allowing the business to explore new industries (co-designing houses and micro-credit);

– diagnostic control systems: Perrot analyzes the adaptation of control systems to local realities;

– interactive control systems: he observes processes and decisions that will allow managers to influence the new sets of strategies).

Perrot's article is one of the most accurate ones detailing the process of the emergence of a new BOP strategy.

It is this transformational angle, touched on by publications in the field but without in-depth analysis, which arouses our curiosity and appears to us as a subject to explore empirically. Indeed, it seems to us to respond to two important issues, likely to provide responses to our line of questioning upon the reinvention of economic models, with a view to solving the social equation cited in the introduction.

We have thus studied the publications in the field relating to BOP. These field publications appeared over a decade ago, as a quasi-miraculous response to the issue of poverty and the challenge of growth of multinationals which has already been the subject of numerous debates and been called into question several times. As touched on above, some even suggest using the term BOP to simply mean emerging markets [SIM 12]. They also suggest forgetting social impact research and to focus more solely upon the business approach, with social effects then only occurring as a consequence of this. These authors say that assimilation of the social dimension in project purposes is, for its part, doomed to failure.

We nevertheless choose to continue to use this terminology, with Prahalad and Hart's dual economic and social meaning [PRA 02], as from our viewpoint it best represents the categories cited: those at the bottom of the pyramid which can be present as much in emerging countries as in developed countries.

We propose studying, in the part which follows, the publications with which place greater focus on the social dimension, that of social business.

1.2.3. *The set of themes within social business*

Closely linked to the set of BOP themes, especially when it is designed as a dual economic and social approach, we find the concept of social business: since 2008, the latter has been defined as a business which unlike the traditional business models

does not aim for profit maximization but social impact maximization. This essentially mainly focuses upon reduction of poverty and the response to the fundamental needs of individuals, in particular the destitute.

Let us turn to Yunus's definition, which we are using as our own [YUN 10]:

“A social business is a particular type of business, whose objective is to resolve social problems, in particular those related to poverty once and for all, using business methods, including the sale of products and services and whose objective is also to provide responses to many other humanitarian problems: hunger, homelessness, illness, pollution and ignorance.”

In fact, social business is not solely concerned with problems of poverty (even if it cultivates a particular interest in this field). Its role may also, for example involve a service activity for those living alone (not necessarily disadvantaged but suffering from solitude). This could also include educational support.

Yunus distinguishes two sorts of SB:

– social business type 1: this involves a “no-loss no-dividend” business, whose intention is to resolve a social problem. The business is the owned by the investors who reinvest all of the profits. The latter are able to recover their initial investment without any capital gain”;

– social business type 2: this involves a “for-profit business, but owned by the poor, who are dedicated to a social cause. As the profits go back to the poor, it then automatically helps a social cause”.

Social business, as Mr Yunus defines it, is essentially financed by philanthropy and does not therefore produce dividends.

The latter point notes that many rich people give highly sizable sums within a philanthropic context (a practice adopted by Bill Gates). Mr Gates ultimately operates on the sidelines of the business and the money is given and spent in its entirety once and for all.

Social business intuition involves wanting to use this money in the most relevant way by investing in profitable and therefore sustainable social businesses and therefore continuous, and through the reinvestment of profits allows for autonomous growth. Yunus advocates a global development of social business both in parallel to, and on the sidelines of, the market and the capitalist system.

In fact, the social business concept is very close to that of social entrepreneurship even though one should not confuse them. In fact social business is a form of social entrepreneurship amongst other possible forms.

There are numerous definitions of social entrepreneurship.

They nearly all have the following characteristics: priority is given to the social mission and the economic aspect of the business operations. We can go back to Seelos and Mair's definition [SEE 07]:

“The term social entrepreneurship is used to refer to the rapidly growing number of organizations that have created models for efficiently catering to basic human needs that existing markets and institutions have failed to satisfy. Social entrepreneurship combines the resourcefulness of traditional entrepreneurship with a mission to change society.”

The term social entrepreneurship is used to designate the growing number of organizations who have created models seeking to respond to basic human needs, which existing markets and institutions have failed to meet. Social entrepreneurship combines traditional entrepreneurial resources and the mission of improving society.”

Social entrepreneurship may take different forms as to profit. It may be non-profit business operations or for-profit business operations, but pursuing a strong social purpose or finally a no loss, no dividends business operation, that is aiming for break even status but not yielding dividends. This last category in fact fits Yunus's definition of social business. Moreover, a social enterprise can depend in part upon subsidies; although whereas a social business per Yunus's definition does not depend upon subsidies.

Social business is often confused with the various BOP models. Prahalad and Hart [PRA 02] confirm that the forerunners or inventors of the BOP concept indeed always emphasized the social aspect of BOP projects, and they did not disassociate this latter from the pursuit of profit. They have always felt that is possible to generate profits whilst contributing to the development of poor populations. In fact as Karnani emphasized [KAR 07], the pursuit of profit is generally prevalent amongst multinational businesses.

Social business integrates a specific aspect, which is new in relation to BOP: that of free unmotivated giving .

It is based upon the following concept that Yunus often champions: that of *homo economicus* admittedly as a creature used to selfish tendencies but also capable of giving without financial motivation and of empathy. He rises up against this one-dimensional view of the individual, which he feels underpins current capitalism. He believes that man is multi-dimensional, and has relationship, artistic, and spiritual dimensions, and that this free unmotivated giving, this gift dimension, can also be lived out in business.

Yunus [YUN 10a] thinks that current capitalism is driven by a false perspective which can be thus formulated: the sole mission of individuals working within businesses is to maximize profit as if they were moneymaking robots.

Two main major criticisms have been formulated with this approach:

- the refusal of dividends, which does not allow for capital remuneration and considerably limits access to investor capital;
- Yunus’s binary concept with the coexistence of two systems, that of social business and that of the market, without any necessary move away from the mainstream approach.

We notice that the first criticism (linked to the refusal of dividends) only relates to type 1 social business defined above: social businesses owned by the “non-poor”. However this criticism cannot only be applied to type 2 social business, Yunus having added this new category in his last book.

As well as BOP projects, social business projects are frequently identified as breakthrough learning levers.

1.2.4. Conclusion of the review of publications on CSR/BOP/social business

The study of CSR Publications has allowed us to better understand the role of business in relation to society, as well as the issues for business when taking account of environmental and social dimensions. Let us recall that faced with the transformations in progress, and the numerous challenges in our society, we posed the question of the business role in the shaping of this new era described in the introduction. The publications include a number of unresolved debates. Although they have the merit of having made perspectives and practices relative to the role of business in society evolve, they do have significant limits. They explore, relatively little, the issue of “how”: how can a business develop its practices to reduce its negative environmental and social impacts? What processes and key success factors should a business use?

CSR publications to date have only covered business transformation to a limited extent. They are more focused on an incremental view of business change. They do not account for society's challenges such as climate change, resource depletion and increased social inequality. Moreover, they are only concerned to a limited degree with business transformation, being more focused on an incremental view of changes and less upon the urgency of today's societal challenges such as climate change, resource depletion and the increase in social inequalities and the extent of the changes necessary by the new context of growing scarcity in which our society is evolving. This limited perspective gives rise to a more innovative one, based upon a radical paradigm shift, which is that of CSR 2.0, which a number of researchers are advocating and which holds our attention interests us. However, this approach is in its infancy and needs to be the subject of further empirical research.

The concepts of BOP and SB in which we are interested are at the heart of the major debates of this theoretical movement into which they fall. They raise, in particular the question of the purpose of business, the convergence of the pursuit of profit and social impact.

They open up concrete perspectives on CSR 2.0 and thus offer empirical territory for further analysis:

- the characteristics and methods to implement these innovative models;
- the reality of their impact on innovation, even the overall business change.

The study of the publications highlighted the specifics of the SBOP initiatives and the numerous challenges that they bring for multinationals in developed countries: frequent pitfalls such as the adaptation trap and/or the inability to replicate pilot experiments area are plentifully emphasized.

However, even if there are very few success stories, the authors on the whole tend to show that the risk is maybe higher – at least in the case of multinationals for whom emerging countries constitute challenges – of not trying to set up there, than of taking the plunge, even if it means facing potential failure:

– for *first mover advantage* reasons: no doubt it is in the interest of businesses to be present in countries before their competitors. Reaching populations at the bottom of the pyramid now increases their chance of being there as consumers' purchasing power develops over time;

– owing to the learning curve being long, it is better not to delay making a start on the project;

- owing to the growing threat of competitors from emerging countries;

– given the laboratory nature of innovation, indeed of any reverse innovation within these projects;

– owing to their potential reinvention lever/more general business-wide change.

The SBOP models are obviously not the only lever for possible change. However they thus appear to be a relevant lever for businesses, in particular for businesses for expanding the target towards the base of the pyramid as this becomes necessary.

The theme of change, which favors these initiatives has admittedly been touched upon by several authors but without in-depth analysis and lacking a detailed empirical basis.

The social dimension of these approaches, more or less marked, whether it is a question of SB or BOP, seems relevant to us it and affects indeed more than a minority of businesses, owing to the pressures which they face nowadays: pressures from civil society, consumers and employees.

We have chosen to assimilate it in our approach, as a result of deciding to complete our research in the field of CSR. The extent or otherwise of the role that this social dimension plays in business change transformation will be looked at during our empirical study our research topic.

It only remains for us to now go further with our analysis of this concept of transformation, which has been insufficiently treated by the CSR and SBOP publications and is at the heart of our line of questioning.

Strategic Renewal

To better understand how to drive the transformation assumed by the transition to this new era mentioned in the introduction and that the SBOP models seem to facilitate, we turn this time to the strategic literature relating to the adaptation or transformation of the company to meet changes in the environment. We will try thereby to better understand the issues, mechanisms, challenges, and key success factors, and seek to identify theoretical models that will allow us to build our analysis grid and analyze the transformation process resulting from SB/BOP projects.

This chapter thus aims to study the academic literature on strategic renewal, an already studied theoretical concept to apprehend the transformation, and is therefore at the heart of our research question.

A whole area of the strategic literature emphasizes the need for the company to adapt to its environment to remain competitive and survive in an often very competitive world shaken by numerous disturbances. In this, either reactively or more proactively, the company is helping to change the rules of the game. Soparnot and Renard [SOP 10] however underline the limits of the literature on the adaptation of firms and particularly that of a multiplication of concepts, which can induce some confusion: strategic renewal, strategic agility, dynamic capabilities, organizational learning, strategic flexibility and organizational capacity for change.

These authors choose to focus on three of these currents: strategic renewal, dynamic capabilities and organizational capacity for change.

We present below one of these currents: that of strategic renewal that seems best suited to our questioning. We will seek a conceptual framework, allowing us to define our analysis grid.

Strategic renewal, as explained above, is at the heart of our questioning.

Indeed, as Soparnot and Renard explained, the concept is rather close to that of radical reorientation, based on a dominant paradigm different from the former.

Such a concept echoes our words relative to CSR, its limits, and the need evoked for a paradigm shift and a move towards a CSR 2.0, in response to current changes and challenges.

2.1. Definitions and issues

The authors of this theoretical field are almost unanimous on the risk for a company not to change its strategy: the success of yesterday can quickly become tomorrow's failures.

Strategies that had hitherto shaped the company's success can become inappropriate.

Due to globalization and increased competition, companies have an incentive to renew their strategies and innovate faster than ever before.

2.1.1. Incremental change vs. radical change

Two major strategic change categories have since emerged: incremental changes, and more radical discontinuous changes (or ruptures).

Incremental changes are the most common: they represent a convergence phase, defined as a "period of equilibrium, characterized by relatively long phases of incremental change and adaptation in which structures, systems, controls, and resources toward increased mutual alignment are elaborated".

This is an evolutionary process. Ambiguity remains in incremental changes: in some cases, they appear able to lead ultimately, when juxtaposed, to radical changes. Indeed, a revolution by decree is not necessary; small streams can give great rivers. In other cases, these incremental changes only seem to strengthen the system, according to a law of homeostasis. *More radical changes* are rarer; they result in "simultaneous and discontinuous changes of strategy, distribution of power, structure and nature of the control systems".

According Mezas and Glynn [MEZ 93], *strategic renewal* approaches such radical shifts. This renewal is associated with the process of innovation, defined as non-routine, significant and discontinuous organizational change.

2.1.2. Intentional change vs. unintentional change

The authors also distinguish two strategic renewal efforts.

1) Intentional change

Some emphasize the role of voluntary action. Mezias and Glynn speak thus about radical policy change, or revolution, which is characterized by a willingness to change the dominant paradigm, to review the usual theories. Moreover, an innovation can often also lead to destruction.

For Huff *et al.*, [HUF 92] these voluntary approaches come from the interaction between stress and inertia:

– inertia is defined positively, as an engagement vis-à-vis the current strategy; and more negatively as a tendency to maintain the status quo and resistance to SR;

– organizational stress is a concept which reflects the perception of the strategy as unsatisfactory; it reflects the dissatisfaction of individual actors and imperfections in the correspondence between the organization and its environment.

It's when it takes precedence over inertia that intentional strategies appear.

But these voluntary approaches are vulnerable because they rely on champions and their ability to persist and to obtain support and resources. Moreover, the actors do not always master the effects.

2) Unintentional change

Some authors believe that renewal may go through a less voluntary approach. In their empirical study Mezias and Glynn seem to highlight the possible role of such approaches. They talk about a less intentional *evolution strategy*. They are more difficult to detect and are based on cultures where risk-taking is valued; routines, performance measures and controls are less accurate.

2.1.3. Cognition vs. action

Some authors highlight the twofold dimension of strategic renewal: cognitive and active.

But as Soparnot and Renard, most emphasize the cognitive dimension of strategic renewal.

2.2. Barriers to strategic renewal

All these authors highlight the *difficulties of this strategic reorientation* of the company, emphasizing the point-out more complex and difficult nature of radical changes.

Several cite the many obstacles to innovation: overall inertia, organization size, formalization, structural political, psychological, obstacles, and difficulties of leaders who are at the origin of the past strategy in admitting that today it leads to failure, fear of people who feel unable to complete the transformation. The pressures that tend to persist in the old strategy are manifold.

Moreover, the environmental changes generate role conflicts when asking managers to play different strategic roles or when time erodes the confidence necessary between managers.

These two forms of conflict increase the risk of opportunistic behavior, affecting the quality of the information shared and slowing the process of change.

In particular:

- competence deployment roles are in line with a strengthening of the existing strategy and with exploitation;

- competence redefinition roles are oriented towards a replacement of the existing strategy; they involve risk and are taken in the order of exploration.

Between the two, competence modification roles consist for managers both to confirm the usefulness of the existing strategy and to encourage emerging behaviors.

2.3. Determinants of strategic renewal

They are, according to various authors, the following:

- 1) *Environment*: a turbulent environment favors such a renewal.

- 2) *Disappointing performance*.

- 3) *Leaders*: they are often mentioned, especially when there are changes at the head of a company. The authors emphasize some characteristics, strategic renewal vectors:

- their prospective capabilities;
- their awareness of environmental changes;
- taking account of their own responsibility;

- their ability to make decisions, test, experiment, reconfigure;
- the unity of the management team, to facilitate courageous and engaging decision making;
- their capacity to define a vision, to share and to show empathy;
- the development of cognitive processes and action phases of understanding (*sensemaking*) and influencing (*sense giving*).

2.4. Link between organizational learning and strategic renewal

This link is clear and very often addressed in the literature.

Many evoke the “*trial and error effect*”: learning comes from the gap between performance and expectations of managers. Perceived performance below expectations generally favors initiating a learning process, and the chances of shifts are larger. When organizations are successful, then they tend to maintain the status quo.

Others highlight the too simplistic nature of this effect.

Learning is a much more complex phenomenon.

For example, we see that some organizations with poor performance do not fit into a learning and reorientation process.

In reality, the interpretation of the reasons for the underperformance, and measures to be implemented, is sometimes made difficult by environmental changes and uncertainty.

In some cases, the defense mechanisms of managers, who tend not to recognize their mistakes, but rather to attribute the difficulties encountered to external reasons, undermine the principle of the “*trial and error effect*”.

Furthermore, when the situation is difficult and performance poor, managers may prefer to allocate their time and resources to try to solve the most urgent problems, rather than to change.

In other cases, conversely, performance may go beyond expectations; and yet the leaders, anticipating some future developments, will nevertheless initiate learning and change processes.

But beyond all these considerations, few authors actually explore the “black box” of organizational learning, leading to strategic renewal. Crossan and Bedrow [CRO 03] are definitely avant-garde and propose a theoretical model, 4I, which allows them to analyze strategic renewal, through the organizational learning process, this according to a double cognitive-behavioral approach.

Their approach, as Soparnot and Renard point out, is “inclusive” and has the advantage of linking individual and organizational learning as “a source of strategic renewal”; their model is a particularly useful tool to “chart” the strategic renewal process.

Traditionally, organizational learning was too disconnected from strategy.

Some academic papers have certainly made the connection between the two but have a limited view of this link.

The first limitation consists of a reductive view of organizational learning which tends to equate it to a simple “trial and error effect”, or to a very rational decision process.

The second limitation of the academic literature is not to take sufficient account of the exploitation/exploration dichotomy.

The third limitation is the lack of empirical study investigating the effects of organizational learning on strategic renewal. The process of organizational learning remains a sort of black box, insufficiently explored.

Finally, it is too often mythologized and idealized as the bearer of only positives, whereas it may be more or less suited to the company and its context and therefore may or may not lead to a positive impact.

The authors link the two concepts of organizational learning and strategic renewal. This last concept is underpinned by the first: organizational learning has a real interest to the extent that it leads to strategic renewal and not simply to the learning of a few individuals or groups. It is also a means, or even the main way, according to Crossan *et al.* [CRO 99] to perform strategic renewal of the company. They consider that too few specialists in organizational learning apprehend this concept in a perspective of strategic renewal.

This renewal also means that companies explore and learn new ways of doing business, while leveraging what they have already learned. This assumes that they know to manage the tension that is inevitable between exploration and exploitation.

The authors propose a framework (that of 4I) to explore the effects of organizational learning on strategic renewal articulating the transition from individual learning to group learning. Indeed, the company's renewal is only strategic to the extent that it concerns the entire organization.

It is thus a strategic renewal process, which takes place iteratively in four stages (intuition, interpretation, integration, institutionalization), and on three levels (individual, group, organization).

4I integrates the two dimensions of organizational learning: cognitive and behavioral.

Level	Process	Input/Outcomes
Individual	Intuiting	Experiences
		Images Metaphors
Group	Interpreting	Language
		Cognitive Maps Conservation/Dialog
Organization	Integrating	Shared understanding
		Mutual adjustments Interactive systems
	Institutionalizing	Routines
		Diagnostic systems Rules and procedures

Table 2.1. *Organizational learning/strategic renewal in organizations. Four processes through three levels [CRO 99, CRO 03]*

Intuition, on the individual level, is the pre-conscious identification of new possibilities, lived from each individual's personal experience; this process can affect the intuitive behavior of the individual. One of the most powerful ways to evoke an intuition and give it words (which already begins the next step of interpretation) is the metaphor: Crossan *et al.* [CRO 99] thus give the example of Apple and the metaphor found by Steve Jobs to explain his intuition and vision, that of *appliance* which he established to evoke the concept of a personal computer which was easy to use, small and accessible.

In old organizations with a strong institutional character, intuition requires a form of unlearning or “creative destruction”.

Interpretation is situated between the individual level and the group level; it is the verbal explanation of the intuition or idea. Language and its subtlety to define a particular phenomenon play a key role here. Each person actually has different cognitive maps, that lead to different ways of interpreting concepts or realities.

Integration is the process of developing a common understanding between individuals, and the introduction of collective action; dialogue and joint action are critical to the development of a shared understanding. This is a rather *ad hoc* and informal process but if it becomes recurrent, it tends to become institutionalized.

Institutionalization is the process that ensures routine actions and that embeds learning in the institutions of the organization, through the strategies and structures, and systems and procedures.

This process of organizational learning as a strategic renewal lever is described sequentially, whereas we see in reality many back and forth steps between these different stages, given the recursive nature of the phenomenon, as the following figure indicates.

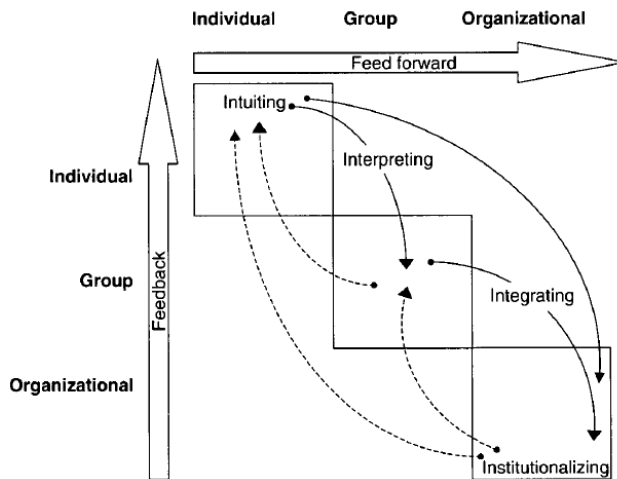


Figure 2.1. Organizational learning as a dynamic process [CRO 99, CRO 03]

This process also undeniably takes time.

It is a living process that by its return effects (organizational level to individual level) allows the renewal of intuition and the continuation of the transformation. Without this feedback, the step that would then end institutionalization –

corresponding to operation – would not be accompanied by the intuition/interpretation/integration process, corresponding to exploration.

The authors analyzed, through the 4I framework, the organizational learning process established by Canada Post in its strategic renewal effort aimed at transforming the company from an inefficient business, in deficit due to massive use of paper, to a dynamic, profitable, competitive, technological and dematerialized company, capable of routing mail around the country in 24 h.

They start from the main intuitions of certain players, and explore how these intuitions could have emerged, to then be shared with others, and integrated, before giving rise to a process of institutionalization.

At the level of intuition, the study consists in analyzing its sources. Knowing that it is difficult to observe pre-conscious processes, the authors seek to identify which of the company's actors had brought the most essential intuitions for the transformation. In particular, they identify the key role played by an actor, not a leader, called a visionary, driven in particular by a vision of a dematerialized postal activity; this actor was listened to and acknowledged by the recently arrived new CEO, who from his experience in the automotive sector, was familiar with automatic systems.

At the level of interpretation, the authors focus on how individuals express their ideas, and in particular their vision of the evolution of the company. They find divergent views, middle managers expressing their concern only to comply with the guidelines from above. They also notice the replacements made by management: the most recalcitrant are invited to leave, other actors from outside (in particular from the sector that the new leader came from) taking their place. Finally, they mention some awareness training for the challenges of dematerialization. Despite these measures initiated by the company management, the authors find that if behaviors of employees have evolved relatively, representations, meanwhile, were little changed.

The authors then analyze the integration process, particularly in trying to see if there is a participatory *bottom-up*, or instead a *top-down*, approach and if the intuition holders, when they do not know how to “sell their ideas internally”, may or may not be relayed by champions, more skillful in promoting the insights of others.

They focus on analyzing cases where integration is easy and also where it faces many obstacles and how these obstacles are removed. Overall, they again identify a relatively *top-down* process where opponents (remaining in the company) have little say: unions, for example, are not heard in decisions and the threat of bankruptcy is

often highlighted. The tension between exploration and exploitation is also studied: the allocation of resources is the subject of several debates in the management team.

Regarding institutionalization, at the strategic level, the company's economic model – including the value chain – is amended, including some activities being outsourced, and others consolidated. New systems and procedures are established because of the use of new information technologies and new modes of transport.

Again, the factors promoting, or on the contrary hindering, institutionalization are analyzed: for example, the fact that champions may or may not be decision makers in the allocation of resources; the new structures in place, such as the National Control Center, which allowed close monitoring of mail delivery problems; the structures dedicated to exploration; its relationship to the entire company; communication devices, allowing managers to communicate internally and externally on the changes underway.

This way of breaking down the process of strategic renewal of the company through various recursive organizational learning processes, allowing switching from individual to collective level, and in parallel managing the tension between exploration and exploitation, seems particularly suited to our research question; it will be the central point of our theoretical model, described at the end of the conceptual analysis.

Other researchers have since used this 4I framework to analyze an organization's strategic renewal process.

The article that seemed most relevant to our approach is the one written by Canadian researchers on a company specialized in the forest industry: MacMillan Bloedel. The authors examine the transformation process that led to a major strategic shift: from an economic activity based – without questioning – on massive deforestation practices to a respectful attitude to the environment and communities. They try to understand why this process took so long to start, knowing that civil society pressures were intense for a number of months and why – at some point – the situation changed so quickly.

They enrich the 4I framework of Crossan *et al.* [CRO 99] with a systematic analysis for each of the Is, blockages and levers of transformation, recognizing in particular the importance of the external environment and internal power games. At the external environment level, the exposure of individuals to stakeholders appears to be a significant determinant of learning, as well as the power position of the proponents of the transformation, and their autonomy and resource allocation capacity. Finally situations and people are key levers and potential blockages.

They complete the first step of learning (*intuiting*) of another process called *attending*. The latter represents for them learning from voluntary attention to the external environment and potential weak signals which, in other words, seems to be a prospective approach closely linked to intuition: it in fact gives rise to certain intuitions and also results in part, even if it is *a priori* a more conscious and active approach than intuition, supposed more preverbal and of the order of the subconscious.

They analyze the learning undertaken at individual, collective and organizational level, and the transition from one to the other. They thus validate the 4I framework, while enriching it a little, as we have seen previously.

Just as in the article by Crossan *et al.* [CRO 99], they identify two people who will be instrumental in initiating change, a phenomenon that will actually be triggered upon the arrival of a new leader. It includes the joint role of “champions” (more or less in positions of power) and leaders. Champions actually have more impact if they are in positions of power but if they are not, or have less, they remain important when they are in close contact with the leader (while playing a power to influence role).

Nevertheless, both in the articles of Crossan *et al.* [CRO 99], and of Zietsma *et al.* [ZIR 02], a core concept seems to be lacking, we believe, for the transformation of the company: that of competence. Crossan *et al.* analyze the strategic renewal of the organization “plotting” in some way, the insights of some individuals (leaders and “champions”), and their progressive impact on the entire organization and also seeking the dynamics of power, and the more or less *top-down* or participatory character of the transformation.

We actually think that these intuitions closely related to forward-looking approaches from them play a key role in the transformation.

But the competencies that each acquire, especially from common actions initiated during the integration process, and their impact on the transformation of the company, are not the subject of attention of these researchers.

However the transformation, through the organizational learning process of these initially rather individual competencies, to collective and then organizational competencies, seems to be at the heart of the strategic renewal process, at least in the case of our research: studying the process allowing to use SBOP projects as transformation levers, passes necessarily according to us via a study of the acquisition and dissemination of competencies acquired through these projects.

The study of these various authors allows us to propose the definition we give to the concept of strategic renewal for the rest of this book (largely inspired by Crossan *et al.*):

DEFINITION (Strategic renewal).– We call strategic renewal the relatively radical reorientation of the strategy of a company, quickly or over time, to adapt the company to a changing environment to ensure its competitiveness. Such strategic renewal requires an organizational learning process and management of the tension between exploration and exploitation.

2.5. Conclusion of the strategic renewal literature review

The study of the strategic renewal concept allows us to better understand the way strategy researchers apprehend the concept of adaptation, or transformation, which appears relatively unavoidable following our CSR analysis; a finer perception of the issues, determinants and barriers, and transformation processes results from this.

We were able to identify a theoretical model particularly relevant in relation to our research question: it is the model of Crossan *et al.* [CRO 99]; it provides a framework for analyzing the learning processes leading to strategic renewal, starting from the insights of leaders and champions, at the origin of this renewal.

The ability of the company to manage the unavoidable tension between exploitation and exploration is also integrated into this model.

However, this framework makes little reference to the organizational competencies and how they are acquired and articulated with the individual and collective competencies.

We therefore propose a quick detour via the concept of competence. The latter in fact has the advantage of having given rise to some empirical work on the relationship between the three levels: individual, group and organizational.

Individual Competencies to Organizational Competencies

Koenig, cited by Leroy and Ramanantsoa [LER 97], proposes the following definition of organizational learning:

“Learning is the collective phenomenon of acquisition and development of cognitive and behavioral competencies, knowledge and skills, resulting in a more or less deep and lasting change in the way the organization is managed.”

Koenig’s definition seems to involve the concepts of knowledge and competencies, while making a distinction between them.

We will retain on our side the rather classic definition of competence: combination of knowledge, skills and attitudes held by an individual.

Knowledge and skills are in fact just knowledge, in the sense understood by the literature on knowledge management. Knowledge can thus be assimilated to competencies; only attitudes are perhaps of a different order, even though they are actually mentioned as knowledge by referenced authors such as Nonaka.

Recall also that Crossan’s framework [CRO 03] integrates the individual, group and organization levels but focusing more on intuitions and the transformation process that may result and not on knowledge or competencies. But as we said, studying the processes allowing to build on SBOP projects to make transformation levers passes in particular according to us via a study of the competencies acquired through these initiatives, implemented during the integration step (3rd I): individual competencies to organizational competencies via collective competencies.

This chapter therefore aims to further explore this linkage, present in the literature, but rarely explored empirically.

3.1. Theoretical analysis of the linkage of individual, group and organizational competencies

Before discussing the empirical part we will focus on the concept of collective competence, which is at the intersection of the concepts of organizational competence, belonging to the field of strategy, and individual competence, belonging to the field of human resources, that we do not study in depth in this book.

Before that however, it is important to clarify what we mean by competence. As recalled by Le Boterf [BOT 06], without the individual there is no competence.

Classically, the literature identifies three dimensions: knowledge, skills and attitudes. However, it is now outdated to consider competencies as mere sums of knowledge, skills and attitudes. Outside Taylorist tasks, that can continue to exist in certain sectors, actors are increasingly facing complex activities, that require them to react, interact and combine a set of skills, attitudes and resources.

Competence therefore appears more as a process.

In the case of non-strictly Taylorist tasks, we retain the definition of competency of Le Boterf [BOT 06]:

“When the cursor is near the pole marked by a rather open prescription (not strict), being competent means knowing rather how to act and react, that is to say “what to do” and “when” to act and react.”

Therefore, individual competence, the starting point of any competence, certainly implements individual capacities but in interaction with an environment, with networks and resources that the individual is thus going to mobilize. Individual competence therefore often has (always in the case of non Taylorist tasks) a collective dimension.

In contrast to this concept, we find that of organizational competence located at the organization level.

Let us repeat the definition cited above:

“Dynamic ability, the capacity of a firm to integrate, build and reconfigure routines based on various specific resources of the firm”.

These so-called organizational competencies are indeed specific to the company, and are registered in its identity and in its lived experience. They can be strategic,

meaning they constitute a more competitive element thereof. However, some are not considered strategic, for example if they are easily imitable or transferable.

Between the two lies collective competence: it is thus at the group level, and at the interface between strategy and human resources; it is undoubtedly why it is the subject of little study. It represents the ability of a group to carry out an activity together.

Collective competencies arise from the “combination” and the “interdependence” of individual competencies in a “work collective or a team”.

According to Retour and Krohmer [RET 11], this collective competence has four attributes:

- a common reference frame, structuring collective action, the result of the confrontation between experiences and representations of actors;
- a shared working language, a common vocabulary that enables actors cognitive economy in action (we understand in hints);
- a collective memory both recording past learning and directing further learning;
- and a subjective commitment, a subjective mobilization of actors oriented towards the common enterprise.

These four attributes, it seems, connect with the concept of cooperation, considered by some authors, such as Le Boterf, as being at the heart of collective skills. The quality of interrelations and cooperation is key to achieving a common goal. Le Boterf cites the case of a clinic in England, which had sadly been noticed for its high mortality rate in cardiac surgery, double the rate observed in England. One study found lack of cooperation between actors, and not individual competencies, to be the cause.

In a transverse approach, two authors analyze human resource processes, promoting both collective and organizational individual learning:

- at the level of individual competence, they are: recruitment, integration, training and evaluation;
- at the level of collective competence, they are: professional mobility and training;
- at the level of organizational competence, they are training for careers and governance.

We will retain these levers in the analysis of the institutionalization process, where human resource processes will be a particular subject of study.

3.2. Empirical analysis of the linkage of individual, group and organizational competencies

A relevant study on this linkage was carried out by these authors, who analyzed the SCOP construction company, Batiscop. They thus first tried to identify the company's key strategic competencies, in particular: "control of the commercialization chain of a service, the strong involvement and accountability of production teams".

Then they located a number of collective competencies (ability to cooperate, ability to learn, ability to communicate) and analyzed their attributes: the common reference frame in particular with the company charter; the shared language relating to cooperative status; the collective memory consisting essentially of construction sites, and collective commitment of employees.

They finally studied the human resources levers that promote the creation of collective competencies: training, mobility, recruitment, remuneration policy and communications policy.

Apart from this study, relatively limited in terms of depth of analysis, we have not located any comprehensive study of the linkage between these three types of competence.

3.3. Conclusion of the literature study on competencies

In reality, the academic literature provides little about the linkage between individual, group and organizational competencies. However, it provides insight into the intermediate concept of collective competence, highlighting five attributes that we will integrate into our analytical framework: common reference frame, shared working language, collective memory, subjective commitment and cooperation.

Conclusion to Part 1

Summary of literature review

We started from the study of the CSR literature, as a societal perspective is the starting point and the basis of our research approach: in the face of change and current major societal challenges, what answers does CSR provide? Debates about the underpinning of this concept then emerged: should an ethical or an instrumental approach to these subjects be adopted? Does behaving responsibly allow a company to be more effective? What is ultimately the company's role?

We discussed the current criticisms of CSR, which we share: a lack of study of "how", a need for a more innovative approach and a break with the old models. A CSR 2.0 concept is emerging in this sense, which attracts our attention.

Given this need for more innovative models, and even transformation of existing models, it seemed to us that the investigation relating to SBOP had generated some interesting avenues and openings. These SBOP type approaches seem rich and relevant for two main reasons:

- they are often highly innovative, and have a number of breaks, with prefiguring dependent on what may or could be a CSR 2.0;
- they constitute a potentially powerful lever for innovation, (including *reverse innovation*) and company transformation.

We then studied the strategic renewal concept; we found the 4I theoretical framework, developed by Crossan [CRO 03], particularly suited to our research question: it makes it possible to analyze the strategic renewal of an organization,

conducted through the process of organizational learning and management of the tension between exploration and exploitation. The research question at the basis of our work, however, requires enrichment and change of this theoretical framework, integrating the analysis of the linkage between individual, group and organizational competencies. In fact, strategic renewal happens, as indeed demonstrates Crossan from the intuitions of some leaders and “champions”, and from the resulting processes of interpretation, integration and institutionalization (in rather *top-down* type approaches); but it also involves the development of individual and then collective and organizational acquired competencies, that favor SBOP projects (this time in a more *bottom-up* dynamic).

Development of the theoretical model of our research, from the analysis of the literature

Note that the theoretical model that we will present below is primarily derived from conceptual analysis; in reality it also follows from the first interviews and observations. Our approach being abductive, as will be explained in the methodological part, it requires frequent and iterative back and forth steps between theory and empirical analysis.

To answer our research question (what are the processes which allow us to take advantage of the SBOP projects to make strategic renewal levers and change from individual learning to organizational learning, in a reverse transformation process?) we have developed an analytical framework using theoretical frameworks from the literature on the one hand, and back and forth steps to the field on the other hand.

The main framework used is that of the 4I model of Crossan: organizational learning and strategic renewal (intuition, interpretation, integration, institutionalization). This framework seems to us all the more relevant in that it has been established by the authors to study the organizational learning process conducted for the strategic renewal of a Canadian telecommunications group.

Specifically it has the advantage, in our view, of connecting concepts often separated in the academic literature:

- individual and collective levels;
- cognitive and behavioral dimensions;

- organizational learning and strategy;
- the tension between exploration and exploitation.

It underpins reflection on collective intelligence, stressing the importance of intuition and interactions.

However, as we mentioned above, Crossan’s analysis of of the renewal process conducted from intuitions of leaders and champions, seems to us to obscure an important dimension, at the heart of transformation and learning: that of competence.

As part of our research question, if these intuitions, and the strategic intentions derived from them, are indeed essential to the triggering and implementation of the strategic renewal process (here, we reach the concept of strategic intent), it seems to us that individual and then collective and organizational competencies developed from SBOP type initiatives, undertaken as part of the integration process (third I), play an equally decisive role and must therefore be studied. We affirm here that SR occurs through the dissemination of intuition and competencies.

We will thus study the SR process through these two concepts:

- that of intuition on the one hand, analyzing the process by which the insights of leaders and “champions” have (or have not) spread at the group level and then in the organization;
- that of competence on the other, studying the linkage between individual, group and organizational competencies.

These two concepts seem distinct; in reality they are closely linked: the experiments from the leaders intuitions and “champions” lead to the development of individual and collective competencies, which again impact the intuitions of the leaders and “champions”. Here, we are in step with the RS process iterative principle, mentioned by Crossan and the concept of “return” (or *feedback*) it incorporates, explaining how the initiatives put in place during the integration phase in return modify leaders’ and “champions” intuitions.

This is how we choose to introduce two different conceptual schemes in the same empirical grid distinguished by individual, collective and organizational levels, as shown in the following diagram. This scheme is based on Crossan’s 4I model, but also integrates the linkage between the different competence levels, and recognizes the iterative nature of the process by curved arrows.

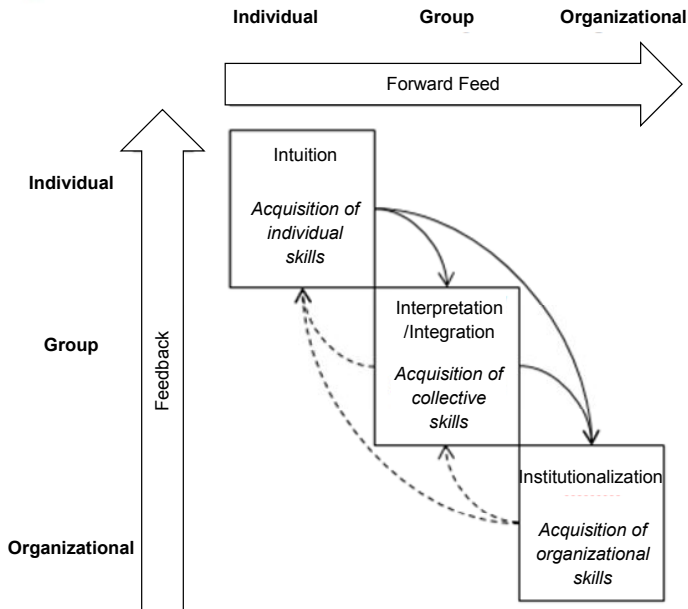


Figure 1. Diagram summarizing the strategic renewal process conducted from SBOP projects (adaptation of the diagram: “Organizational learning as a dynamic process” [CRO 99, CRO 03a])

We now specify our analytical framework.

Regarding the concept of intuition, we thus rely on Crossan’s 4I framework, however incorporating some modifications, namely:

1) *Two enhancements*, which we derive in part from other empirical studies conducted by 4I researchers.

We took up Zietsma’s proposal to enrich the process of intuition with a more proactive approach attentive to prospective developments and possible pressures from the external environment (*attending*).

We were also inspired by these authors to include analysis, this time at each level (individual, collective and organizational), of levers and obstacles to learning and, through five variables that have emerged from the empirical analysis: context, leaders, organizations, other internal and external actors.

Regarding institutionalization, we recall that according to Crossan this involves the process allowing to ensure routine actions and to embed learning in

the institutions of the organization, through strategy, systems, structures and procedures.

We will study three of these four components: strategies, systems and structures, addressing procedures in terms of decision making processes (in particular in the “structures” and “systems” components).

For structures, we will study the organizational measures taken at *corporate* level and at *subsidiary* level.

For systems, we will focus on two categories that seem to us crucial:

– human resource systems using the categories recruitment, training, evaluation and mobility;

– *knowledge management* systems, closely related to human resources, by focusing on technological and organizational resources to capture and disseminate knowledge and communities of practice.

2) *A slight simplification relative to Crossan’s analytical framework*, aiming to outline as clearly as possible a highly complex process of transformation.

The latter’s studies are indeed in the area of the second I, that of interpretation, how respondents interpret the insights of leaders and “champions”; they analyze the way they talk about the strategic directions and new company activities.

The dialogue helping to build shared representations is, meanwhile, studied in the third I of integration by these researchers, since it is built in large part through experimentation.

It is this process of building shared representations we choose to analyze in the second I, that of interpretation rather than in the third, that of integration: it seems simpler and more readable to combine in the second I, that of interpretation, everything related to representations. We will thus analyze:

– the verbalization process of leaders’ and champions’ intuitions;

– the shared representations construction process (from dialogue and action);

– and finally the resulting performances (whether or not shared) (in a “photograph”/content rather than process type of approach). We will try to determine whether within the company, these new visions and representations are shared by all the actors or only by a category.

The part about integration will therefore be more action-oriented, implementations of interpretations and shared representations: integration in

experimentations at the heart of emerging countries and then transfer of knowledge through new experimentations, from emerging countries to others, finally, transfer from emerging countries to developed countries (in a reverse innovation approach).

Note, however, the tenuous nature of these distinctions; they aim to facilitate analysis but in reality the process of interpretation and integration intermingle, new projects giving rise continuously to new interpretations. Here we reach the complex and iterative nature highlighted by Crossan *et al.* [CRO 99].

Regarding the concept of competencies, we draw on analytical frameworks used by empirical studies conducted at the pivot of strategy and human resources on the relationship between individual, group and organizational competencies.

For individual competencies, we will analyze the three levels knowledge, skills and attitudes, however, in bringing together knowledge and skills.

For collective competencies, we will use the attributes of Return and Krohmer: common reference frame, shared language, collective memory and subjective commitment.

We have thus arrived at the analytical framework of our research.

Level	Process	Analyzed data
INDIVIDUAL	Intuition	Intuitions of leaders and “champions” and prospective attention
		Blockages/levers with variables: Environment/leaders/organization/internal routines/Other internal actors/external actors
	Acquisition of individual competencies	Individual competencies gained through SBOP initiatives: Knowledge, skills, attitudes
		Blockages/levers with variables: Environment/leaders/organization/internal routines/Other internal actors/external actors
GROUP	Interpretation	Verbalization of intuitions/exchanges; Sharing experience Construction of shared representations

Level	Process	Analyzed data
	Integration	Implementation of projects from these shared representations and transfer to other subsidiaries (emerging and developed countries)
		Blocages/levers with variables: Environment/leaders/organization/internal routines/Other internal actors/external actors
GROUP (continued)	Development of collective competencies	Locating collective competencies Attributes – Common reference frame – Shared language – Collective memory – Subjective commitment – Cooperation
		Blockages/levers with variables: Environment/leaders/organization/internal routines/Other internal actors/external actors
ORGANIZATION	Institutionalization	Strategies and Structures – Corporate Level – Subsidiaries Level
		Systems: – HR: recruitment, training, evaluation, mobility – <i>Knowledge Management</i> : technological and organizational resources to capture and disseminate knowledge, communities of practice
		Blockages/levers with variables: Environment/leaders/organization/internal routines/Other internal actors/external actors
	Development of organizational or strategic competencies	Identification of organizational competencies and analysis of their strategic nature
		Blockages/levers with variables: Environment/leaders/organization/internal routines/Other internal actors/external actors

Table 1. Analytical framework of our research. Strategic renewal process using the lever for societal projects for access to goods and services (SBOP)

Empirical Part of the Research

This first part has allowed us to make an inventory of academic literature on various themes evoked by our research question: literature on CSR, BOP and *social business* and the strategic renewal and linkage of different competence levels, our research indeed lies at the intersection of these different theoretical fields.

Part 2 aims to define the methodological characteristics of our research.

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Empirical Part of the Research

The first part has allowed us to make an inventory of academic literature on various themes evoked by our research question: literature on CSR, BOP and *social business* and the strategic renewal and linkage of different competence levels, our research indeed lies at the intersection of these different theoretical fields. The second part now aims to define the methodological characteristics of our research.

Methodological Characteristics of the Empirical Study

4.1. Qualitative research methodology of exploratory nature

4.1.1. Research of exploratory nature

The phenomena that we analyze are of rather new character, and have received little treatment in the academic literature: whether from an approach of the BOP type or *social business*, or more fundamentally of the strategic transformation of a company, conducted in an economic and societal perspective. We think this justifies an approach which is rather exploratory and not hypothetical or deductive.

4.1.1.1. An abductive approach

Purely inductive research would be based only on the analysis of facts, without reference to theories.

It is clear, as demonstrated in the literature review, that if we have not identified similar questions to ours in the literature, theoretical fields to which it refers, however, are numerous.

Our research aims are rooted in reality, in an approach close to the “grounded theory” of Glaser and Strauss, but in constant contact with the theory.

It is thus an iterative research process, with constant back and forth between practice and theory, that we adopt: “The activities of data collection and analysis are conducted almost simultaneously with, in addition, frequent returns to the literature to try to explain the new observed facts”.

4.1.2. Qualitative research

We also opt for qualitative research, consistent with our exploratory approach and favoring a certain depth of analysis.

Miles and Huberman indicate its richness:

“Qualitative data are alluring. They provide rich and solidly based descriptions and explanations of processes anchored in the local context.”

It is this depth of analysis and this anchorage in current reality that we pursue to better understand how initiatives undertaken with poor people can be strategic renewal vectors.

4.1.2.1. Qualitative research based on the case study method

The case study method is considered particularly appropriate when it comes to studying a complex phenomenon in context, and to generate theories, when existing theories are insufficient to provide explanations; it is appropriate when questions of “why” and “how” arise. It thus seems to impose itself naturally for our research: the strategic renewal phenomenon linked to SBOP type approaches being new, and having so far been the subject of very little academic research. Our objective is indeed to better understand why and how such a process is implemented.

It is not the only possibility in qualitative research: there are other possibilities, such as action research. But our posture is more interpretive as that of a researcher outside the phenomenon studied but seeking to understand it in its context; hence, the case study approach is the most appropriate for this research.

Furthermore, given the complexity of the analyzed strategic renewal process, it seemed preferable, for an in depth study, to stick to a single case, which case study theorists recognize as a possibility; it has the advantage of in depth analysis and a lower *a priori* generalization limit.

4.1.2.2. Longitudinal approach to process analysis

Research on the process can be likened to a film that follows the “behavior of the object in time”, while research on the content can amount to pictures to “highlight the composition of the object studied”.

We are engaged in the strategic renewal of the company, led from SBOP type initiatives, so we subscribe to the first category of research.

The authors then distinguish two types of possible approach regarding process analysis: descriptive approaches and explanatory approaches. Our approach will be

mixed, seeking to describe the process, but also to understand the conditions that can hinder or promote organizational learning and renewal of the company, as experienced from SBOP initiatives. We will therefore define some simple variables (detailed in the research design) that we will analyze in different phases of the process. We certainly do not claim to explain all the company's transformation processes, but just that which allows or does not allow SBOP projects to be or not to be a lever for this transformation.

Forgue and Vandageon-Derumez also qualify as longitudinal “a family of analyses aimed at the study of changes over time”. They tend to be developed in the field of management. Longitudinal research takes place in a time scale considered significant in terms of possible change. The learning process experienced in a perspective of strategic renewal, through and from SBOP types of projects, that we want to analyze, is a long process, taking place over time; difficult to accomplish in only a few months. Thus this research is indeed a longitudinal study of processes.

4.2. General research design

The figure below shows the overall research design through its main stages and their links with the theory (left) and the field (right).

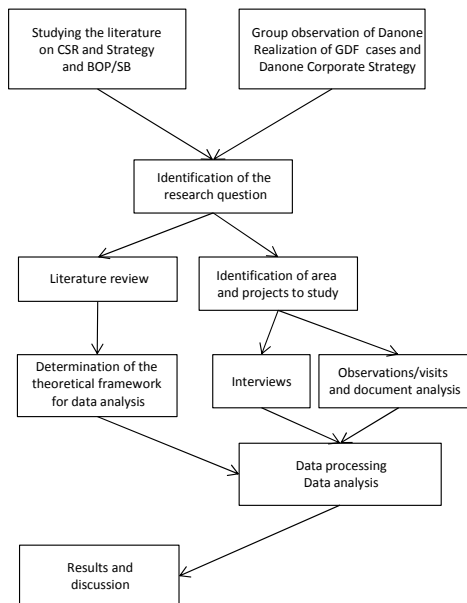


Figure 4.1. Main stages of research design and the links between theory (left) and field (right)

4.2.1. Identification of the case

The case selected for this book is discussed in Chapter 5 and is essentially that of the Danone company. Our study involves analyzing and understanding the processes implemented by this multinational to take advantage of SBOP-type initiatives and use them to make transformation levers.

In Chapter 6, we will extend our analysis to other companies: Renault, Schneider, Essilor and Bel. Our study for these will be far less thorough than that of the Danone case, but it will allow us to better perceive if Danone is a unique and isolated case or if in some cases the SBOP models are or are not transformation levers, and if so, by what process.

4.2.1.1. Introducing Danone (history, culture, organization)

Danone is the leading French food company and the world leader in each of its four activities: fresh dairy products, infant nutrition, mineral water and medical nutrition. In 2010, the company was present in over 80 countries and its turnover was over 17 billion euros.

4.2.1.1.1. History and evolution of the group business portfolio

Danone, as we know it today, is the result of the merger carried out in 1972 between the two companies:

- the glass industry group, BSN, chaired by Antoine Riboud, and specialized in container glass and flat glass;
- the yogurt company Danone, founded in 1919 by Isaac Carasso, characterized by a strong health positioning, and then taken up and developed by his son Daniel and merged with Gervais in 1967.

Antoine Riboud sold the glass business and transformed the group into the food giant in the 70s. He consolidated and developed the food business by buying Italian and Spanish companies. In 1986, the BSN Gervais Danone group entered the then flourishing biscuit industry by purchasing the Biscuit General group.

Following the fall of the Soviet empire, it began to export to Eastern Europe then setting up locally by buying Russian biscuit companies.

In 1994, the company changed its name to Danone. In 1996, Franck Riboud took over from his father and restructured the group. He chose a clear strategic focus: “100% healthy food” and sold the activities he no longer considered part of the *core business*: pasta, beer, sauces, cheeses. It thus went from nine categories of products to three divisions: fresh dairy products, beverages and biscuits.

He went on to develop the group abroad: in Asia, South America, South Africa and Eastern Europe, through a policy of takeovers and alliances: more than 40 companies were acquired in these areas.

In the 2000s, the group was thus present in over 120 countries; it had acquired more than 40 companies.

In 2003, the group opted for even greater health positioning and sought to expand its consumer targets. The group's mission was redefined and became: "Bring health through food to the largest number of people". In July 2007, Danone sold the biscuits division to Kraft. A week later, the group acquired Numico, a Dutch multinational specialized in infant nutrition and medical nutrition.

Thus in 2010, the Danone Group employed more than 100,000 employees, 29% of which were in Asia Pacific. In 2010, it achieved a current operating income of 2.7 billion euros. France represents 11% of its turnover, and emerging countries 49%.

Danone has become the world leader in fresh dairy products and water. Its turnover of 17 billion euros in 2010 breaks down as follows on now four group divisions:

- 9.7 bn in fresh dairy products, with leading brands such as Activia, Actimel, Danacol and Danonino;
- 2.8 bn in water, with brands such as Evian, Volvic and Aqua;
- 3.4 bn in infant nutrition, with brands like Blédina, Aptamil, Nutricia and Milupa;
- 1.1 bn in medical nutrition, with brands like Fortimel and Neocate.

4.2.1.1.2. Group history and evolution of societal concern

By the late 60s, Antoine Riboud, Chairman of Danone, publicly affirmed the existence of a dual project for the group: one of both economic and social importance.

During his speech in 1973 in Marseille, Antoine Riboud presented this dual economic and social project he wished his group to conduct.

It profoundly marked the economic actors of the time, particularly the group's employees.

The 1980s marked the "golden years" of social discourse: societal action was mainly centered on the social dimension of employee management; it also resulted in some initiatives such as the clean holiday initiative, and the creation of eco-packaging.

However, in the 1990s, the group experienced shortness of breath; the context was rising unemployment and the 35-hour week.

Then, in 1996, Franck Riboud succeeded his father; he needed to prove himself, and show himself to be capable of leading the multinational Danone.

He claimed very little of the dual project and appointed Jacques Vincent as General Manager of Danone, known for his business focus; some believed that the dual project was dead.

2001 marked a turning point with the “LU affair”; a restructuring plan was decided for the biscuit business: because of many acquisitions conducted since 1987, the Lu factories had reached a high level of overcapacity. Poor communication of that plan led to a media uproar, in which Danone was accused of favoring shareholders to the detriment of its social role. Calls for a boycott of Danone products were launched affecting the social image of the group; it was an intense period of crisis for Danone which led its leaders to want to kick-start societal dynamics. It was then that the *Danone Way* was developed, a participatory process of self-evaluation of BU societal performance. Steering committees must validate self-evaluation, conducted in a highly participatory manner by many employees, on a number of key areas defined centrally.

In 2005, the shift increased with the Pepsi takeover threat. Faced with rumors of a possible takeover of Danone by the US group, the public and the government were moved and mobilized to stop this takeover bid, which ultimately did not happen. The leaders then considered it important to fight against such threats to further mark the cultural specificity of the group, and make the group different: any purchase would destroy its unique nature and would therefore be futile.

Regarding its employees, the group also faced dual issues: at the French level, a number of managers for whom Danone did not sufficiently differentiate resigned; and internationally, the influx of employees from acquisitions, especially in emerging countries, needed to be integrated into the group.

All this, combined with excessive financialization of the economy, led the leaders to ask the following question: “What would make Danone truly different? And on what should this differentiation be based?”.

Thus was developed the concept of *uniqueness* (or unicuity).

The mission of the group was then redefined; it changed from “bring health through food” to “bring health through food to the largest number of the people”.

As for the group's DNA – and the dual project – the leaders started thinking about how to update it in what is now a very different world, 40 years on, globalized, and chose to focus on three or four businesses. This involves learning to look at the company from another angle, as well as its relation to society.

This led to the *Dream project* (launched in 2004): a new approach that aimed to reach across the full extent of the pyramid (except of course the lower classes in the pyramid: those who earn less \$1 per day).

The underlying intuition is this: if it wants to continue growing, a group primarily focused on three business lines (e.g. fresh dairy products, baby nutrition and Water) must broaden its targets. Initiatives were launched in South Africa and Asia. One question remained, however, a question the leaders have not yet managed to decide: should the middle/lower classes be targeted as a priority (in addition to the wealthier classes who are already Danone's customers)? Or should we also focus on the most precarious categories (people earning about \$2/day)?

It is in this context that Franck Riboud met Muhammad Yunus in October 2005: at a lunch that has now become famous, following which Franck Riboud undertook to join with him to fight against malnutrition among Bangladeshi children.

In 2006, the joint venture Grameen Danone Food Limited (GDFL) was created; the first factory was opened. GDFL is based on the social business model. This is the first social business, in the sense of Muhammad Yunus, that has as stakeholder a large multinational like Danone. The project was launched to serve as an example and prove the viability of the social business model. Its mission is divided into four areas:

- to offer a product with high nutritional value to the poor (i.e. fortified yogurt, to combat children's nutritional deficiencies);
- to create local jobs;
- to protect the environment;
- to be economically viable.

The *danone.communities* fund was launched, with approval of more than 98% by shareholders, at the General Assembly in April 2007. Its objective being “to support, accompany and fund social business projects worldwide in connection with Danone's mission: to bring health through food to the largest number of people”.

The *danone.communities* joint venture investment funds (FCPR), housed within a SICAV, invests in social business projects that meet three criteria: convergence (with Danone's mission), relevance (economic viability) and social efficiency.

The first investment of danone.communities is Grameen Danone Food Limited. Since then, danone.communities has invested in several projects abroad and in France.

Support for danone.communities is multidimensional:

- Danone has signed up 20 million euros in the danone.communities SICAV (out of a targeted 100 million);

- Danone makes a financial allocation each year to cover the costs of running the fund;

- Danone provides danone.communities with internal resources (R&D, studies, expertise, technical support missions);

- The team consists of 15 people who devote all or part of their working time to danone.communities (11 full-time equivalents).

The year 2008 marked an even stronger inflection, in a context of crisis and falling stock price, and a new strategic societal integration policy with the arrival of two new Deputy Chief Executive Officers, the strategic committee of Amsterdam and the launch of the Ecosystem fund in late 2008.

4.2.1.1.3. Danone's culture

Danone's culture is characterized by:

- an entrepreneurial culture, based on a decentralized organization, and marked by a high speed of decision;

- a dual culture, linked to the dual project; in fact two tendencies coexist;

- a culture of results, and performance: “A manager who does not get results and believes in the societal project, I fire,” Franck Riboud often says, “a manager who gets results but does not believe in the societal project, I shape and convince”. “It is because we are performing better that we can afford to have a social commitment”, he also often repeats to his teams.

The requirement for results is very strong; indeed it has often happened that those unable to meet this requirement have had to leave the group.

- A social culture, a legacy of Antoine Riboud; a “touch of madness characterizes us”, says Marc Gosselin, head of the SBOP part in the *For All* area. Employees are proud to belong to a company capable of engaging in projects like Grameen Danone.

Until September 2014, this duality was reflected in the two Deputy Chief Executive Officers. It was also found in the leader, Franck Riboud, who defined himself as the “focal point of all the group’s schizophrenia”.

In April 2008, at the International Committee of Amsterdam and following the arrival of Bernard Hours and Emmanuel Faber as Deputy Chief Executive Officers, the group’s leaders defined a new vision: the *New Danone*.

This vision was situated in the following context:

– a global awareness of food related challenges over the coming years: food crises and hunger related riots in 2008–2009 have shown in the most glaring manner the difficulty of feeding a growing world population (7 bn in 2012; 9 bn in 2050), with resources affected by global warming, water shortages ahead, soil pollution and rapid urbanization;

– increased pressure from civil society and public health agencies vis-à-vis food companies: they are now held accountable for their ecological footprint, their carbon footprint, the actions they undertake to reduce them, their contribution to the development of communities and their contributions to public health issues;

– in France, a sense of weakening employee commitment to the company: driven partly until then by A. Riboud’s dual economic and social project, in the early 2000s, they no longer see its concrete specificities;

– globalization of the group, and the challenge of ownership of this dual project by employees from all continents: in the era of A. Riboud’s dual project (in the 1970s), the group was 100% French; however in the early 21st Century, the group has more than 100,000 employees from over 120 countries; they have no experience of this dual project. It is necessary to translate it into understandable concepts for everyone in their own culture.

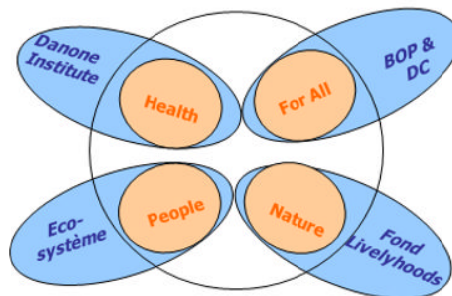


Figure 4.2. Articulation of the “New Danone” vision and platforms

This new vision is based on four axes, defined as being at the heart of the strategy, as shown in Figure 4.2:

– the *For All* axis: in achieving “the greatest number of people”, the goal is one billion consumers. The challenge is to grow both in setting up in new countries, and in seeking to reach all of the socio-economic pyramid in host countries; in many cases, this axis involves “making affordable and accessible nutrition for everyone, everywhere”. In reality, this does not necessarily reach the lowest classes located at the base of the pyramid, but moves down far enough to reach the middle/lower classes; this is the result of the *Dream* project, this time transformed into a real strategy and expanded: if in most cases *For All* means moving down the pyramid, it may in some emerging countries mean moving up the pyramid.

The danone.communities fund is a platform to stimulate innovation on this axis;

– the *Nature* axis: minimize the negative environmental impacts of the company or even contribute to ecosystem restoration, including reducing the carbon footprint significantly. The Danone fund for Nature was created in 2008; it then led to the Livelihoods Fund in 2011, a multi-enterprise platform, to stimulate innovation in this area;

– the *People* axis: sustainably satisfy all persons in relation to Danone’s business whether employees, suppliers or customers. The Ecosystem fund provides leverage: this is a platform to support suppliers and involves many Danone employees;

– the *Health* axis: bringing health through food; address public health issues in the countries where the company operates. There are no funds corresponding to this axis, based on the Danone Institutes for Health, of which the group has 19 worldwide; they operate in a network and are coordinated by an international organization.

Each of these areas is challenging for the group, and represent ambitious objectives for Danone:

– the *For All* axis aims to target populations that are barely on the “radar” of a multinational like Danone, that is rather specialized in “premium” products; these are previously unknown populations;

– the *Nature* axis sets strong targets to lower CO₂ emissions: the objective is to reduce by 30% CO₂ emissions between 2008 and 2012, which implies powerful innovations or even breaking away from old models;

– the *People* axis covers a number of challenges: for people working at suppliers, for example, it involves support for farmers who are often pressured by low purchasing costs; for employees, the culture and imprint of Danone’s dual economic and social project of A. Riboud play an important role. However, given the global situation, the challenge is to update and continue to energize the Group; for example, health coverage is implemented for all Group employees, starting with countries where it is most lacking;

– the *Health* axis constitutes a strong challenge in a company, that, particularly in the case of fresh dairy products, is focused on the functional dimension of products, in a rather traditional marketing approach, seeking to enhance the function the product (especially the aspect of regulating transit for Activia, and strengthening defenses for Actimel), while previously, the company had not put public health issues at the heart of its concerns.

Achieving the new vision therefore presupposes a thorough transformation of the company, a strategic renewal for a company whose past success marks a number of limitations and is not indicative of future competitiveness. Like many companies, Danone seems to need to reinvent itself under penalty of meeting dead ends that could be fatal.

Moreover, each of these areas has in the minds of leaders, including that of E. Faber, a dual dimension: business and societal. Since 2008, his intention has been to enhance convergence of the two: to ensure that the business itself has as positive as possible a societal impact; and likewise, conversely, that societal initiatives be included in the business to help increase economic performance. All societal activities that are not related to the business process are then stopped.

4.2.1.2. *Reasons for choosing Danone as main field for analysis*

We chose to analyze Danone because of our good knowledge of the group, as already mentioned, and the many research studies carried out with the latter that the research question partly emerged. A determining factor in the emergence of this research question was the contribution to the drafting of the Grameen Danone case and that of the *Danone Corporate Strategy* case (on the integration of CSR in the strategy and the transformation of the Danone group).

On the occasion of this work, we have been able to investigate the challenge for Danone's strategic renewal underpinned by the new vision of 2008 more clearly.

In parallel, the study of the recent evolution of the literature on topics related to CSR, in particular the finding of the emergence of the concept of BOP, of *social business* and *reverse innovation*, has also played a key role in the definition of the problem.

Moreover, the privileged access to the field because of our knowledge of the group was an asset and a key factor in choosing it.

In addition, Danone's proactive nature in societal matters recognized by many as relatively exemplary was decisive, particularly on the subject of food accessibility "to the greatest number".

This results in a significant number of cases of social business/BOP conducted notably in the framework of danone.communities and now more widely within the BOP division.

Other advantages related to this field have emerged subsequently, not necessarily anticipated at the time of the initial choice:

- the strategic intent of the leaders of the group to use BOP/SB projects as more global group transformation levers: to reinvent themselves in order to be more competitive and more in tune with societal needs. The research problem has thus proven to be in line with their strategic intent. When the author outlined his research question to certain actors, he was told: “This kind transformation is precisely the strategic intent of the leaders”;

- the decentralized nature of the Danone Group, making the process of eventual strategic renewal complex and not obvious: certainly the *corporate* level leaders define a number of policies and directions; but the BU leaders (business units) play a decisive role. If they reject a policy defined centrally, it is likely to fail;

- the multinational status of the company, publicly traded, so subject to short term pressure and simultaneously recognized for its proactive approach to *CSR*.

The value of taking the case of a publicly traded multinational company is the particular tension between the short term and the long term with reasoning *a fortiori* below: if the transformation and integration of *CSR* in the actual strategy is possible for a group listed and subject to the short-term law of the market, then it may be possible for other listed companies (to be checked of course, and will probably depend on the sector); it is probably feasible in the case of non-listed companies, potentially less subject to short term pressure (when permitted by shareholders of course).

In the language of Yin [YIN 02], the choice of a single case like Danone is justified since it seems to be a “revealing” or “exemplary” case to use the categorization of David [DAV 03]. David defines an “exemplary” case as one corresponding to “rare situations, hitherto unknown, or to particularly innovative situations”.

These exemplary cases are thus distinguished from “illustrative” cases (attempts to illustrate a theory), from “typical” cases (i.e. “particularly representative” of a phenomenon) and from “test” cases (to “test previously formulated theories”).

In these so-called “exemplary” cases, the “proposal of new concepts is an important part of the scientific results.”

When we started our research, it seemed to us that the strategic renewal process carried out by Danone, using SBOP type project levers, was quite unique: we did not know of another company intentionally conducting such a process of transformation. Therefore, it seemed to us that we could claim this configuration to be a so-called “exemplary” case.

Since then, we have observed other companies initiating SBOP projects, such as Schneider Electric, Renault, Essilor and BEL, each with their own interesting transformational impacts.

With our choice of the case of Danone, as well as of the case of the four other companies, being evoked, it is now possible to clarify the research question stated in the introduction, by applying it to the company:

What are the processes implemented at these companies to make strategic renewal levers from SBOP projects, in moving from individual learning to organizational learning?

Recall the other questions also mentioned in the introduction:

- what are the major steps or characteristics of these processes?
- what individual competencies are acquired by the actors faced with the SBOP initiatives?
- what is the process to move from individual competencies to collective and then organizational competencies?
- what components of the necessary company transformation emerge from this study?
- finally, do these organizational competencies seem to bring a competitive advantage to the companies concerned and a positive impact to society?

4.2.2. Selection of projects studied at Danone and identification criteria

Regarding the Danone case, we have had the possibility to lead a longitudinal in-depth study.

The company is large, with four major activities: fresh dairy products, water, baby nutrition and medical nutrition. Not all these divisions have conducted BOP or SB projects; the fresh dairy products and baby nutrition divisions have launched the most, in an intended *reverse innovation* approach (the water

division has also conducted some, but *reverse innovation* is for now little, or not, developed).

We decided to study projects related to these two BUs to introduce a minimum of diversity. The identity of the Danone group remains pervasive in these activities, yet relatively different cultures and practices also prevail if only by the nature of the goods and the history of these entities.

Within these two activities, it was necessary to make a choice among the projects studied.

4.2.2.1. *Selected projects*

Three categories of projects were selected.

1) *Social business projects conducted within danone.communities*

We focused especially on projects carried out by the danone.communities entity, a sort of social business lab, but we have included only cases corresponding to the activities of Danone actors (danone.communities also supports projects carried out in connection with the business of Danone, but external to the group via the Naandi foundation, for example, which work on access to water in India).

Thus, we chose to interview people involved in four projects:

- Grameen Danone in Bangladesh;
- Lemateki project in Senegal;
- Nutrimad project in Madagascar (although this project was stopped due to a decision of the NGO partner, GRET);
- Blédina Red Cross project in France.

The value of these danone.communities projects conducted by Danone actors is that they have a special kind of protection and are truly conducted in an approach based on exploration/R&S. Indeed, profitability requirements are very low (they are allowed to wait several years to be profitable) and are not subject to the control of entities such as Food Quality and Safety services, where risk management is very strict. The danone.communities shareholding is special: it consists of patient shareholders, who by investing in the SICAV accept lower returns than those given by conventional investments. Note that the Bangladeshi initiative, Grameen Danone, is the subject of a much deeper study than other cited

projects (such as the Laiterie du Berger), because we were able to travel to Bangladesh on several occasions, an opportunity we did not have for other projects (except for a brief trip to Madagascar, where we were able to visit one of the Nutrimad pilot projects). The drafting of the Grameen Danone case in which we participated also allowed us a more accurate study.

2) *Social business projects carried out outside danone.communities*

We also studied social business-type projects carried out within Danone, but outside the scope of *danone.communities*. Some, however, were quite closely linked, carried out by former *danone.communities* personnel, such as the *Milk Start* project in Poland.

3) *BOP Projects*

Regarding BOP projects, we selected those from SB projects, or for which actors had gone through *danone.communities*:

- Project in India;
- Gizikita project in Indonesia;
- Sphynx project in France.

These BOP projects are particularly relevant due to their link with SB projects, because they already show a form of reverse innovation.

Other projects have existed for some years at Danone. They particularly target social classes lower down in the pyramid: this is the case of Mexico and Brazil. But they have no link to social business; they consist more in degrading the existing offer, rather than in a voluntary process to create a specific offer for the people situated at the bottom of the pyramid. These projects seem to us to be outside of the strict scope of BOP, even if they come close. It would certainly be very relevant to study them and compare this tactic which consists in going downward in the pyramid to that which we study in this book, which, in a reverse approach, follows instead an upward movement; such a topic could be the subject of further research work.

Note that there are still relatively few BOP projects within Danone. We have, therefore, mainly studied SB projects. Similarly, projects related to the fresh dairy products division are also more numerous than those belonging to the baby nutrition division.

To facilitate understanding of the empirical analysis that follows, we suggest reading the description sheet of each of the projects mentioned above in Appendix 1.

The decision-making process that led to the creation of these projects or Danone's involvement in some of them will be analyzed in the empirical part on the integration.

The list is as follows (see Appendix 1):

- The Grameen Danone case in Bangladesh – Fresh Dairy Products Division – SB Project integrated in danone.communities;
- The Lemateki case in Senegal – Fresh Dairy Products Division – SB Project integrated in danone.communities;
- The Nutrimad case in Madagascar – Infant Nutrition Division – SB Project integrated in danone.communities;
- The Malin project case, Blédina – Red Cross in France, Infant Nutrition Division – SB Project integrated in danone.communities;
- The *Milk Start* project case in Poland – Fresh Dairy Products Division – SB Project not included in danone.communities;
- The Sphynx project case in France – Fresh Dairy Products Division – BOP Project;
- The Gizikita project case in Indonesia – Infant Nutrition Division – BOP Project;
- The project case in India – Fresh Dairy Products Division – BOP Project.

4.2.2.2. *Reasons for choosing the projects*

We chose these projects due to:

- our relatively good knowledge of the group and SB or BOP projects that were conducted there. However this was not enough, because of the number of subsidiaries, the decentralized nature of the group and the difficulty for even people in core services to know everything that is ongoing;
- several meetings with a Group actor, who became my main and virtually official contact for this research: this was Arielle Genton, appointed in 2010 as Group SBOP HRD; she served as principal “relay-informant”. In the words of Blanchet and Gotman, relay-informants are “people that we know to be integrated at the heart of social networks (...) and able to indicate the name and address of the persons involved in the investigation”);
- meetings with other known actors about choosing people to interview: Emmanuel Faber and Emmanuel Marchant, Chief Executive Officer of danone.communities;

– the projects referred to during the interviews, which sometimes were not initially identified.

4.2.3. Delimitation of the study period

Being a longitudinal study, it was also necessary to determine a timeframe for the study, a time considered significant in terms of possible and realistic change.

We chose the following duration: 2005–2012. 2005 is the time when we started our observations, and when interest in the less wealthy took a new and meaningful turn, in particular with the encounter between Muhammad Yunus and Franck Riboud and 2012 for the completion of this work, a seven year period. Actually, the situation did not fundamentally change until the end of 2014, when the new Executive Committee was assigned.

We will also discuss what has happened since 2003, the date when Danone’s mission was redefined and the first BOP initiatives appeared, integrated at the time in the “*Dream project*” (presented in Chapter 5).

4.2.4. Interviews

44 semi-structured interviews were conducted. The duration of these interviews ranged from one hour to two and a half hours; several people were interviewed two or three times. This was the main mode of collection of information for our research.

4.2.5. Selection of interviewees

The choice of respondents took into account the dual approach of our research:

– a vertical approach, coherent with reverse innovation: SB-type projects (conducted in both developing and developed countries, primarily for social purposes and aiming only for low profitability) to BOP projects (conducted in both developing and developed countries, mainly for economic purposes, but also including a social dimension); and to the group’s *mainstream* projects (in the words used by Danone’s employees on Danone’s traditional activity, targeting the classes 1, 2 or 3 from setion 4.2.2.1); either directly or through BOP projects; or three levels of reverse innovation, depicted in Figure 4.3.

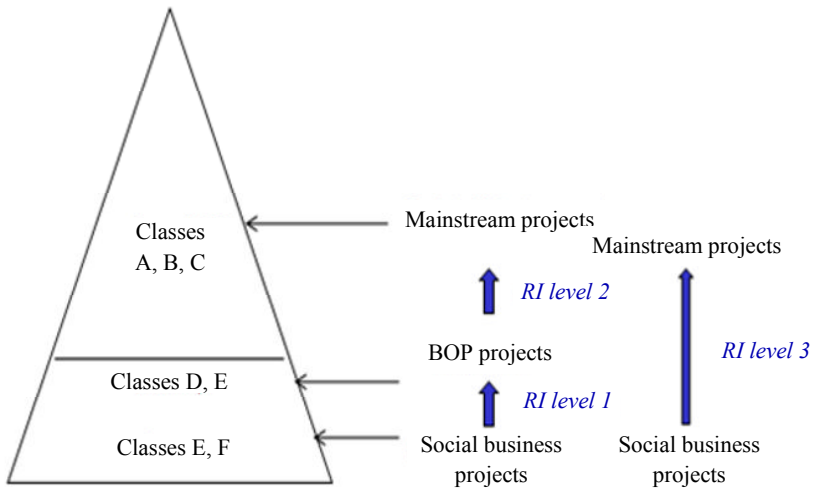


Figure 4.3. *The three levels of reverse innovation*

– a process of widening concentric circles starting from reduced concentric circles (for individuals) to wider circles: this is the passage from individual to collective level (through the group) depicted in Figure 4.4:

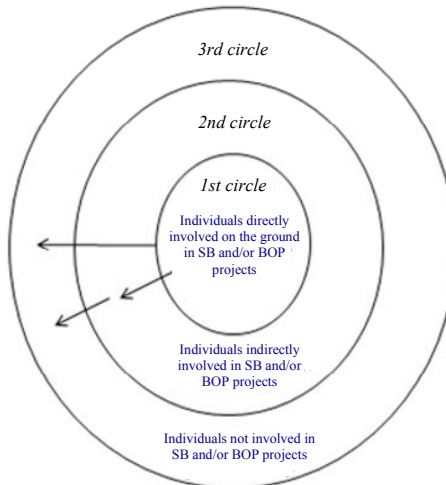


Figure 4.4. *The different degrees of involvement in the BOP / SB projects*

We therefore chose to interview people:

– from the 1st circle: having been or being directly involved on the ground in SB projects and/or in BOP projects at least during a certain period in their careers. The case of persons having moved then to more traditional/mainstream group projects also interested us, due to the possible influence of their BOP/SB experience on their new activity; working for the fresh dairy products and baby nutrition divisions;

– from the 2nd circle: having been or being more indirectly involved in SB projects; also in BOP projects; also working for the fresh dairy products and baby nutrition divisions. Or leaders involved (even if indirectly) in societal processes;

– from the 3rd circle: furthest from the SB or BOP projects; often leaders or external personalities. This third circle concerns the concept of institutionalization: the objective is to see if those people furthest from these approaches may or may not have drawn learnings from the new approaches, and whether or not they have or changed their mental representations and practices. We can benefit from their position of hindsight to better identify potential bottlenecks or levers in the learning process and transformation of the group.

Actors who were not known as being particularly favorable to BOP approaches and societal integration in business were deliberately chosen in this category. Our aim was to thus hear and understand critical views regarding the analyzed process.

We have identified the people to interview as vectors of information mentioned above in the choice of projects.

The list below shows the names for each of the three circles:

– 1st circle:

- Guy Gavelle: Industrial Director of SBOP projects,
- François Colombar: *Food Design* Director – R&D Fresh Dairy Products,
- Guillaume Lorcy: Project Manager – Indonesia Sari Husada,
- Sylvain Romieu: Marketing Manager – *Milk Start* Project Poland,

- Gwenael Gaigeard: Project Manager *Supply Chain* – Grameen Danone Bangladesh,

- John Fox: Product Manager – Danacol – Fresh Dairy Products France,

- Luc Jonveaux: CARETAKER – GDFL and Acting Head of the factory in Bogra Bangladesh,

- Isabelle Sultan: Senior Project Manager – Laiterie du Berger and Lemateki Senegal,

- Corine Bazina: DG-Grameen Danone Bangladesh,

- Laurent Blime: *Supply Chain* Director – Fresh Dairy Products France,

- Eric Soubeiran: Director BOP India,

- Henri Buet: Mission Project Manager Malin – France Blédina,

- Emilie Pleuvret: Project Manager Project Nutrimad – Blédina Madagascar.

– 2nd circle:

- Laurence Tournerie: DG Baby Nutrition Singapore,

- Jochen Ebert: DG BOP,

- Emmanuel Marchant: DG danone.communities,

- Arielle Genton: HRM & BOP danone.communities,

- Manager V: expert BOP,

- Olivier Maurel: Manager Social Innovation Animation,

- Marc Olivier Blain: Head of the seminar “GAP” (*Growth Across the Pyramid*), approach *Growth too*,

- Thierry Delepouille: Director of *Growth too*,

- Boris Bourdin: CEO Baby Nutrition Indonesia,

- Martin Serralta: DRH Danone Canada,

- Jérôme Tubiana: Adviser to the President, involved in the Group’s societal approach,

- Marc Gosselin: Products DG Transformation costs, BOP and SB,
- Emmanuel Faber: Deputy Chief Executive Officer.
- 3rd circle:
 - Helena Pavlova: Director Competencies and Development,
 - Nicolas GAUSSERES: Director Studies and Nutrition Platform,
 - Marc Benoit: Vice President Mediterranean Region Baby Nutrition,
 - Olivier Delameha: DG delegate Danone Fresh Dairy Products France,
 - Leader W,
 - Leader X,
 - Leader Y,
 - Administrator Z.

An interview guide was developed for each of these three circles. Our questions were adapted to our talks with different people, points requiring greater depth of treatment appearing in a number of cases.

4.2.6. Other sources of information

The interviews, our primary source of information, were completed (in reality often upstream) from other sources in a triangulation approach needed for this type of qualitative and longitudinal research, particularly as the interviews have a number of limitations, mentioned above, such as *a posteriori* rationalization.

4.2.6.1. Observation

We played an informal observer role from the start of the SB projects, as for the lunch with Franck Riboud and Muhammad Yunus (see Chapter 5), which we co-organized. The lunch led to the creation of Grameen Danone and danone.communities; we were then invited to the inauguration of the first Grameen Danone factory.

Furthermore, the creation (in 2008) of the Social Business Chair at HEC, co-chaired by M. Yunus and M. Hirsch, and supported from the start by Danone,

allowed a further field visit to Bangladesh at the end of 2009. A study trip to Madagascar in 2008 allowed another field visit: that of the Nutrimad project then led by Danone and the NGO GRET.

Many informal discussions with the various actors involved in these projects also facilitated this observation with time. We also participated in the drafting of two pedagogical cases: co-writing the Grameen Danone cases and the Danone Corporate Strategy case, discussed above, requiring numerous meetings with leaders of both danone.communities and of Danone.

And in 2012, we had the chance to participate in a visit to Danone's employees: a visit to the R&D BOP projects laboratory conducted by François Colombari the BOP and SB R&D Director. This session, which he offers from time to time to around ten of Danone's managers, is entitled *Food Discovery*. In it, he sets out his future vision of food in the world: in particular the ongoing changes on the feeding of men and women on the planet and the major challenges facing the agri-food world. He then invites guests to a tour/tasting in the kitchen which has become his laboratory in recent years. Along with a deliberately small team, he invents new modes of feeding for Danone.

We attended all danone.communities' Annual General Meetings since 2007 during which the various projects and their phases of development were presented by the relevant actors.

On 15 May 2012, we participated in a one-day session involving around a hundred SBOP experts and practitioners on learning from these initiatives: "Sharing learning and challenges between actors to have greater impact". Around ten workshops were held on the following themes in particular, for which we were able to get the minutes:

- co-creation and partnerships for new solutions and a greater impact;
- *social business* in developed countries;
- measuring social impact;
- economic sustainability and marketing approaches;
- building local distribution systems with and for the poor;
- how new technologies can accelerate SB;

- how SB can bring clean water to millions of people;
- how to finance SB.

4.2.6.2. Archive and other documentary source analysis

Finally, multiple records were studied: internal documents, newspaper articles, etc.

Analysis of the Danone Case: Illustration of the Strategic Renewal Process Based on the SBOP Projects

The structure of our empirical analysis is based on the theoretical framework that we presented at the end of the literature review. As we explained then, we will study the process of strategic renewal through two concepts:

1) Intuitions: by analysing the process through which intuitions of leaders and “champions” were interpreted and propagated among the group and the organization. We will base our study on the theory of the 4 Is developed by Crossan *et al.* [CRO 99, CRO 03]: intuition, interpretation, integration, institutionalization.

2) Competencies: by studying the coordination among individual competencies, collective competencies and organizational competencies.

It should once again be noted that although we are drawing a distinction between these two concepts, they are in reality inextricably linked, as will be confirmed by various testimonies.

The analysis will be undertaken at three levels: the individual level, the group level and the level of the organization. These constitute the three main subsections within the empirical section.

At the level of the individual, we will analyze:

- 1) The intuitions of the leaders and “champions”;
- 2) The individual competencies developed by the actors in the SBOP projects.

At the group level:

- 1) The interpretation and integration of intuitions by leaders and “champions”;
- 2) The collective competencies developed by the actors in the SBOP projects.

At the level of the organization:

- 1) The institutionalization of the leaders’ and “champions” intuitions;
- 2) The competencies of the organization arising from the development of collective competencies at the core of SBOP projects.

We chose this theoretical framework to study the complex process of strategic renewal in order to make the study more readable than a chronological analysis. Like Crossan *et al.*, we emphasize the highly recursive nature of the process that we have described using these three levels and two concepts: there are multiple interconnections among the different levels, and between the process by which intuitions are propagated and the process by which competencies are developed. For example, the experiments that are put in place in the name of the 3rd I (integration) can lead to the development of new individual competencies, and sometimes prompt new intuitions from the leaders and “champions”. On a more global level, the institutionalization of these intuitions also leads to the development of new individual competencies and new intuitions.

5.1. The individual

5.1.1. Intuitions

This 1st I depends on the individual and is based on “the preconscious recognition of models and/or possibilities that is informed by personal experience”. As it is impossible to observe a preconscious process, we tried to identify the individuals whose intuitions have proven most essential to transformation. From the various interviews, it emerged that these intuitions were demonstrated by:

- 1) Leaders: we identified two in particular, F. Riboud and E. Faber;
- 2) Two Danone engineers: F. Colomba, who was in charge of the R&D of these projects, and G. Gavelle, who was in charge of industrial engineering.

It should be noted that our findings are quite similar to the Crossan article, which analyzed the key role performed by leaders, but also by “champions” who interacted closely with the leaders.

5.1.1.1. *Intuitions of the leaders (F. Riboud, E. Faber)*

As we noted in the introduction, the leaders of the group, and in particular F. Riboud and E. Faber, had the intuitions that would form the starting point for the transformation.

These intuitions are the reason why the mission is redefined in 2003: “To bring health through food and beverages to as many people as possible”.

In their eyes, a new strategy was needed. While they had previously targeted only the top of the wealth pyramid, it had become necessary to increase the number of consumers they were targeting, and to adopt a position on health that differentiated them from their rivals. In making this change, they were confronted with two situations – one of a top-down nature, and one of a bottom-up nature – that were initially the cause of some embarrassment.

J. Tubiana:

“2004 sees the launch of ‘Dream Project’: its objective is to bring nutrition to people who make less than \$2 a day. It leads to a few inconclusive experiments in Indonesia and South Africa. These give rise to the following debate: should the move down the wealth pyramid be gradual? Or should this descent involve conducting experiments that deliberately target the lower classes? E. Faber advocates the second option, believing that it could lead to more disruptive and innovative models, that could also be useful for targeting the middle classes, which are the largest ‘reservoirs’ of clients.”

In addition, at the start of the millenium, a number of leaders resigned. According to one of them, they left to join the competition for higher salaries, and because they no longer identified with the projects Danone was pursuing: they had the impression that A. Riboud’s “double (economic and social) project” was being undermined, and they could no longer see what set Danone apart.

Across the world, globalization led to the arrival en masse of employees in developing countries, for whom a cultural identity and sense of belonging had to be fostered.

Lastly, the unfortunate consequences of the excessive financialisation of the world economy incited a reaction from the leaders and they proposed a number of social innovation projects.

Thus arose the need to motivate employees around shared, meaningful projects.

E. Faber's intuition was as follows:

“Opting for the bottom-up strategy (to initially target the lower classes and then aim to bring those models to the middle classes) might also have the advantage of giving, or returning, a sense of purpose to our business.”

So, he suggested to F. Riboud that he should remain open to potential meetings that could help them to move in this direction.

E. Faber:

“I said to Franck: We'll be in new territory, and if you want, you can meet people who have done incredible things and who can give us some ideas.”

In October 2005, a mutual contact encouraged E. Faber to meet with M. Yunus. So, E. Faber asked F. Riboud to go for lunch with him. Without much enthusiasm, and without really knowing who his counterparty was, F. Riboud accepted. However, upon their meeting, M. Yunus made a strong impression on him: he was proposing to create an entity, related to Danone, that would contribute to the reduction of malnutrition in Bangladesh.

More specifically, he was inviting Danone to collaborate with Grameen Bank in the struggle against malnutrition in Bangladeshi children. F. Riboud accepted on the spot, won over by both the proposal and the proposer. With great foresight, it would seem, he said:

“It's what will enable me to remotivate my employees.”

J. Tubiana:

“That lunch and the creation of Grameen Danone marked a new stage, where the intuition of E. Faber, that they should start at the bottom of the wealth pyramid and then climb back up, became the adopted strategy. Danone.communities was created soon after, with the task of supporting the SB projects related to Danone's activities.”

In 2008, the restatement of the group's vision, upon the arrival of the two new deputy managing directors – E. Faber and B. Hours – marked the beginning of a new stage. Centred on four axes, *For All, Nature, People and Health*, it constituted a real transformation, as we explained in the introduction of the Danone case.

F. Riboud and E. Faber had the intuition that the SB and BOP projects could be leveraged to attain that vision, and this became the strategic purpose of the projects.

So inspired was he by the intuition, that only one month after the lunchtime meeting, E. Faber spent three days in Bangladesh with several collaborators to agree on the specifics of the economic model with M. Yunus and to launch the joint venture.

M. Yunus often says:

“I always had some idea of what we could achieve with Danone when I went to that lunch, but I never thought that we would make so much progress so quickly.”

F. Riboud and E. Faber had the intuition that combining economic and social efforts on BOP or SB models, while looking at underprivileged sectors of the population, could have a transformative effect by targeting all of the four axes of the new vision:

– with respect to the *For All* and *Health* axes, it is obvious that these projects are carried out in order to achieve them;

– with respect to the *People* axis, R. Riboud and E. Faber believe that employees will be positively impacted by the SBOP projects, in terms of their ability to innovate and their levels of motivation.

E. Faber explains:

“In making the employees work on social BOP efforts, we are asking them to integrate topics into their business attitudes where they might not previously have done so; we are making them more conscientious and increasing their ability to interact with others. (...) It’s hugely motivating, because their professional domain is merging with the domain of their conscience.”

– as for the *Nature* axis, the localized supply, production and distribution model allows for reduced energy consumption and CO₂ emissions.

At the root of these intuitions, one cannot deny the role played by the personalities of each leader:

– Riboud is said to be a very intuitive person; something that becomes apparent from the description of his meeting with Yunus and his decision, which by all accounts was not premeditated, to carry out a shared initiative with him in Bangladesh. Colomban confirms:

“Franck Riboud is a man of intuition.”

– Faber, meanwhile, is reputed to be a visionary and an idealist; he proposes a new *raison d’être* for the company other than the maximization of profit for the

shareholders. according to him, The true value of the company is the value that it can bring to all interested parties, this includes the shareholders, but also employees, suppliers, customers, communities, etc.

Faber (Menascé and Dalsace, 2010):

“Can we achieve an economic objective without pursuing a social aim? It is often taught that the primary goal of a company should be to maximize its value for shareholders. From this point of view, and considering that profit is a good indicator of the value of a company’s shares, it could be said that the purpose of a company should be to maximize profit. However, if one takes the time to reflect, it is obvious that maximizing profit cannot be the purpose of a company. In my opinion, the value of a business actually depends on the amount of profits that it is willing to renounce. Simply put, if I increase my price enough, I won’t sell anything. If I don’t pay my suppliers enough, they won’t sell me anything. So, the company’s value is in the profits that it is willing to renounce in order to share them with other interested parties – collaborators, suppliers, local communities.”

Such statements may be surprising. Spoken by a leader of a multinational organization, they could be interpreted in a number of ways: an irresponsible ideology, utopian, lacking in realism, hypocritical, provocative, etc. At the very least, they represent a very strong view.

It should be noted that, in reality, these statements are not very different to those in Porter and Kramer’s acclaimed article on shared value [POR 11].

While F. Riboud’s intuition is anchored in the present, E. Faber has a forward-thinking intuition, closer to prescience.

These intuitions are undoubtedly rooted in personal convictions, which are partly linked to their respective histories.

F. Riboud:

“I do this because of the way my father educated me.”

In E. Faber’s book [FAB 11], he writes about various experiences that have affected him, such as witnessing extreme poverty in India, and successfully conducting an aggressive negotiation which led to the bankruptcy of another company. He also outlines his thoughts on the 2008 crisis, and in particular, the risk of bankruptcy for automobile vendors, who were put under enormous pressure by the big automobile manufacturers, and claims that he knew at the time that it posed a

tangible threat to the world economy: that the disappearance of the most fragile companies might lead to the deterioration of the economic and social ecosystem of businesses.

Some describe both of them as non-conformists.

F. Colombari, speaking in particular about F. Riboud:

“I don’t think Frank is a role model, in fact he’s the opposite. He’s involved in conflict, in provocation, in debate, and if there is anything he fears, it’s people becoming accustomed to routines, that become barriers and protections.”

Aside from the personality of each leader, these intuitions also arise from their awareness of changes in the environment (in the broad sense). This is the attention that we highlighted in our theoretical framework, like Zietsma *et al.* [ZIE 02] proposed. Here are some of the observations made by these two leaders that should be taken into account:

- stagnation of developed markets;
- food crises, namely in 2008, that heralded other food crises caused by the degradation of the environment, the breaking of the food chain (see above quotation), and global population growth, especially in poorer nations;
- limits of a globalized food industry.

E. Faber:

“Nutrition is a process that’s embedded in agricultural, cultural and spiritual realities.”

– the limits of agribusiness: the links of the food chain seem to have been artificially broken. E. Faber [FAB 11] refers to India, where:

“The conversion of traditional crops into cash crops, like cotton and soy beans, has often severely altered the natural cycles of coal and water in the ground; the absence of residues of the traditional crops, and consequently the absence of animal feed, brought about a decrease in livestock. Understanding of these links was lost. (...) Perhaps it is possible to work to resynchronise the food chain.”

– perception of a world that is re-fragmenting and the need to relocate agribusiness activities.

E. Faber:

“In this perception of a world that is re-fragmenting, the location of our processes is key and it has become necessary to establish new governance for agribusiness.”

– fierce competition in certain countries like China, where it is difficult for Danone to penetrate the market.

As E. Faber paid attention to the environment (in the broad sense) he perceived certain “weak signals” for Danone:

– activity based on a product strategy that is focused on fresh dairy products, which are at the core of the business, and premium products targeting the top of the wealth pyramid, even though the emerging markets are mostly constituted of middle and lower class people, and in developed countries buying power has stagnated and the market is saturated;

– a decrease in the motivation of employees in rich countries, caused by a loss of sense of purpose and an increase in pressure to achieve results.

Lastly, more broadly, these projects are completely in line with the intuitions that both leaders have had, concerning the proper role and place of the business in its ecosystem:

– first, its role in relation to poverty:

F. Riboud (speech in Marigny, 2008):

“If the company doesn’t concern itself with the question of how it is contributing to the reduction of poverty where it operates, it doesn’t contribute to creating the conditions for an increase in consumption. To be clear and crude: where poverty increases, my prospects of growth dwindle. So, eliminating poverty is an economic strategy for my business.”

– second, its broader role in society:

F. Riboud (Le Monde, 2009):

“The events of the current crisis remind us that a company, even a prosperous one, that is evolving in a fragile environment, becomes fragile. No organization develops in an impoverished environment or in a desert. So, it’s in the company’s own interest to take care of its economic and social environment, ie its ecosystem... The narrow conception of a company, as an entity whose sole objective is to maximize profit and grow for the benefit of its shareholders, has led us to an impasse.”

These two quotes are more of a strategic/opportunistic posturing that takes into account the long-term interests of the company, and less of a reflection of unconsidered generosity.

But, whatever the underlying intention, the role of the company has been broadened; and the interests of the business at last partly overlap with the interests of society.

E. Faber thus speaks of a “change of perspective”: *“the social and the economic were previously contrasted, but they are actually two sides of the same coin”*.

To conclude on the intuitions of the leaders, they are at several levels: at the level of the company and of its role in society, at the level of its strategic decisions, and finally at the level of the potential role of SBOP initiatives in the transformation of the company.

5.1.1.2. *Intuitions of the “champions” (F. Colomban, G. Gavelle)*

After the intuitions of the two leaders and the strategic vision that they produced, two more actors, who were at a more operational level, had intuitions that would be just as crucial.

These intuitions took the shape of the implementation of the experiments that were launched as part of the integration process (3rd I). They didn’t have an immediate global impact but they contributed to demonstrating quite quickly that it was in principle possible to invent new disruptive models and that SBOP models could be tools for change. In other words, they provided a preliminary validation of the leaders’ intuitions.

At this point, we will outline some key intuitions that these two actors had.

F. Colomban was one of the main bearers of intuition in the area of design of products. He was the R&D leader of Fresh Dairy Products. Toward the age of 50, he decided to give a more creative and social dimension to his work. Accordingly, he asked to build a kitchen in the middle of the Danone R&D center in Palaiseau. His intention was to invent tomorrow’s products, and he believed he would do it working with and for impoverished populations. He was also convinced of the importance of this task for Danone, given the company’s new mission statement (redefined in 2005):

- to increase its range of ingredients;
- to rely increasingly on mixed foods (made with cereals as well as milk) and local ingredients;

– to adapt food products to the culture and to the nutritional needs of people in the different countries in which Danone operates.

His intuitions are also the result of careful observation of the way the world evolves. Accordingly, he addresses the following phenomena in each of his presentations to the executives at Danone, entitled *Food Discovery*, which were organized in the kitchen of the *Food Design* team (we were able to attend one of these presentations in June 2011):

– the transition to 9 billion inhabitants by 2050;

– the correlation between population growth and poverty: the areas where there is an abundant supply of agricultural resources are unfortunately not the areas where the demand is highest;

– the link between the breeding and consumption of livestock: the more a country develops, the more its inhabitants reduce their consumption of vegetables, and increase their consumption of meat. The environmental consequences are severe: 5 kg of vegetable proteins are needed to produce 1 kg of animal protein;

– 1 g of animal protein requires 20 times more water than 1 g of vegetable protein;

– 1/3 of all cereals produced are fed to animals; animals therefore consume more “vegetable products” (including cereal) than all of India and China combined.

– agribusiness functioning in figurative silos: producers of meat, milk and cereals all work isolated from each other;

– the challenges related to biodiversity: 75% of demand from humans is for 13 species of vegetable, which tends to reduce biodiversity;

– the increase of urbanization, especially in poor countries. When designing new ways of getting food to people, the challenge is to adapt to these new ways of life. For example, we note that even the poorest parents sometimes give their children some money in the morning so that they can buy themselves a snack during the day;

– a research into modernity that maintains respect for tradition;

– the reduction of the relative weight of food expenditures in the expenses of developing populations;

– lastly, the amount of waste: 30% of food is thrown out in developed countries.

Confronted with all of these challenges, F. Colombari’s intuition is that a group like Danone should contribute to increasing variety in food and breaking down the segregation of processes in the food industry.

His presentation invited the group to ask themselves a question: should they remain “food transformers” or should they become “food source generators”? Because access to resources is becoming increasingly critical, it is not enough to simply consume natural resources: they must make efforts to regenerate them.

The second actor is G. Gavelle, an engineer who is specialised in the design and operation of agribusiness factories. He has nearly 40 years of experience in the sector and, at the time of writing this book, is nearing the end of his career. He had been marginalized by the previous leader for Asia, because he was against building factories to a high-quality industrial standard by importing German equipment. By contrast, that was precisely why E. Faber called upon his help in the project in Bangladesh.

E. Faber:

“I said to him: ‘I need you to invent a factory that synthesizes the factories you were building in the 70’s and everything that we have since learned about their impact on the environment; and on top of that, I would like it to be 10 times smaller’ and for 1 million dollars. He was really the only person who could do that.”

In 2006, when E. Faber pitched him this project of a small factory, that would be based on local supply and distribution mechanisms in a rural area and with a predominantly social objective (the fight against malnutrition and the creation of employment for locals), he accepted the challenge on the spot.

It should be noted that these two “champions” each had something in common and are not necessarily representative of the the typical Danone employee: they both have a lot of experience. F. Colomban had arrived at a stage in his career where he no longer felt the need to prove himself, but he did feel a need to give himself a sense of purpose. He was beginning to get bored in his research position, when the opportunity to work on these projects arose. When G. Gavelle built the first Grameen Danone factory, he was a marginalized member of the group, and was on the verge of retiring. Nowadays he is no longer an employee of the group, but he continues to work for them as a consultant.

5.1.1.3. Analysis of blocks and levers

As we specified when explaining the structure of the analysis, our objective here is to identify the obstacles and levers that may have hindered or enhanced the ability of the leaders and champions to have intuitions. In particular, we are interested in the following variables: context, leaders, organization/internal routines, other internal actors, external actors. For the purpose of this study, some of these may be grouped whenever they overlap. To clarify, the scope of this section is limited to the obstacles and levers that affected the leaders’ and champions’ abilities to have intuitions, and does not include an analysis of the obstacles and levers that affected

their abilities to implement those intuitions. Those will be discussed in the sections that analyze the function of the group and the organization.

5.1.1.3.1. Blocks

The main blocks that we have identified, that may have slowed down or limited the intuitions of the leaders and champions, are of varying orders of magnitude.

Context

The executive of a multinational organization, accustomed to abundant means and under short-term pressure from the stock market, will of course be less likely to prioritize creativity and listen to intuition compared to a start-up. Furthermore, this phenomenon will only be reinforced in a competitive environment, and when it is being threatened by a hostile takeover, like Danone was in 2003.

Moreover, the infamous incident of Nestlé, which was attacked by NGOs and media several decades earlier for having sold powdered milk to poor people, causing deaths among newborns, was still fresh in most people's minds as an example to avoid.

More generally, civil society tends to be suspicious of large companies, so it would naturally be suspicious of such a company undertaking initiatives to help poor people. Their efforts could very easily be interpreted as a self-interested attempt to take advantage of poor people to increase their revenues. The Karnani articles quoted in the literature review denounce a reality that is often observed already.

The reaction of a blogger to the announcement of the Bledina Red Cross project in 2010, which aimed to sell instant milk formula to poor mothers, provides an example of these suspicions:

“Let's make people on the lowest rungs of the social ladder into loyal customers of a brand or two! That's called having a choice of products! I'm fed up of the stigmatization of poor people with pseudo-solutions to poverty! Is this living with dignity? Having discounts offered to you? Give us the means to live off the fruits of our labor¹.”

In France, where Danone enjoys a brand image that is relatively positive, the slightest error could be picked up on by the media and used to weaken the group's image.

O. Delameha, VP France of Danone Fresh Produce, explains why he is so cautious about SBOP initiatives:

¹ <http://www.rmc.fr/blogs/bourdinandco.php?post/2010/06/14/bientot-des-aliments-pour-bebes-moins-chers>.

“There is a very big expectation from society and from all of our stakeholders. For example, journalists often ask us what we’re doing to reduce poverty in our own country, in France. But it’s important to be cautious, because we are France’s favourite brand, and it’s important not to let the people of France down. It’s a delicate issue: any social initiative we undertake is likely to be scrutinized by the media, and to provoke a lot of public sentiment.”

The perception of reputational risk, which is inherent in a social project, is sure to curb people’s enthusiasm for them. This is undoubtedly the reason why so few companies are invested in SB or BOP projects.

Leaders

F. Riboud and E. Faber are reputed to be, respectively, a non-conformist and a visionary. Nevertheless, it seems they are sometimes torn between the desire to innovate and the fear of taking too many risks, of exploring the unknown in a co-creative effort, and re-starting everything from scratch.

L. Tournerie:

“The constraints were fixed from the start: they said a fresh yoghurt. If those parameters hadn’t been set on day one, we may not have ended up with a pot of fresh yoghurt that was relatively expensive and caused logistical complications. There was a prejudice. I learned from that experience that the choices we make during the preliminary stages of a project are always defining; and in this case we set ourselves a constraint that may have been idealistic.”

L. Tournerie’s comment is not about the second learning curve they experienced, nor the transition to non-refrigerated cereal-based products. However, it is likely that the group would have saved time and money if they had dared to start from a blank canvas. In actual fact, in the Bangladeshi case, the leaders chose the product (yoghurt) without even conducting a real survey of the local community.

This is an obstacle that is inherent to ways of working that are embedded in our culture. We must ask whether it is possible for there to be a clean break from the past at the beginning of a project, particularly in the identification of a target, a product, and local actors who are familiar with local customs and the target market.

However, E. Faber’s justification for the choice of yoghurt should be noted. The choice was influenced by his desire to position the project at the symbolic heart of Danone, alongside the other fresh dairy products:

“I made the choice of fresh dairy because it was the best way to win over the heart of the group. I’m certain that a thermized product like “milkuat” wouldn’t have mobilized the same key competencies (we don’t have them...), or had the same symbolic meaning. A small superfortified fresh yoghurt with Danone ferments was the best way to carry on the legacy of Isaac Carasso’s 1919 mission.”

Some argue that these leaders are wilful participants in a system that they claim they want to change, referring in particular to their compensation.

Using the same logic as the blogger quoted above, the logic that we should be suspicious of multinationals, an online commentator expressed his doubts about the credibility of E. Faber’s engagement and his speech on gratuity:

“Emmanuel Faber earned more than 2.5 million euros in 2009. His multinational employer has been greasing children up like pigs and chickens with its probiotics for the last 20 years. Corporate social responsibility... The capitalist ideology has recovered the movements of May 1968, using the language of revolution for their own benefit. We are entering into the final stage, where the vultures speak with the language and softness of prophets. The logic of giving and gratuity has become a lullaby used by a corporation with expansionistic ambitions, that has always had such ambitions and that always will. Terrifying².”

Organization/internal routines and other internal actors

The weight of organizational routines has no doubt hindered people like G. Gavelle and F. Colomaban from fully expressing their creativity. Perhaps they themselves weren’t ready to take risks or to think outside of the box. The SBOP projects allowed them – in the sense that it authorized them and gave them the tools to – reveal their latent abilities and use them.

F. Colomaban:

“One day I said to my boss: ‘Listen, I’m going to tell you something I’ve never told anyone, that’s just occurring to me now, which can’t be a coincidence. I want to create products that no one has ever imagined, because the innovations in the dairy sector are really uninspired: we make yoghurt, it might be a bit green, a bit blue, a bit yellow, but at the end of the day, it’s still yoghurt’. And I said to him that in between yoghurt, mozzarella and camembert, there must be a lot of things we

2 <http://plunkett.hautetfort.com/archive/2012/03/05>.

could invent. Since my training in cheese technology was quite solid, and I knew quite a lot about the different technologies, I was convinced that all I needed to do was look at things in a new way. By crossing the technologies, by crossing the different ways of treating the milk, we could create innovative tastes and textures. And I said to him: 'Listen, if I could do it, I'd like to do it ... like Steve Jobs, in a garage, with three friends, in a small team', because I've been in big teams before and they require budgeting, management, etc... But I'm a man who loves the product, who loves stainless steel and the smell of the factory... And I had lost that in my previous roles in big teams.'

5.1.1.3.2. Levers

Several levers might have facilitated the intuitions of the leaders and “champions”.

Context

While civil society creates a potential hindrance to these initiatives because of the reputational risk that companies perceive, it can also encourage businesses to demonstrate that they are making a social contribution. *Damned if they do, damned if they don't.*

Leaders

The intuitions and vision that F. Riboud and E. Faber had were of course an essential lever, and a condition for the success of the strategic renewal and of the SBOP projects (in themselves and as further levers for change). They are largely what enabled actors like F. Colombar and G. Gavelle to feel supported in their risk-taking and innovation. The relationship of trust that they shared was a vital factor in their success.

Above, we have already explained the role played by each of their pasts, their personalities, and their attention to their environments.

Organization/internal routines

The freedom and autonomy accorded to actors like F. Colombar at the start of the SB projects allowed their creativity and intuition to flourish.

F. Colombar:

“Audacity and a pioneering spirit? I must have had them at least a bit before; but I didn't express them. What's great is that Danone gave me the freedom to express them.”

External actors

The media coverage that M. Yunus was able to generate, in particular during the presentation of the Nobel Prize in 2006 and upon the inauguration of the Grameen Danone factory, is a point of pride for the leaders and “champions”. On the other hand, the intense media attention, which was often criticized for being excessive, did put a lot of pressure on the team.

E. Faber:

“The coverage put a lot of pressure on us. We couldn’t backtrack or fail.”

5.1.1.4. Conclusion on intuitions

Section 5.1.1 highlights the crucial role of the intuition of the leaders and champions. They are instrumental in the strategic renewal process and in the launch of SB projects. These intuitions came to these people because they paid close attention to the way in which the environment (in the broad sense) of the company was evolving, and because of their personalities and of their prior experiences. Now we will focus on the second concept of our analytical framework: individual competencies, and in particular those developed by the leaders and champions through the SBOP initiatives.

5.1.2. Acquisition of individual competencies

As we explained above, although the strategic renewal process starts with the leaders’ intuitions, which lead to the launch of the initiatives once they are vocalised and shared, the role of individual skills is equally noteworthy. We will study it now because we have made the choice to structure our analysis by level (individual, group, organization) rather than on a chronological basis, following Crossan *et al*’s model of the 4 Is, and stressing the recursive nature of the process.

5.1.2.1. Acquisition of individual competencies

We will begin by analyzing the competencies that relate to the most important elements of the value chain. Then, we will analyze the competencies that are tangential to these elements. Thus, we will not draw the know-how-to-do/know-how-to-be distinction, that some claim to be obsolete; but we have made this choice in order to avoid repetition, and to make this section as clear as possible. As for the concept of knowing, we have integrated it within the concept of know-how.

Furthermore, in relation to Danone's SBOP projects, we will focus on the individual competencies that each actor develops in the context of specific projects, even though it is obvious that these actors generally work in a team. These competencies are therefore collective to an extent, but they remain the competencies of a team of a limited number of individuals working on a specific project. In the section on collective competencies, we will analyze those competencies that are common to the projects that were managed under the *For All* axis.

As explained in the section on methodology, the analysis of individual competencies is primarily based on interviews of the people in the 1st ring.

NOTE.— See the Appendix for a document on each of the projects that are mentioned below.

5.1.2.1.1. Competencies related to the different functions of the value chain

The analysis of the main competencies acquired through the SBOP projects is based on the main components of the value chain:

- the main activities or stages of the chain: purchases/logistics, production, and distribution;
- the support activities: R&D, supply, marketing, human resources, finance, strategy.

We have regrouped the supply and logistical activities under a single header entitled “upstream supply chain”, and we have grouped the finance and strategy-related activities under the header “creation of business models”. Furthermore, we will avoid drawing a distinction between principal activities and support activities, and instead we will structure the analysis on a chronological and thematic basis. The knowledge and know-how that we analyze will from now on relate to the following activities: R&D, marketing, upstream supply chain, production, distribution and creation of business models.

R&D competencies

This part of our study is mostly based on the interview with F. Colombar. Above, we explained that the intuitions that guided him were based on a careful reading of the way the world was evolving at demographic, sociological and ecological levels.

F. Colombar developed and continues to develop knowledge of the local customs and culture with regard to food, as well as gastronomical know-how, in particular in the countries where he works such as Senegal, Algeria and Indonesia.

This acquisition of knowledge relies on a distinct competency, the ability to listen and observe and understand non-verbal communication. It would seem that he was predisposed to have this skillset, but he had had relatively few opportunities to practice until the launch of the project.

The starting point of the last stages of R&D was becoming immersed in those cultures and gaining a deep understanding of the relationship between man and food in each country: understanding cultural traditions, tastes, nutritional needs. F. Colomban also studied the agricultural resources of each country and its challenges with respect to biodiversity.

He decided that, from that moment on, he would leave his research center to go and meet locals: members of the target market, and also actors in the local food culture (not qualified experts but, for example, cooks who are recognized locally for their know-how and their passion for food).

F. Colomban:

“The key is to understand the relationship between man and food. To go into family homes, to go wherever possible, and listen and observe; capture the sensations; I very much like reading non-verbal communication: gestures and actions say so much by themselves... When feeding people who don’t have much money, you don’t start with caviar. You start with basic recipes that require basic ingredients. So you have to start by learning about basic recipes; I don’t want to meet restaurateurs before I meet anyone else, that doesn’t interest me; I would always prefer to start by working with a grandmother or two, and I would ask them to bring me to the heart of a village, to observe, to talk with a grandmother who is cooking for her family. That’s what interests me. That’s where you learn the fundamentals. Gastronomical cultures didn’t develop by chance. They are the product of a fusion between the need to survive, the ability to get local ingredients, and a moment of sharing, of togetherness, and very often of joy. Food often has a very central role in parties.”

By immersing himself in Indonesian culture, F. Colomban discovered something that no sociological study would ever have picked up on, which is that one of the plants that he was planning on using in his products was also used in magical practices, so it was best to avoid it.

In India, E. Soubeiran realized that drinking milk in the evening was seen as a punishment by children. This led him to conclude that it was necessary to add interesting and distinctive flavors to the milk in order to make it appealing to children.

E. Soubeiran:

“In India, milk is perceived as a punishment that mothers impose on badly behaved children in the evening. To them, milk doesn’t have a flavor. For us, that signalled an opportunity. We designed fun and appealing products that weren’t marketed as dairy products. They tend to like vanilla. But we didn’t say to them ‘that’s vanilla’, and it was the same for chocolate. We did a lot of research into flavors to see what was appealing to them.”

A further example illustrates the complexity of taking into account people’s eating habits in various countries: the example of date syrup in Bangladesh, which was supposed to replace sugar in Danone yoghurts. The logic was to use local resources in order to reduce costs and contribute to local development. But many Bangladeshis were disappointed, because they had hoped that a “Western” product (that was being sold by a Western company) would have a less local and less traditional flavor.

F. Colomban’s ability to pay close and profound attention to different cultures (to an irrational level) is complemented by an excellent scientific know-how. It is undoubtedly the combination of these two competencies, and the inherent tension between them, that makes them stronger.

F. Colomban:

“I am sort of schizophrenic between being an irrational creative and a thorough scientist. In fact it’s necessary to juggle between the two. Initially, you have to use your emotion and intuition; and then when you enter the technical stage, you have to swing into scientific rigour.”

This tension can create new things, especially when it’s joined by the competency of exploration: in testing new local ingredients, and in particular vegetables, new packagings, new microbiological processes that enable cheaper sterilization, through modest and confident steps.

F. Colomban:

“I worked by association, by transposing ideas, by small intuitions... and that often led me to the right path We explored technologies, consumers, principles of microbiology, that I would never have thought to explore if I had continued to make conventional yoghurts.”

There are concrete results:

- the integration of new ingredients, relating to new procedures, such as the fermentation of the lentil protein, which enabled the replacement of imported starch as an ingredient to reinforce the texture of yoghurt;

- the invention of new products: in particular *pouches*, which are like cartons composed of local cereals and milk, that can be conserved for 20 days. These *pouches* were initially conceived in Senegal. Subsequently, Bangladesh decided to produce them too because they reduced costs significantly (compared to yoghurts that are only composed of milk and sugar, and that need to be refrigerated).

E. Faber [FAB 11] tells the story of how the product came to be:

“When Danone arrived in Senegal to lead the struggle against malnutrition, everyone pointed the leaders in the direction of the same person: Mama Dior, an African lady who is passionate about gastronomy and nutrition. It’s in her kitchen, by observing and conversing with her, that Francois Colomban starts to create the first recipes with her. They take note of each recipe and thoroughly calculate each one’s cost. They contain 10% yoghurt, millet, niebe (a local vegetable) and other ingredients like bouye (a tegument of the baobab fruit), spices, vegetables, and for certain recipes, even fish paste. We have now veered quite far from fresh dairy products... The product contains four micro-nutrients (iron, iodine, zinc and vitamin A) which represents 30% of the recommended daily intake for children between 6 and 12 years old. Its final form is a lightly sugared paste, sold in packets of fifty grams, for 50 CFA, and in the Senegalese heat, it has a shelf life of three months. It is called “Lemateki”. In addition a new procedure was discovered that enabled us, in Bangladesh and Senegal, to introduce an ingredient into the product that would reinforce its texture: by stabilizing the fermentation of the lentil protein, we were able to replace imported starch, which reduced the cost of the recipe and its carbon footprint, while contributing to the development of local agriculture.”

Beyond Lemateki, F. Colomban learned to create a platform of ingredients that allowed modularity: he would vary the products around a common base or platform depending on local supply and which fruits or vegetables were in season. This enabled him to limit the risks associated with price fluctuations, and to smoothly transition from one seasonal food to another. The idea was also to limit the costs related to refrigerating the products (which are even higher when the fruits and vegetables need to be conserved for several seasons). F. Colomban therefore learned

to use undervalued yet nutritious co-products of agribusiness; this significantly reduced both costs and waste.

Through this experience, F. Colomban also developed another competency: co-construction. This required him to set aside his assumptions and forget the habits he had developed throughout his career as a researcher:

F. Colomban:

“I have to liberate myself of everything and start from scratch; I start from the way in which Mrs. Dior makes the product; as in how she prepares it, cooks it, gives it flavor... Then I reflect on how to execute it; there are so many constraints, including microbiological and technological constraints; it’s important to be innovative but you must always think about how those changes will have consequences in other areas (for example asking how to avoid the migration of molecules between the packaging and the product).”

To conclude this section, let us remind ourselves of certain key ideas on the individual competencies that were developed by people like F. Colomban, and no doubt his entire “Food Design” team: enhanced proximity to the consumer, which is achieved through careful listening and observation; co-construction with people who are members of the target market; working with limited resources; invention of disruptive products, that include new cereal-based ingredients, and local products; use of new micro-biological processes that present an alternative to the refrigeration chain, and the chance to create products more cheaply; listening to their intuitions while maintaining scientific rigour; the competency of creating platforms that allow the variation of ingredients and, in so doing, reducing their dependence on specific resources, which can be risky as prices fluctuate.

Notice the link between intuition and competency: is the ability to listen to one’s intuition not a core competency for a researcher like F. Colomban?

Competencies in marketing

It is arguable that it would be more logical to analyze marketing after the main activities of the value chain, like production and distribution. However, we have chosen to analyze the individual competencies related to marketing after R&D, because these two activities seem indissociable in the context of SBOP projects like the ones in the Danone case. Indeed, products are often invented in deep and direct contact with the target market, by an actor like F. Colomban, rather than in an exclusively scientific effort. Furthermore, one of the rationales for these projects is to make consumers conscious of the usefulness of their products. As the literature

review highlighted, this often entails the creation of a market, hence why marketing is crucial from the beginning.

This section is mostly based on the interviews of F. Colomban, C. Bazina, I. Sultan, J. Fox, S. Romieu, G. Lorcy, E. Pleuvret, actors of the 1st ring who were directly involved in the SBOP projects.

The starting point for the acquisition of new competencies in marketing is gaining a better understanding of people who live in poverty, as F. Colomban said about R&D:

1) Understanding of the eating habits of children in particular.

F. Colomban:

“In Senegal, we fixed the price of the product at 50 Francs CFA (equivalent to 0.09 USD) because children go to school every day with 50 Francs CFA, so we adjusted our product to this value, which is a huge constraint. Imagine the impact of inflation on the ingredients. The price of the product will have to remain the same, because it is fixed by the value of the coin the children have on them.”

2) Understanding of the different segments of consumers within the same area.

I. Sultan:

“In Bangladesh, we noticed that even within the same village, the population is disparate: some people are willing to pay 7 takas for nice packaging, and others aren't. We noticed there are different types of consumers: 3 takas profiles, 5 takas profiles, 7 takas profiles, etc. It also depends on the frequency of their purchases.”

3) Understanding of different uses.

I. Sultan:

“In Senegal, I had to unlearn everything that I had learned about the fresh dairy product in France. In Senegal, the uses were very varied, and we had to understand these different uses. It's a very vast and segmented market. There are three main uses:

1) the meal;

2) the snack;

3) the European use.”

Such a direct understanding of consumers from the marketers is a relatively new phenomenon at Danone, where marketers usually hire consultancy firms.

J. Fox:

“Here in France, I never have direct contact with the consumer.”

This understanding was acquired through immersion, and through studies that aimed to better understand the lifestyles and eating habits of the target market. Such studies were conducted in Madagascar and in France.

In addition to an understanding of poor consumers, the individual competencies developed by the actors of the SBOP projects were competencies of co-invention, which were touched upon during the focus on R&D.

In terms of invention, we note a real learning curve in some actors like I. Sultan and C. Bazina, with respect to the choice of a range of products that related to the different uses of the products and the different kinds of consumers. They created simple yet diverse ranges.

I. Sultan:

“In Senegal, the uses are very varied; we have to understand these different uses, and develop products that are responsive to these different uses.”

C. Bazina:

“Given the different kinds of consumers and the different frequencies of consumption that we identified, we concluded that it would be interesting to launch several products. At first, we thought we could manage with just one product, but it’s important to find a balance between complexity and efficiency.”

The invention of products was indissociable from testing. These tests allowed Danone to adjust the mix of ingredients very quickly, and very closely to consumers.

Similar tests at Danone are usually conducted by consultancy firms, who have substantial means. However in this case, the actors we interviewed learned to conduct the tests themselves, so that they could do it on the ground, and closely observe the consumers in their actual living conditions.

I. Sultan:

“In France, to understand the organoleptic effect of a pot, we call upon the help of highly regarded institutes, who conduct tests in a lab. There, to calculate which product is better, we compare each one to a set of criteria that we invented ourselves. So this time we did the tests for real: we went into the street and the schools, and we asked children ourselves; we interacted directly with them.”

G. Lorcy:

“Here in Indonesia, 500 Rupiahs is a psychological threshold. The important thing is to learn to observe and to listen; to be able to question everything, because when you’re in a foreign country, things that you take for granted to be true might be completely wrong. For example, in Indonesia, someone who is very embarrassed will start to laugh. I learned to pay more attention to non-verbal cues.”

A return to simplicity is often stressed, both in the means/process used (such as the tests), in the results and contents, in terms of the range of products, and in the name.

I. Sultan:

“In marketing, I relearned the basics from which one should never depart: the simplest possible product range, a brand that’s easy to pronounce.”

An important aspect of the marketing effort is the education of the population. This educational aspect can often be essential. It enriches these initiatives, while also making them somewhat more complicated. Education takes time, and it doesn’t generate a profit straight away. In fact it often requires financing through grants or gifts, so it induces hybrid models, and not just of social business. It also carries a certain ambiguity, when the actors that provide education are also the ones who sell it. Danone employees involved in the SBOP initiative learned to call upon third parties to ensure the role of education.

Among the more concrete means of marketing communication, packaging was the object of an important learning curve. Packaging has to deliver a simple message but also be attractive and non-stigmatizing. It has to be economical and solid, two properties which are sometimes difficult to combine. Finally, they generally feature a mascot who appears in other advertising.

E. Pleuvret:

“We had to modify the packaging to make it more solid and attractive. It now has a new design (a mascot and a reworked logo), the product benefits, and legal notices on which foods complement breast milk.”



Figure 5.1. Left: old packaging, right: new packaging

As for the other means of marketing/communication that are intended to make the products and their benefits (and the recommended frequency of use) known to the target market, the competencies that were developed were quite diverse. They depend on a lot of pragmatism.

4) Alternative means of communication are tested, in particular ones that are specific to rural areas such as the *mini-events* held by Sultan in Bogra.

I. Sultan:

“So I held, for example, mini-events: these events consisted of activities in the village with a mascot (to appeal to children) and the intervention of somebody who would explain the nutritional benefits of the product. And finally, a tasting session at the end.”

Other sport-related activities were organized, often involving football and Z. Zidane (who Danone includes in all children’s sporting activities), in Poland, for example, as Romieu explains below.

S. Romieu:

“One of the first things we did was to negotiate with the Danone Nations Cup to organize an event that wasn’t for the benefit of Danone as a whole, but specifically for the benefit of our product. So the Danone Nations Cup became a “Mleczny Start” competition. 15,000 children played across the country, since they are the consumers, and therefore the target market, of the product. We also had 19,000 hits on our website, which was a web 2.0 website, and it was the first time Danone had done that in Poland. But despite a huge number of visitors, they didn’t convert to sales, which made the whole event a total ‘flop’. Journalists only mentioned Zinedine Zidane, and not the product.”

More conventional levers are also used: the alternative means expressed above are somewhat limited. Therefore it's often necessary to return to conventional means, such as television advertising and the like, as much in Bangladesh as in Poland. In reality, it seems that in Bangladesh, in rural areas, television adverts do not necessarily convert to sales by themselves, but they lend credibility to the product (shokti doi³) during the *mini-events*.

S. Romieu:

“From that moment on (after the match organized with Zidane), we decided to change our marketing strategy. We relied a lot more on traditional communication, because we did television advertising and it worked very well. Along with the finished products at the other end of the chain, that enabled us to considerably boost sales.”

C. Bazina thinks that despite everything, Danone will have to be more innovative in its means of marketing/communication, and work more closely with the communities, which is something that hasn't been sufficiently explored.

C. Bazina:

“In marketing, for the moment, we are sticking with conventional methods. We make an ad for TV, with a celebrity in many countries. Of course, in small villages, we hold mini events... But we could do more with local communities, in synergy with Grameen.”

That means a return to the fundamentals of marketing, as C. Bazina explains:

“I feel like these projects are essential because there are so many constraints in emerging countries that we need to think outside of the box and understand what is really useful for the consumer. Conventional marketing has lost sense of that these days.”

Competencies in the upstream supply chain

This section is mostly based on the interviews with G. Gaigeard, J. Fox, L. Blime and G. Lorcy.

The actors learned to put in place local supply chains (for milk and other ingredients, such as date syrup, to replace yoghurt); the advantages of local supply are economic (reduction of transport costs), ecological (reduction of CO₂ emissions) and social (contribution to the development of the local economy).

3 Enriched yoghurt made by Grameen Danone's Bogra factory.

In Bangladesh, milk production is basically unorganized. The typical farm has one or two cows, producing one to two liters of milk per day, even in the region of Bogra which is five hours to the north of the capital by car. It was therefore necessary to identify these farms, to propose to buy their milk from them, to organize the collection of the milk, to maintain their loyalty and control the quality of the milk they produce. Danone offers a fixed price for the year but the fluctuation in the price of milk throughout the year means the fixed price can occasionally become non-competitive, so supply can be disrupted.

Larger farms like the Grameen cooperative, or the “Mostaq” farm (which has more than 100 cows), were also integrated in this supply chain, in order to balance and secure supply and to grow profit margins. According to the actors, the principle of receiving supply from micro-farms may only have been maintained in order to achieve the stated objective of contributing to the development of the local economy.

J. Fox:

“We put in place a system to collect milk from the Mostaq farm with the director of the factory. At one time, there was also milk from the Grameen cooperative. In parallel to that, we developed collection points at the heart of a network of independent farmers. That was done by Probir and M. Mannan, who is a milk expert at a very high level who comes from the Bangladeshi equivalent of the INRA.”

The structuring of the milk supply chain is based on quality control, and on assistance that is given to farmers so that they can improve the quality of their milk (choice of races, food, medical treatments):

E. Soubeiran:

“We have quality problems with the milk... but we can't move toward automatization. We won't find the competencies. It has to be done progressively. It takes time. All the people who tried to import animal races, it didn't work”

B. Bathily of the Berger dairy in Senegal, confirms:

“Our main challenge now is to secure the quality of the milk product.”

Whatever efforts are made upstream, the quality of the milk continues to vary, which sometimes means adjustments to the composition of the products are required downstream: sometimes, to maintain the organoleptic qualities of the yoghurts, it is necessary to add starch or milk powder.

The actors quickly understood the necessity of forging partnerships with NGOs, who are specialized in supply. In Bangladesh and Senegal, Danone called upon a Swiss NGO that was specialized in milk supply.

E. Faber:

“In Senegal, for Lemateki, Danone chose to partner with an NGO, Enda Graf Sahel, to secure the quantity and quality of supply, by rebuilding or cementing local supply channels.”

Nevertheless, the actors recognize that they still have a lot to learn about the structuring of a supply chain, a task that undoubtedly enables large cooperative farms to become organized.

E. Soubeiran:

“The great constraint is that milk is more expensive to produce. With regard to supply, we can make a lot of improvements. One might think of farms and cooperatives, but the question remains: how do we structure a network?”

Beyond milk, building a supply chain sometimes requires questioning the choice of resources that are being used. For example, during the Gizita project in Indonesia, Danone overhauled its database of resources and suppliers in a cost-cutting initiative (while maintaining the right balance with respect to quality).

G. Lorcy:

“We had to free ourselves of the existing set of resources that were being used. For BOP projects, that set wasn’t appropriate. We had to dig deeper in the study of costs, so we created our own Excel spreadsheet. This changed the choice of resources and led to deep thought about the standard of quality that we needed. Before, we exceeded those standards; it was simpler: choosing the best product was less of a risk.”

The actors also learned to manage extreme constraints and accept the large quantity of risks in this country:

G. Gaigeard:

“In Bangladesh, I learned logistics where the ice is thin.”

In some cases, the actors developed an ability to anticipate risks, which is necessary in these contexts.

C. Bazina:

“Overall, the important thing is to be conscientious, to anticipate and check regularly. We can’t run out of sugar during Ramadan, or have the machines break down even though all we needed to do was check them... These little things would be optimized in a conventional business, but they aren’t here because it’s more laid back, less professional.”

Access to resources is a critical issue in the models that are used. In particular, the dependence on milk, which has a fluctuating and relatively high price, make the model weaker.

Industrial competencies

This section is mostly based on the interviews with G. Gavelle, F. Colomban, C. Bazina, L. Tournerie.

The actors report that they learned to build cheaper and smaller factories:

– in Bangladesh, the Bogra factory is 10 to 20 times cheaper (about 600,000 euros) than a conventional factory. Its capacity was initially 3,000 metric tons per day (which is insignificant compared to the 400,000 metric tons that Danone’s European factories can put out); it employs fifty employees; which gives a ratio of one or two people per metric ton of capacity (direct and indirect labor), which is about 15 times more than a conventional factory. Indeed, the Danone leaders, in agreement with M. Yunus, had the idea of building 50 small factories that would all work with local suppliers and distributors, and would therefore contribute more to the economic development of the country, instead of a single large factory like in many countries. G. Gavelle designed this factory.

G. Gavelle:

“To design the factory, we had to start from a clean slate; I benefited from a greater freedom in the choice of suppliers, which was enabled by the need to keep costs low for the social business and to use local (Asian) suppliers. It’s a question of buying machines from different places. My good knowledge of suppliers and machines helped: it enabled me to find machines at a good price, even if we sometimes had to change some of their components. The trust I had in suppliers and the good relations I had with them also helped. I also recovered some boat slips in Chittagong. In this way we learned to make things small, simple and cheap by using machines that were bought by Grameen Danone for half the price that Danone usually pays.”

– in Senegal, Danone built a “nano-factory” with an annual capacity of 300 metric tonnes, ten times smaller than the factory in Bangladesh, for an investment of less than 100,000 euros, including sterilization and pasteurization. This installation can be put in a container and transported anywhere; certain parts of it are recovered scrap (E. Faber, 2011).

F. Colombari:

“The design of the manufacturing line of Lemateki was a small revolution ... we started with financial constraints because we didn’t know who would invest: Danone? danone.communities? The situation was much more complex than it usually is. In the end we managed by recovering second-hand parts that I had installed in a factory in Normandy 15 years ago and that I knew had been available for 2 years. I said to myself ‘I hope those rice vessels are still around’ and we got lucky and found them. It was the same for the rest of the parts and for that machine that we bought in India. In a way, we had to get by with ‘the creativity of the poor’.”

In Bangladesh, it would have been possible to obtain an even simpler and cheaper factory, but the actors were proceeding one step at a time. The next factory would be considerably simpler.

G. Gavelle:

“If I could redo it, I would have put a big heating vessel in; that would have been simpler and safer in the end. We put in place a more complicated process, with a plate heat exchanger unit, instead of a vessel, to warm the milk. Over time, the plates on such a unit can start to leak and contaminate the milk, and we can’t see it. That doesn’t happen with heating in a vessel. In the next factory, I’ll put in place an even simpler process. Because everything is done by machines nowadays, even Danone engineers don’t really know how to make yoghurts anymore. The engineers have lost touch with the basic process and they don’t even know how to turn a valve.”

These BOP efforts seem to induce a return to the fundamentals of production and to a certain original simplicity.

Because of the size of the factory, the way it was designed, and the sources of supply of the machines, costs were radically reduced. They were often recovered second-hand machines or machines that were bought from local (Indian or Chinese) suppliers with whom G. Gavelle worked in trust-based partnership to co-conceive the machine that was the most adapted to the needs of the project.

Such relations are crucial. According to this engineer, they are a sharp contrast to Danone's usual practices.

G. Gavelle:

“With the factories that I'm building, I'm sticking with the idea that I shouldn't have vendors all around the world, but that I should develop relationships with local vendors. This takes time, and it's difficult because, in the case of India which was the last one, I worked with a vendor who I didn't know. I met with about ten, and ended up saying 'I need to choose one because the clock's ticking'. I chose this one, and in the end he isn't too bad, but anyway... you have to help him, you have to help them. I can't just call a large international supplier: 'come to India, make me a factory'. That's three or four times more expensive. We don't have the money.”

The actors learn (or relearn) to build factories at a low cost, that are also labor intensive, with the social aim of creating employment and developing local construction competencies to grow the projects as they become more complex.

C. Bazina:

“In France, for example, it is mandatory for the sterilization temperature to be displayed in the factory. In Bangladesh, that tool broke down. It would have been very expensive to replace and the legislation didn't require it. So, we put someone in charge of taking its temperature every five minutes. There are lots of things like that.... We used labor for a lot of things that we could have used machines for. Somebody takes care of the operculum by hand, for example. The aim is to create employment... which isn't always financially profitable.”

Furthermore, the risk of power cuts in countries like Bangladesh was taken into account when the factory was being designed. A power generator was installed to avoid frequent cuts. Also, thermal solar panels, and a bio-digester that transforms waste into biogas, guaranteed lighting and heating and the ability to cook the ingredients. Environmentally-friendly systems were put in place rather quickly, in particular because of the difficulty of accessing resources.

Nevertheless one attempt failed at the start of the project in Bangladesh: the production of biodegradable yoghurt pots, which ended up being too complicated and expensive, so they resorted to polystyrene.

A very sensitive point in the new adjustments is in the balance between cost and quality. Therefore it's essential to develop an ability to find the right standard of quality, which involves some risk.

C. Bazina:

“We would need to find a quality standard for those countries (developing countries), but we don't have it yet. At the very least we should adapt our standards... Sharing experiences is important; from that point of view, we should all write down everything we know: as much on the production as on the tests that we carry out, on milk in particular... It's very concrete. That has economic challenges.”

Actors like G. Gavelle have come close, but haven't quite managed. G. Gavelle has led a number of audacious innovations, convinced of the need to fight so that quality standards don't stifle SBOP projects.

G. Gavelle:

“You have to measure the risk. Because I've been at Danone for 45 years, in quality, in development, in industrial, I know the limits. I know where there are risks. We know. The products we're making today, we know exactly what's in them, what can be in them, and what can't be in them.”

One of the most significant innovations consisted in overcoming the fact that consumers didn't have refrigerators for conserving *shokti doi*.

E. Faber:

“An example of a very significant mental barrier that we had to break with shokti doi was the idea of the refrigeration chain, including the home fridge. We convinced the group that because consumers in the target market only have one euro to live on per day, they don't stock up on food anyway, and they eat it immediately (which turned out to be true). That's how we received technical permission to produce a fresh product in a country without a refrigeration chain.”

Of course, sometimes difficulties, and even failures, occur. As much as they are a normal part of the learning curve, the health risk and the reputational risk can make them a delicate situation to deal with. In particular, we are reminded of the Nestlé crisis, when children passed away after drinking Nestlé powder milk (which was mixed with adulterated water). With respect to yoghurts, the risks are minimal (which is also why the product was chosen in the first place) but they still exist. The slightest incident might be interpreted as undue boldness and generate fear. This

would cause the pendulum to swing back, and the group would return to the safety of old ways, and to a certain rigidity, which would entail high costs.

E. Faber:

“In Bangladesh, there were quality problems when the ‘pouches’ were launched and they still haven’t been resolved. They effectively leak.”

Sometimes the problems are related to the machines, which are made by Indian and Chinese manufacturers who are perhaps relatively unreliable (G. Gavelle spends a lot of time with them working on improving the machines). They are also caused by the fact that not enough resources are allocated to these projects.

E. Faber:

“We try to do things as cheaply as possible on the capex, in order to lower the entry cost of replicating the project elsewhere, but with the pouches we were too economical with the machine. The technological adaptation didn’t work. We’re currently investing in a much more expensive machine that will be more reliable.”

The problems with the machines can also sometimes be attributed to poor maintenance.

L. Tournerie describes an incident that occurred in Indonesia:

“At one point, there was a quality-related accident that had nothing to do with the factory. It was just that at one point, the factory overheated because we had been using it too much. We hadn’t done the maintenance that we should have done. There was contamination, and panic ensued. So, we invested in sanitizing the manufacturing line, and we treated it more like a conventional line. But that immediately disrupts the model because, when we do that, we have to compromise on costs. The quality may be higher but, above all, it will be different. It’s not the same as managing a factory in France.”

So, through the SBOP projects, the actors learned to build smaller and cheaper factories, that operate at a low cost.

How to achieve the right balance between simplicity and quality/safety is one of the most delicate and key issues in the learning curve.

Competencies in distribution

This section is mostly based on the interviews with actors of the 1st ring: I. Sultan, J. Fox, C. Bazina and J. Ebert.

Lately “last mile” logistics have been the object of a lot of research and professional interest, whether in rural areas, where the sales forces are primarily women who go from community to community (like the *shokti ladies*⁴ in Bangladesh), or in urban areas. The distribution methods that companies like Danone are exploring are relatively revolutionary. Because they are usually informal routes, they require substantially fewer middle men. The company learns, or rather it re-learns, to manage distribution itself. In truth, the experiments that Danone has carried out in Mexico and Brazil have already been disruptive in this sense, but the SBOP projects go one step further, and develop methods of distribution that are totally new to Danone.

Many methods of distribution are thus explored:

– In rural areas:

- *the shokti ladies in rural areas*

Firstly, the actors in projects like Grameen Danone have to learn to build a network of women (the *shokti ladies*) who can be tasked with distributing the yoghurts in the rural communities within a 30 km radius of the factory. The distribution challenge in projects led in rural areas like the one in Bangladesh is significant. The families that this project targets are making about \$2 per day (about 150 takas) and they spend two-thirds of it on food. In addition, most of the customers are illiterate which can make it difficult to explain nutrition to them. The role of the *shokti ladies* (who are also illiterate) is therefore two-fold: they must deliver the yoghurts, but they are also tasked with persuading potential clients of their nutritional benefit for children.

There were several failures, since Danone was trying to reinvent an activity – distribution – that hadn’t previously fallen within the scope of its operations. The first pitfall was in mistakenly believing that these women could easily be recruited by Grameen. This was due to a cultural difference that the group hadn’t anticipated. For these ladies, who were often young, door-to-door work was often interpreted as prostitution. GDFL therefore had to take this into account when it was building its network of *shokti ladies*. To avoid any misunderstandings, they recruited widowed and elderly ladies, and gave them a uniform to make them look distinguished and remove any ambiguity.

⁴ *shokti ladies*, also called *grameen ladies* in the case of Grameen Danone.

In 2008, GDFL seemed to have managed to build a real network of women, with 273 members in February 2008 (compared to 60 one year earlier). However, by December 2008, only 37 women were left. The milk crisis occurred in the meantime: its price nearly doubled in the space of a few months, increasing from 17 takas per liter in March 2007 to 32 takas in September 2008. The price of the yoghurts went from 5 to 8 takas per 80 g, and sales fell by 75%. The decision was then taken to bring the price down to 6 takas and decrease the quantity in each pot to 60 g (but keeping the same pots). Consumers started to feel cheated, and the distribution network shrank to nothing. So, the decision was taken to launch new 60 g pots at 6 takas, and to start selling them from town to town. This meant the network of *shokti ladies* had to be rebuilt. They managed to do this by changing the compensation model for the sales force: changing from a fixed rate to a combination fixed/variable rate, and inventing several incentives.

I. Sultan:

“I also put in place very simple measures to make the women look distinguished: the uniform and the card ensure that they don’t look like beggars. I also introduced a performance-based reward policy for the sales force and incentives for leaders. The network was thus rebuilt: we went from 20 women to 600 women between 2008 and 2010.”

Because the products had to be supplied to these ladies in rural areas, it was also necessary to learn to manage the coordination among the ladies, the transporters, and the leaders, in rural areas.

J. Fox:

“In Bangladesh, at the start of the project, a sales leader supplied about 15 ladies in a minibus that wasn’t completely full; now he manages six or seven rickshaw men who have become sellers. These rickshaw men have each recruited about 5 or 6 ladies who they, in turn, supply. They have an increased social status: they recruit, sell, and collect money themselves. As for the ladies, thanks mostly to the educational programmes on nutrition that we launched, they sell close to 50 yoghurts a day, compared to 10 when they began.”

- other methods of distribution in rural areas

In Bangladesh, once again in rural areas, other methods of distribution are progressively introduced, in particular to small market stalls and shops. This distribution channel is complementary to that of the *ladies*, and it’s important to reach it efficiently, with simple and effective marketing.

C. Bazina:

“To increase our brand visibility, we put up adverts. Coca-Cola does it too. It’s free. We just put up posters. The impact on sales is considerable. Apart from that, we launched a new product that contains a mix of cereals and milk. We put it in a plastic pot in shops, out of the fridge. We display it really visibly on the counter: it has a considerable commercial impact on children who come to the shops with only 5 takas. They either buy candy, or they buy cookies...”

– In urban areas:

In cities, the products are distributed in conventional distribution chains (small supermarkets in Bangladesh) and, sometimes, in channels that are new to Danone, like:

- the stalls, for which Danone purchased refrigerators (in India too).

E. Soubeiran:

“We invested in buying fridges. We negotiated with the stalls and bought them fridges; it enabled us to increase our visibility... but we had electricity problems too. It was also a marketing tool.”

- the rickshaws in India, introduced with the help of microcredit. They are equipped with simple and economical refrigeration equipment that was designed locally, and add value to the brand with appealing merchandise.

E. Soubeiran:

“We also develop a distribution network with the rickshaws. It’s a marketing tool, because it’s accessible; we have a return client and we control the refrigeration. With micro-finance in India, we can also finance the rickshaws. That enables us to have a network quickly without having to invest too much. Rickshaws are strategic, too: they enable a mobile resupply. Rickshaws sell, stock and transport. And we use entrepreneurs to manage them.”

J. Ebert:

“This is a great example of what we introduced. We now have 200 rickshaws in our network. As for refrigeration, we said ‘we have a pot, we need something to keep it cool’ so we made ourselves a quasi-fridge, a cooling mechanism we invented ourselves that means it can be kept cool for 8 hours. There were a few small suppliers. We chose

the vehicles that we needed for this project ourselves. We put it all together and now we've got a great rickshaw with orange stripes that we've sent out onto the streets."

- door-to-door sales with women. In Indonesia, the actors learned how to manage door-to-door sales in urban areas.

B. Bourdin in Indonesia:

"With Warung Anak Sehat, we test the children's health market. Using an NGO as an intermediary, we give women a micro-credit that they use to buy products in order to sell them. We train them to sell. The women stop from house to house; they sell the product (Gizikita, for three Rupiahs) and fruit and vegetables, as well as home-made meals. In this way, they acquire real experience in nutrition (by contrast to conventional door-to-door salespersons). Gizikita satisfies roughly 50% of a person's nutritional needs and costs 0.04 Euros. There are 20 women in our sales force in 2011 and our goal is for there to be several hundred by the end of 2012. This is being piloted in Djakarta, and next it will be introduced in Java and in the provinces. In the provinces, we work with the village heads. We collaborate with the pediatric institutes. We aim for the greatest number of people to be benefited by our training on nutrition."

- little restaurants, like in Madagascar: they are run by Bledina and the NGO GRET to distribute Koba Aina (nutritious stew) in disadvantaged urban areas; in parallel, educational messages about the nutrition of children are broadcast. A network of women who make door-to-door sales completes the set-up.

- schools in Senegal.

E. Faber:

"In Senegal, we had to decide on a distribution strategy for Lemateki, and we chose schools."

As much in rural areas as in urban areas, networks of women perform an important role.

For high sales to be achieved, the women must feel that they have an interest in doing this work. The right balance must be struck between the arduousness of the work (the amount of weight they have to carry) and the financial return of the work for them and their families.

E. Pleuvret:

“We learned that, to the women, an attractive job is one that presents a good compromise between the salary, the arduousness of the work, and the flexibility of the schedule. From this point of view, the job wasn’t satisfactory. In their eyes, the salary did not compensate the physical (carrying pots of stew) and intellectual (convincing mothers) strenuousness of the work, and there was also a lack of flexibility and security in the work.”

Productivity is also enhanced by training on sales techniques.

E. Pleuvret:

“The introduction of sales techniques used by conventional salesmen was an innovation: what are the stages of a sale (the hook, the discovery, the pitch and the close) and how do you approach each stage to make the sale a success?”

NGOs are almost indispensable in the development and training of these networks.

In Bangladesh, the partnership (since 2011) with the American NGO, Care, which is specialised in development, is a new stage and creates new opportunities to learn.

C. Bazina:

“The ladies and CARE also sell yoghurt. Recently, we’ve started benefiting from the CARE network of ladies in Bangladesh: about 2500 ladies. Care is centered on health and hygiene; they sell medicine, shampoo, nutritional products (in partnership with us), vegetable seeds, and shoes (with Bata). The ladies have a basket that weighs about 50 kg, so a bit heavier than our bag, and they sell in rural areas. With CARE, we are extending our reach because, 50 km away from the factory, we can’t control anything: we don’t know if the refrigeration chain is being respected, if the ladies are actually selling in the villages and not in the market stalls... Working with CARE guarantees sales and enables us to extend our reach, which was previously limited because of the refrigeration chain.”

In Madagascar, the Nutrimad project is also supported by NGOs in the recruitment of women.

E. Pleuvret:

“The NGOs for social reintegration (for example, Inter Aide) have been the best partners. These NGO’s perceive a lot of value in the stable and decent employment that the Koba Aina project can offer to women who are trying to reintegrate into society. They help us select the best candidates for us to recruit. Basically it’s a mutually beneficial arrangement!”

These networks of women are often still employed on an informal basis, which can be problematic for a multinational like Danone. Nevertheless, transitioning through informal employment is hard to avoid in poor countries like Bangladesh and Madagascar. For example in Bangladesh, rural areas still have a barter economy, so certain *shokti ladies* tried to introduce barter into their commercial relationship with Danone, because their customers had paid them in handfuls of rice. E. Pleuvret explains the situation in Madagascar:

“Whichever option they choose, the unique case of the saleswomen will have to be studied: they don’t currently have a contract (neither an employment contract, nor an agency contract), but they are still treated as if they were employees (they have a schedule, etc.), while being paid as if they were self-employed agents. Moving away from informal arrangements will be the biggest challenge, both in terms of costs and in terms of legal obligations.”

Learning how to distribute their products themselves was a risky and audacious bet on Danone’s part. It was a significant challenge, especially in rural areas, but also in slums. Understanding the culture, customs and needs of the local people was paramount. Also, forging partnerships with competent NGO’s was a key factor in their success. The actors of the first ring made a lot of progress, but there is still scope for further progress.

Creation of business models

This section is based on the interviews with actors of the first ring: I. Sultan, C. Bazina, M. Seralta, E. Soubeiran.

Through the SBOP initiatives, Danone employees learn to conceive disruptive business models.

Ideally, these *business models* consist of the following:

- small investments of capital (because of the small size, and the simplicity, of the factories, and their low operational cost); companies launch pilots in a given area with a view to replicating the business model elsewhere;

- considerable output, enabling a high return on capital;

E. Soubeiran:

“Nowadays, people focus a lot on product margin. But with BOP, it’s all about the volume of the output. We’re trying to build a factory that is less capital-intensive per tonne than the one in Bangladesh.

To me, when we’re talking BOP, we’re talking volume. In India, it’s blatant. People don’t want the agricultural revolution to take place, as that would eliminate millions of jobs by increasing productivity. It’s a major ethical dilemma. To achieve the kind of volume of output it needs, Danone can’t finance everything. The point is to have a extendable model: how can we quickly get that high volume output? If we want to achieve that, we can’t pay for it all, even if an Indian factory is ten times cheaper than a French one. The problem with India is the sheer size of the country. Setting up shop in India means moving into a continent with a culturally diverse population of 1.7 billion... So we decided to start in a restricted space, to restrict the geographical scale of our target market... That way, we can start with a pilot, and maybe replicate it elsewhere.”

– relatively low supply costs, because the supply chain is local; on this point, milk causes a significant vulnerability for the company, and other ingredients could create an equally large vulnerability, especially when they follow global prices, hence why it is necessary to not be dependent on a single ingredient, and to make products that can be made with a variety of ingredients. It’s an important competency that was developed in particular by F. Colombari;

– an urban/rural balance for SB in Bangladesh.

Because it is very difficult for Danone to make its activity in rural Bangladesh (around the city of Bogra) profitable, the actors had to resort to selling in urban areas (where they could sell their yoghurts at a higher price by 2 or 3 cents), and where the quantities sold are higher, but the social impact is lesser (since the people they reach lead more comfortable lives).

The learning process therefore involves finding the balance between rural and urban areas (in 2011, 50% of sales are in rural areas) and between economic and social aims.

C. Bazina:

“In Dhaka, we sell in shops, because that distribution channel works well. The hardest part is demonstrating to the teams that our social aims are still a priority. We don’t want the company to become a two-

gear company: where the conventional aims and the social aims are achieved separately from one another.”

For the BOP models in India, we made the choice to only sell the product in urban areas, in order to make the project profitable more quickly.

E. Soubeiran:

“We also sell in small supermarkets. We’re focused on disadvantaged neighborhoods, and we aren’t trying to balance them with rich neighborhoods. But it’s the same price. The idea is to make products that are affordable for the greatest number of people. Because people don’t want to be labelled as “poor”. They are consumers who can only just afford food. They are mostly buying in bulk... and packaged food is frowned upon.”

– the management of the number of factories.

C. Bazina:

“By 2013-2014, we will need two factories to be profitable; we discovered that on the spot. The second factory will open by the end of the year.”

E. Soubeiran:

“We should have at least five factories in India by 2015.”

– the management of the number of products.

The actors of the Bangladeshi project knew that they couldn’t depend on a single product, and that they should expand their range with products that contain different ingredients, if only to reduce the risks relating to access to certain ingredients, and price fluctuations.

We have now studied the individual know-how relating to R&D, marketing, the upstream supply chain, production, distribution, and the creation of business models.

A number of tangential know-how-to-be competencies are connected to these, and we will explain them in the next section.

5.1.2.1.2. Transversal competencies

From the analyses in the previous paragraphs, we can observe that the role of know-how-to-be competencies is truly indissociable from the competencies related to the activities that are a part of the value chain. For example, Colomban was a

successful R&D researcher because of his personal qualities: his ability to listen and his intuition helped him to design disruptive products. His audacity also enabled him to test new microbiological processes.

Beyond the competencies studied above, being involved in SBOP projects requires a certain amount of know-how-to-be qualities. These are often mentioned in the interviews, and they begin at the level of individuals. Involvement in SBOP also accelerates their development, and in some cases, can reveal latent qualities that the actor hasn't expressed yet.

When speaking about a young, shy graduate, who was on an internship at the Bogra factory and was quickly and unexpectedly promoted to the management of the factory, C. Bazina said: "he's grown up so much, it's astonishing".

We will analyze these qualities by reference to members of the 1st and 2nd rings.

Ability to think outside of the box

The people who were interviewed often referred to what they had to "unlearn".

F. Colombar:

"I discovered that it was possible to do everything backwards. We had to confront problems that we never imagined we would ever face... We built development plans, thought patterns, behavioural patterns, that were a thousand miles from what we were used to."

It's also about having the guts to explore new paths, new possibilities.

F. Colombar:

"I probably demonstrated some audacity, and even a pioneering spirit. I must have had them at least a bit before; but I didn't express them. What's great is that Danone gave me the freedom to express them... We move forwards, and we know where we're going, but we have no idea which path we're going to take. So that means we have to come up with a path as we're going along. Ten years ago we were on a very beaten path... Even if there was a bump in the road every now and then, the road was more or less well mapped out – on the technological level, the microbiological level, and the sensory level. On projects like these, you move forward with a piton! You hold the piton, you move forward, you go three meters, you say to yourself: 'that works, that doesn't work, I'll go right, I'll go left', and that's

pretty much the way it works. You know exactly where you need to end up, but you don't really know how you'll do it."

Such audacity and freedom from established practices is what enables innovation.

L. Tournerie:

"These businesses make us kill our existing model come up with new ideas."

This ability to think outside the box develops even more when the individuals learn to be less sure of themselves. In fact, while the self-assurance of actors of multinational companies like Danone can be an asset, it also limits their ability to question the status quo and to learn new things.

Several interviewees also spoke of how these experiences made them more modest, and even humbled them.

I. Sultan:

"I learned to stop thinking I knew best. By nature, marketers are assertive."

F. Colombar:

"Such experiences make you approach your actions with a lot less certainty, and a lot more humility. First of all because we can't presume to know the consumer. Secondly, because they are disruptive foods, we know one thing from the beginning, and that is that we don't have the solution."

This greater modesty is often accompanied by a greater realism, too. People understand better that they might not find the perfect and ideal solution and that they'll need to continue to question themselves and learn. The advancement of the project also depends on the acceptance of a number of constraints, some of which it is pointless to try and fight.

G. Gaigeard:

"There's one thing that I unlearned: it's that there isn't necessarily a single, perfect solution for each problem. Often, whenever we have trouble, we think that there must be a solution. In Bangladesh, I very quickly learned that there are only half-solutions. We had to choose among the half-solutions. And that's something that really struck me."

For example, 2008, the year that I went to Bangladesh, was also the year when the price of basic ingredients skyrocketed. We had to increase the price by 60% from one day to the next. Sales collapsed, and in fact, it was a bad solution because sales fell by 80%; but it was a mistake that we had to make, or we would never have learned. We didn't have the choice. Although I remained just as ambitious as my colleagues, I think my experience in Bangladesh made me understand that we had to move forwards one step at a time. And we had to be happy with semi-successes, and not see them as semi-failures. If there's one way in which the experience changed me fundamentally, that's it. Before, if I didn't 100% meet, or at least 90% meet, my objective, then I considered myself to have failed completely. But in Bangladesh, because of the context, I immediately understood that the important thing isn't to reach your objective straight away, it's to be moving in the right direction. In fact, it was to understand the environment. I'll give you a really simple example: when we have really bad floods, it's normal for us not to be able to deliver all the products we thought we would on that day. There are some elements we can't fight against."

The ability to think outside of the box therefore often requires an “unlearning” process: a questioning of preconceptions, assumptions, and other things that they have always taken for granted.

New relationship with time/patience

As well as learning to be more modest, and inextricably linked to it, the actors develop a different relationship with time. When in a multinational (and especially in Danone, which has a reputation for responsiveness), everything has to go very quickly, and so the actors rediscover the concept of duration. And it seems that learning to accept longer timeframes is necessary during the implementation of the *For All* initiatives. Because they are confronted with very different and new realities, they have to unlearn a lot of impulses and learn others. In an immersive effort, involving careful listening and observation, understanding the habits and needs of people in various impoverished parts of the world is a long process. And it is also a long process to build a relationship of trust with other interested parties, like NGOs, who have schemes of action and methods of operation that are completely different to Danone's.

M. Seralta:

“The big learning curve is that the project will take time because those populations aren't well known by large companies, and because co-construction requires building trust and that takes time.”

S. Romieu:

“What I learned is that social business projects are long-winded. We make progress bit by bit. They are all small steps that will one day allow us to take the market by storm. It’s a long process; it takes time.”

L. Tournerie:

“I remain persuaded that, like in Indonesia, we can’t expect to be profitable on average for some time. These models are built that way. If you look at dairy products that have started in the noughties, it’s taken ten years; there are years where business goes really badly because the cost of basic ingredients skyrockets and we can’t shift that cost onto the consumers. We have to accept that there will be troughs and peaks. We have to have a different timeframe than we usually do, and one way to counterbalance that, is to continue to target the top of the wealth pyramid in parallel.”

For firms that are used to doing everything quickly and constantly trying to go even faster, developing a new relationship with time is an essential part of taking on an SBOP project.

Entrepreneurial skills/autonomy

Such projects undeniably develop people’s autonomy, an acute sense of responsibility, and an entrepreneurial spirit.

J. Fox:

“I was used to being given missions at Danone. By contrast, when I arrived in Bangladesh, I asked my supervisor what my objectives were, and she replied: ‘what do you think they should be?’

When things aren’t working properly, we make sure to fix the problems. If someone in the team isn’t performing well, we do his job, whatever it may be. Things need to get done at all cost.”

I. Sultan:

“Before, we were great ‘doers’: we would give each other a hand, but the hierarchy curbed creativity. I learned not to depend on experts, and to feel more responsible in a riskier environment. It’s important to develop a sense for entrepreneurship: the ability to create, to become

a school of entrepreneurs, a school of intrapreneurs. It's also time to learn how to operate with fewer means."

C. Bazina:

"I dedicate days and nights to my work. Ultimately I'm a bit like an entrepreneur."

As for entrepreneurial abilities, they are joined by an ability to work with few means.

I. Sultan:

"It's important to develop the sense for entrepreneurship, the ability to create; it's also important to operate with few means."

F. Colomban:

"If you impose conditions of poverty on yourself, you have to invent cheap processes that work with a small investment, low energy consumption, low maintenance costs, you see? So it's yet another revolution. Also I like to say, and I think it's true, that you become a real innovator once you start to reason like a poor person... We went and got second-hand parts. And we got by with 'poor man's creativity."

F. Colomban often makes reference to how Steve Jobs started his career, in his garage.

The SBOP experiences strengthened their ability to adapt to extreme situations, and their ability to get by in any circumstances. As the literature review explained, in poor and emerging countries, a number of unpredictable challenges can be caused by the weather, the infrastructure, and political developments. The process of learning to be more modest involves accepting that these challenges will arise, but also learning to overcome them. Therefore, actors in these projects often develop a strong ability to adapt.

G. Gaigeard:

"I think I've developed an ability to take a step back when things occur, even when they are bad for us, a sense of relativity and an ability to react and adapt. For example, during Ramadan, my colleagues were of course not performing like they usually do, which is normal. That enabled me to understand why we were moving in the right direction, but we weren't achieving the objectives that we had

set ourselves; I became a calmer person. Every three months, we had to leave the country to get our visas validated, and I remember one day I had to take a plane, and there were floods, and the bus was very late, so I had to find a taxi to take me to the airport. And I think that, before going to Bangladesh, if I had been in this situation, I would have panicked. I had missed the plane, I wouldn't have been able to renew my visa, but I was serene. Straight away, I asked someone where I could find a taxi, and how to say airport in Bangladeshi. Instead of panicking and missing my flight.”

Thus, paradoxically, if individuals learn to be less assertive, they also develop an ability to start taking things that seem impossible and making them possible. They learn to lift a number of mental barriers, that are in their own heads and also in other people's heads.

L. Blime:

“It remains very clear that this type of experience changes our perspective on a lot of things when we return, and in particular on all of the difficulties and obstacles that you can encounter in developed countries. When I was working there, I saw people in the Middle East build and take apart a night-time warehouse, and when the Beirut port was blocked, they would take different routes, etc. And so, when we are doing our job in developed countries, we don't understand the inertia as much. So we're more likely to say: “There's always an alternative solution”. In Bangladesh, when the first thing doesn't work, a logistician will try a second thing, and then a third, and a fourth, until he finds one that works. He's not going to ask ‘is this, academically-speaking, the best plan?’. He's just going to make it work. And he will, he'll find the way to do it... What I remember about those experiences is mostly about how attitudes are different. The predominant attitude is ‘It's possible. I won't limit myself. Things are possible’.”

With the same attitude, G. Gavelle once walked through customs in Dhaka, with detached machine parts in his backpack.

There too, in companies that otherwise function by routines, people working on SBOP initiatives acquire entrepreneurial qualities.

Leadership abilities

The interviewees claimed that they had acquired horizontal, non-hierarchical leadership abilities, based on interpersonal skills, and persuasion techniques that

enable the mobilization of groups of people, even people who were not initially a part of the project.

J. Fox:

“In Bangladesh, I motivated the teams; I would get people back to their best if they were demotivated. I used very light management, because there was no hierarchical relationship. I found the right words because I was inspired, I believed. I helped people do things by themselves. For example they didn’t know how to use PowerPoint, which was bothersome because we had to make presentations in the management committee. There are two ways to deal with that: either you make their presentation for them, or you teach them. We also taught people how to communicate among themselves to resolve problems as efficiently as possible. We had to teach the commercial assistant how to send e-mails and conduct sales reporting. And that’s a way for him to evolve in his company. For example the first assistant who was ever recruited for the project is now the head of a sales team. He sends e-mails, he’s proficient in Excel, he’s on Facebook... He didn’t know any of that before. So these aren’t hierarchical relationships, it’s all about counselling and support.”

G. Lorcy:

“You have to set up your own process, contact the right people. Everything is about human relationships. Here, just like in Grameen Danone, you have to become personally invested to know who can help you with what.”

Furthermore, the management needs to adapt its methods according to the culture; that’s what the actors understood.

C. Bazina:

“I learned to have patience, to find the balance between letting the team take initiative and giving strict instructions. At Danone, we tend to give teams a lot of space to take initiatives, but in Bangladesh, that made them panic more than anything else. They invoked the Quran, because the Quran states what you should do in each possible situation, whereas in the Bible, there are only broad instructions. They’re not as precise as in the Quran. They reject free will. And then, depending on their education, and according to what they learned about being autonomous and taking initiatives, they get really anxious. It’s true that hierarchy is very important, they obey every word the head says. I learned how to deal with that as a leader. Since

they always say 'yes', you have to learn to decrypt the 'no' beneath the 'yes'. I started to sense it intuitively. It's a different kind of management. Yet it's a problem, because we need people to be able to react and take initiatives, especially in the dairy industry, where products change and sometimes have a very short shelf life. You have to have quick reactions. In other industries, it's easier. So, we recruited them based on their ability to make decisions by themselves, and then we encouraged them if they were stressed. With young graduates, it was easier: we trained them to say what they were thinking, and to challenge their superiors."

Finally, often it's just about instilling confidence in them in the face of all of the difficulties of these initiatives, and teaching them to rebound after failures and to structure a plan.

I. Sultan (after the 2008 crisis and the departure of the ladies who were no longer able to sell yoghurts):

"In Bangladesh, the director of rural sales, Sohel, had all of the ingredients to relaunch the sales force. But he had forgotten a few key factors, like finding women to recruit. I brought him back to these key factors, and helped him to regain his confidence. That's a management role, helping to structure a plan."

We note that the leaderial traits described above are undoubtedly not unique to SBOP projects; however the implementation of these projects for a multinational like Danone is so complex that these challenges are particularly testing. Furthermore, one of these traits is relatively unique: motivating employees for a social project, even at the lowest rungs of the hierarchy.

Ability to listen empathically than to listen, to empathize

The development of the ability to listen empathically than to listen, to empathize results from the previous point, relative to management. It is also necessary in the relations with other interested parties, who are increasingly vital to the project, and with whom they need to co-create.

L. Tournerie:

"I learned a lot about the management of partnerships; before, I had a slightly different way of working because I was working from abroad, and from the experiences in India, I learned about the management of partners, and the Britannia partner, who wasn't necessarily the easiest partner. Working with Grameen wasn't so difficult, even though I got impatient every day because of how complicated things are in

Bangladesh. Guy and I often got frustrated with X because he had a different way of doing things, and in fact, we reached our goal, and I think that if we had let that man express himself a bit more, then when real business began, it would have been a bit easier. I think that the human experience is very important. How can one manage when there's someone in the team who doesn't have the same way of thinking, who doesn't have the same method? And Bangladesh, it's that to the power of 15 because the country is completely chaotic. Everything gave rise to problems. For example, we had samples that stayed in the customs office for three months. That's why it's an extraordinary experience. It encourages you to accept the other person's perspective."

I. Sultan:

"I learned to listen more carefully. I also learned how to draw out the knowledge of the locals I spoke to (knowledge which they often weren't aware of). We also learned to manage some very different stakeholders who we don't have a hierarchical relationship with, and who have very different ways of working: that's the case with our Senegalese NGO partners. With the funders, too. I learned to better understand the logic of my counterparties, and the frameworks in which I could become involved (in particular with the funders)."

This empathy, which developed during the SBOP experiences, is an interesting trait in actors who work for multinationals, who have a reputation for being arrogant.

Engagement/motivation

The SBOP initiatives undeniably renew the motivation in all the employees, and even multiply it tenfold.

Of course, some employees were already very committed but this commitment was not expressed within the company. That commitment was the reason people asked to be involved in the SBOP projects. Some already had humanitarian experience: upon hearing of Danone's SBOP, they then volunteered to take part. L. Blime falls into this category; he had previously gone on humanitarian trips to Nepal, Kosovo and Haiti.

L. Blime:

"When I was a student, I did an internship in Nepal for an NGO. I was struck by that first trip to Nepal. That one-month experience struck me because it was my first real confrontation with serious poverty. I don't

think I could say that, at the time, it developed a particular commitment in me, but it still stuck with me as something that was an issue and a concern. I became conscious when I was young that there were still parts of the world where people died in the street, where children slept in the street, and that didn't trigger an immediate commitment but it planted something quite deep inside me, that came out several times in my life. I went back to humanitarian work in 1999, in Kosovo, during the war, and then more recently for SOS Children's Villages in Haiti. So there were some moments where those things came out. And lastly, when a year and a half ago, Arielle asked me: 'Is there anyone who would be interested in going to Bangladesh to train the new supply chain leader and to help them build a strategy for their development?' I thought that it was an incredible opportunity. That was one of the things that cemented my desire to do it."

Others left out of curiosity, motivated by the desire to discover emerging countries and acquire an entrepreneurial skillset; like J. Fox.

J. Fox:

"At the end of my studies, I was confronted with the question of what my first job would be. I called Danone; I wanted to work in a developing country, that was how I was formalizing it. I hadn't read M. Yunus' books, and I must admit that I still haven't read them. I read the extracts like everyone else. But it's actually not my main passion. My main passion is for business, it's going to clear lands that haven't been conquered yet and making things happen. Like many people, I like travelling, different cultures mean a lot to me, that's what motivates me... But when I was talking to HR at Danone, and I said I wanted a job in a developing country, I was thinking more of Indonesia or South Africa."

The younger employees generally applied to Danone specifically in order to work on such projects, since their studies often directed them toward this kind of activity. This was the case for G. Lorcy, S. Romieu, G. Gaigeard and E. Pleuvret.

Whatever the reasons that motivated these actors to leave, they all observe *intense motivation* on site and of a complete investment.

L. Tournerie:

"The Grameen Danone project was like a sort of entrepreneurial project within a large company, so it was hugely motivating. I

dreamed about it at night. It was a once-in-a-lifetime project. Everything was possible.”

For some, such motivation is founded on a sort of *indignation*, as if these experiences were allowing them to rediscover *an ability to “rebel”*.

O. Maurel:

“In an SB, people don’t need a rational expert, they need an emotional fighter. They need someone who’s capable of changing the world, of getting angry, of being a part of the resistance.”

J. Fox also speaks of how they needed to be able to “rebel against a reality, and to reject the way things are”. Another lever for this energy and motivation is a kind of return to reality, a more direct contact with reality and people.

J. Fox:

“When I left, the social impact of the mission was not my primary motivation, but by the time I got there, it had become my primary motivation. Because we arrived on site to see a micro-factory that produces 50 times less than a factory in France. Because the distribution system means that we have contact with the consumer. A quality problem isn’t a problem on an Excel spreadsheet; it’s a real problem because it means the children we sell our yoghurts to every day won’t be satisfied.”

E. Faber:

“The SB was an opportunity to rediscover that the people in front of us aren’t just leaders and colleagues; they are also people.”

The actors see Danone’s social and economic double project in a much more concrete way. Previously, it had been motivating, but often relatively abstract.

L. Blime:

“I understand the double project, and what I’m doing here at Danone, better as a result of having had this experience in Bangladesh... I’m saying it in a bit of an academic way, but the experience in Bangladesh has helped me to link concrete things to an academic concept, which is the “double project” or “social business”. If you’ve read Mohamed Yunus’ books, you can talk about what you’re read, you can understand what he means, you can say that it’s clever, and

it's great that it's a success. But when you've actually visited the Grameen Hospital, and you've seen someone walk in with a cataract in the morning and leave healed in the evening having paid 7 euros, and you know that she would have been blind for the next 20 years otherwise... When you've lived it, you feel it too. On the one hand, it's a beautiful idea, and on the other, you've lived next to these people. You've seen the benefits first-hand."

Beneath all this motivation, there's also a *feeling of unification*.

F. Colombari:

"I've never been in such a rich stage of my professional life as the one I'm in right now. Because it's at the crossroads of my skillset and who I am on the inside. So it's just great, at least for me it's great. It transformed me enormously because I expressed, I would say, as much – I mean, I expressed – I exploited as much freedom as I needed."

E. Faber:

"What has the SB changed? It changed me: it made me become a more unified and integrated person. Apart from me, it changes everyone who becomes invested in it."

The individuals feel that their work is useful. Sharing, gifts and gratuities are often observed.

F. Colombari:

"It gives me pleasure to share what I know, to give, effectively. Because I find that in those projects, you give a lot of yourself. We give to children who are hungry, we give to friends of the R&D, we give know-how, etc. My slogan is 'give to grow'; I've always liked making others grow."

This high level of motivation makes the actors excel.

J. Fox:

"I've rarely been as productive as in Bangladesh. When I was managing people, I always found the right words. I was inspired."

Another consequence of this motivation, of the sense of purpose that the actors found, is the attractiveness of these projects for the employees and the loyalty that it generates.

M. Seralta:

“One of the actors who is closely involved in the Sphinx project doesn’t want to leave the team. He could easily go elsewhere but he carries on because he says: ‘This project makes sense to me, beyond what makes sense for my career.’ And that’s an example of the enthusiasm of Sphinx’s global team. It’s quite incredible.”

As well as being attractive in themselves, these initiatives generate loyalty and attractiveness for the company as a whole, and a desire to contribute to the company’s mission and to actively take part in the double project, or even change the rules of the game.

G. Lorcy:

“Working for a mission like Danone’s makes you want to become fully invested. That has consequences. The mission is the first lever that makes me want to progress.”

L. Blime:

“The fact that I worked on the Grameen Danone initiative is the reason I’m proud to work for Danone and for the double project. I want it to succeed even more than before, because I think that if Danone succeeds, other companies will notice that a company that is quoted on the CAC 40, that has been extraordinarily successful, has invented something new that works, that adds value to a conventional business and that also contributes to making the world a better place. That could have a huge knock-on effect.”

This high level of motivation sometimes even spills into more conventional activities.

L. Blime:

“Having gone to Bangladesh, having met the teams who work there, having understood in detail how they see their mission, helps me to be energized for my job and to express my energy in my day-to-day work.”

J. Fox:

“To me, work shouldn’t just be about putting bread on the table, and getting pleasure outside of work; to me, work needs to make sense, and if it does, I have no problem work 14 hour days. Either I’m useful and in accordance with my values, or I feel like I’m not any more, and on that day, I’ll leave to go and do something else.”

Participating in SBOP projects can, however, lead to being dissatisfied when you return to more conventional activities. That was the case for G. Lorcy who, upon returning from Bangladesh, was assigned to a (conventional) marketing department, working for LU, and who didn’t stop asking to be reassigned to an SBOP project.

Readapting to more standard project is in fact one of the delicate subjects that we will analyze in the section on institutionalization.

The question of purpose and motivation is central to the SBOP experiences; it performs an important role in the performance of the actors but it is conditional on a number of things, especially upon the actors’ returns and during their reintegration into more conventional projects.

5.1.2.2. Analysis of blocks and levers

The blocks and levers analyzed at the end of the section on intuitions are largely just as valid with regards to the acquisition of individual competencies. We will not relist them, but we will try to go further, and to better understand what might have influenced the SBOP projects’ 1st ring actors’ abilities to learn.

5.1.2.2.1. Blocks

This section is based on the statements of E. Pavlova from HR, about the obstacles to learning. She has interviewed a dozen actors of the first 1st ring to gain a greater understanding of their experiences. She was trying to draw conclusions about the conditions for success of such experiences.

For most of them, the SB projects were very positive and enriching experiences. Nevertheless, some of the projects ended up being relative failures, which might have hindered some of the actors’ learning.

For some of the people working on SBOP projects, a major obstacle to learning was their inability to be autonomous. Some did not react well to finding themselves in situations where the management was very flexible, even distant at times. Others disliked the solitude, the distance from their close ones and the fact that they were around so few Westerners. Others also had a hard time opening up to native people.

According to E. Pavlova, some people, or rather parties, found it difficult to integrate a business approach into efforts which they perceived as being primarily social, rather idealistically.

Another obstacle to learning was no doubt the fact that the actors of the 1st ring did not formalize or write about their learning.

5.1.2.2.2. Levers

Confronted with these challenges, the HR department and the team responsible for the *For All* axis began to:

– select the actors on the basis of very precise criteria, before assigning them to SBOP projects. Among these criteria: autonomy, psychological stability and ability to withstand solitude, flexibility and the ability to adapt, interpersonal skills that enable them to make contact with the local population, and the ability to combine a search for purpose, professionalism, a business approach.

J. Fox:

“We can’t send someone who’s passionate about charity; we need businessmen. SB is still a business. It’s not always how we might like to imagine it is. But at the same time, you need to have the ability to rebel against a reality, and to reject the way things are.”

The task is to find the profiles that are suitable for this role and to avoid those that aren’t;

– accompany the actors, so as to guarantee a minimum level of “emotional security” through mentoring, coaching, etc;

– implement a systematic way for them to reflect on their experiences, during and at the end of the project, and record their progress.

5.1.2.3. Conclusion on the acquisition of individual competencies

By analyzing the Danone case, we can conclude that the SBOP projects developed a number of individual competencies in the actors of the 1st ring, including know-how-to-do competencies related to the activities of the value chain, which are often very different in these projects, and know-how-to-be competencies, like listening, interpersonal skills, initiative. These experiences also inspire a very high level of motivation, which results in excellent performance. The conditions for success are the following: selecting individual team members who are sufficiently autonomous and capable of adapting.

5.1.3. Conclusion of the first level: the individual

In section 5.1, we analyzed the intuitions of the people who conceived the strategic renewal process, and the competencies that the SBOP experiences developed in the actors of the 1st ring, which also contributed to the strategic renewal.

In section 5.2, we will analyze these concepts at the group level to see what becomes of the initial intuitions and the individual competencies.

5.2. The group

The purpose of this section is to understand the transition from the individual to the collective: how could and can such intuitions and competencies be transferred and propagated at the group level (before reaching the level of the organization). In this case, the group consists of the actors of the *For All* axis.

We will begin with Crossan's 2nd I (interpretation) before studying Crossan's 3rd I (integration), when we will study the obstacles and levers of this transition to the group level.

5.2.1. Interpretation and integration

5.2.1.1. Interpretation

Interpretation is between the individual level and the collective level, because it refers to the verbal explanation of the intuition or idea.

Therefore, we aim to understand the process by which the actors vocalized their intuitions and experiences, exchanged them with others, and contributed to building shared representations – within Danone and in its relations with its environment. We will question whether these representations are really shared, and whether the intuitions and representations are true.

We will therefore begin by focusing on the leaders and “champions” before turning to the actors of the first circle, in order to see how they have put what they learned and experienced into words, how they shared them, and how they contributed to building a shared vision. We chose to include these individuals in the part of the analysis of the transition that focuses on the 2nd I (interpretation) because it seemed to us that they perform an important role in the propagation of the initial intuitions.

5.2.1.1.1. Interpretation of the intuitions of the leaders and “champions”

Interpretation of the leaders’ intuitions (F. Riboud and E. Faber)

As we stated in the previous section, E. Faber and R. Riboud have strong intuitions. These intuitions arise from their origins and personal experiences, but they were also reinforced through a number of conversations, since the start of the group’s lifetime in the early noughties, which enabled them to develop shared representations of those intuitions.

It was over the course of these discussions that the 2003 mission emerged, as did a number of projects such as *Dream project*:

1) Exchanges between F. Riboud and E. Faber:

These are almost daily conversations between the two leaders, who have been through several stages of alliance and division (F. Riboud was sometimes nervous of E. Faber’s radical tendencies). In 2005, they agreed on the need for Danone to pass a turning point and increase the scale of *Dream project*. They said to each other that they were open to meeting actors who could inspire and enlighten them, and ultimately offer them opportunities to move in that direction.

2) Exchanges with the executive committee:

In 2008, the Director General retired and appointed two Director Generals (E. Faber for functional activities, and B. Hours for operations). E. Faber then named a new DRH, open to social subjects and who would have to supervise the social innovation committee.

E. Faber’s alter ego, B. Hours, is recognized as being of a different inclination: more business-oriented.

In fact, one of the reasons F. Riboud chose these two people, was to manage the group with him in order to encourage debates and friction between these two inclinations (more business-oriented versus more socially-oriented).

From then on, E. Faber and B. Hours, whose desks were opposite each other in the open-plan Danone offices, often had lengthy discussions.

Although, because of his responsibilities and his personality, B. Hours is more focused on the operational side and the short-to-mid term. According to many interviewees (F. Colomban, E. Marchant, etc.) he has a real interest in the SBOP projects. He expects that they will generate Danone’s successful brands of the future.

3) Exchanges with the shareholders:

The shareholders are not excluded from these debates. Several instances of discussion and debate are referred to by the interviewees: the creation of danone.communities in 2006 during the AGM; M. Yunus's intervention during the 2007 AGM; the creation of the Ecosystem Funds in 2009; and certain more recently discussions involving F. Riboud and the shareholders.

F. Colombar:

“After having seen and tasted Lemateki a year and a half ago, F. Riboud went and told a club of investors that Danone was going to start venturing into the vegetal space.”

4) Exchanges with external interested parties:

There have been many fruitful exchanges with civil society, in particular since 2005. They contribute to confirming and refining their initial intuitions, and giving them opportunities to take action on them. For example:

– the many exchanges with M. Yunus, such as during the lunch with F. Riboud in 2005. This meeting, which we described above, was the trigger for a small interior revolution in F. Riboud. He was already somewhat of a believer in his father's economic and social project, but he hadn't found his own way of personifying it yet. Moreover he was convinced of the importance of investing in emerging markets, but in a conventional commercial effort, without displaying a willingness to fight poverty.

The meeting a month later between M. Yunus and E. Faber was equally determining. M. Yunus and E. Faber co-conceived the Grameen Danone's economic model, which was based namely on the following combination of principles: building several small factories on a local supply and distribution model while creating as many jobs as possible. The disruptive economic model they defined for Grameen Danone also arose from these exchanges with M. Yunus. In reality it was he who first suggested (at the start of 2006) to integrate cereals (i.e. rice) into the products, but the group wasn't ready yet:

G. Gavelle:

“I remember in 2006, when I built the factory in Bangladesh, M. Yunus brought me some rice. He asked me: ‘Listen Guy, would you be able to work with this in the yoghurt?’ I replied ‘Hey, that's a good idea, because I replaced the milk protein by rice protein.’ and I brought that idea to the group and they said: ‘That's not going to happen. We don't work with cereals. It's too dangerous’. Because they didn't know.”

At the beginning, M. Yunus also asked for products for babies, since he considered that they should prioritize babies in the struggle against malnutrition. But E. Faber decided that they would focus on yoghurts, because he thought that making baby food was too risky (following the Nestlé scandal). Yoghurt is actually a very low-risk product. It can lose its nutritional qualities if it's eaten too late or if it has been out of the refrigeration chain, but it is unlikely to cause food poisoning. E. Faber claims that, with this choice, he intended to "touch the heart of Danone's competencies and activity".

E. Faber:

"I wanted to touch the heart of the motor: fresh dairy products. In terms of baby food, at the time, we only had Bledina in France. We hadn't bought Numico yet and so we didn't have many competencies in this area that we could exploit for the project."

E. Faber also had a number of discussions with C. Whitaker, the founder of the World Social Forum, culminating in his attendance at several Forums including the one in Belem. In this way he sought to listen to civil society and engage in a dialogue with it. He experienced several confrontations with anti-globalization activists, that led him to gain a greater awareness of the walls that can exist between these two worlds, of the positive and negative impacts of multinational companies (particularly at the cultural level) and the importance of building governance strategies that enabled regulation of large companies and the impact that they have on local communities.

E. Faber (2011):

"All of that calls the governance of big companies, and the creation of their strategies, back into question. Paul Hawken's 'ecology of commerce' theory, Rudolf Steiner's three spheres (cultural, political and economic) and Endenburg's 'sociocracy' all apply."

He also interacted closely with NGOs like GAIN, who are specialized in the struggle against malnutrition and organized meetings with associations that are trenchantly opposed to companies like Danone, like *Lecce Ligue*, which is specialized in the promotion of breastfeeding.

The meetings with M. Nowak and M. Hirsch are also decisive. They enabled the launch of the struggle against malnutrition of babies over 6 months old, on a trial basis in France, in particular in poor areas.

It is important to highlight that such interactions with civil society were truly innovative for a group that had a reputation for being self-centred.

– exchanges with Danoners, such as F. Colomban and G. Gavelle.

The interactions between the two leaders and the two “champions” will be explored in the next subsection.

More generally, it should be noted that the interactions mentioned above are all the richer because they often fit within the framework of a relationship of trust, of mutual respect, and even friendship and complicity among the four actors.

From reading these few lines, it would seem that the strategic renewal is above all a *top-down* process. That’s partly the case, because the initial push came from these leaders. However, they are conscious of the limits of such an approach in a relatively decentralized group like Danone, where many decisions are made at the BU level. It was essential to make the BU leaders and every other Danoner share these representations. That was why E. Faber made the choice of focusing on fresh dairy products for Grameen Danone. In terms of baby food, E. Faber has stated that he benefited from the nomination of a new GM for Asia, P. de Petrini, after the Numico acquisition. Their complicity on this point allowed him to accelerate the creation of these socially-oriented projects (see the part on integration).

An incentivizing, and symbolic, measure is put in place to enlist all the leaders of the group in the fight against malnutrition. Their bonuses would be based on a new formula: one-third would be tied to economic performance, one-third would be tied to leadership performance, and the final third would be tied to social performance.

We will study the other measures that were used to gain the support of Danoners in more depth in the section on institutionalization (the 4th I).

Interpretation of the “champions” intuitions (F. Colomban and G. Gavelle)

F. Colomban and G. Gavelle’s exchanges with F. Riboud and E. Faber, and their exchanges among themselves, are also key. In these exchanges, the leaders encourage F. Colomban and G. Gavelle to be audacious and non-conformist, and in turn, F. Colomban and G. Gavelle open the leaders to new perspectives and encourage them to think out of the box.

G. Gavelle and E. Faber had many meetings together, and because G. Gavelle never withholds his opinions, their exchanges were very direct.

They were roughly on the same wavelength, with G. Gavelle having accepted E. Faber’s challenge with a mixture of enthusiasm and dread.

G. Gavelle (at the very start of the project):

“Asking me to make a micro-factory, that is as demechanized as possible to employ as many people as possible, and potentially even handicapped people, that will make very cheap enriched yoghurts, is more than an ambitious challenge.”

Some disagreements arose, because G. Gavelle was willing to take more risks, and E. Faber was more cautious. Nevertheless they were able to learn from each other, even when they made mistakes, thanks to their frequent and transparent dialogue.

G. Gavelle:

“In Bangladesh, I had said to Emmanuel: ‘I’m going to make you little containers, little jars, I mean little plastic cups, 100g, 200g, for free. In China, someone makes them for me for free. That will replace the packaging: we’ll pour the yoghurt directly into them’. Emmanuel replies: ‘But what if it isn’t clean? I they don’t wash their pots, our product will be contaminated’. I said to him: ‘When they eat off their plate, they’re not going to wash it better. So what’s the problem?’ ‘Yes, but hygiene, hygiene...’. Ok. So we dropped that. One day, he went to Madagascar, and he said to me: ‘Guy, you know what you wanted to do, I saw it in Madagascar. It actually works really well, we need to do it in Bangladesh.’ I said: ‘Yes, but now it’s too late. Once you introduce hermetically sealed pots, people don’t want to take a step backwards. They’re not going to buy 200 g of yoghurt in a thing like that if there’s a pot next to it. We would have had to do it at the beginning’. And he replied: ‘You were right’.”

In this quotation, the interconnection between the individual competencies developed by G. Gavelle and the evolution of E. Faber’s intuitions is clear. It demonstrates that the two concepts of intuition and competency, though apparently distinct, are actually inextricably linked.

G. Gavelle tried to convince the company to put cereals in the yoghurts, like M. Yunus had suggested in 2006, but to no avail. A little later, he spoke to F. Colombaro about it, who believed in the idea and managed to implement it in Senegal. The idea was finally adopted in Bangladesh, after they had survived the 2008 crisis and the boom of the price of milk. After those events, they realized that it wasn’t realistic to target poor people with refrigerated products that were exclusively based on milk. That’s how the Danone tale of the fresh dairy product was once again called into question, and that legumes were re-introduced for BOP projects (soy yoghurts had been trialled in France but they were a failure).

G. Gavelle:

“Despite the group’s lack of interest in the idea of putting rice in the products, like M. Yunus suggested, I brought the idea to F. Colomban, and to his whole team; and in 2009-2010, he brought us cereal-based products.”

I. Sultan:

“BOP helps us to get out of our dependence on the cold chain. It also helps us to come back to legumes and cereals. Legumes and cereals are finally coming back thanks to BOP. We had tried targeting the CSP + market with soy-based products, but it hadn’t worked. It was too much like a conventional yoghurt, and not as good. Now, with ‘pouches’, the products are 50% cereal-based and the consumer barely knows it.”

F. Colomban also explains how he came to present the new cereal-based products he had conceived, and that F. Riboud’s reaction was very positive, because he saw a new angle for the group.

F. Colomban:

“I invited people in the office who I knew would listen. Anne Thévenet was one of them; she’s one of the ‘right hand people’, possibly even the free spirit, around Franck. Anne is a great lady whose full of ideas, a lady who sparkles, who brings a lot of freshness ... She said to me: ‘Listen, Franck absolutely needs to see this’ and I said: ‘No, I don’t want to cause a stir’... She insisted and then one day she brought Franck over. We closed all the curtains. And I think Franck was struck by that visit, in that he said to himself ‘My goodness! It’s true!’. F. Riboud told us: ‘Your role is to promote, to say what you’re doing, so that people realize it’s doable’. And that year he was once again able to enjoy new products that we had created for another continent.”

G. Gavelle:

“F.Colomban organized a meeting with Franck to make him try cereal-based products, and Franck liked that. He said: ‘You have to persist with this route. You’ve got to stop using milk; BOP doesn’t necessarily require milk, we don’t care about milk, it’s too expensive!’.”

Through these different exchanges, we can observe that the process of interpretation led to the recognition that yoghurt isn’t necessarily the best product to achieve “health through food and beverage to the greatest number of people”. This

process also enabled the necessary corrections to be made. It should be highlighted that this transition from dairy products to non-fresh non-milk products, through the projects in Senegal and Bangladesh, marks a sort of cultural revolution inside the group, and it's at the very heart of the strategic renewal.

But the two champions don't only share their intuitions with these two leaders; they speak about them openly.

Many visitors come to G. Gavelle's factory in Bogra. All sorts of people visit: Danone leaders (many of them visited the factory), outside personalities (like M. Hirsch and the leaders of other companies), and journalists.

F. Colomban seems to derive particular pleasure from sharing his intuitions: primarily with Danoners, but also with young people, and any kind of audience; for this reason, he voluntarily participates in conferences. For Danoners, he created a seminar entitled "Food Discovery", that he presents several times a year to a dozen of the group's leaders. He shares his intuitions on new food trends, that should result in "smart foods". Then follows a tasting session. F. Colomban is also invited to present the Lemateki product (cereal-based product made for the Senegalese market) at a number of events organized by Danone.

F. Colomban:

"We talked a lot about that product at Danone... Actually, we simultaneously talked about it a lot, and not that much. I have to admit that I've never experienced a product development quite like it... I've been doing R&D for 15 years, but I've never been involved in development where we made so much noise about one product. It was presented at the meeting of leaders that year; it's going to be presented at the investors forum in Evian; it was presented on Monday, once again, at a marketing event; and last year at the convention of general directors, in Evian."

Yet F. Colomban recognizes the difficulty in sharing his ideas with one audience in particular: his own, the researchers. He self-censors because he believes, or knows, that he won't be able to convince scientists.

"Very subconsciously, I invited a lot more people from the Danone group than from R&D. And that's a sign from my subconscious. I mean, subconsciously, I don't really know how to share. It's because intuitively and subconsciously, I feel that my friends from R&D won't be interested, and they'll think I'm crazy; they'll say 'what you're doing isn't very scientific' and yet we are in a 'center of academic research', aren't we?"

Getting the GM's interested is also a very delicate challenge for him.

F. Colombar:

“The GM's are very pragmatic; they taste it and say ‘yes that's a bit strange’, some don't like it at all: so I reply to them ‘I hear you, but this product was made for Senegalese children, so it's normal that you may not like it.’ On the other hand, others say: ‘it's a really interesting concept; by adapting it, we may be able to make something really interesting’.”

His stated objective isn't to convince but to show people the product, so that those who are slightly interested have a chance to evolve their representations.

F. Colombar:

“I'm not trying to convert people, I'm just trying to show people and awaken an interest in people who are open-minded; I'm trying to give rise to ideas, and desires; I'm not trying to convince them of anything.”

5.2.1.1.2. Interpretation/sharing of experiences by the actors of the 1st ring

The actors on the ground also go through a process of interpretation. We identified several exchanges: during their involvement in the SBOP projects; upon their return from the projects, in their more conventional activities for the BU; and at several moments when Danone suggested an exchange, during more or less formal meetings (which will be discussed in section 5.3.1 on institutionalization).

Experience sharing within SBOP project involvements

As was mentioned above in relation to G. Gavelle, many visits were organized, in particular to Bangladesh. These led to many meetings. The actors on the ground were proud to present their projects, and they often had the chance to share their experiences: the difficulties they ran into, their successes, the unresolved questions they had, and the things they had learned.

These visits were time-consuming, but they had the advantage of generating new ideas.

S. Romieu:

“Something that struck me as very interesting in Bangladesh, from an educational point of view, was that we received regular visits from specialists or people who had skills in certain areas. We were even receiving too many visits, we barely had time to work! Every time someone came, we had to explain the project to them and the person

told us what they thought and gave us some recommendations. We therefore had feedback from people who had worked on loads of projects, which also renewed the way we saw what we were doing. It was a luxury that we had in Bangladesh, that smaller companies wouldn't have had."

Others managed to share what they were doing with other Danoners who were working on more conventional activities in the same country.

G. Lorcy:

"The first reaction among Danoners in Indonesia was: 'What on earth is this?' And then a bit later, people took an interest. Also, I participate in regional marketing meetings where I have the opportunity to talk about the Gizikita project; these meetings help to circulate information."

M. Seralta:

"When we talk about the Sphinx project to the enlarged management committee of Danone Fresh Products France (in total, 60 of us wrote the strategy on which we are working in 2008), that makes people want to get involved: 'How can I get involved, how can I help you?' When we're talking about it, it's really nice to see how much it moves and inspires people."

Sharing upon returning to conventional BUs from SBOP experiences

Upon their return to conventional BUs, often in their home countries, actors are often asked to describe what they experienced, which often makes other people want to get involved. This is a form of informal contagion, or pollination, which is an essential lever for propagation and transformation.

J. Fox:

"Ever since I got home, I've been quizzed a lot... I was very well received. Not at all like a madman. Recently, I had a meeting with some interns who were interested in danone.communities. I spoke about my experience to them, how it made sense, and how it transformed the company downstream. It was just an informal Q&A session. I didn't write anything about it. Otherwise, it also happens with colleagues who ask me questions. Some are interested in social business and are looking for ideas, and have a few target countries but nothing precise. They contacted me and questioned me too. It's also one of the signs of transformation. I meet a lot of people here,

who are in the conventional business, who are motivated by social business.”

G. Gaigeard:

“Last week, someone who works here in sales contacted me because she’s interested in social business; this person is in contact with O. Maurel. She works in a group that’s looking for social business projects in South America and they are looking to create projects that they can present to Olivier.”

E. Faber:

“The good thing is that SB doesn’t need to become 50% of our activities. It works like a virus: the smaller it is, the faster it spreads.”

Some seek out opportunities to share their experiences more proactively. For example, L. Blime begins his presentations to 600 supply chain partners with photographs of his photos from Bangladesh.

L. Blime:

“There is something that I do systematically now: I start my presentations with a photograph of Bangladesh because it’s what makes me proud to work for Danone. I talk to them about it, and I talk about people. For example, I introduced Luc to them, who was with me in Bangladesh. I got a lot of question from people to the effect of ‘how would we do it if we wanted to...?’, etc. But I don’t proselytize, I don’t say ‘become committed’. I say ‘this is what I did, and this is how I benefited from it’.”

But sometimes it’s hard for them to express what they felt. They worry that they won’t make themselves understood, as if only people who had the same experience could understand it.

J. Fox:

“When I went home in the middle of my experience, to spend Christmas with my family, everyone was asking me: ‘So how is it?’. I realized that I found it very hard to put what I was living into words, as if they couldn’t understand. In fact, even today, I’m not sure if I’ve successfully been able to convey my experience. And that makes those of us who were in Bangladesh feel like accomplices, because we all lived a shared experience.”

So, to help us understand one of the aspects of his life in Bangladesh, one of the young French Danoners, B. Lewillie, brought us to drink tea in the stall run by an old man known as Tété, that was like a very unique bistrot near the factory, where Tété insisted on giving us a tea and some cigarettes. Several Danoners, like G. Gaigeard and J. Fox, talked about those times in the stall, as if they were an integral part of their experience there. They say those experiences weren't about "doing", but about "being", which is why it was so difficult to put into words.

5.2.1.1.3. Conclusion on interpretation

The process of interpretation is complex. It enables us to (more or less easily) vocalize our intuitions, our experiences and what we have learned. It enables us to develop our mind maps, and create shared representations. What it produces in a lot of people, both internally and externally, is a sort of amazement: "so it's possible to do business in a multinational and, at the same time, fight against poverty?". It also allows "pollination" and "contagion".

Many Danoners react enthusiastically when they hear the leaders and actors of the first ring, as if it was becoming possible to reconcile economic gain with a real purpose. Certain people, young people in particular, envisage an alternative path, between humanitarianism and the world of business.

Others are cautious, even skeptical. Finally, others dismiss such efforts completely. F. Colombar summarizes the kinds of reactions he receives within Danone:

"Ever since I created the Food Design activity, and I've been working on the SBOP projects, my objective has been to open people's eyes. Some will think: 'This guy is strange, and he's not going to make me change my mind.' Most people will generally say: 'This is interesting ... it might give me some ideas one day'. And then a few will say: 'Great, let's do that; people like Guy weren't afraid, they went for it, why shouldn't we?'. I'm not trying to convert anyone. I just want to show them the world of possibilities that exists."

But this process of interpretation is just the start of the transition from the individual to the group. It will only contribute to the strategic renewal if it causes people to take action, whether it's in emerging countries or developed countries, in the SBOP projects and in Danone.

That is the basis for the next section of the analysis: integration.

5.2.1.2. *Integration*

In this section on integration, as we explained in the conceptual framework, we will analyze the implementation of coordinated action, based on the shared representations that resulted from the interpretation of the leaders' and champions' intuitions. It's important to highlight once again how complex and recursive all these processes are: the projects that are implemented constantly give rise to new intuitions and interpretations, which in turn lead to more projects.

We will study three levels of integration/implementation of actions that resulted from the intuitions of the leaders and champions and their interpretations:

- the first level corresponds to their integration in emerging countries, through the two pilot projects in Bangladesh and Senegal;

- the second level corresponds to their integration in emerging countries, through initiatives that these two pilot projects inspired. In particular we will study the Nutrimad SB project in Madagascar, and the Gizikita BOP project in Indonesia, as well as the BOP project in India;

- the third level corresponds to their integration in developed countries, through initiatives that the first two pilot projects inspired. They include SB projects (the Polish project and the Bledina Croix Rouge project in France), and BOP projects (Project Sphynx).

NOTE.– There is also an SB project in France, led by the same team as Project Sphynx, but it hasn't made sufficient progress for us to be able to detail it.

We will analyze the process of replicating projects elsewhere, and the decision-making process that leads to the launch of these experiments.

We will not make a detailed explanation of each projects, since this can be found in Appendix 1.

In the analyses of the second and third levels, we will also analyze the changes that have been implemented in the company's conventional activities, as a result of what was learned through the SB and BOP projects.

5.2.1.2.1. *First level of integration: the two pilot projects*

Grameen Danone in Bangladesh (SB)

As was explained above, the first experiments arose from E. Faber and F. Riboud's intuitions, and their interactions: among themselves, but also with people like M. Yunus.

The most iconic experiment is the *joint-venture* with Grameen Bank: Grameen Danone. It's also the experiment that was the biggest break from Danone's usual practices. That has already been stated at length and we will not return to that argument.

Nevertheless, here is a reminder of a few of the project's defining characteristics:

1) First of all, Danone did not have any presence in this country before the project. As L. Tournerie explains, this was an important factor in the business model:

"The fact that there was nothing there, a blank page, was really significant. In Bangladesh, we were completely free to think. Guy could really do whatever he wanted with his model factory. Then with the product itself, the constraints had been fixed from the start, they had said 'we want a fresh yoghurt'."

2) The fact that the first factory (the one in Bogra) only made one product initially, which was a result of this constraint, meant a number of adaptations were required before it could be used to make non-fresh *pouches* from milk and cereal.

Project Lemateki in Senegal (SB)

The Lemateki initiative was then launched in 2009. Like the project in Bangladesh, it is an SB that aims to fight against malnutrition and poverty, but this project goes even further. Danone.communities' stated intention was to be even more rooted in the local reality, and to really co-conceive products and processes with local actors. The intention was to resynchronize the food chain and to integrate local ingredients.

This project subsequently became tied to another SB by danone.communities: the Berger Dairy. The leaders of danone.communities had identified a young entrepreneur, ex-vet B. Bathily, who was trying to make the "Peul" nomads in northern Senegal settle; he persuaded them with his entrepreneurial abilities and by proving that there was potential to make a social and environmental impact. In this way he had started producing yoghurts from the Peul nomads' milk.

This is the SB that provided a local base for Danone to set up in, enabling it to launch Lemateki, which was shortly integrated into the Berger Dairy.

Danone thus supported the Lemateki project through danone.communities, who brought capital and skills in various fields: management, industrial process, marketing, commercialization and distribution etc, in the form of the dedicated

danone.communities team and other actors belonging to various entities within the Danone group.

Thus, according to E. Faber (2011) the idea was to “conceive a product locally (from the ingredients and the formulation, to the shape) that remedied the nutritional deficiencies in Senegalese children” or, more precisely, to co-conceive it with the Danone actors, like F. Colomban, and the local actors.

This project was partly inspired by the Bangladeshi experience and the discussions with G. Gavelle; later, it would inspire GDFL in the conception of a non-fresh product that also contained cereals.

5.2.1.2.2. Second level of integration in emerging countries

Several initiatives carried out in emerging countries are inspired by the first two projects; some are SB, and others are BOP projects.

Nutrimad Project (SB) in Madagascar

One of the first projects is the one in Madagascar with the GRET NGO (*Groupe de Recherche et d'Echanges Technologiques*) to fight against malnutrition in children. Following the creation of danone.communities, the actors who were involved in SB projects started to search for more potential projects. One of them, B. Giraud, was already familiar with the GRET NGO, which has a reputation for carrying out serious development efforts (especially scientific efforts). He identified an initiative that the NGO had already launched in liaison with the public authorities and in partnership with a research institute, the IRD (institut de recherche pour le développement) in which they had co-conceived a flour that complied with the international dietary recommendations for children between 6 and 24 months old, and that was locally produced at a low cost.

The GRET recognized its weaknesses in marketing and communication: competencies that are quite fundamental for educating recent mothers and showing them that rice shouldn't be the only food their child eats (which is, unfortunately, a very widespread belief in that culture).

E. Pleuvret:

“The Nutrimad team then expressed its commercial difficulties: ‘Sales are terrible’, ‘We’re not good enough at creating slogans and sales pitches to promote our products’, ‘We don’t have the necessary marketing skills’. At the same time the Nutrimad team was convinced that an exchange would be worthwhile.”

Furthermore, the NGO became interested in the concept of social business, which until then was little known by humanitarian actors, but it brought a new perspective which was all the more pertinent since government funding was drying up.

The two bodies then decided, in 2007, to associate themselves with another initiative: Bledina would bring its marketing know-how and communication skills to the table, and GRET would ensure they had access to the market (public permission) and to the product that had already been conceived (called the “koba aina”).

This partnership enabled them to progress and learn from each other, which has been described in the section on individual competencies (section 5.1). Significant progress was made, in particular in terms of market penetration and consumption by children. But GRET had to end its partnership with Danone in 2008, because one of its greatest donors, Unicef⁵, was opposed to cooperating with a multinational that specialized in selling baby milk.

Project Gizikita (BOP) in Indonesia

Several BOP projects, which are more focused on profit, were launched as a result of the success of the experiments in Bangladesh and Senegal. The Gizikita project, which was launched in two Indonesian subsidiaries of the baby division, called Sari Husada, was partly inspired by the Bangladeshi experience: only partly, because the Indonesian company acquired by Danone made soy-based products before its acquisition. However it had subsequently stopped using soy beans because of difficulties with its supply. Before the launch of Gizikita, its activity was therefore exclusively focused on buying and selling baby milk in modern and traditional shops.

The leaders of Danone Indonesia heard them talking about the Bangladeshi experience, in particular L. Tournier, who was based in Singapore. It was her who defined Grameen Danone’s business model in 2006, with E. Faber and M. Yunus. In 2007, she suggested that they launch a BOP project, and relaunched them at the end of 2008.

The leaders listened to her and thought it was time to stop exclusively targeting the upper classes, and start targeting the middle classes too, especially since they noticed a rise in poverty in Indonesia. They know the figures about malnutrition: 37% of Indonesian children suffer from nutritional deficiencies. More broadly, these populations have poor access to affordable nutritional products. There is also an educational problem with regard to nutrition.

⁵ On the other hand it is a partner in other areas, like water.

The GM of children's products in Asia, G. de Petrini, who knew Grameen Danone well and who had often discussed social challenges with E. Faber, accepted to launch the Gizikita project in 2009. He recruited G. Lorcy, one of the young engineers who worked on the first Grameen Danone factory, and who had since been working in marketing for LU.

It would be a BOP (not SB) project, aiming to make a profit, but less than the profit from Sari Husada's main activities, and it also had social aims, in particular with respect to nutrition.

According to B. Bourdin, the current leader of Sari Husada at the time, it has a double (economic and social) objective.

B. Bourdin:

“For the Gizikita project, we looked at what was happening in Bangladesh and Poland. And we decided to make a return to our roots (fighting against deficiencies in Indonesian children) because this began as a soy company. We moved to milk, because in Indonesia, the dairy industry is much stronger, the culture of soy and rice is much more fragmented. There was also a strategic reason for that decision: the desire to reach more people... It was a strategic project because we noticed that poverty was on the rise and that there were public health problems. Furthermore, these projects are closer to double projects that benefit all the actors.”

The project was completely integrated in the subsidiary, but the company also named an employee to dedicate all of his time to it: G. Lorcy.

It consisted of producing and distributing a soy-based fortified food supplement.

B. Bourdin:

“The research is conducted locally (with universities). Its objective is to invent innovative processes that will enable us to extract the goodness from the soy, and processes to improve supply.”

According to G. Lorcy, the Gizikita project, which had a low budget due to being a BOP project, gave rise to several innovations, in particular in its choice of ingredients and suppliers. Because it wasn't a separate project, it brought about some practical changes in the conventional business: certain elements of the business model were taken up by other activities, such as the database of basic ingredients and suppliers.

G. Lorcy:

“It was difficult to set a business model. But once it was established, it began to attract the attention of other brands; it let us challenge everything and improve the processes. For example, we had to get rid of the existing database on basic ingredients. Our approach to building a business model for the launch of a new product was adopted by others.”

BOP Project in India

When the new mission was being written in 2008, the For All focus was created, and thus it became one of the four strategic focuses of the group (along with Health, Nature and People). To achieve this focus, an SBOP was created. It was made up of two distinct but related units, which are supposed to be mutually beneficial: the social business unit, with danone.communities (led by E. Marchant), whose projects are financed by SICAV danone.communities; and the BOP unit, led by J. Ebert, who is also the GM for India (and who was also GM for Bangladesh previously), which is more business-oriented.

The recently established Indian subsidiary hosted the first BOP experiment. The initiative was based on the Bangladeshi project, but would aim to make a profit. This experiment would have to prove that SB projects could have direct benefits for business.

A French leader, E. Soubeiran, who had experience in India in the pharmaceutical industry (on the subject of access to medicine and generic drugs), was recruited to lead the BOP project. G. Gavelle was called in to design the new factory.

Very quickly, they took the decision to model it on the Bangladesh project, but also to learn from the mistakes they made in Bangladesh, by building a multi-product factory from the start. They foresaw that they would initially be making at least two products in parallel, yoghurts like in Bangladesh and a snack (a triangular carton containing UHT milk and cereals, and flavored with chocolate or vanilla).

5.2.1.2.3. Third level of integration in developed countries

Project Milk Start (SB) in Poland

The *Milk Start* Project was launched by the GM of Danone Poland, R. Khabirpour, in 2006, before Bangladesh. Khabirpour is known for being just as capable as he is socially open-minded. According to members of Danone Poland (Pestre, 2011), as soon as he became head of the BU, he started insisting on

formulating an accessibility strategy as soon as possible, in particular in terms of malnutrition. Although Poland is a developed country, he wanted to keep the challenges of emerging countries in mind.

S. Romieu:

“R. Khabirpour has always had a social vision, he’s very results-oriented. He gets very good results.”

B. Giraud (Pestre, 2011):

“R. Khabirpour has strong beliefs and, in a personal capacity, he is very motivated about matters of social responsibility.”

For Danone, the project consists of selling a kind of milk and cereal-based soup (a popular product in Poland that is eaten for breakfast or dinner) that contains many nutrients that children need. It was a response to the problem of malnutrition in Polish children. The project relied on a partnership between four actors: Danone, who conceived the product; a producer, which was specialized in making milk soup; a distributor, which was the largest discounter in Poland, and was keen to improve its poor public image; and a health institute for mothers and children.

But in 2008 the project was not meeting sales targets. That year, they were only selling 30 tonnes of product per month.

In 2008, the GM received visits from about ten GM’s. Among others he met S. Romieu, who was on a mission abroad, and decided to recruit him as soon as his mission ended so that he could help to redress the situation.

S. Romieu:

“The GM of Danone Poland, at the time, was an extremely determined man. Even though they threatened to pull out, our partners decided to support the project, even though times were tough.”

S. Romieu worked with the partners on the composition of the product, to adapt it more to the tastebuds and nutritional needs of Polish children. He also reviewed the advertising, which until then had been seemingly stigmatizing because it had presented the product as being for poor people. As a result, sales increased to 100 tonnes per month in 2010.

In 2012, the project was a proven success. In fact, it was cited as a success by actors like T. Delepouille.

Project Malin – Bledina-Croix Rouge (SB) in France

Because of the Bangladeshi project and the media coverage it received, Danone leaders were often questioned by state actors and civil society about what work they were doing to reduce poverty in France.

In addition, since 1981, companies like Danone have been at war with the NGOs to whom the World Health Organization (WHO) assigned the task of commercializing baby milk.

E. Faber [FAB 11]:

“To end the dramatic situation related to the poor use of milk powder, and to promote the practice of breastfeeding, the WHO published a code of conduct regulating the commercialization of baby milk in 1981. It conferred upon NGOs the responsibility of controlling its use by companies that produce baby food.”

Shortly after the announcement that Numico was being repurchased by Danone, the leaders received a letter from an NGO that began like this (Faber 2011):

“Now that you have rejoined the band of murderers...”

Companies, considered to be unscrupulous, are thus often excluded from programmes that help people get food.

E. Faber undoubtedly foresaw at that moment that social business could be an avenue worth exploring to respond to society’s questions, and that it could also reopen the discussion and lead to a “ceasefire” on the topic of formula milk.

Thus, in 2006, he began to think about what kind of social business Danone could carry out.

He met M. Hirsch in 2008, who at the time was the High Commissioner for Active Solidarity against Poverty, and who until then he had only known by name. He shared his thoughts with him and told him about danone.communities. Hirsch replied (Faber, 2011):

“If you want to do something useful, stop selling baby milk at a price that’s unaffordable for those who need it the most: the poorest among us.”

So, E. Faber called a meeting of several people, including the GM’s of Bledina, M. Benoit and E. Marchant. They quickly analyzed the problem of poor mothers. In 2008, these mothers had about 150 Euros per month to spend (half as much as before the financial crisis) so they could not afford to spend 70 Euros a month on formula milk after they stopped breastfeeding.

A month later, he presented the pre-project to M. Hirsch, who summoned a number of important stakeholders: family services agencies, the Health Ministry, the Red Cross and even La Leche League that promotes breastfeeding (it would ultimately refuse to be associated with a company like Danone and left quickly).

Project MALIN, on the nutrition of babies, was the outcome. Launched in November 2010 in three pilot villages, it is an example of a multi-actor partnership: Bledina, the Red Cross and the state authorities. Its objective was to improve the nutrition of babies in families living below the poverty threshold. It targeted the 100,000 children who are born each year into a family whose monthly income is less than 1,600 Euros. They provided help to those families in two ways: by offering them a 30% discount on all baby foods in conventional distribution channels and by offering them an educational program, as well as personalized help on the nutrition of their children.

Project Sphynx (SB and BOP) in France

Project Sphynx came about after F. Riboud had strongly advocated carrying out experiments in France, based on the Bangladeshi and Senegalese models. The GM of Fresh Dairy Products France, O. Delaméha, accepted the idea of moving in that direction. He foresaw various challenges for the company, namely:

1) The challenges related to increasing the size of the target market in France, and of the need to better reach the middle and lower classes.

O. Delaméha:

“We have to move towards a greater variety, to develop a larger portfolio of products. The market for fresh dairy products clearly decreased in France between 2004 and 2008. At the end of 2008, we realized that we had to take an interest in the whole wealth pyramid, and not just aim for the top of it with premium products. If we wanted to start increasing our sales figures again, that was becoming necessary. That was even clearer on the consumer side, since there had been a stagnation, or even a reduction, in their purchasing power.”

2) The challenge of strengthening Danone’s corporate image beyond its brands.

O. Delaméha:

“I’m convinced that a strategic evolution is necessary. These days the strength of a business is in its brands, and they’re going to remain important. But the corporate entity’s image is becoming increasingly important. Consumers are more and more aware of what is happening behind brands. Danone’s strength is that it is a brand and a company.”

Taking this into account becomes increasingly important the more civil society and the media question Danone on its social role.

O. Delaméha:

“That’s also a demand from journalists, who regularly ask us what we’re doing in France. There’s a very big expectation from society.”

3) The challenge of needing to give a greater sense of purpose to employees.

O. Delaméha:

“It’s also a demand from employees. When E. Marchant came to Danone headquarters in St. Ouen to explain what he was doing through danone.communities, the auditorium was packed.”

4) The more general need for a transformation of the company, and in particular its marketing, where O. Delaméha perceived that they had disconnected from consumers and reality.

O. Delaméha:

“We have to profoundly change the culture and the mindset of Danoners, in particular the marketers. The difficulty is that we know we’re currently in a pivotal period, but we don’t know when we’re going to reach the turning point. We’re trying to build a new balance. And while we wait, should we continue airing the current TV adverts or shift to a different kind of communication? We have to create the conditions so that the teams understand why we need this cultural change.”

Lastly, he admitted that he felt pressured by the more proactive leaders:

O. Delaméha:

“Also, E. Faber pressures us a lot. That’s why I’m going to talk to him about the ‘Lait Malin’ project this afternoon.”

Because of that, he decided to launch SB projects, and eventually BOP projects as well.

In 2010, he set up an incubator to stimulate innovation in his BU. It was directed by M. Seralta until the start of 2012, and was composed of representatives from the different divisions of the BU: R&D, marketing, operations, sales, industry.

There were two subsections to the innovation incubator: one was more concerned with exploration, and the other was more concerned with exploitation.

M. Seralta:

“We divided the incubator into two subsections: a structure that would really work on everything that is different to what we can do today with alternative business models, especially long-term breakthrough projects. And then, a structure whose purpose is to manage the conventional innovation of the brands, and short-term projects.”

He entrusted this incubator with the mission of conceiving an innovative BOP project, which had to enable the company to increase the size of its target market and reach strata of the French social pyramid that it hadn't succeeded in reaching yet.

M. Seralta:

“Project Sphynx is above all a BOP project which we're carrying out to try and rebalance our sales among the different strata of French society.”

M. Seralta and his team were convinced that to reach the middle classes they had to adopt a disruptive approach, starting from the bottom of the pyramid in an SB effort. This theory was undoubtedly inspired by the thinking of Danone's leaders that we outlined in the section on intuitions. Here we can notice the partial propagation of those intuitions, and how they become shared representations (with some, already) that lead to the implementation of measures, in a process of integration.

This BOP project was mostly inspired by the Lemateki project, in terms of the product. The idea is to sell a sort of “pouch” (a non-fresh cereal-based carton) at a very low cost in the non-fresh aisles of supermarkets. In terms of mistakes to avoid, this project looks to the lessons learned from the Eco Pack debacle. According to M. Seralta, offering an inferior product at a cheaper price and in a stigmatizing way is bound to fail.

In 2012 Danone's leaders had their eyes fixed on this project. If it yielded good results, it would prove that reverse innovation works, and that new blockbusters could emerge from SB and BOP projects.

In addition, the incubator was working on an SB project in a collaborative effort with the grocery stores of the Andes network, aiming to reintegrate people into employment and to provide affordable dairy products to the poor consumers of the Andes grocery stores. They also collaborate with actors like ATD Quart Monde on studies that aim to better understand poor consumers. However, since this SB project is still in the preliminary stages, we haven't been able to analyze it⁶.

6 It should be noted that Project Sphynx was abandoned

Integration into more conventional businesses

The actors of the first ring who participated in SBOP projects developed new competencies that we analyzed in the section on individual competencies. Most of the time, they return to conventional activities with a new attitude, which has implications for their work. For example, they often have more of a sense of perspective, more of a fighting spirit, more motivation.

L. Blime:

“A lot of things change upon their return. I noticed that in other jobs as well when I worked internationally. It’s very clear to me that this kind of experience changes your perspective on a lot things change when your return, and in particular all the difficulties and obstacles that you can encounter in developed countries. So, when we have to do our job in developed countries, we don’t understand the inertia as well. And so we’re more likely to say ‘There’s always an alternative solution’.

Having gone to Bangladesh, having met the teams who work there, having understood in detail how they see their mission, helps me to be energized for my job and to express my energy in my day-to-day work.”

Sometimes these new competencies give rise to concrete actions.

That was how it was for J. Fox, who went back to the Danocol (anti-cholesterol product) team within Fresh Dairy Products France. When he returned, he paid more attention to the frequency with which the products were being consumed, and to their affordability. Based on this, he made changes to how the product was marketed, and he is currently working on reducing the price of the product for people in the middle and lower classes.

F. Fox:

“I came back with a different way of seeing things. Because within my current brand (Danocol), nobody had thought to observe consumers.

Observing means paying attention to how the frequency of consumption of those yoghurts. How many yoghurts are eaten every day, knowing that for our product to be effective, one would need to consume two pots per day? Last year, when I arrived, I started asking how many full days each consumer would need to eat the product for. And these days, that’s a question that we routinely ask ourselves. It’s central to how we explain the brand.

And it's very important to the marketer to have that information, because it's correlated to the consumer's perception of the product's effectiveness. And if that consumer thinks it was effective, they'll talk to their friends about it, and tell them it works."

Several concepts that were key in emerging countries are sometimes applied in France. For example, in emerging countries, there was a greater focus on the affordability of the products and certain price effects. Thus the concept of the "magic price point" – which is the price that corresponds to, for example, the type of coin that children happen to have in their pockets – was applied to the "danette" in France: "the one Euro danette" (which was actually a pack of four danettes for a euro) was greatly successful.

5.2.1.2.4. Conclusion on integration

The process of integrating the intuitions of the leaders and champions, approximately six years after the launch of the first social business in Bangladesh, is evidence of a certain dynamism. It demonstrates how new knowledge that was acquired through early experiences is applied other countries, sometimes through "reverse innovation". SBOP projects benefit from that new knowledge (in emerging or developed countries) just as much as mainstream conventional projects do. Figure 5.2 summarizes the different projects that were described in this section, and links early projects where knowledge was acquired to the later ones that applied that new knowledge.

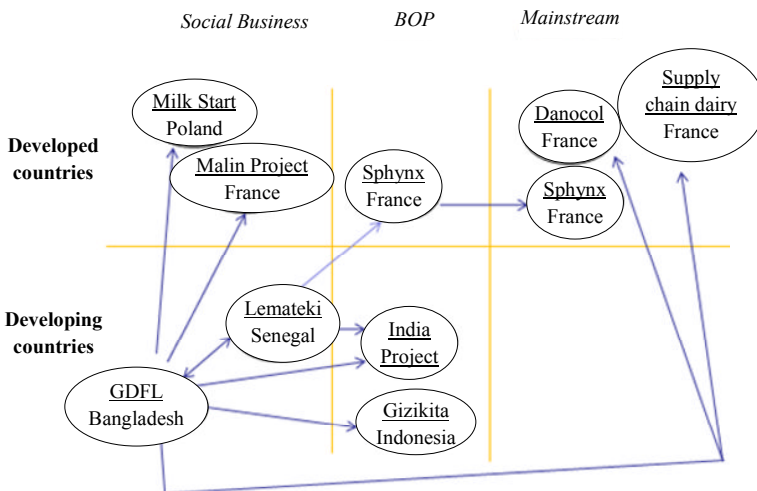


Figure 5.2. Process of integration and reverse innovation: how lessons from Danone's social business and BOP projects were applied in future projects

In principle, the process of integration comes after the process of interpretation, but it also influences it, in accordance with the principle of interaction that Crossan *et al.* [CRO 03] identified in the strategic renewal process. Experiments, like the ones in Senegal, tend to affect the leaders' representations as to possible innovations, and to confirm their initial intuitions.

5.2.1.3. Analysis of blockage points and levers for the processes of interpretation and integration

As specified in the presentation of the context of this analysis, our objective here is to identify the obstacles and levers which have hampered or favored the process of interpretation and integration of the intuitions of the directors and "champions" mentioned earlier.

5.2.1.3.1. Blockage points

The main blockage points which we have identified, which may have hampered or limited that process, are, once again, of different types.

Context

As we mentioned in the case of the Blédina Project in Madagascar and of the Blédina Red Cross Project, very significant suspicion still hangs over the heads of the big companies in infant nutrition. These suspicions are largely based on cases of actual drifts, whereby to increase their profits, companies have not always employed the most responsible techniques. These suspicions also stem from ideological viewpoints, where multinationals tend to be demonized. Consequently, there are significant legal restrictions governing the area (the WHO's code). These suspicions represent a very real hindrance to the setting up of initiatives bringing together civil society, public authorities and big businesses, as exemplified by the project in Madagascar, from which Blédina had to pull out.

In addition, recent years have been marked by the financial crisis in southern Europe, and there has been a certain toughening since 2010.

Director X:

"That quest for volume, to go a little bit further down the pyramid, to work the price points, has become somewhat diluted, and last year we went back to a more short-term-profit-oriented approach."

G. Gavelle:

"Things have been getting tougher for some time; because of the crisis, one feels there is a greater focus on short-term profits, and less of an inclination to take risks."

Leaders

In terms of company leaders, we can point to a variety of hindrances:

1) In terms of the Comex, it seems that the need for strategic revival is not actually universally shared: some, such as E. Faber, certainly perceive it clearly; however, others, who are more focused on the company's operational performance, are less receptive to this long-term view. Here, we begin to see the limitations of this process of interpretation; they only have a limited impact on the subsequent process – integration – because it is enough for a few GMs of BU to be open to experimentation for this process to be activated. The impact is all the more marked during the next process: institutionalization.

2) In terms of the GMs of BU. We have mentioned a number of proactive GMs, but if we count, five to ten of those have shown themselves to be willing to try experiments for the moment: in particular, India/Bangladesh, Indonesia, Poland, Portugal and France.

Yet this still leaves us a long way short of the 150 General Managers of the BU of the group.

J. Fox:

“There is more resistance on the top than on the down. We need to convince the GMs.”

This does not necessarily mean head-on opposition on these issues, but rather priority given to business issues, especially as the SBOP projects have not yet proven effective.

E. Marchant:

“I have not really seen clear opposition to our approach from the GMs; more than anything, it is a question of prioritization.

Since the beginning, in reality, the available resources have tripled. We have always had help. I don't remember ever being turned down. Pilots have been developed, but have not produced enough evidence to motivate the GMs more toward replication.”

While E. Marchant has not noted much opposition, a fairly fundamental divergence of representation emerges in the minds of many (particular directors,

trained in Milton Friedman's principles, and non-directors), in spite of the group's twofold agenda, business and social issues are two distinct concepts; they represent two separate worlds.

Director X:

“Personally, I am in completely conventional business. I have had a number of points of meeting and contact, but I am part of that business as usual circle, in the classic school. I think it is highly inspirational for a great many people, for people who are going to work with Emmanuel in the BOP and danone.communities teams: there is the feeling of a mission and the desire to find direction, which is very, very strong. I believe that for a certain portion of people who are in traditional business, this is far from being their concern. Nevertheless, there are certainly two worlds. Beyond that, there are points of overlap, and I reckon it has started to give rise to different ways of working – particularly in terms of the innovation, the product. For my part, though, I still see it as being very disjointed – not completely isolated, but nevertheless fairly isolated, with very different perspectives and expected results. And I think it has become a little more compartmentalized. Two, three years ago, there was, on the one hand, one global business situation for Danone and another for dairy which was easier.”

In spite of the calculation of the directors' bonuses begun in 2008 (based on 1/3, 1/3, 1/3, as mentioned above), the career progression of the high potentials and directors is primarily based on their financial success and on the profits generated.

G. Gavelle:

“I can think of two General Managers recently appointed in developing countries. Refined, certainly, with qualities etc., but why do they come? It is probably to forge a career at Danone – at least in the short- or medium term. How are GMs evaluated? On the short-term profits. If you haven't got much profit to show, you haven't got much of a chance of getting a job.”

In reality, more fundamentally, the three-pronged mode of governance of the company constitutes something of a hindrance: the GM binomial is a source of wealth, because it facilitates the comparison of different and complementary viewpoints, but it also gives rise to tension and variations over time, depending on the levels of tension of the business and the shareholders.

Organization/internal routines and other internal actors

As we said in the section on intuition, once the SB projects were launched, the organization and its routines did not impose too many restrictions on the initiatives of pioneers such as G. Gavelle and F. Colombari; however, in certain circumstances, they limited new experimentation and traineeships.

Indeed, the SBOP initiatives cast doubt on a certain number of representations and beliefs specific to a multinational in prosperous countries, or dogmas, and therefore inevitably come up against significant resistance: all persons and bodies imbued with those beliefs put in place a certain number of barriers to innovation. Let us now take a detailed look at some of those beliefs.

One of them, which is called into question by these projects, and therefore constitutes a barrier to innovation, pertains to *food quality and safety*; western ideas, particularly in terms of hygiene, constrain the projects and tend to impose norms stricter than the standards and habits in developing countries.

This is the case with a *dispenser* (a sort of thermos flask used to pour the product into customers' pots, and therefore replacing packaging tubes), which G. Gavelle wanted to implement to distribute yogurts in Bangladesh. In this case, the western concept of hygiene imbuing the mentalities of the leaders led to the discontinuation of that project.

Resistance is all the stronger because the Danone brand is well known, and there is significant fear of endangering the reputation associated with that brand.

G. Gavelle goes as far as to pose the question touched upon by certain academic authors mentioned in the literature review: is it possible for a multinational organization to ultimately succeed in developing BOP projects in poor or developing countries, in view of the risks to its reputation?

G. Gavelle:

"I don't believe that there is that barrier between Danone and BOP. However, there is that number 1 problem: the brand. As soon as you have the Danone product, with the Danone brand, well then, you also have the problem of food safety, of quality of the products. Since 2006, I have had inspections in Bangladesh: a quality audit, a safety inspection carried out by Paris. Those people come to Bangladesh with their Danone specifications, and tell you: 'No, but this is not Danone'.

So they throw a spanner in the works, and it's complicated. I see, we use cereals, we use different products, and they are absolutely terrified. We have to sterilize at 140°, ah, but do you know how much

a machine to sterilize at 140 degrees costs? It costs a million euros. 'Ah, yes, but you have no choice: food safety! You have to do it that way'. So it goes, I'm in China, I manage to find equipment that's not expensive. It's much more expensive! If you like, for the machine they made me install in India, I paid 160,000 dollars, whereas in Bangladesh I paid 17,000 for it. And it works in Bangladesh, it works just the same. But you see these barriers ... And they tell you 'because it's the Danone brand'.

BOP, and social business will have a great deal of difficulty gaining a toehold at Danone. I sense that. That's my personal opinion, because we are too cautious. In India, it's the same: there are requirements to be met – ultimately, it's incredible! Whereas the competitors are really on top. So it costs us dearly, very dearly. But I think you need to be just above your competitor, and if the competitor rises up, you do too."

The result of this is inspections, meaning that the BOP projects are subject to filters handed down from the West (note that SB projects are spared these inspections, and therefore in a sense, are more “protected” than BOP projects).

G. Gavelle:

“You cannot want to do BOP, which calls into question everything that you now do every day in Europe or in developed countries, by having audits done by people from the developed country.”

Another belief which is very widely present in the dairy division is based on the mindset of the fresh dairy product (itself based on “functional blockbusters” such as Activia).

G. Gavelle:

“Here, when we want to launch a product, I also spoke to Emmanuel about this last year, what do we want to launch? We'll launch an Activia, or an Activia base, we'll launch an Actimel or an Actimel base, because that's all we know how to do! For India, we developed a base product of 80% milk, sugar and ferments. You change the taste, you change the texture, but it is not a product that is at all suited for India!

I was saying to X: 'You want to launch products in India. If you want to set up an R&D lab in India, don't staff it just with yogurt people, from Danone. Bring in people in drinks, biscuits, sweets,

confectionery. To exchange ideas and find products which are not 100% or 80% milk'. But we are Danone. X said to me 'Yes, but that, those are fermented products, etc.'. Hang on, the Indian customer wants nothing to do with a fermented product. What he wants is an inexpensive product, possibly with vitamins, whatever you like, micro-nutriments. But not necessarily 80% milk, and at a reasonable price. And there, we have a problem. I can tell you that, I can feel it."

It is indeed that prism of "fresh dairy products" which has hampered, delayed (but not prevented) the development of non-refrigerated, cereal-based products, as mentioned in the section on interpretation: M. Yunus, in 2006, brought rice to G. Gavelle, suggesting he include it in the products.

Another prism challenged by the SBOP projects and a blockage vector is that of *purchasing concentration*. However, these models get in the way of this kind of operation, involving much more local purchasing. In the minds of multinationals, purchasing concentration is synonymous with lower costs; however, individuals like G. Gavelle have shown that machines bought centrally are too sophisticated and costly, and inappropriate for the SBOP models.

G. Gavelle:

"The world is changing so quickly: yesterday's supplier may not necessarily be the right supplier for today and tomorrow. That is a barrier to innovation."

The purchasing practices of large companies are typically based on fairly conventional client-supplier relations; partnership relations are rarer, and trust is not always appropriate.

G. Gavelle:

"Danone's buyers do not trust the suppliers. I do."

At an individual level – that of the susceptibles likely to be mobilized on those SBOP subjects – many fears are cited as hampering creativity in everybody, and also hampering willingness to become involved in these kinds of approach: the fear of not being legitimate, of being marginalized, of innovating and straying from the beaten path, of being creative and taking risks – a feeling of guilt and malaise as well in relation to poverty.

M. Seralta:

"I think that there is a question of representation, and somewhere, something which I have found greatly interesting, because of my

sensitivity in terms of human resources, is the enormous guilt felt by managers whom we offer to work on these projects: 'Are we really right to work on this, because ultimately, we are in a big company? etc.' That means that there is a real internal barrier to the fact of going and working on our projects, such as the Sphinx project.

'This is not right' is the rather timid side, which has been expressed by a certain number of people, including people who are members of the core team."

F. Colombari:

"For my part, I had created that position to design innovative dairy products. And, probably because that's the way I'm made, progressing without seeing anything, building little by little, scratching out a path, whilst never losing sight of the ultimate goal, that's no problem for me. There are people, including people I wanted to recruit, for example, who are frightened by that, and who declined the invitation to advance along these new avenues."

In addition, as is the case with directors, many individuals feel they are subject to the pressure of business; and while in general, they do not reject Danone's twofold agenda, they attach greatest importance to the financial dimension, believing that societal projects are the prerogative of the privileged or illuminated few. Hence, they see the actors from SB as belonging to an entirely different universe.

Director X:

"We sometimes hear: 'The crackpots on the 6th floor, they don't have the pressure of growth, they're perfectly happy because they've sold 32.5 tons... it's not even on the same scale. They should be break even, but they're not, but perhaps they will be one day. To some extent, it's the 'President's lady-friend'. Is there jealousy, rivalry? I think that in some people, there is ignorance. They don't have exactly the same motivations."

5.2.1.3.2. Levers

The main levers which we identify stem, in part, from the blockage points.

Context

Malnutrition found in a given country, when the actors within the company learn of it, can be a lever to facilitate the implementation of projects.

Leaders

From the examples we looked at above, we can clearly see that societal awareness on the part of the company directors plays a crucially important role. Projects cannot be set up without the directors' support, but with it, those projects should be able to stay the course, even with the multiple difficulties encountered.

The GMs of the BU are people whom it is essential to involve: "At Danone, everything happens at the level of the BU"; the main lever, therefore, is to mobilize those actors: to demonstrate to them the strategic benefit for their unit and for Danone, and give them a "taste" of the meaning and the energy that such projects could bring. If a GM of a BU known for his sway shows that s/he attaches a great deal of importance to these subjects, and demonstrates that it is possible, to some extent, to reconcile business and societal responsibility, then there is a good chance that, by the effects of mimetism and contagion, other GMs will want to try out new approaches.

Internal organization/actors

At individual level, certainly, many actors express fears to begin with – fears which were mentioned in the section above on blockage points. However, if the action proves to be tenable, then enthusiasm seems to ensue, constitute a real lever, encouraging the success of the project.

M. Seralta:

"Once doubts have been assuaged by many exchanges – particularly exchanges with NGOs – this obviously also gives rise to a great deal of enthusiasm. It is one of the main recruitment drivers. When a candidate wants to come to work for Danone, one of the most important driving forces is to have a positive image of the company – particularly in terms of these issues of CSR in the broader sense. After this phase of concern and real distance, once the corner has been turned, we see enthusiasm which makes the teams knuckle down to the project... To give you an idea, one person who is particularly involved in the Sphinx project doesn't want to leave the team. He has opportunities open to him elsewhere, but he is plowing on, because he says 'for me, this project makes sense, far beyond what makes sense for my career, the project makes sense', and this is an example of the enthusiasm of the overall team we put together to work on the Sphinx projects. It's quite surprising. We managed to bring together a group of people who wouldn't normally work together, and in fact tended more to compete with one another; they moved past that sense of competition, to work toward a common goal. And now when we report on that project, to the panel or the wider Board of Directors – in total,

we have 60 people with whom we wrote the strategy we are working on in 2008 – you sense a great deal of interest. This is not really surprising, when we have a mission which is to ‘provide food to as many people as possible’. After all, this is a concrete reality in our employees’ daily lives, and when they feel that there is an initiative which is moving in that direction, it is extremely popular.”

Finally, let us note the effectiveness of the awareness-raising seminars offered by F. Colombari (*Healthy food for all*): the sessions provide a complementary mix, bringing together prospective and strategic contributions and a practical, enjoyable tasting session.

We have been given access to some of the e-mail feedback he receives, in the aftermath of these sessions, to which he invites representatives from all the departments in the company: financiers, HR specialists, legal consultants, communications people, members of the Comex, with a mixture of the different hierarchical levels “so as not to lead them into situations of automatic challenging reactions between them, into situations of aggravation or extreme excitement which can send meetings into a tailspin”. Certainly, as mentioned before, he tends to avoid the members of the research center (for fear of not being recognized by his own group: the scientific community); there, of course, he introduces a bias. Similarly, he favors people whom he believes to be “broad-minded”. However, he has been known, on occasion, to take risks.

F. Colombari:

“Even a team of industrialists whom I had invited did not fall into the refrain of ‘Yes, but as you must understand, in our factories, etc. etc...’, and instead retained a stance of positive reflection. So overall we have seen some remarkable reactions.”

The feedback received from the participants in one of the sessions highlights the visionary, inspiring nature of his approach. Among those comments were the following from a (female) participant who is a legal expert in the group’s international development department:

“1) Adventure: for me, this session was an opportunity to take a real journey through flavors and colors;

2) Future: I am convinced that the foods you introduced us to are the foods of the future;

3) Humility: in my view, this session is the proof that Danone needs to be ready to learn from others, and to be humble about what we know and what we don’t know.”

5.2.1.4. Conclusion of interpretation and integration

Here we conclude our examination of two of the 4 Is, in the process of strategic innovation: the sub-process of interpretation of the intuition of the directors and “champions”, and that of integration – two sub-processes situated at group level, between the individual and the organization. These are two key stages – essential steps to take before institutionalization; however, they are also tricky steps, which again require commitment from the directors, and gradual adhesion of other actors to the program.

At group level, the collective skills developed thanks to the experience gained from integration, and which largely stem from the individual skills brought to the table by the different players, also contribute to strategic innovation. We analyze these skills in the following section.

5.2.2. Acquisition of collective skills

We can see, if only instinctively, the importance of collective skills in strategic innovation – particularly in the context of the *For All* program; but how are we to identify them? How, also, do they fit in with the individual skills discussed earlier on?

In the next section, we will attempt to identify these skills and analyze some of them – those which we believe emerge most clearly from the SBOP projects and play an important role in Danone’s strategic innovation process. We have no intention of studying them all: we will not examine the collective skills which could be developed as part of projects run by danone.communities, but are unconnected to Danone business and hold no manifest interest for the group (other than the interest of societal contribution and reputation).

As regards how they fit in with the individual skills, we believe this is illustrated by our earlier analysis of the sub-processes of interpretation and integration.

Here, we will place ourselves at the level not of a specific SB or BOP project (as we did when looking at individual skills), but instead at the level of the *For All* program. Indeed, on many occasions, we have found that a common language emerged, which united the actors involved in multiple projects carried out as part of that program. An example is the term *route to market*, which we explain below.

Then, we will go on to look at the obstacles and levers hindering or helping the conversion of individual skills into collective skills.

5.2.2.1. Acquisition of collective skills

To guide our choice of which collective skills to analyze, we based our thinking on the following factors:

1) The individual skills analyzed earlier on, among which we attempt to identify those which might have given rise to collective skills, by using the four attributes listed by Retour and Kromer [RET 06] and the concept of cooperation put forward by Le Boterf [BOT 06]:

A. Common frame of reference, structuring the collective action, arising from the comparison between experiences and the actors' own beliefs.

B. Shared working language – a common vocabulary which offers the actors a cognitive economy in the action (they understand things that are half said, etc.).

C. Collective memory, which traces past learning experiences and guides subsequent learning.

D. Subjective commitment: a subjective mobilization of the actors toward the common goal.

E. Cooperation.

2) The topics studied on May 15th 2012 at the *Expert workshop day*, where the experts shared their knowledge on specific topics. The choice of topics is, indeed, indicative of the weight lent to that learning and its collective nature: very significantly, for example, there was no discussion group on the production of SB or BOP factories. Indeed, the knowledge is primarily held by a single actor – G. Gavelle – and has not yet really been passed on to other engineering specialists. Thus, we are still at the level of the individual skill (certainly involving many actors around G. Gavelle), but the move to the collective skill has not truly been made, which represents a major point of weakness for the advancement of these projects: how can we envisage the rollout of BOP factories if everything rests on the shoulders of only one actor (or almost)? An experienced Indian engineer was recently recruited (in 2012) to take up the baton from Guy in India and Bangladesh. Thus, here, things are in the process of being handed over, which gains a degree of security for the SBOP projects in Asia. However, it is still not possible to speak of a collective skill.

3) Interviews with people in the 2nd circle;

4) The methodological guides internal to Danone, which we were able to identify and were communicated to us.

Thus, we see the clear emergence of a number of collective skills, which now integrate the dimensions of *savoir-faire* and *savoir-être*, and which we formulate here to echo Le Boterf's recommendations, in the form of action verbs:

- understanding the customers and offering them products that serve their needs;
- constructing distribution systems with/for poor people;
- co-creating with external partners;
- building economic models that are economical in terms of capital and are profitable in the long term.

5.2.2.1.1. Understanding the customers and offering them products that serve their needs

Danone, like many BOP actors, realized very quickly that adapting products developed in prosperous countries would not be enough to reach the classes lower down the pyramid – particularly in developing countries. Thus, having an in-depth understanding of categories of people who are unknown in a multinational such as Danone, and designing products which serve their needs, constitutes one of the most essential collective skills.

As explained in our definition of the theoretical framework, we construct our analysis of collective skills on Retour and Krohmer's four attributes and on the concept of cooperation:

A. Common frame of reference, structuring the collective action, arising from the comparison between experiences and the actors' own beliefs.

We have identified a common frame of reference: the immersion guide – another document which was discussed in detail in the interviews, but which we were not given: this is the organizational guide developed by L. Tournerie and M. O. Blaim for the seminar *Growth across the pyramid* (GAP), offered as part of the *Growth too* program. The *Growth too* seminars were launched by Danone's Directorate General at the start of the 2000s to help the boards of directors of the different BUs to think about new growth levers; they are run by internal consultants, attached to the HR/organization department. The GAP seminar is one of them, developed as part of the *For All* program; at the meetings of GMs of Evian, in September, the *Growth too* team generally tries to promote these seminars and to convince the GMs to use their services to organize such sessions with their own boards of directors.

A certain number of topics are dealt with in the GAP seminar. We will discuss these in the next section on shared language; a very specific terminology is employed, which is found in the written report on the expert workshop on May 15th.

B. Shared working language: a common vocabulary which offers the actors a cognitive economy in the action.

Terms often recur in interviews and meetings, which require a new orientation toward the customers. Note that many of these terms are seemingly simple English phrases, but warrant an in-depth explanation; thus, we cite them as the terminology employed by Danone.

The key concept, undoubtedly, is value for money, which is often the focus for the actors involved in the SBOP programs at Danone. Beyond the objective quality-to-cost ratio, this term represents the subjective value perceived by the consumer, conditioned by their personal and professional situation, the evolution of other sources of expenditure, and in particular fixed costs. It consists of focusing, from the start, on the proposition of value offered, even before working on the value architecture and the profit equation: instead, those factors must be derived from the concept of value. This idea of value for money can evolve, even for the same consumer.

This concept was already in existence, but had been forgotten; it has been challenging the product orientation (promoting the functional aspects of the product) characterizing the company for a number of years, and symbolically represented by products such as Activia or Actimel. Where Danone's conventional marketing approaches are based on the product and the level of profit sought (ROP/CAN), SBOP approaches reverse the logic, starting with the customer.

J. Ebert:

“The concept of value for money means advertising high-quality products to people who have not had access to those products before. It is a banal and simple idea, but most banal and simple ideas are big ideas. And that is the true value of money. And after that, after 1996/1997, there was the big story of Actimel and Activia in functional foods, and that lasted 10, 11, 12, 13, 14 years. It was different: it was driven by marketing; it was on the functional food market, which is excessively prosperous. Perhaps we've gone too far in search of profit. That model is coming to the end of its life, so I reckon we need to find a new business – we always need to find a new, extra business – where we can give consumers value for money. This means, then, that we are going to soften the functional approach somewhat, and the area I am involved in pertains to truly developing countries, and touches on that concept of value for money.”

Closely associated with value for money is another key concept: design to cost.

With people who are not wealthy, price is often an absolutely crucial criterion, though not the only one, as it goes hand in hand with the idea of value.

Design to cost, therefore, consists of starting with the target individuals' capacity to pay; it is associated with the concept of the magic price point, which corresponds, for example, to the amount that people who typically live on an income of two dollars per day are willing to spend on a snack product.

M. O. Blain:

“Design to cost is a concept which is excellent – which we saw in Brazil – very powerful, in my view, because it is absolutely ruthless in breaking down barriers. It entails saying: phase 1 of my transformation, once I have identified my consumption target (which, in this case, will be class D), we work toward the magic price point of that group of people. Imagine: in Brazil, they identified that for class D, they needed to sell an Activia – they had an enormous deficit of penetration for Activia in Brazil, on class D – and they decided: ‘one Real: that is my magic price point’.”

In the case of projects aimed at children, design to cost is similar to out of pocket and magic price point: it is the amount that children in poor countries have in their pocket when they go off to school.

M. O. Blain:

“Out of pocket is found in a great many countries; it is the bit of money that children have in their pocket. Personally, I was in Bangladesh not long ago, and I was fascinated. Three weeks ago, I saw kids coming into the shop, and I didn't understand what they were saying, but they came into the shop, and there was a three-year-old boy who was climbing on the counter, who had a folded note his hand, and for it he got a little sachet of frozen sugar water, which he sucked, and it was two takas. So it's this type of insight which is very important to say: ‘Ultimately, perhaps for these children, we need to find a little thing to sell for two takas’.”

In prosperous countries as well, the price factor is given a great deal of predominance.

M. O. Blain:

“Price, once and again, becomes an absolutely crucial factor, and price is a key factor for the bottom of the pyramid and for the top of the pyramid. And that is also something new, i.e. in France – I was there, so I'm well placed to know – when there was a tax rise in 2007, the price of milk rose to €300 per 1000 liters, or 450 per ton. They passed a huge tax rise which had a similar impact. Sometimes, they

even raised prices because they said ‘Taillefine is so strong a brand that there is no problem.’ 16-pot packets of Taillefine are mainly consumed by fairly numerous families, but mainly class C, B and A. Why is that? Because Taillefine is a brand that is a little more sophisticated. We can raise the price, on average, from €3.69 to €4.99, and it won’t be a problem at all! And then there was a 50% drop in sales in the space of three weeks. Because even people who are class B, at a given moment, when they have four children, also have a particular price point which is ultimately linked to their value for money, which is linked to the balance between the value it brings and the price point that it can initiate. So we, we communicate hugely on the subject, on the fact the price point is not only an issue for people at the bottom of the pyramid. For people at the bottom of the pyramid, there will obviously be a question of price point, but also an issue of out of pocket. Which is the coin? 500 Rupiahs in Indonesia, 7 takas in Bangladesh, and why not 20 euro cents in France?’

Starting with the needs of consumers at the bottom of the pyramid means that we have to take the time to understand them in depth, as to begin with, they are completely unknown to a multinational like Danone. The problem is to identify their true needs, some of which may be hidden. Thus, we see the importance of *immersion* – a term which crops up frequently. Both actors in R&D and those in marketing are invited to exercise this approach.

L. Tournerie (on the subject of the SBOP projects):

“The first step was immersion, to help understand consumers in these countries. The very typical marketing process, where we do research and then formulate designs which we test, and then this, we have the complete opposite, where we say: we are going to observe people from within. Thus one of the first steps was to conceptualize the immersion in the form of a highly structured guide.”

A guide was drawn up, as mentioned, which presents the basic principles of immersion (openness, listening, empathy, observation) and describes the process. It was developed on the basis of the first experiences of immersion, which took place in Indonesia in 2005, where L. Tournerie sent a team of *danoners*, made up of anthropologists and sociologists, to live and have an experience with the Indonesians, to observe their way of life and food customs.

The principle of that immersion is acquired, but it appears that this skill actually developed later on – particularly in Senegal. The Bangladeshi initiative, for its part, was initially decided upon and broadly defined from the very beginning of the project, before any real immersion. Since then, it seems to have become widely used

in the SBOP approaches, as is illustrated by the more recent case of the SBOP projects carried out in Indonesia, where immersion was the starting point.

This immersive approach allows us to gain a fuller idea of the value for money that will be perceived by the consumer, and find the right balance between quality and price, as closely suited as possible to the local people's way of life. This is a tricky balance to strike, because a multinational from developed countries has need to be concerned about incurring reputation damage caused by any health problems.

From these concepts we derive the approach known as value creation: it consists of starting with a target price which is acceptable for the consumers, and their expectations in terms of value for money, and tailoring a product to fit; this is an approach which is very novel in the area of marketing.

M. O. Blain:

“What is very interesting about this is that the marketers have never worked like this before; this breaks down barriers. It is tantamount to saying: ‘Listen, buddy, we are not asking you to make an affordable product; we are asking you to make a product that sells for one Real with your product. Do what you can! What can you challenge, in your model, in order to do that?’ And ultimately, there are a lot of things that you can challenge. The non-essentials. And we have a methodology which is called value creation that we can use to analyze that. To analyze, you have to draw up graphs and charts, which help to divide a product by different functions; thus, in the function of the product, there is the nutritional function, the packaging function, basically all the functions that you can imagine. And for each of those functions, that lets you look at two elements: the cost element – what is the proportion of the cost generated by function ‘three’, very high – and the value perceived by the consumer? And so I compare a very low cost in this case and a very high value, and say to myself: ‘That really is unfortunate, because on function 1, I am probably not investing enough. On the other hand, here I am, investing a great deal in a function which is not highly valued by the consumer’.”

However, let us recap some of the characteristics of that skill of *value creation*. In particular, it involves:

- working on the basis of public health issues in the country in question, and working with the public authorities (remember the mistake made in Bangladesh, in believing that the alliance with Grameen Bank would be enough);

– choosing the most appropriate category of product: a food supplement or an entirely separate product; the right target audience (babies, children, mothers, etc.);

– finding the right balance between nutritional value and taste (for example, at the start of the process, the yogurt developed for Bangladesh tasted of iron); between health issues and taste/attractiveness in the context of a given culture (for example in Bangladesh, the yogurts are excessively sugary, which corresponds to the Bangladeshis' tastes); between health issues and food cost; very frequently, there is a need to develop a knowledge of the local ingredients, and of the chains associated therewith;

– finding the right frequency for consumption to generate a real impact on health;

– finding the right range of products; the actors at Danone realized that it was risky to base their model on a single product, and that it was necessary to start with two or three products, like in India.

Thus, nowadays, all these terms are employed both in developing countries and in the Western World, where the term non-stigmatization is often used, fitting into the concept of value for money: marginal consumers wait for products that conform to their expectations of quality, and which are accessible in terms of price, but they reject any stigmatization.

The remarks of M. Seralta, on the subject of the Sphynx project, clearly sum up all of these concepts.

M. Seralta:

“The first criterion, really, is ‘how much do I have in my wallet today?’. Then obviously the product needs to be good. In any case, we can say that if it is not good, they will not buy it. The third is a quality criterion. And on this point, quality is not nutritional quality: it is simply the standard of quality in comparison to what is already available on the market. In other words: if I buy rice, I don’t want it to be rotten rice, I don’t want there to be gelatin in my product, for example, if the market standard has no gelatin. I don’t want my product to be under-dosed, I don’t want it made with ingredients that are known to be of poor quality – which does not mean that they are nutritional. On that point, a hamburger from McDonald’s is perceived as an extremely high-quality product. The fourth criterion is non-stigmatization. That is a criterion which we absolutely have not worked well on over the past few years – particularly when we launched the Eco Pack. Eco Pack was a product which was stigmatizing. Even though it was intended not to be stigmatizing, when

you reexamine the situation, and particularly with sociologists, you can clearly see that if I buy a Danone product – there is a huge Danone logo on it – but it is also marked as Eco Pack, it means that I’m buying a Danone product for poor people.”

As regards the resources that are mobilized to lend value to the product, the packaging plays an essential role; it needs to be simple, attractive and colorful with good color codes, and deliver a clear, non-stigmatizing message see the report on the marketing workshop on May 15th, 2012.

At that workshop, a skill was recognized as needing to be developed: *community marketing*. This involves making better use of communities, and specifically of their opinion leaders, to raise awareness of the products.

Such a collective skill of designing products appropriate for the consumers, requires a very significant adaptation to each new context, each culture. The large-scale replication of the experimental models then becomes very difficult, and so does financial viability. Thus, the collective skill studied here only makes sense and is only of interest if it is accompanied by resources to facilitate that replication and viability. Ingredients platforms, developed by F. Colombari, are essential here. Indeed, they are based on the principle of modularity: a common base of a mixture of vegetable- and animal ingredients and innovative microbiological processes (meaning that there is no need to “reinvent the wheel” every time), and ingredients that can be adapted from place to place.

This collective skill is based as much on marketing knowhow as R&D; the goal is to closely interweave the two so as to develop products that are appropriate for the consumers’ needs.

An innovation center was recently set up in India, bringing together these two categories of *savoir-faire*, which are considered to be inseparable.

NOTE.— We have not discussed R&D skills here; the details cited in the section on individual are sufficient here; the establishment of the innovation center in India demonstrates that the skill has become collective, and is no longer restricted to the *Food Design* team in Palaiseau.

C. *Collective memory*, which traces past learning experiences and guides subsequent learning.

In the case of Danone’s SBOP projects, the collective memory mainly comes from the Bangladeshi experiment, because of its media coverage and its symbolic status within the group. Here again, though, the Senegalese project constitutes

another point of reference. Although it attracted less media coverage, it is that which has stuck in the minds of the *danoners* in terms of the design of new products.

D. *Subjective commitment*: a subjective mobilization of the actors toward the common goal.

The societal dimension of these approaches gives rise to strong commitment on the part of the actors, as abundantly stressed above.

Common values emerge; the report on the marketing workshop on 15 May 2012 speaks of:

- a return to simplicity; that needs to be applied at all levels: product portfolio, packaging, communication;

- a non-condescending/post-colonialist approach of listening to local populations;

- an entrepreneurial spirit.

E. *Cooperation*.

On the subject of marketing, the leaders of danone.communities held a session where they shared their experiences at the event on 15 May 2012.

They also communicate with one another via regular telephone conferences, but we have not seen evidence of a clearly-structured cooperation approach.

5.2.2.1.2. Constructing distribution systems with/for poor people

The establishment of local distribution networks is one of the essential elements of the SBOP approaches, particularly in certain countries such as India. It helps reduce costs while also offering better control of the quality (and in particular the cold chain).

This local distribution seems to be a very new phenomenon, if we look at developed countries. However, it was already established in the 1990s in South America (Mexico, Argentina, Brazil), amongst the middle classes (similarly as in certain countries in Eastern Europe). Intended for even more unfortunate populations, situated in rural areas or in slums, SBOP models go even further, and lead to building work, which involves a key collective skill.

A. *Common frame of reference*, structuring the collective action, arising from the comparison between experiences and the actors' own beliefs.

We have not identified a common frame of reference, or methodological guide.

Nonetheless, the expert workshop on the 15th of May, echoing certain interviews, introduced a key concept, again defined by an English term: the concept of *route to market*. It denotes the modes of distribution implemented by way of these approaches, which are a very important element therein: that mode of distribution enables us to reduce costs while keeping better control of quality (and specifically the cold chain).

J. Ebert:

“The concept of route to market is: ‘How can I get the product to penetrate the market, and might that not be the competitive advantage that I hold?’ Let me give you the example of India. Right now in India we are launching a range of Danone Blue yogurts, and it is a great line of yogurts. Is it really better than typical Indian yogurts? Possibly, a little better, from the point of view of quality. When they come off the production line, our products are perhaps 10 or 20% better than our competitors from the quality point of view (the ingredients, etc.). But, in my eyes, the real competitive edge in that example comes from the fact that we are breaking down mental barriers: we directly deliver the products in a van to the local stores, to the little stalls, which, for an Indian manager, is absolute nonsense.”

This local distribution, which is new to Danone, brings with it numerous, intense challenges; the expert workshops on the 15th of May attempted to look at these challenges, and to extract from them the best practices, mistakes to be avoided, and the key success factors. The topic in that workshop was distribution in the rural or urban environment.

Below, we list the three main challenges, and the key success factors corresponding to them.

Note that these are apparently common practices in terms of sales, but that they are undoubtedly rendered more complex by the cultural and economic contexts (in particular with the dominion of the informal as opposed to formality), the illiteracy of the populace, the decentralized nature of sales in rural area and the social dimension of the activity.

–first challenge: recruiting and training sales forces:

The issue here is finding the right people, which is not always easy – for instance, in the case of rural areas where educated people are rare. It is important to attract them by way of working conditions that are advantageous in comparison to their other sources of income, and training them properly.

The key success factors identified by the actors are, in particular:

- in terms of recruitment:

i) adapting the recruitment profiles to the local environment; recruiting managers at local level;

ii) if the work on offer is not socially valued, targeting marginalized groups affected by a high level of unemployment;

iii) developing *peer-to-peer* recruitment;

iv) having a dedicated team for recruitment;

v) *marketing* the tenders to attract the best talent;

vi) observing how sales perform.

- in terms of training:

i) coaching the recruiter of sales forces;

ii) adapting the training to making sales to all audiences – particularly to illiterate people; ensuring that the sales team convey the right messages (particularly in terms of nutrition).

– *second challenge: organizing, motivating and recruiting:*

The aim here is to organize numerous and decentralized sales forces on a daily basis, and to motivate the teams in a relevant and effective manner.

The key success factors identified by the actors are, in particular:

1) constructing solid intermediary management teams, who are present day to day, often on the ground and always listening;

2) implementing personalized career-development tools and income boosting tools;

3) training strong leaders;

4) clearly defining the evaluation indicators and finding the right mix between variable and fixed remuneration;

5) valuing/celebrating successes.

– *third challenge: rolling out:*

Of course, it is all the more difficult to keep track of sales forces in the context of a rollout; it is crucial to have first laid solid foundations during the trial runs and to keep control on the broader scale.

In particular, the key success factors are:

- finding good partners who will facilitate recruitment on a wider scale and enable us to keep control of what goes on;
- capitalizing upon and exchanging learning.

B. *Shared working language*: a common vocabulary which offers the actors a cognitive economy in the action.

Expressions often crop up in the interviews and meetings – particularly “last-mile logistics”.

Many distinctions appear in the language as well, and these are pointed out by D. Menascé in his study:

- a distinction is drawn between prescription and distribution: because of the educational dimension of the projects (in terms of nutrition), these two activities tend to be separated, being entrusted to different people – to more educated people in the case of prescription;

- there is a distinction between existing sales networks and sales networks to be constructed (notably in the case of rural areas and the *ladies*);

- a distinction is made between men and women: men for delivery activities, which are seen as more mobile, and women for door-to-door activities;

- a distinction appears between conventional networks and alternative networks – e.g. those organized by NGOs, such as CARE, mentioned above, to which Danone now subcontracts the recruitment and management of ladies in the rural areas of Bangladesh (outside of Bogra).

C. *Collective memory*, which traces past learning experiences and guides subsequent learning.

In the case of Danone’s SBOP projects, the collective memory mainly comes from the Bangladeshi experiment, because of its media coverage and its symbolic status within the group. The women’s networks, their successes and their failures are still present in the minds of the actors.

D. *Subjective commitment*, a subjective mobilization of the actors toward the common goal.

The societal dimension of these approaches also causes significant commitment on the part of the actors. It has a concrete impact on the way in which distribution networks are managed, in the context of inclusive economics: the development/social promotion of delivery and sales staff is taken into account, and the means of remuneration take account of the twofold social and economic objective.

E. Cooperation.

On this subject of distribution, the heads of danone.communities initiated an approach of sharing experience and mobilizing collective intelligence, involving internal and external actors, at the conference on the 15th of May. The expert workshop on the topic of distribution met for two days, and decided to continue to meet regularly. A sort of community of practice, both internal and external, was thus established.

5.2.2.1.3. Co-creating with external partners

It is difficult to develop the SBOP approaches alone; as mentioned previously, numerous partnerships have been set up at different levels of the value chain: in R&D, supply, distribution, they often go far beyond the simple provision of a service contracted to an external partner, and involve co-creation, which is another key collective skill, which the actors in the *For All* program seem to exercise on a daily basis.

This term, co-creation, appears very frequently, as though its meaning were obvious.

Note that in the case of danone.communities, co-construction is a fundamental principle.

E. Marchant:

“danone.communities does not have any projects which are not partnerships. And apart from the Bangladeshi and Senegalese projects (where there is a partnership but Danone is the leader), for the other projects, it is a partner who works with Danone.”

However, only a few years ago, a company such as Danone would have been relatively “self-centered”, and not very open to partnerships with NGOs.

F. Pouyadou, director in France for the partnerships undertaken by the NGO Care, recognizes that a few years ago (i.e. less than ten years ago), the NGO had never experienced such partnerships.

Note that the term “co-creation” is very often associated with NGOs, but not solely; it may be a case of co-creation with public figures, research institutes, or even with partner companies: mainly producers, as in the case of the Madagascar project, or distributors, as in the case of the Polish project, where the *Milk Start* project was set up in partnership with the country’s biggest distribution chain.

The firm belief of Danone’s directors is as follows: it is impossible to reinvent models without contrasting and collaboration with actors in very different fields, who are often close to the consumers and their needs. This conviction is now shared by all the actors working on the *For All* program.

O. Maurel:

“We realize that we cannot learn everything on our own; we learn by co-constructing, firstly thanks to our partners sharing their experiences, but also their way of doing things. In other words, their knowledge of the local culture, their social orientation, because we work with NGOs, will also make us reflect on our ways of working: the relationship with our farmers, the price at which we buy the milk, the relationship with the ladies, how to recruit them. Discussions with the Laiterie du Berger (Senegal), or with Care, for example, help us a lot with the ladies and their training. That is because they didn’t think in the same way that we do.”

A. *Common frame of reference*, structuring the collective action, arising from the comparison between experiences and the actors’ own beliefs.

We have identified a common frame of reference: the co-creation guide, published internally.

This document gives an official definition of what co-creation is for Danone, presenting this concept as a “natural evolution” which fits in with the company’s new vision:

“The dynamic of co-creation is a natural evolution of Danone’s original practices (the two-fold economic and social agenda), in keeping with the group’s new development strategies (the four programs of New Danone) and our way of looking at value creation in societal projects. Co-creation contributes to the generation of initiatives which add economic and societal value. This process involves businesses and nonprofit organizations in the development of exchanges, reflections and so-called “hybrid” strategies, because they are based on modes of creation and value sharing alternative to the current models.”

This guide presents the stakes of co-creation for Danone – stakes which are mentioned frequently (particularly at the workshop on the 15th of May), and about which there appears to be unanimous agreement.

The first issue is a societal one: it consists of bringing together organizations with mutually complementary skills, who can, in concert, attempt to solve societal problems – a task for which, oftentimes, public authorities and/or civil society have proven their limitations.

The benefits for the company are recognized as being:

– a better relationship with local communities:

“a fuller understanding of local issues; a greater level of acceptability for Danone in the community, but also in the eyes of the public authorities and of the consumer, who votes for these partnerships; a strengthening of the mandate to operate; access to local networks (formal and/or informal).”

– increased capacity for innovation:

“An improved capacity to decrypt future trends and innovations; possibilities of development of nouveaux produits on developing markets (developing countries or in France); innovative responses to the issues of sourcing, production, marketing, distribution or indeed the end-of-life of the products.”

– a better image and reputation:

“The strengthening of the reputation of our products, and of the company’s image; the reinforcement/illustration on the ground of our CSR and environmental policy; attractiveness for young graduates and redoubled pride in working with us for the collaborators already in place”.

– renewed commitment of our employees.

It can surely be added that, more generally, these partnerships help to strengthen the marketing skill we looked at earlier: the associations/NGOs often have a much better knowledge of marginal consumers (which the company does not actually have, to begin with); they help the company to better understand these new populations, help to change the way in which those communities are viewed and, quite apart from marginal populations, help to sketch out the characteristics of the society, which had not been perceived before.

Thus, M. Seralta says of his partnership with ATD Quart Monde:

“What I am learning from the ATD partnership is that exchange of knowledge, and I am beginning to see the poor as people whom we have a handle on, to identify the salient points which are social problems for everyone. In particular, at my last conference with ATD, we were talking about water, and the topic was: ‘Might it be relevant to implement a social price for water?’ And ATD said: ‘That’s not what’s needed: we all have the same minimum needs of water, so there needs to be a price which is accessible for everyone, the price of water must be the same for everyone, and beyond that, if you fill up your swimming pool, then obviously you’ll pay much more

for your water, but the minimum vital requirement is the same for everybody, rich or poor'. And so that's what I love about that approach of ATD's – it is that approach which says 'we all have the same needs', how we identify those needs and therefore, how we design for everyone. That is what we do at Danone."

B. *Shared working language*: a common vocabulary which offers the actors a cognitive economy in the action.

The main concepts in this guide emerged at the workshop on co-creation on 15 May. A certain number of terms stand out:

– *choice of the right partners*

The choice of partners is often made by chance, through meetings; it is the meeting which creates the opportunity for partnership – at least to begin with. The lunch meeting between F. Riboud and M. Yunus in 2005 is the clearest example of a partnership which was not anticipated (at least by F. Riboud).

Over time, however, the company has learnt to better define the criteria for choosing a partner:

Pleuvret *et al.* (2010):

"Ultimately, if each party has learnt about the domains of expertise of the other, that helps in particular to assess their respective strengths and weaknesses, which should encourage everyone, in the future, to select appropriate partners and offer to them the skills specific to their own 'field'."

The co-creation guide defines the following principles, which need to be checked before establishing a partnership:

- the organization's independence;
- its transparency;
- the teams' experience and skill;
- the relevance of the organization's responses to local societal issues;
- its alignment with Danone in terms of mission/values.

With the choice of partner, of course, there must be an explicit statement of the purpose of the partnership: what does the company expect from it? With experience, the company is learning to adjust its expectations, which may be too high and disjointed from reality at the start: as we noted in the section on distribution, Danone hoped that in Bangladesh, the network of *grameen ladies*, those women who receive micro-credit in the villages to become micro-business owners, would constitute a

recruitment pool for the distribution of the yogurts. Thus, the company was anticipating relying on Grameen Bank to set up its distribution network. It had something of a rude awakening.

Furthermore, with the case of Bangladesh, Danone realized their mistake, which was to considering the partnership with Grameen Bank as a failsafe and sufficient guarantee of legitimacy for their action in the country. Certainly, they never imagined the major financial crisis which, in 2011 and 2012, struck Grameen Bank and the Bangladeshi government (which will be discussed in detail later on). Therefore, Danone was subject to numerous attacks by the government. The lesson which the group has drawn from this experience, in terms of partnerships with NGOs, is undoubtedly not to rely entirely on the partner NGO, and not to neglect relations with the public authorities.

– *co-construction from the start* rather than simple service provision

F. Pouyadou, from CARE, points to the case of Bangladesh, where Danone had already defined their design and called on Care after the fact, to manage sales forces, for example. In an ideal world, co-creation involves working together from the very start of the design process.

– *transparency and trust*: actors have often come to the realization that unless everyone clearly sets out their goals of action, then mistrust emerges, and could compromise the project.

E. Marchant:

“In the case of project X, we realized fairly late on that our partner didn’t trust our intentions, and that compromised the project in concrete terms: the partner had the impression that the multinational was going to try to take power and ‘swallow’ them up. It was only with a great deal of dialog, where we explained our approach, our aims and intentions, that trust was constructed over time, and that is an essential condition for the success of the project.”

Numerous conflicts and a certain amount of time are often required for the construction of that trust. Thus, Gret’s report on the partnership with Blédina in Madagascar explains:

“Beyond recognition of everyone’s individual savoir-faire and the usefulness of pooling that knowledge, the enrichment also lies in the contrasting of the company- and social cultures: certain exchanges of points of view have been highly animated, and sometimes conflictive, causing everyone to retreat into their entrenched positions, upsetting people’s usual beliefs and ways of working. An example to illustrate this point is the idea of deontology in terms of communication. Two

different cultures clashed: the debates about Blédina's marketing proposition, emphasizing the presence of rice in the composition of product, were tempestuous. The partisans of that marketing strategy (Blédina and certain members of the Nutrimad team) cited sociological studies attesting to the cultural importance of rice and sometimes brandished legal arguments allowing them to indicate the presence of rice on the packet without specifying the exact proportion of the content. The partisans of nutritional education (particularly the people in charge of the strategy of awareness-raising on good food practices and of the partnership with the international health institutions), on the other hand, held that making rice the spearhead of the argument went in precisely the wrong direction in terms of the discourse needed in view of the necessary changes in the long term in regard to dietary practices, toward greater diversity."

This transparency requires the establishment of a process of dialogue.

Pleuvret *et al.*:

"Act transparently to create trust. Transparency is not ordained, it is organized! Have a dialog continuously and at every key step in order to forge a solid agreement."

This transparency, as we have seen, also involves careful media management.

A tricky point in these partnerships which – if not managed properly – is liable to destroy the trust between the partners recently came to light in Senegal: the issue of intellectual property. To whom do the co-designed food products belong? Where do the rights of both parties begin and end? In the case of Lemateki, the product in question is a recipe co-designed by the Danone engineers and the partner NGO. The NGO certainly must have rights relating to sales of the product in Senegal, but if sales extend to other countries, can it lay claim to further shares?

These are delicate topics, which it is important to clarify by way of clear, fair contractual agreements.

– listening and modesty

Co-creation requires that each of the actors be prepared to let go of a certain number of beliefs, and dogmas. We mentioned this earlier, with the example of Grameen Danone: from the very beginning, the multinational had defined the choice of the product (the yogurt), without really listening to the communities. This approach of listening developed, in particular through the experience in Senegal.

In addition, the attitude of actors in multinationals with vast resources at their disposal, often perceived as arrogant, is gradually being adjusted, moving from the stance of “all-knowing” to the stance of a “researcher/explorer, who does not know”.

M. Seralta:

“The fact that we are making progress with ATD is because, firstly, we came to the table in an extremely humble position to begin with. That surprised them – people are still talking about it today: the first time I went to see the people at ATD, I didn’t go in with a Power Point presentation; I went in saying: ‘I reckon there is a road that we can walk together, but I haven’t got the first page of the story; would you be interested in thinking about it?’ And in fact, that helped us to get past that barrier – with the big bad guys on one side... The reality, though, is that these questions are being asked, and it took a long time, particularly with ATD, for the ethics committee of ATD to meet and say ‘whether or not we can work with Danone, on whichever subject, how can we clarify their intentions?’ There is always that question, and obviously, it is a legitimate one. But we get there together.”

However, one avenue which remains to be explored for Danone is interaction with communities. The actors recognize that, as yet, they have an imperfect understanding of the impact of the company’s new activities on the community: that impact may be harmful, and prejudice people against the project, if sufficient time is not taken to observe the community’s habits and ways of life.

E. Faber (cited by [MEN 10]):

“In 2005, alongside M. Yunus, in a village in Bangladesh we presented our project to the grameen ladies – those women who, because of the advantage they could draw from it, were to work with us on the distribution of our product. M. Yunus explained the nature of the product, the local enterprise model and the working methods we had in mind for working with them. The first question that was put to us was the following: ‘Right now, I buy my milk from a neighbor of mine. In exchange, I take care of her children. If I now go and sell your yogurts and stop buying her milk, who is going to take care of them?’. Even today, I cannot think of an obvious answer to that woman’s question. We could potentially destructure the social fabric wherever we operate. In a way, our investment in Bangladesh is limited, and therefore the risks attached to that investment are relatively minor. However, the dangers could, in fact, be far greater. In Brazil, for example, we wanted to invest in the region of Fortaleza,

to build a factory costing nearly 30 million dollars. That amount represent around three times the annual GDP of the region we were moving into. It is obvious that we would profoundly alter the local equilibria. How are we to decide whether our installation is acceptable and beneficial for that community? There is no ideal representation of the willingness of the community. Therefore, we need to find approximate representations, such as the opinions of the village leaders. However, those representations are imperfect. Also, how can we make such a decision when the effects we would have on the community are so unpredictable in the medium term? The principles of that 'sociocracy', which will, in the future, force companies to interact more closely with the communities where they want to establish themselves, remain to be defined."

The governance of SB projects, with the communities, and more widely with the main partners, is recognized to be a constant learning theme and area for creativity:

E. Marchant:

"Every day, we need to invent new models of governance."

C. *Collective memory*, which traces past learning experiences and guides subsequent learning.

Once again, above all, collective memory stems from the most iconic experiments cited above: Bangladesh and Senegal; but of course, it is nourished by all the other projects involving partnerships.

D. *Subjective commitment*, a subjective mobilization of the actors toward the common goal.

The Danone actors involved in the approaches of co-creation are characterized by a common commitment to attempt to reconcile the societal and economic dimensions. Indeed, these dimensions are closely linked in initiatives of co-creation.

The company's societal intention is often perceived as a condition for co-creation:

E. Faber:

"If I am a multinational, which just wants to maximize its profit, NGOs are not going to want to collaborate with us: we are enemies. But now, we are laying down our arms. Our societal approach creates a sort of demilitarized zone. That is why Gain (a body linked to the Gates Foundation, working on nutrition) agreed to collaborate with

us: thus, they paid for a two-year study; we didn't pay anything. They studied the effects of yogurt eaten daily by hundreds of children over the course of a year. Only this societal approach brings together organizations which are not used to working together, to try to find solutions to problems which no-one has yet managed to deal with. Thus, we learn a great deal from one another."

B. Bourdin:

"In particular, these initiatives enable us to work with certain organizations, which are sometimes not very favorable toward child nutrition. And we work with different local actors: NGOs, public authorities, with whom we deal with public health problems. There, we are finding a new way to get into those countries."

The commitment, the willingness to contribute, actually often go beyond the company's boundaries. These factors manifest themselves in numerous external interlocutors, who are partners in co-creation:

S. Romieu:

"What is interesting is that once we got past that difficulty of selling more, the director of the discounter, who is very tough in terms of business, said to us: 'We've got through a difficult step; we were able to get through it together. Today, we are stronger than ever. We have been able to deal with adversity'."

E. Cooperation

On the subject of co-creation, the leaders of danone.communities held a session where they shared their experiences at the event on 15 May 2012.

They also communicate with one another via regular telephone conferences, but we have not seen evidence of a clearly-structured cooperation approach.

5.2.2.1.4. Developing and implementing new business models

The actors in the *For All* program learn, through the SBOP projects, to invent innovative *business models*. If we now look again at the three main characteristics of a *business model* and the definition of breakthrough strategic innovation, as put forward by Lehmann, we see that it is a radical change in at least two of the components of the *business model* (or in this case, all three):

1) The value offered. As stressed in the above section on understanding the customers and adapting to their needs, the offer includes new dimensions, specifically relating to nutrition and cost: for example, it is no longer a question of

providing just a yogurt with certain functions, but a nutritious foodstuff, with the aim of reducing malnutrition in children, at a price which is affordable for people in poverty.

2) The architecture of value is, as we have seen, overturned, with far more local models, in terms of supply and distribution, and highly simplified production which is partly de-mechanized. We have essentially detailed the collective skill linked to the distribution; we will touch on supply and production in the following paragraphs (more from a financial angle).

3) The profit equation: this is what we propose to explore here.

A. *Common frame of reference*, structuring the collective action, arising from the comparison between experiences and the actors' own beliefs.

We have not identified a document that could serve as a common frame of reference relating to the financial dimension of the concept of the innovative business model.

On the other hand, the definition given by M. Yunus of SB (*no loss no dividend*), in and of itself, constitutes a structuring frame of reference. The BOP, for its part, integrates this possibility of dividends.

B. *Shared working language*: a common vocabulary which offers the actors a cognitive economy in the action.

Beyond the most usual terms (*social business* and BOP), a certain vocabulary is employed by the different actors in the *For All* program, which characterizes these new *business models* (in this case, from a financial point of view):

– hybrid models: while in principle, a *social business* (according to M. Yunus' definition) is a business which does not rely on external funding or donations, in reality, the SB-type business models employed by Danone include a certain proportion of donations. Indeed, NGOs such as GAIN have contributed to the project without any expectation of remuneration. The study of the nutritional impact of the GDFL project carried out by Johns Hopkins University in 2011–2012 works in accordance with the typical philanthropic model.

I. Sultan:

“We also learn to invent hybrid models by drawing on hybrid sources of funding. Thus, the nutritional education part is financed by donation. And the production and sales must constitute a model which finances itself. Hence, we learn to creatively construct hybrid business models.”

– innovative financing, also for social business, primarily based on slow and patient capital by way of innovative mechanisms such as the SICAV danone.communities, detailed above. This SICAV is based on solidarity-based saving, which involves both the employees and external savers. This SICAV, when it was created, was a very novel device for Danone, which allowed it to siphon off money from its employees' salaries and involve them in its projects as shareholders.

Besides the SICAV, Danone has benefited from another device employed by the AFD: it consists, for this institution, of covering 50% of any losses in value of SB projects, to reduce the risk for the general public.

The co-creation which characterizes these new economic models is an interesting vector for innovative financing: thus, for example, the study of the impact of the Grameen Danone project on children's nutrition is financed by the NGO GAIN. In France, financing of the Malin project by the *Agence Nationale de la Recherche* is under study.

In addition, as regards the means of payment, procedures which are very new for Danone, and of course are very old as well, such as bartering/payment in kind, are even being envisaged:

E. Faber [MEN 10]:

“Our questioning needs to go further. In certain rural areas where we have a presence, for example, the bartering economy is very prevalent. In particular, rice remains a very common exchange currency. This being the case, should we accept payment in handfuls of rice?”

– a low capital intensity and relatively low production costs, which should, in time (if the volumes increase) mean a good profitability of capital.

By way of these SBOP models, the company is developing a collective skill of international development with low capital intensity, as demonstrated by the small factories in Bangladesh, India and Senegal. The most significant case is that of micro-factories in immovable containers, constructed in those countries.

To achieve this low capital intensity, a return to greater simplicity, modularity, and approaches of co-construction with local suppliers and “survival/recovery” are required. So too is that ability to find the right standard of quality, appropriate both for the needs and capacity for payment of the populations and for the management of the health risk, or of the reputation risk for a company like Danone.

Therefore, according to E. Marchant, the reduced depreciation costs, associated with operating expenditure that is also low, in spite of the Bogra plant's small size, lead to a total cost per ton equivalent to that of Danone's normal factories.

E. Marchant:

“What is remarkable is that the plant in Bogra has complete costs per ton that are comparable to those of factories fifty times its size, which means we can use it to test products/markets with a lesser risk (a very low level of investment), or we can devise local models for the future, taking account of possible savings to be made in upstream/downstream logistics.”

This statement could not be verified, because of lack of access to the data. However, it warrants further study, because if such is the case, and supposing that Danone also manages to effectively reduce the upstream and downstream logistical costs, which are still too high, then to make the gamble of relying on small local implantations would have not only a social justification (i.e. that of contributing to local development) but also a financial one.

The profitability of the projects is negative at present, except in Senegal, where the break-even point was reached for the Laiterie, according to the directors of danone.communities, in 2012; in Bangladesh, it should be reached in 2016 after a long period of learning.

Note that in terms of access to water (a subject which has not been touched upon in this book), the Mexican and Cambodian social businesses reached their break-even point in 2012.

More generally, for SBOP projects, if the volumes increase and become significant, and if logistical costs are reduced, then it is the profitability of capital which is the interesting feature of these models, based on volume.

M. Seralta:

“BOP is making volume. We have seen BOP experiments which do not work. Aside from generics, BOP offers a very low profit. The margins are small. In France, we envisage having a factory with a lower capital intensity per ton than in Bangladesh.”

E. Faber

“In time, when the BOP projects have stabilized, we expect a return on invested capital (ROIC) of between 10% and 20%; knowing that

Danone's overall ROIC is around 11-12%, and 20% marginal for a new factory."

As regards supply, the actors involved in the *For All* program have developed the skill of construction of local networks. However, they have not yet truly managed to secure the supply of milk, in terms of access and price, which, nowadays, are practically subject to the market price (the annual contracts notwithstanding). One avenue which is under consideration is to securise the upstream by creating or buying large dairy farms or cooperatives. Danone has begun doing this in Egypt. However, the skill relating to that new area (for the company) remains to be constructed.

– experimentation, and pilot schemes vs. business plans (with the latter term being largely prohibited).

Generally speaking, it is an entrepreneurial collective skill developed by the actors, consisting of constantly adjusting the business model, on an experimentation/adjustment basis, which is a long way from companies' usual planning practices.

J. Ebert:

"Business plans are the most absurd exercises that company can engage in – particularly in uncertain areas. Where business plans make sense is: 'I export 30,000 tons from Russia to Kazakhstan, and afterward I see whether I can build a factory in Kazakhstan for those 30,000 tons.' So, I think, a business model makes sense. When we launch a product in Bangladesh – and we have done that: there are business plans which I drew up myself – it is not always a sure thing. Trying to anticipate a chart, even in Bangladesh when I was saying 'look, we are going to sell this many products at this price to this many people', in a totally new domain, makes no sense."

C. *Collective memory*, which traces past learning experiences and guides subsequent learning.

Once again, collective memory stems, above all, from the most iconic experiments already mentioned – Bangladesh and Senegal – but of course it is nourished by more recent projects, such as that which took place in India.

D. *Subjective commitment*: a subjective mobilization of the actors toward the common goal.

Here, the subjective commitment is shared by the actors in Danone, and also in this case, the investors: firstly Danone's shareholders, who approved the creation of

danone.communities in 2006 by a vote of over 98%, and all those who invested in the SICAV.

E. Cooperation

This subject was the object of a group topic at the expert day on the 15th of May 2012, but in reality, within Danone itself, the subject of financing of SB projects is overseen by E. Marchant. He has certainly often sought help from the financial services, who have provided him with their expertise – particularly with regard to the setting up of the fund.

As regards all the actors responsible locally for the SB or BOP projects, there is little space or time for formal exchanges on the economic models. Undoubtedly, alongside E. Marchant and M. Gosselin, J. Ebert is the person who has the most complete vision of the models.

5.2.2.2. Analysis of blocks points and levers

As specified in the presentation of our analytical framework, our objective here is to identify the obstacles and levers having hampered or favored the development of collective skills.

5.2.2.2.1. Blocks points

The main blocks points identified for the processes of interpretation and integration are also valid for the development of the collective skills because it stems largely from the quality of the two processes in question.

However, to go a little further, we will focus here on the five attributes of collective skills:

1) As we have seen, a number of frames of reference have been developed, but they are limited in number, and in their dissemination; and many of the lessons learned have actually not been formalized.

There are opportunities for exchanges, for sharing experiences, within danone.communities – particularly at the weekly conference calls. However, the SBOP projects executed outside of danone.communities are fairly isolated. Actors such as S. Romieu in Poland and H. Buet in France (Malin project) say they have felt rather alone.

2) For these projects (carried out on the outskirts of danone.communities), the construction of the other attributes – shared language, collective memory, subjective commitment and cooperation – is often limited to local scale, affecting only those actors who are directly involved.

5.2.2.2.2. Levers

The main levers, besides those mentioned in regard to the processes of interpretation and integration, stem from the two subjects discussed below: development of the formalization of knowledge and dissemination; establishment of process of knowledge exchange.

5.2.2.3. Conclusion of the acquisition of the collective skills

This section has assessed the richness of the collective skills developed through the SBOP projects, at the second level of our analysis: that of the group: skills, which stem from the individual skills and have become collective skills, expressed thus:

- understanding the customers and offering them products that serve their needs;
- constructing distribution systems with/for poor people;
- designing and implementing new business models.

Note that in actual fact, these skills cover multiple *savoir-faire* and *savoir-être* explained in the analysis.

5.2.3. Conclusion of the second level: the group

This section has provided some clarity within the complexity and richness of:

– the processes of interpretation and integration of the intuitions of the directors and “champions”; they constitute two key steps in the process of strategic innovation of the 4I model. The importance of exchanges between directors and with the other internal and external actors emerges. These dialogues, enriched by the early experiments, favor the construction of shared representations, upon which the strategic innovation is based. In the case of Danone, such a dialog is indeed seen, but the sharing of the ideas within the executive committee and in the community of DGs is nevertheless a long and tricky process;

– the collective skills stemming from these two processes and derived from the individual skills. Three main collective skills have been identified and analyzed, each of which are composed of a multitude of *savoir-faire* and *savoir-être*: marketing skills, distribution skills and skills in the elaboration of innovative business models, which, again, is at the heart of strategic innovation.

We now need to focus on the third and final level: that of the organization, to study the final step in the process of the 4 Is: institutionalization; and the organizational skills which stem, in part, from the collective skills.

5.3. The organization

5.3.1. Institutionalization

The above three steps in the process of the 4 Is – intuition, interpretation and integration – are only of interest from the perspective of institutionalization, without which the strategic innovation remains incomplete.

Institutionalization, it should be remembered, is the process which ensures routine actions and embeds learning into the institutions of the organization, by way of the strategies, structures, systems and procedures.

What, then, can we say of institutionalization in Danone? Do the intuitions and strategic intentions which have led to the launch of experiments such as SBOP actually lead to a process of institutionalization, which allows us to make these projects into levers of strategic innovation? That is the question that is asked in this section. We look, first of all, at the strategy and structures, before analyzing the systems. With regard to the systems, we focus on the systems put in place in the context of human resources and knowledge management.

NOTE.– As regards the procedures, as this is a very extensive subject, we have chosen to concentrate on a few decision-making processes, in the section on structures.

5.3.1.1. Strategy and structures

5.3.1.1.1. Strategy

Institutionalization first requires a strategy, divided into structures and systems.

We have already mentioned the vision redefined in 2008, when B. Hours and E. Faber became the delegate directors of the group: at an exceptional executive committee meeting, the members making it up constructed that new vision, then known as *New Danone*, based largely on the intuitions mentioned earlier, and jointed around the four strategic programs (*For All, Health, Nature and People*).

As regards the *For All* program, the directors clearly recognize the role of developing countries in the group's strategy, as the markets in western countries are now relatively saturated, and some of them – particularly in southern Europe – are currently experiencing a dire economic crisis.

Asia and South America need to be consolidated; countries such as India have only very recently opened up to the group; Africa is becoming a market ripe for the conquering.

This strategy, defined in 2008, fits in well in the context of the 4th I in the process of the 4 Is: it stems largely from the intuitions and strategic intentions of F. Riboud and E. Faber: they gave rise, after a process of dialog and exchange (corresponding to the process of interpretation) to the creation of Grameen Danone in late 2005 (corresponding to the processe of integration). Previously (in 2005), those intuitions had led to the redefinition of the group's mission and the devising of the *Dream project*. However, those intuitions were never really given concrete expression, and there was no real strategy. Thus, in 2008, the directors' goal was to implement the mission and to transform the *Dream project* into a veritable strategy.

Here, let us heed the words of one of the group administrators, to recap and define this new strategy, which we discussed in the earlier sections.

Administrator Z:

“Danone needs to grow, to grow quickly in order to avoid the strategic trap, and Danone needs to grow in developing countries – quite simply because western markets are already very mature, and Danone has a strong presence there. It is not bad even to resist that. To preserve your market share, to keep your profit margins, is not bad. In actual fact, it is very good. So, apart from changing their profession – although there is no clear reason why they should do that again, because they’ve already changed direction multiple times in the space of 50 years – it is really geographical expansion which is important, and they need to gain a toehold in those developing countries.”

As these developing countries are primarily made up of populations of classes situated in the lower half of the pyramid, it becomes essential to move down the pyramid, as was already done by certain major competitors such as Nestlé. In the case of fresh dairy products, which represent one of Danone's flagship activities, we need to solve a complex equation, to make these products, which are expensive by nature, accessible to people in these categories.

Administrator Z:

“In these developing countries, if we look at the world of the fresh product, the issue is ‘how can we sell a fresh product cheaply?’ If you caricaturally sum up the whole strategic issue, you see that what is costly with fresh products is the cold chain... and milk... And so, the strategic issue for Danone is: ‘How can I make a fresh dairy product without milk and without a cold chain’, if you like! And they’ve been searching for that ‘Holy Grail’ for ten years. Because for them, that is what will relieve the strategic constraint. That means, on balance, that

they are more into nutrition and less into the milk at the heart of it; in terms of their market approach, they are moving closer to Nestlé, in a way, in these poor markets – markets where Nestlé has a greater presence than them, historically. Therefore, they need to turn to modest, or even very modest, populations.”

The approach targeting populaces at the bottom of the pyramid is primarily strategic/opportunistic. However, it does also contain a dimension of social responsibility, which for Danone is strategic in itself, because it constitutes the company's uniqueness; it is part of its identity, and sets it apart from a certain number of competitors.

Administrator Z:

“Thus, turning to poor or very poor populations, in this vision, corresponds to what could be both a strategic and societal approach; all of this ties together pretty well... For Danone, that societal mission is also a way of somehow preventing hostile takeover bids, withstanding external attacks, because it creates such a strong, such a powerful identity that it is no easy task to become a majority shareholder or even a significant shareholder in Danone.”

This strategy is clearly explained and set out at the level of certain BUs. Thus, in Indonesia, B. Bourdin, GM of the Sari Husada branch, explains:

“In our branch, we redefined ourselves so as to be in phase with the group's mission, focusing more specifically on nutrition and targeting the middle- and lower classes. This project is essential in terms of the mission. The lever is to share that idea of the mission, to spark a quasi-emotional commitment to this type of project.”

In France, M. Seralta also set out the new strategy as regards the *For All* program:

“Our objective is very simple: to say how to rebalance our pyramid of volume distribution in relation to the distribution of the population of France. We know that for ultra-fresh products in general, there is obviously a consumption profile – nowadays, these products are consumed more by consumers who are more comfortably off, as opposed to those with more modest means. But even in relation to that profile, although we are a generalist actor on the market, because obviously we are a national brand, our products will be eaten more by those who are well off and eaten far less by poorer consumers; the same is not true for Nestlé, for example. Although Nestlé is a smaller actor in the market today – they have very drastically reduced their

market share – they have a distribution which is much more homogeneous. Notably with different products, obviously, because they have very high-class brands such as La Laitière, but also brands such as Viennois which are brands of desserts that are largely consumed by marginal populations, and have a price position which is very close to the retailers’ brands. They are – at least more than we are – fairly well balanced in terms of distribution amongst the population. So that is our objective.”

5.3.1.1.2. Structures

An organization specific to the central level was established to lead this strategy. Various structures are also defined at the level of the subsidiaries, which is consistent with the relatively decentralized nature of the group.

We now wish to study these two levels.

At central level

As with the other programs in the 2008 vision (*Health, Nature and People*), the responsibility for the program *For All* (at least for the SBOP part of the project) fell to a GM: M. Gosselin, the GM of Fresh dairy products for the Middle East/Africa. The principle was for the four programs to be headed by directors integrated into the community of GMs, charged with mobilizing their peers in favor of each of these programs.

M. Gosselin’s job was to help the group to reach the three billion consumers who represent the “top of the bottom” (it was improbable that they would actually reach the poorest billion people): at the time, those three billion were out of reach, and suffering from malnutrition. The goal was to render the SBOP and Danone’s classic business models compatible.

In order to do so, M. Gosselin created a sort of dedicated transverse structure, itself made up of two parts:

- one centered on *social business*: this was danone.communities, which was already in existence, but was then attached to Gosselin’s unit; it was still headed by E. Marchant;

- the other centered on BOP, headed by J. Ebert, who was also GM of the BU in India; therefore, it essentially hinged upon the BOP project in India.

A committee known as the *BOP Committee*, made up of M. Gosselin, E. Marchant, J. Ebert, B. Giraud, A. Genton and H. Plessix (from R&D), met regularly;

the goal was to bring together these two parts, and ensure a certain degree of consistency in the making of decisions in each unit.

Hence, this SBOP entity had a twofold object if:

- to foster and ensure the success of the SB and BOP projects (then return them to the geographical BU to which they belonged);
- to convince the BUs to launch SBOP projects and to be a lever for reverse innovation, or for the transformation of the group.

Figure 5.3 attempts to illustrate the logic, showing that certain BUs did indeed exhibit SBOP-type initiatives, which were more or less closely linked to M. Gosselin’s entity; while other BUs – in fact, a majority of them – were fairly reticent and not greatly involved in the SBOP approaches.

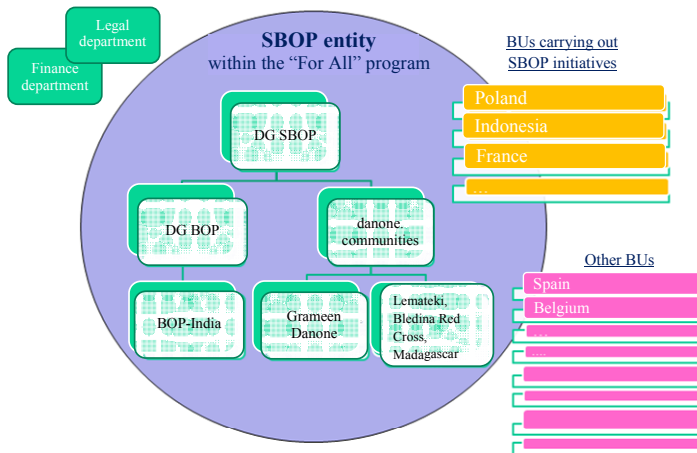


Figure 5.3. Articulation of the SBOP entity (belonging to the For All program) and of the different social business and BOP projects

1) Principles corresponding to the first objective: fostering and bringing SBOP projects to fruition

For the leaders of the group, the people in charge of organizing this program needed to be professionals recognized for their excellence, and with a history in business: thus, E. Marchant had previously led the BU in Mexico and J. Ebert was a recognized operations director in Asia. The teams (danone.communities and BOP) were cross-cutting teams, spanning the whole of the group, made up of members with complementary skills: industrials (in particular, G. Gavelle), R&D (in

particular, F. Colombaro), marketing (I. Sultan, amongst others) and human resources (A. Genton).

The SBOP projects run by that incubator or entity of exploration/R&D are, in a manner of speaking, “protected”: their objectives in terms of profitability are not the same as for conventional projects. Thus, losses are accepted and budgeted for over the course of the first few years, as forming part of the learning curve.

However, in terms of protection, we note a significant difference between the entity danone.communities and the entity BOP. Indeed, a number of fundamental characteristics set them apart:

– firstly, there is the mode of financing:

- SB projects are financed by the danone.communities fund; this is a patient capital originating from investors galvanized by the societal purpose (whose risks are however limited due to the financing of the SICAV: on a 90/10 scheme, explained in the formulation of the Danone case, in the methodological section);

- BOP projects, such as that of India, pertain to Danone’s traditional shareholders; if, as we said, lower profitability targets, or even losses, are budgeted at the beginning, they more realistically follow the logics of profitability of the listed company.

– furthermore, the control mechanisms: danone.communities projects are not controlled by the quality and food safety departments; these can give advice when they are required to, but they cannot interfere in the projects. In addition, purchases are managed at the level of projects and not by the central procurement services, particularly with regards to purchases of machines, normally managed by the engineering division: *Danone Engineering Worldwide* (DEW).

2) Principles corresponding to the second objective: to convince the BUs in charge of launching SBOP projects and transform them into reverse innovation levers, or even transformation levers of the group

While the main concern is to “protect” these projects, the idea of the directors is to not isolate them from the rest of the activity of the group, so that they can inspire other initiatives, make them benefit from their learnings, and become levers of *reverse innovation*, or even of transformation.

Several levers are being implemented:

– the key players of SBOP projects should not only be effective, but should be recognized at the group level for their excellence; they ought to have a solid in-house network. In other terms, the point consists of choosing individuals embedded in the culture and in networks.

They must increase the opportunities for interaction with the group:

- by mobilizing large numbers of resources and skills, which are not present in the team: for example, by mobilizing the legal and tax, financial, marketing and R&D departments, in order to better ensure the success of the projects and galvanize the greatest possible number of actors in these approaches.

- for example, in relation only to SBs, danone.communities executives have numbered 285 *danoners* who “really” contributed to their projects: these latter may be legal or financial specialists who have actively participated in elaborating the SICAV, or managers from Danone who have spent a week or more on projects. Middle managers from France, China and from Mexico have also sometimes been involved, and have reached out to explain to the players of the SBOP projects the functioning of their plants.

- by organizing a certain number of in-house meetings and events, sometimes even open to outsiders, as we will describe later in the section relating to *knowledge management*.

- by organizing numerous visits of Danone’s directors and managers to Bangladesh and to the different countries of the SBOP projects.

- the choice of a BU CEO (Middle East/Africa region), M. Gosselin, to lead the BOP and SB parts of this program has voluntarily emerged: it results from an intention of integration of these approaches into traditional business; his operational role at the time of his appointment gives him the credibility, Africa and the Middle East becoming therefore in principle potential areas of experimentation.

- the SICAV plays an important role in the in-house motivation: according to E. Faber (in 2011), 30% of French employees of the group have become shareholders of the SICAV, with average amounts of 1,500 euros per year and per person. He also emphasizes the investment in the SICAV effected by one of the unions of the group.

The AGMs General Assemblies of danone.communities are a special opportunity to come together and mobilize Danone’s employees.

- finally, the governance of these projects is defined such that to promote the interaction with the rest of the company and in particular with the directors; the idea is to involve them in the governance of SBOP initiatives. This is the principle of the *Social Innovation Committee* (SIC), which is composed of about fifteen senior directors of several entities: HR, children products division, fresh dairy products division, etc. Some are even part of the executive committee (in addition to Mr. Pénicaud). It can be pictured as a major transmission channel from the societal toward the business aspects and vice versa. For six years, this committee meets

every month for a day, during which the members confront points of view, define the programs, approve or not the societal projects, notably those from danone.communities and from Ecosystem. This is here a systematic, routine process.

Moreover, the *For All* program, as each of the four programs, is said to be “sponsored” by one of the members of the executive committee: in the specific case of this program, by Félix Martin, Executive Director of the Early Life Nutrition pole.

Another institutionalization lever of these approaches, has consisted in the creation of the danone.communities’ board, composed of personalities: in addition to M. Yunus and the three directors of the group (F. Riboud, E. Faber and B. Hours), there are also: G.Pauget, former Credit-Agricole CEO, J.Naidoo, a South African personality close to N. Mandela, M. Nowak, creator of Adie in France (micro-credit organization), Z. Zidane.

At the BUs level

We have identified four categories of organizations: three of them are implemented within Danone: they concern the BOP projects, or *social business* projects, conducted in co-construction with other organizations; and the fourth concerns the projects supported by danone.communities but carried out by social entrepreneurs external to Danone.

1) Integrated models

In reality, some are adopting an integrated model.

SBOP projects do not constitute a separated BU and there is no R&D laboratory or any specific innovation center; this is the case of Sari Husada in Indonesia.

A dedicated team deals with it, composed of a head of product, of a product manager assistant, a person responsible for managing street markets, and of a part-time R&D specialist. But each of them still belong to one of the branches of the subsidiary.

The project that this team manages has no income statement.

These are the traditional business marketers who are responsible for selling the product.

With regard to their system of managerial control, directors have almost not changed the rules of the game; they have certainly set a target of 5% of BOP sales to the sales representatives, but which remains symbolic.

This option has the advantage of promoting the achievement of the second objective cited above to be achieved (to be *reverse innovation*, and transformation lever); but it is more risky regarding the achievement of the first goal (to incubate and to achieve with success the SBOP projects), the latter being less profitable, might lose their priority. This option works in this specific case and even presents a few advantages (it allows in particular the project leader to take advantage of the resources of the traditional structure), because three elements are present:

- the leaders are particularly engaged;
- the head of the BOP project is highly motivated and has good relational qualities; he thus manages to convince the operational personnel to spend some time and resources with his project, motivating them about the meaning: their contribution to the fight against malnutrition in their own country;
- in addition, the economic results are good.

G. Lorcy:

“What facilitates the diffusion of information relates to our organization. I am not in a separate entity; I am part of the traditional marketing. I therefore participate in the meetings of the heads of project, in marketing forums, in brand launching meetings... I participate in all these meetings, which are all the more opportunities for exchanges. I am not in a separate structure and, as a matter of fact, I am integrated in the BU. It promotes the distribution and it helps me. Certainly, the fact of developing such a BOP model within a conventional BU presents difficulties. Such a project requires a great deal of investment in long term logics, and does not participate in short term profits; some people consider therefore that this is not a priority. For example in R&D, it was necessary to work on two projects at the same time: my BOP project and a more conventional project and they had been working more on the second for two months. I had to engage myself a lot to convince them, find the right arguments; relationships have a tremendously importance. Similarly, the sellers did not want to sell the product at startup; this is normal: they seek to sell the conventional products which bring most profits. For six months, it has not worked. Fortunately, the management has insisted and little by little they have been seduced. We have organized a large demonstration with the sales team. Their indicators have not changed. Proposing them targets such as 50% normal products sales, 50% BOP products sales, would not be sustainable for the business. Here, the lever lies in communication: ‘malnutrition, this concerns you’. Today, sellers have a goal of 5% of BOP projects sales; it is not much. The directors have decided to grant a share; but it is still

symbolic. The principal factor is communication. Certainly, the fact of being integrated in this way in the subsidiary comprises many opportunities but also hurdles. In the end, I think that this contributes more than it hampers, provided that there is support from the directors. In addition, one is part of a BU that has very good results. As a result, the financial pressure is not too strong. For my part, I benefit from many things, notably from the studies made by the other brands.”

2) Mixed models

India constitutes a mixed model where the BOP entity is partly separated within the subsidiary. The India CEO, J. Ebert, is in charge of the conventional business and has under his command a BOP director, which separately manages R&D, marketing, production and sales. Certain functions, such as HR, are common to both entities.

It should be noted that the innovation center, recently created (and combining R&D and marketing functions) is unique to the BOP entity.

France (in the case of the Fresh Products BU), with the Sphynx project, has also built an interesting incubator model. In reality, it is an innovation incubator, which is focused on different topics including SBOPs; but it is therefore not exclusively centered on them. It works under *open innovation* schemes with an independent budget and a team in which the different functions of the enterprise are represented, dispatched by their department of origin. The team works closely with other departments that are not represented, such as finance, legal and quality. The projects are fostered by the incubator, with an income statement and specific objectives. The incubator depends directly of Danone Fresh Products France’s management committee.

M. Seralta:

“All the people who constitute this team belong to different directions. Therefore in effect, our bosses, are the management committee. We present our validation or cessation proposal or business case dossiers to all of the board. Likewise, we are not dependent of a particular direction, even if me as innovation director, I am attached to the marketing department; this is my attachment, but Alan is attached to R&D. In addition, our operation mode is very clear. On the other hand, we have an independent budget.”

This type of option, more hybrid, allows the reconciliation of the two objectives previously mentioned:

– to incubate and to successfully bring to term the SBOP projects, by protecting them to a certain extent, with a dedicated R&D entity;

– to be a *reverse innovation*, or transformation lever, by being closely related to the rest of the subsidiary.

3) *Separate models; but controlled by Danone (in co-construction with other organizations)*

In the case of Bangladesh, the *social business* project is undertaken by a completely separate BU; in reality, it is currently unique in that country.

This option allows mainly to “protect” a disruptive project over the whole chain of value. It allows to respond to the other challenge of *reverse innovation* and of transformation, only under the condition of frequent exchanges with the rest of the group: the numerous visits contribute thereto; nevertheless, a certain lack of capitalization and of dissemination of the knowledges, as discussed in the section on the systems constitutes one of its limitations.

4) *External models; conducted by social entrepreneurs supported by danone.communities*

Within danone.communities, projects such as the Laiterie du Berger (originally, before its merger with the Lemateki project), Naandi or 1001 Fontaines in water, are conducted by non-danoners social entrepreneurs.

These projects also constitute innovation laboratories for Danone. The transfer of the learnings within the Danone group is less obvious and also implies the implementation of specific *knowledge management* processes.

Assessment of the strengths and limitations of the global organization of the SBOP entity within the For All program conclusion of the section

The strengths are multiple.

They consist, first of all, of this balance that in overall the group tries to find between the exploration of new models – which passes through a necessary protection of these innovative approaches, and the link with the group, allowing these projects to become *reverse innovation* or transformation levers.

The structures implemented essentially respect the culture of Danone: in particular, by playing on the legitimacy of the actors originating from the business, of the CEOs, as only true motivation levers of the community of CEOs. The integration in entities, such as danone.communities, of actors internally recognized for their professionalism, their credibility and their network is also a strength.

The governance and the weight of the *Social Innovation Committee* (which approves or not danone.communities projects) are also decisive, and in part guarantee the allocation of a minimum of means, as well as the relationship with the rest of the group.

The deliberate grouping of the two SB and BOP approaches allows the *reverse innovation* principle to be part of the *For All* program: from the SB toward the BOP. The SB projects have started earlier, in particular with Bangladesh and Senegal. The structure that fosters them and their specific financing scheme allow them to explore further, and to experiment more disruptions. With their learnings, they feed the BOP projects subjected to constraints closer to Danone's conventional business. The India plant for example is essentially based on the learnings of Bangladesh.

In addition, the group has been able to give a strong visibility and fame, at both at the external and in-house levels, to this incubator of innovation that danone.communities constitutes. It has also been thus possible to legitimize its approach; the circumstances have certainly helped – in particular, the alliance with the Nobel Peace Prize.

J. Fox:

“A structure like danone.communities is very important. Previously, we did not understand the principle, today everyone knows danone.communities. We know it is social business, we understand the link between Danone and M. Yunus. “We are not seen as the “José Bové” service... We are referred to as Danone’s interface for change, the manifestation of a desire for transformation, and also of social impact to thrust it with a competitive advantage.”

Finally, the group is currently moving toward a decentralization of innovation, useful and necessary for the development of SBOP projects.

From 2006 to 2011, the centralized nature of R&D was a real limitation. We will cite G. Gavelle, referring to the R&D center of India's BOP BU, based in Germany until 2011.

G. Gavelle:

“When you ask a developer to develop a product for India – it is developed in Germany – these are boys or girls who work in this business for 20 or 30 years and who have been working with the same product for this period of time. When I see India today, when we launch a product – I may criticize a bit but it is constructive – it is a fresh product, to be used with a spoon, fresh during a lifetime of 15

days or 18 days. We launch it in Delhi. In Delhi during the summer, the temperature can rise to 42 or 45 degrees: I can hardly see a kid eating a pot of 60 grams of yogurt with a spoon under 45 degrees outside. There is no fridge. It is really poor so there is no fridge. So no one is going to buy a yogurt to eat in the street where the temperature is 42 degrees. What sells in India are beverages. It is still easier to have bottles than a jar. And you drink because you are thirsty, it is so hot. And further, people do not necessarily drink yogurts when it is hot.”

The leaders have become aware of this limitation; as such, they have - as we mentioned in the section on the collective skills -, decided of the creation of a center for innovation in a “popular” area of Delhi, on a new model.

E. Faber:

“The idea is a replication of Mama Dior’s kitchen in Dakar: to invent products with consumers, with NGOs, etc.; and mainly with plant extracts. Consequently, we will have co-creation, and open source.”

With regard to danone.communities, the Parisian team members progressively leave to support projects in the countries: in Senegal, in India, etc. In Paris, the few remaining people, such as E. Marchant, manage the global ecosystem and focus on replication.

The limitations are also numerous.

The first limitation is the weak “protection” of the BOP projects: while the SB projects do benefit, and can therefore go quite a long way in terms of breakthrough innovation, the BOP projects are far more strictly subject to Danone’s standards. In certain cases, they are relatively “protected” by a specific account of results (as in the case of India), but they are exposed to the same requirements, or almost the same requirements, as conventional businesses – particularly in terms of quality, food safety, and engineering (provided by Danone Engineering Worldwide).

Quality and costs are impacted (they rise).

G. Gavelle:

“When I went to Bangladesh, no one in the group asked me anything at all. And there I had Emmanuel’s total support. But not here in India. In India, I had the group on my back. In Indonesia, they have just invested 6 million euros in Milkkuat, whereas the factory cost 3 million euros; over 7 million euros with a bottle manufacturer –

although they already had a bottle manufacturer on side, but that manufacturer was local, so ultimately was not good: we had to go and look for a Danone supplier. So they've just invested nearly 13 million euros, and the cost of a bottle is now going to go up to 2000 Rupiahs because they need to recoup the costs. So I don't know what's going to happen; we shall see. They are going to launch it. They are a bit behind schedule, because they are having trouble doing the same thing, in terms of quality, taste, etc. But the logic is broken. We are no longer in the realm of BOP, we're in the realm of the affordable."

In passing, let us note a piece of information obtained recently: that new formula *Milkuat*, which is more expensive and therefore less accessible for the classes at the bottom of the pyramid in Indonesia, has, in fact, been very successful: sales have skyrocketed. This example of *Milkuat* (which we have not analyzed in detail because it is on the edge of SBOP) is highly interesting; certainly, it shows that Danone may have "killed" a BOP project, but that the original BOP project finally gave rise to an *affordable* project, successfully targeting the middle classes. This is a demonstration of successful reverse innovation within the same country.

As regards quality and food safety, the company is worried about tainting the reputation of the Danone brand; that risk is a real one, and it would be dangerous to overlook it. A rebellious spirit such as that of G. Gavelle could, quite legitimately, arouse fears. However, everything is done in full awareness of that risk, in different contexts from that of developed countries, where the customs – particularly in terms of hygiene – are not the same. The understanding of that risk by only the actors in the north is therefore quite likely to not be completely accurate.

In addition, certain systems of managerial control, and in particular of incitement, introduce biases and they too tend to push costs higher. Thus, the famous *Danone Engineering Worldwide* (DEW) is remunerated in percentage of the cost of the factories.

G. Gavelle:

"DEW, they're kind of independent. They are Danone, but to some extent they're more consultants. They're paid for their services; they take a percentage on the cost of the work. When they build a factory for 20 million dollars, they take, I think, 10%. So the more expensive the factory is, the more they earn, and the more they pay their guys. DEW should be delocalized, there should be an engineering department in every country. To allow every country the opportunity to develop local suppliers."

Let us point out a measure which was approved only recently and is in the process of implementation: it consists of splitting the DEW into two, localizing purchasing- and process skills in Johannesburg and Jakarta for all that relates to worldwide BOP.

A second limitation lies in the relatively small number of BOP projects that were finally incubated in the program *For All*. As there were many challenges and the risk of failure of each project was not insignificant, we may legitimately wonder whether the group truly gave itself the chance to succeed. A sufficiently critical mass of projects would undoubtedly increase the possibilities of success. In reality, only one BOP project was incubated by M. Gosselin and his entity in a developing country: the Indian project. Likewise, only one significant project came to fruition in a developed country (apart from the project in Poland, which had been launched a long time before): the Sphynx project in France. If these two projects work, they will show that Danone, in India, has managed to construct profitable BOP models for developing countries, and for France, will prove the worth of reverse innovation.

Manager V:

“There is a great deal of resistance to sending people to India, for example. It’s a cultural problem, because historically, Danone has a more concrete agenda. In India, we are experimenting, we are dealing less with massive visionary projects for the long term, and therefore we put less resources into them. But at a certain point, in order for these projects to take off, we need to put in the resources.”

M. Gosselin:

“In fact, we have focused on India for the BOP. However, I don’t think that’s enough. In 2010, I proposed that we implement a more ambitious device, to work on three to five BOP projects, rather than a single one such as India, in order to increase our chances of succeeding and learning. For that purpose, let’s talk to 5-10 BUs. However, that proposal required a significant amount of resources; we needed to get into project mode, with a more substantial dedicated team (we would have needed to double the size of the BOP team) to reuse the methodology from “Growth too” in multiple BUs. So the answer was no. In addition, I reckon we would also need two or three projects similar to the Sphynx project in France – again to improve our chances of succeeding with a BOP project in France, drawing inspiration from our experiences in developing countries, and thus demonstrate the reality of reverse innovation.”

Nonetheless, it must be noted that the resources set aside for SBOP approaches have increased: from €1M in 2007, the amount increased to around €15M in 2012 (in addition to the amounts invested in the danone.communities and Ecosystème funds).

However, as these projects are excessively difficult to implement, we are justified in asking the following two questions:

1) Are the significant resources channeled into these projects actually sufficient? Many actors have bemoaned the lack of a true transverse structure in charge of coordinating and supporting SBOP projects throughout the group. The majority of SB projects are coordinated by danone.communities, but not all of them (certain countries such as Poland have sometimes felt themselves to be alone in their approach); there is no devoted team to coordinate the group's BOP projects: in actual fact, the DG BOP is centered on the India project.

Manager V:

“In fact, it's simple: at present, there is no BOP lab which can serve as a reference for all BOP projects. What we have is India and danone.communities, although the scope of the SBOP projects is broader than India and danone.communities. However, we have found that, from the point of view of the brand responsibilities, there is no BOP heart, to drive things forward and be a vector for official learning. There are only little islands which are interlinked, which influence people”;

2) Are these resources appropriate for the current stage, but insufficiently relayed by initiatives of the level of BUs, as in reality, with the exception of a few, the DGs are still not highly motivated?

It is difficult, at present, to give a solid response to these two questions. It seems, though, that these measures should be:

- a little higher centrally, in order to promote a better understanding of all the projects and dissemination of the lessons learnt;
- better exploited and better valued at the level of the BUs.

A third limitation relates to the lack of clear objectives agreed for these accessibility strategies. This factor largely accounts for the previous limit. While the *Nature* program benefited from ambitious, clearly-defined objectives, such as “reducing the group's CO₂ emissions by 30% between 2008 and 2012”, the SBOP part of the *For All* program did not have such an approach, which are nonetheless part of Danone's culture: the famous *Key Performance Indicators* (KPIs), which *danoners* speak of so frequently, are lacking here.

Manager V:

“There are no BOP objectives that are shared across the group.”

M. Gosselin:

“I think we need to clearly reaffirm the strategy to be implemented to achieve the objective. And in order to do that, we need to set more specific KPIs.”

A fourth limitation stems from a certain lack of transversality between the divisions – particularly *Produits Laitiers Frais* and *Nutrition Infantile*; each division works very independently, and has few connections with the others.

In addition, the R&D centers are located in different countries: in France for *Produits Frais* and in Holland for *Nutrition Infantile*. Certainly, the latter is primarily focused on formula milk – a separate product, requiring a high standard of quality; but certain strategic programs are emerging within the unit, such as the development of nutrient products for mothers, before and during breast feeding: this is a major lever to combat malnutrition, and is at the heart of Danone’s agenda. A project is running in Indonesia on this subject, drawing on the skills of F. Colomban, but generally speaking, there are relatively few bridges between the departments; the likelihood of disseminating the lessons learned and of reverse innovation are therefore reduced.

A fifth limitation lies in the still-rather-primitive nature of the control systems. The cause of this is the lack of precision of the strategy, devised on the fly, and the still-experimental nature of these projects. We look at these systems on three levels: global, BOP, and finally *social business*:

– at global level:

- there are two performance indicators on the basis of which subsidiaries are assessed: volume and profit margin.

Only in one year, because of the financial crisis and the drop in purchasing power, in 2009, the BUs were evaluated solely on the basis of volume; such a measure aimed to immediately promote approaches that work toward the bottom of the pyramid. The next year, though, the system for evaluating the BUs returned to the same as before: volume and margin. However, as the BOP projects generate less profit, they are necessarily of lower priority from a DG’s point of view.

Only proactive DGs negotiate with the budget makers to facilitate the launch of the BOP projects; however, the overall evaluation of the BUs’ performance has not changed, and does not encourage the development of BOP projects.

– at the level of the BOP:

Today, they are evaluated just like any normal business. However, the losses relating to their experimental nature are integrated into the projected budgets. In time, once they are stabilized, as we have explained, they will mainly be evaluated on the basis of the criterion of profitability of the capital (with an expectation of 10–20% profitability of the invested capital).

– at the level of *social business*: they are evaluated on two types of criteria:

- societal criteria, pertaining to the social impact: for example, for Grameen Danone: the number of women employed, the number of farmers affected, the number of children regularly consuming the products, etc. Note that an approach for defining the criteria by which to evaluate the social impact is currently under way;

- business criteria, mainly centered on volumes, cash, and the overall result. In time, the profitability of the capital will also be calculated.

5.3.1.2. Systems

5.3.1.2.1. Human resources

As we have already said, SBOP projects have been started since early stages with the strategic intent to transform them into drivers of strategic renewal, in the direction of the new vision defined in 2008.

Danone's executives are aware of the strategic role played by human resources in the transformation of the Group.

E. Faber (cited by [MEN 10]):

“What matters to me is developing resources that will help build the Danone Group in the next fifteen years. In other words, it is important to guarantee Danone's transformation in the medium term and this transformation involves first of all the managers. To this effect, they must include in their decisions broader fields of consciousness and we must allow them to face other realities. Although this population in a certain manner exhibits predominance, it nevertheless seems to me that all of our collaborators are feeling concerned by this approach.”

As a result, M. Penicaud was recruited as HR Manager; she was in charge of mobilizing all the company's stakeholders around this vision.

Firstly, we propose to analyze the HR means implemented at the level of the *For All* axis; it mainly concerns devices related to career management and to training.

We will review then other HR transformation levers more broadly implemented at the level of the group, such as evaluation devices. With respect to recruitment, in order to complete the grid proposed by Pauvers *et al.*, we will quickly mention it because no significant new practice seems to have been developed at this level.

HR devices implemented in the framework of the For All strategy

With regards to SBOP projects, a human resources manager has even been nominated in 2010 for the SBOP portion of the *For All* strategy: A. Genton. Her role is twofold: to ensure the HR function for the danone.communities SB and the BOP projects (those regarding M. Gosselin), and to foster innovation and transformation by means of HR levers.

As part of her HRM role in SBOP projects, she contributes to recruiting, to skills development and to the effectiveness of the management teams, at the implementation of basic HR, and she mentors the teams.

She also aims to internally recruit, at the BU level, managers ready to move and to strengthen projects, thus responding to the two missions that are entrusted to her.

The For All Track program

With respect to her second mission, fairly soon after her arrival she implemented an innovative program called *For All Track*. Aiming to speed up institutionalization, its objective is to develop new capabilities for Danone, by exposing a critical number of *danoners* to societal experiments, notably through SBOP projects. It can also concern societal projects related to the Ecosystem fund: these latter are sometimes SBOP projects (showing greater impact on the BOP populations by allowing the access to employment than through the access to consumption, as in the case of projects conducted among suppliers or distributors, or in waste recycling projects). According to this program, employees may, on varying periods ranging from one week to several months, participate in SBOP or societal programs.

The financing of these visits has a hybrid form: it must rely on the BU which sends the person, and on the project which hosts. A central funding source has been considered but was not adopted for budgetary reasons and also in order to make the BUs aware of their responsibilities.

The expectations are high and the potential looks initially promising.

J. Fox:

“I know that there are a lot of people who want to leave. There are some who are considering a social business experience in their career while building a family.”

Some BUs play the game and send, or are thriving to send, collaborators to SBOP projects. They understand the potential for transformation of these approaches and adhere thereto.

A. Genton:

“For All Track is a subject and a project that inspires everyone. There is a real expectation, because people see that it is a real engagement lever, because it gives meaning. I think the triggering factor is there. People who start to be involved in the topic foresee how this project can contribute to transforming individuals, and perceive that a contagion is created around individuals so that they become key players in change and in transformation in turn.”

The Danone France Fresh Dairy Products BU thus commits itself.

A. Genton:

“We are beginning to see BUs which are really starting to move forward. Danone France is beginning to move. Why? Because in effect, they have a company strategy that is a transformation strategy. They want to find all the transformation levers, and they are convinced that For All Track is one of the levers of transformation. At Danone France, a first example of mission was made with someone from the marketing team sent to Senegal for six months. It was Danone France who paid everything.”

A. Genton’s words are confirmed by O. Delaméha’s, GM of this Fresh Dairy Products France BU; he mentions the necessary transformation of “marketers”.

O. Delaméha:

“Marketers will no longer be single-function. It is important to diversify their paths. This is why I send them to Bangladesh, to Senegal, notably by means of the For All Track path. M. Seralta for example was HR then ‘marketer’; we have involved him in SBOP projects in France. And he will soon return to HR. It is important that we come closer to consumers.”

In order to draw lessons from past experiences and to increase the chances of success of these experiments, A. Genton reflects on the definition of the professional managerial/psychological/profile of people dispatched for field service.

Some examples of success of this program surface, which seem to confirm the interest.

A. Genton:

“I will tell you about one recent case: a young Canadian who had never been out of Canada, has been sent to Senegal. The person has come back transformed on a personal level but also regarding his approach to manage quality in Canada, and how it has managed his team. This has really transformed him. On the other hand, Danone France is monitoring another mission to work upon with danone.communities; they are ready to release a young sales executive for six to nine months. They intend to release him now, we are discussing about who is funding what. We can really see that they are willing to go.”

In Senegal, I. Sultan supports the program and manages to involve a certain number of *danoners*.

I. Sultan:

“Since 2010, I am fostering the Laiterie du Berger. I am orchestrating Danone’s skill-based sponsorship, looking for skills within the group in R&D, industrial process, finance, communication, marketing etc. relevant for the Laiterie. Several people such as Béatrice Valentin, young pensioner, Luc Bouliane, Kai Sacher,... have thus occasionally shown up and ensure remote coaching thereafter. Employees arrive under the framework of the For All Track program.”

Key factors for success are identified. Note also that the organization of such sojourns generally assumes the dual adhesion of the HR manager and the BU CEO (at the origin and at the arrival). It can be obtained either by a kind of internal *lobbying* driven by key figures of the *For All* strategy, such as A. Genton or I. Sultan, or by the tenacity of the *danoners* motivated to leave. It may also originate from a strong strategic intention from a CEO, as in the case mentioned above by O. Delaméha.

A. Genton:

“At Danone Fresh Dairy Products France, the CEO is thriving and so is the HR manager. We can see that it works when you have an operational network and a HR manager in the loop; it is one of the

key success factors. There are still ten thousand excuses for not achieving. Money is an excuse, the organization of the team can also be an excuse, short term can be an excuse. There are plenty of reasons not to do so.”

Short-term missions are those that are most successful, because they are much simpler to organize. They do not require any mutation but only a short skill-based sponsorship scheme, with trips partly discounted from the working time and partly from the collaborator’s vacations.

Thus, referring to the case of L. Blime, supply chain director at Danone Fresh Dairy Products France, who went for two weeks in Bangladesh, and continued to help remotely.

A. Genton:

“The supply chain director (L. Blime) has gone for an audit mission for one week in Bangladesh, and still he continues to support the local teams. Therefore, this is a long-term process, and he will return to Bangladesh. L. Bouliane has done the same thing in Senegal: he was gone for ten days, but he will accompany the Laiterie du Berger for a year. Therefore, we clearly realize that these are For All Track formulas which will succeed.”

If short stays are easy to organize and seem to have an impact, longer stays, of six months for example, are obviously more transformative.

A. Genton:

“Me, I remain convinced that it is necessary to also do longer things.”

However, such a program involves facing many challenges. Numerous difficulties appear as matter of fact quite quickly, all the more important that the envisaged stays are extended:

1) Difficulties from the SBOP or Ecosystem projects managers’ side; societal projects executives do not always have the time to define their needs nor the desire to receive help and to involve Danone’s managers they do not necessarily know. To expand the field (danone.communities supporting a limited number of projects integrated into Danone), A. Genton also has turned to Ecosystem projects which, because of their large number, make it possible to constitute the critical mass necessary for the success of *For All Track*. On the other hand, projects are difficult to mobilize:

A. Genton:

“There are two things that are difficult. One is to change project leaders’ mindset, and the other to convince them that it is possible to have access to additional resources, and that if they do not define the needs by themselves, nothing will be achieved. Nowadays, people either do not believe in it or do not step back because they have their nose to the grindstone. You therefore have so a few projects which, historically, have resorted to this kind of mission and whose actors now instinctively react and think: “this is going to unlock something in me, this will allow me to accelerate”. But this is in fact not ingrained because people so far, have been willing to succeed on their own. Today, we have this almost educational work which consists of saying: ‘Do not limit yourself!’;

2) Difficulties coming from the leadership of the original BUs: to let go someone who can be relied upon is not an easy task, all the more as it is the responsibility of the original BU to finance part of it. To reintegrate him/her later on by offering him/her a position that values his/her experience, is not easy either.

A. Genton:

“This causes some havoc among organizations, that is to say the organization must allocate the budget, it must make a succession plan that allows you to let someone go for six months. Furthermore, this is not necessarily something that Danone can do well. Therefore, we cannot anticipate. The blocking points are the mindset and the organization. The difficulty is also how the person is managed when returned, so this is the anticipation actually. Yes, the replacement is not temporary, it is definitive, and suddenly when they come back, they do not have their original position. It is important to know what they will do when they return because if they leave for more than three months, they are replaced.”

3) Difficulties at the individual level: it seems that many *danoners* be attracted by some experience with SBOPs but some are constrained by the fear of being marginalized, a fear especially found among seniors.

I. Sultan:

“For example, when we try to bring a France ‘marketer’ for six months and we see him struggling with the will and the question “will this be valued in my career plan?”. There is a certain reticence from the employees. For employees between two jobs, it is also necessary

that the next manager be willing to wait. There are good examples with young people but few with seniors.”

Beyond these operational or personal difficulties, the major obstacle is the following, regarding the theme itself of our research: to internally demonstrate that a social experience can be a lever for personal and organizational transformation is not easy. The obstacle is the limitation of the interpretation and integration processes of the intuitions of the leaders. These latter are not yet shared by everyone:

– on the one hand, because it concerns relying on cases that demonstrate it, to have “beautiful stories” to tell. However, this type of “beautiful stories”, - assuming that they are possible -, take some time to come true;

– on the other hand, because the skills developed are often of the nature of interpersonal skills; as such, they are intangible and difficult to recognize at first glance, and not always valued.

A. Genton:

“We have really progressed for it to become visible in the organization. Therefore each individual story is a beautiful story. I am going to tell you the difficulties we are meeting but those that we manage to overcome are all beautiful individual stories, which always impact the projects in a very positive way and more or less the BU of origin... but which could impact much more. Why? Because we are dealing with soft material: to listen differently when you develop an ability to do some thing more participatory, this is not necessarily very visible. This is not the ‘waouw!’ effect. So these are soft things that are not necessarily measurable for the organization. It is a sum of micro details that will ensure that change is here, but it is not necessarily tangible.”

The case of a young *danoner* coming from the Danone fresh dairy products France sales forces, and who has participated during nine months in a SB project in France is suggestive: at the end of this experience, he heard saying that he would now “return to the serious things”. His experience was a “sympathetic parenthesis” in his career. The position that has been offered to him then did not take into account this experience nor his achievements and did not allowed him to move forward. Consequently, the competencies developed, similar to those mentioned within the context of the individual competencies (in particular entrepreneurial and dialog competencies with stakeholders), have not been recognized.

We have studied in detail this HR transformation lever that the program *For all track* represents. The potential of this device has appeared significant to us but the obstacles were multiple. These obstacles suggest that such a program cannot succeed

without a strong commitment from everyone of the HR function, in particular to enhance the competencies acquired through these experiments. A participation of the Ecosystem fund, an important potential provider of social projects for danoners, is also a condition of success. In a recent interview (July 2012), A. Genton has informed us that the program was on stand-by. In this case, it is thus a transformation lever that does not provide results, at least for the moment. According to A. Genton, a reflection is underway aiming to relaunch it, under a may be more realistic and flexible mode, giving him a new lease of life.

Training in accessibility approaches

Other levers are implemented at the training level. Thus, different training is offered in particular to allow managers (leading level) to learn how to think outside the framework. To this end, they are often immersed in offset frameworks (for example in autistic people schools). These immersions are increasing in the framework leadership programs of CEOs (entitled *Leading Edge*) and of directors (*Lead Ahead*).

Training related to SBOP subjects remain fairly rare. Some BUs organize training actions – field experience (such as field trips), for example, for members of the executive committee. Therefore in 2012, the fresh dairy products France BU's management committee visited different SB projects such as that carried out by Essilor in France.

In 2012, a training course was built for executive committee members (or their N-1), which was offered to the entire group. It was jointly developed with other companies invested in SBOP subjects, such as Schneider Electric and Renault; it thus presented the novelty of being cross-business and its objectives were:

- to inspire, to raise the willingness to engage in business projects presenting a societal impact;
- to share approaches and experiences;
- to accompany, optionally, the startup of projects.

However, it will not begin until 2013.

HR devices more globally implemented

At the more global level, HR transformation means, implemented by the group with the aim of implementing the strategy of 2008, consist essentially of a new policy of calculating the leaders' bonuses. We will also discuss the competency map also implemented after 2008, entitled CODE. Then we will mention the ongoing redefinition of Danone's HR policies.

1) *The calculation of bonuses for executives*

It concerns the 1/3, 1/3, 1/3 principle introduced in 2008 during the definition of the new vision:

- 1/3 of the bonus depends on economic performance;
- 1/3 of the managerial performance; this can be for example: to have completed the development plan of high potentials of his/her entity, to have reinforced his/her teams, and his/her processes, to have built plant X, launched the product Y, etc.;
- 1/3 of societal performance: this last 1/3 is itself composed of three 1/3s:
 - 1/3 related to the CO₂ (or particular case);
 - 1/3 social: according to the priorities of the BU, it revolves around the following subjects: working conditions, safety at work, social security;
 - 1/3 on the implementation of social and societal innovation projects, at the manager's free choice (ecosystem projects, BOP, nutrition, etc.).

The theoretical application perimeter of this calculation of the 1/3s is approximately 1,400 people, which includes the BU management committees and all managers located at senior levels. The temporary application limitations are new acquisitions (for example Unimilk in 2011), and in particular Numico (in 2007), that Danone was buying when the decision of the 1/3s was taken, and which had a purely financial system. The generalization of this measure to these new companies is since then carried out by stages, by starting to introduce 20% then gradually more.

This measure is very significant and has marked a real turning point in human resources policies. It is very representative of the role given to the societal; it amounts, in the end, if the social dimension of management is considered, to one half of the premium granted on CSR criteria.

Administrator Z:

“Today, the performance of the directors of the company is related for 50% to societal objectives. Therefore the financial criteria weigh only for about 50%, and this is true up to the level of the CEO himself.”

E. Faber:

“Half of my annual bonus depends on the company's societal performance.”

Nevertheless, this practice of calculating bonuses affects only the 1,400 executives of the group. It then depends on them to do the same with their direct collaborators, and therefore to integrate or not societal criteria in the calculation of bonuses. Certainly, attaining their own societal goals could encourage them to do so, or at least to define clear societal objectives. However, such is not always the case

and it can be argued whether this does not constitute an obstacle at the management level. Nevertheless, extending this calculation method of the premiums to the lower level would amount to involve 15,000 managers, which is not without a certain complexity and cumbersome.

2) *The CODE competency map*

A competency map is developed in 2008, which is then applied to all *danoners*: it is called CODE; it comprises four main categories of competencies, recognized by the group as essential:

- the commitment to an ambitious future (*committed*);
- the openness to learn and to share with others (*open*);
- the efficiency, or the ability to quickly deliver results (*doer*);
- the ability to develop others (*empowerment*).

One meets again the openness to co-construction that is notably included, which is a novelty for the group. As for the search for efficiency, it is already in Danone's genes.

3) *Redefinition of current HR policies*

The group's human resources managers are currently engaged in a redefinition of the HR policies. According to A. Genton, a change is currently appearing at the level of the management of careers. So far, it was explicit that "in order to progress at Danone", switching positions, BUs and countries constituted positive levers. A fourth lever emerge: that of a passage through/relocation in activities falling outside the scope of Danone's conventional business.

A. Genton:

"We have worked on rewriting the HR policies. Today, in terms of career management, there are three development axes: everything that relates to change of job, of division or of country; and to which a fourth dimension is now added, which is the social and / or external exposure. Therefore, one can assume that having people who leave Danone to better come back, is also a means of developing a career, which was taboo until now. As a result, we propose social exposure over a project or assignments in NGOs or in other structures of this type."

Consequently, a societal experience should be in principle "officially" valued.

Nevertheless, this policy is not yet disseminated nor put in place within the group.

With regard to recruitment practices, they can also represent a true lever of transformation; but they have evolved little with respect to their form. Candidates are generally more frequently interviewed about their competencies and qualifications than about their interest in societal subjects, particularly in terms of accessibility of products and services. Nonetheless, it may be noted that a large number of young people, in particular, are attracted by the brand image of a dynamic company and of a liable employer (as well as of a business where “it is a good to live”, or *best place to work*). This allows for a first natural filter. For some executive positions, the few rare hirings made outside may take into account, in an informal manner, the societal sensitivity of the persons being approached.

Another point that has not evolved, certainly because the new vision was not questioning it, is about the definition of values.

An official booklet recalls Danone’s official values: humanism, openness, proximity and enthusiasm. A. Riboud’s speech in Marseille in 1973 remains for that matter a reference text. However, for the most part, only the old *danoners* have now read it.

5.3.1.2.2. Knowledge management

Close to human resources management (and sometimes even in very close interaction with it), *knowledge management* constitutes a key lever.

We propose to study organizational and technology means being implemented, as well as the practice communities that are created more or less informally, resulting from these means.

Organizational means of knowledge capitalization

Regarding knowledge management, some specific tools have been developed that we have discussed in the context of collective skills.

In particular, the guide about co-creation and that about immersion resulting from the learnings achieved by actors of the group as well as the *Growth Across the Pyramid* (GAP) approach. It concerns, as we have explained, the strategic seminar proposed in the framework of the *Growth too* approach aimed to capitalize on the good practices of certain BUs (what Danone calls the “*labs*”), to replicate them and thus obtain new growth relays (then called the “*lands*”). These GAP seminars have been co-designed by one of the players of the organization department, attached to human resources, M. O. Blaim, and L. Tournerie, then specialist of the *For all* approaches. These seminars are given in about twenty BUs. They last for two day and are designed to help the executives of the subsidiaries to analyze their market in

the perspective of the pyramids and of the socio-economic levels which compose them. They assume an intensive preparation with the management team, especially with the marketing director of the BU being concerned; this latter is responsible for analyzing upstream the socio-economic and macro-economic data of the country, the competition, the various layers of the pyramid, their share in the total population and in the turnover of the subsidiary. At a more micro scale, he/she analyzes the “effort level”, that is the share of the monthly revenue that each individual can dedicate to the purchase of the product categories under study. Often, a significant gap appears which makes it possible to raise awareness and will to act.

These seminars play, according to M. O. Blain, a decisive role in the adoption by BUs of true *For all* policies.

M. O. Blain:

“The analysis of the pyramids consists of slicing the consumption pyramid in terms of revenue, by calculating the percentage of population of each level; then, I watch how behaves my category over these earnings. So I see often, speechless, that the middle class represents 40% of the population and that it only relates to 30% of the category. So at this point, I have a very big first contribution.”

The success of these seminars is a consequence of their embedding into Danone’s culture:

- in-house oriented culture (analysis of good in-house practices), with a desire for large scale replication;

- culture marked by a strong weighting from the BU’s CEOs: it comes to “seduce them”, at least one or two, fairly renowned and to make them testify in order to spark interest in other CEOs to join in this initiative. A key moment for this, an important annual event and shared sense of belonging to the group, is the meeting of the CEOs in September in Evian, a landmark for Danone. A promotion with a recreational character of these seminars has sometimes been proposed, meeting some success among CEOs;

- culture promoting mindsets break-away, the “think outside the box” motto, which these seminars foster. According to L. Tournerie, the success of these seminars is also the result of their origin: they have been developed in the emerging countries for the emerging countries and the rich countries:

“If this approach had not been developed in an emerging country, it would have never existed.”

In addition, the approaches proposed by these GAP seminars have nurtured a number of practices; therefore tools such as market analysis under the perspective of the pyramids or the effort level, have been recovered by studies services. These tools can thus, potentially, benefit all the BUs.

Nevertheless, these seminars show certain limitations: focused on good in-house and not on external practices, they deprive the group of “out of the box” learning and remain quite self-centered. Mostly dependent on the goodwill of the CEO, they can also follow fashion gimmicks and fade away, which seems to be somewhat the case when no promotion is made to them in Evian. Furthermore, it appears that the human resources allocated to their animation, have also been reduced, owing to budgetary restrictions related to the financial crisis, a claim sustained by stakeholders who were interviewed, such as M.O. Blain.

Finally, it should be noted that these seminars only allow a little value to be given to learning originating from SBOP experiments and conducted in the *For All* axis because the latter have not yet fully proven their abilities. For now, these seminars are based solely on the successful initiatives, most often *affordable* (more than BOP), as in the case of Argentina, which in the 2000s had to suddenly adapt to the major crisis that the country was facing.

It is worth mentioning another seminar, operating on the same principle as *Growth Across the Pyramid*, but focused on sustainable development in general: it is entitled *Sustainability Land*. It also constitutes an interesting implementation lever of the 2008 vision.

In addition to these two seminars, what are, within the *For All* axis, the other capitalization and distribution levers of learning?

It can also be observed at this point, that there are means strongly embedded in Danone’s culture. They mainly consists of workshops and meetings, such as societal innovation meetings (*Social Innovation Lab*), organized for several years in July: they last for about two days, with key players from SB and BOP (mainly in-house but with some external participants, notably from the civil society), and even though *danoners* are not necessarily involved, it is considered useful to raise their awareness, or even to mobilize them, to these approaches. The participants come from all over the world and address thematics characteristic to BOP and SB; however, few written material of these meetings has been produced. These meetings did not take place in 2011 nor in 2012, for budgetary reasons. In 2012, however, a meeting of experts (*expert workshops*) was organized on the 15th of May, which we already discussed in the context of the collective competencies. In reality, this meeting only gathered mainly French *danoners* working in France (apart from the few *danone.com* communities players coming specially from abroad), while 80% of the

participants were external to Danone. Reports have been written and then put online on the website of danone.communities. If this initiative marks a step forward in terms of sharing and of formalization of learning, it brings forward the limitations of the French character of the event, of the low participation of *danoners*, and of the weak preparation of the documents obtained. In the end, no formal approach of capitalization of training was conducted within SBOP projects; some have however been sporadically attempted. Thus for example for the design of factories in Bangladesh, C. Bazina asked an intern to note the training and the mistakes to be avoided for the construction of the second plant.

E. Marchant acknowledges that this is a priority for the future; but for now, no devices other than the workshops or the meetings discussed earlier are expected, corresponding better to Danone's culture according to him. As for the oral sharing of learning, it takes place partly at danone.communities during weekly telephone conferences; but these meetings are more focused on the progress of the projects than on learning itself. The relative isolation of several projects, SB or BOP, not falling under the scope of danone.communities or of the BOP project in India, constitutes another limitation. As we mentioned in the section on structures, projects executed for example in Poland, in Indonesia, in South Africa, in Mexico are not officially associated with this entity and take little advantage of the exchange of practices.

Finally, there is no platform allowing the indexing of learning and of good practice of all SBOP projects that actually exist. S. Romieu, for example, recounts his experience in Poland concerning the organization of the *Danone Nations Cup* (football cup, organized by Danone with children in a certain number of countries): he regrets the absence of support from the headquarters at the SBOP project level.

S. Romieu:

“The Danone Nations Cup also allows the sharing of the best practices of each country. This was a real source of inspiration for me. What is interesting is that there is a monitoring established for each project. I think it is a very good example of information sharing. These are three or four people from Danone whose mission consists of animating the committee that works for the Danone Nations Cup. They use services from the Prodeo agency. This agency assigns one person for five or six countries. As soon as someone has a question, they propose us a solution that has already been tried elsewhere. They are also present to support us and to share our experience.”

Some leaders that were interviewed expressed some regret to having had almost no relations with E. Marchant and little return on his training. They recognize that this is due to lack of time on their behalf, perhaps of priorities given to their

operational objectives. They also sometimes express a certain frustration, because they understand it as being invested mainly in projects other than Danone projects, which finally causes the group to rather scarcely benefit from his learnings.

Executive X:

“A formalization of what they have learned is probably missing, which should be more widely shared than within the world of social business, such as to help draw teachings employable elsewhere.”

Finally, another critical subject in terms of capitalization of knowledge relates to the transfer of powers of a few significant persons in the scheme and sometimes too isolated, close to retirement or already retired; we already reported the problem related to G. Gavelle’s competencies, whose sharing is limited so far; it should be noted, however, that his successor is appointed, as it has already been mentioned; but there again, the knowledge – at least in the short-term – relies only on a single person.

Technological means of knowledge capitalization

Given the fairly informal nature of the capitalization and of the sharing of knowledge, few technological tools are implemented. As a matter of fact, these tools are rather aiming at the creation of practice communities or of social networks than at formalizing and sharing the learnings. We mention them, as such, more extensively in the paragraph below.

Creating interest and practice communities

A strategic decision was that of hiring, in 2007, O. Maurel, a young blogger who has participated in several “internet start-ups”; considerably attracted by the thematics of social business, he offered his services to danone.communities.

Officially, his mission is to contribute to building “communities” mobilized around *social business*, namely social networks supporting this concept, in particular in the field of malnutrition and of the fight against poverty.

E. Faber [FAB 11]:

“Olivier actually introduces danone.communities to the world of the web, of the real-time interface, of webcams, of TEDx conferences and of a whole new community, who from France to Japan, including the United States or Germany, supports societal innovation, mixing technical fields, generations and continents.”

O. Maurel:

“Our mission is to have an impact on issues of malnutrition and poverty on the ground. It is our direct mission; through this process, we also try to learn and to mobilize our collaborators about the mission of the group.

My mission is to be an community architect: it means to lay the foundations such that our community welcome more people and that people enjoy more being together and acting together outside within the social business community as well as inside Danone.

My job is to connect people into networks and to set them in motion, people interested in the social economy through several stages:

1) awareness: to make oneself known;

2) once a person has become known, encourage curiosity and empathy toward our subjects and promote the interaction of the debate;

3) commitment: once one has become known and it generates interest, invite people to engage on our side, either by investing, or by giving part of their time.

danone.communities is a hybrid structure where projects are not Danone’s projects, but projects that are jointly constructed. My action unfolds both outside and inside Danone.”

O. Maurel thus tries multiple Internet approaches: blogs, twitters, contests, videos, photo contests, Facebook application, etc.

O. Maurel:

“We were the first to introduce a Facebook application. It was launched in 2008, it was a game that was called ‘Toward a new capitalism’. In all, we had 80,000 people who have played this game.”

Beyond these Internet means, O. Maurel and E. Marchant make use of a number of levers to create such a community, cause contagion and favor what they call the necessary “pollination”, both in-house and externally; note, in particular:

– visits of BUs

Both of them visit different BUs to present danone.communities and raise awareness in *danoners* to SB, or even to galvanize them. The products tasting sessions created by SB and conferences-debates generally complement each other.

O. Maurel:

“Through the tasting sessions, we reach out differently to people under a concrete mode. As tools, I try to have relevant examples. The tastings allow us, by means of games and fantasy, to conquer more people than it would achieved by a rational discourse or a power point presentation. Therefore, what we have proposed, are tasting events of our products from Bangladesh, accompanied by a mini quiz... We did it in about ten sites in France and then, by giving a conference to those who were interested in a more elaborated speech and that, in-house. In general, between 120 and 150 people came to these tastings sessions.”

In some cases, the impact of these presentations is underlined: following these tasting events, a number of collaborators put some kind of pressure on their leadership in order for SBOP projects to be carried out. According to O. Delaméha, it is one of the reasons that drive him to wanting to launch one or more SBOP experiments within the division Dairy products France.

O. Delaméha:

“In late 2008, we realized that we needed to look at the whole pyramid; not only to the top with ‘premium’ products... It is a necessity that appears more clearly on the consumers’ side... It is also a request from the employees.”

– in addition to the meetings of practice exchanges already mentioned (the *Social Innovation Lab* and the *expert workshop* of May 2012), more informal meetings are organized: the *danone.communities connect* organized once every three month, since 2011, by O. Maurel. It is about bringing together danone.communities’ community of relatives, be they in-house or external; the objective being displayed is to carry out with *networking* and to strengthen / expand the “friends of danone.communities” and the SB communities;

– several events have been organized, including HEC’s *social business* chair, sponsored by Danone (then also by other companies such as Schneider Electric and more recently by Renault). Let us recall: the launch of the chair at the Théâtre Marigny in December 2008 (with more than 1,000 people); the event at the Grand Rex in February 2010 (bringing together nearly 3,000 people); and *Digital For Change* organized in December 2010 (with more than 1,000 people). M. Yunus and personalities from social entrepreneurship, from the economy and from the digital world have intervened in these events.

This last event, *Digital For Change*, is significant of a capacity to mobilize many external partners around danone.communities' strategies.

O. Maurel:

“We have organized Digital For Change with a business school, working with 80 partner institutions, within a month, asking volunteers to contribute and daring to send spontaneous emails to international speakers such as the founders of Mozilla, of Wikipedia and of Kiva.”

In the end, the fame of danone.communities is relatively significant – at least the business and students circles in France; danone.communities executives estimate around 160,000 people “concerned” by their tools; 30,000 people moving further and commencing to debate, to interact with danone.communities (notably by means of social networks); and 3,000 people that started taking action by buying a danone.communities SICAV. In reality, the impacts of these projects in terms of reputation are much wider; two phenomena are as a matter of fact to be mentioned, whose precise impact is not being measured:

– the international media coverage of the inauguration of the Grameen Danone factory in 2006: journalists from CNN, TF1, etc., were present, a few days after the announcement of the awarding of the Nobel Peace prize to M. Yunus to the Grameen Bank⁷;

– the last two books of M. Yunus [YUN 08, YUN 10a] that extensively make reference to the experience with Danone.

Nevertheless, these creation strategies of social networks or “communities” conducted by danone.communities comprise a certain number of limitations:

– they actually concern externals more directly than in-house people;

– within Danone, informal networks and practice communities have been created around danone.communities: therefore at the annual general meeting of danone.communities, the *danoners* directly or indirectly involved in the projects are identified by their t-shirt and are rather numerous (more than a hundred). But at the scale of the group, they are in fact a minority.

A stronger network seems to have formed around the Grameen Danone's veterans.

⁷ In 2006, with the announcement of his Nobel prize, M. Yunus stated in the media that some of the money received would go to SB projects with Danone

G. Gaigeard, speaking of seniors of Bangladesh:

“I am still in contact with Brice, Sylvain. It is a small family for now but it is growing.”

L. Blime:

“I know virtually every person at Danone France who has been in Bogra, because it creates a circle. When one goes to danone.communities meetings and when one sees the circle, it is already rather large. Between those who are currently there and those who have been there over the past four/five years, it starts to represent something meaningful.”

E. Marchant recently stated that Mexico and Indonesia have been also able to mobilize a certain number of employees around their projects.

However, beyond Grameen Danone and the projects mentioned above, several key players from the first circle have complained of a certain isolation, as we mentioned in the field of information exchange.

Furthermore, these external mobilization efforts raise a given number of questions: under an virtuous appearance, is this simply about modern communication practices designed to value Danone? This issue may actually arise across the whole societal approach carried out by the group. It seems to us that the response to this question is partly obtained by exposing the strategic challenges and the intuitions of the leadership, showing the dual economic and societal dimension of the approach of Danone.

But why so much effort to mobilize external resources, almost more than in-house ones?

There is no doubt that danone.communities executives think that the creation of some kind of social *business movement* can also bring advantages by legitimating actions around the SB through an in-house orientation. Three other reasons emerge, more generally:

1) The promotion of *social business* is part of the mission itself of danone.communities, such as defined with M. Yunus.

2) SBOP projects being based on joint construction, the connection with the world is a necessity.

3) Danone’s leader have this certainty that the external protects Danone: by contributing to create such a movement through suggesting its *leadership* allow the

claim, or even the reinforcement, of the uniqueness of the group that protects it from tender offers.

5.3.1.3. Conclusion of institutionalization

This section has confirmed and clarified the complexity of the strategic renewal process, through the analysis of the last of the 4 Is: the process of institutionalization. We have therein studied the strategies and the structures, then the systems put in place by Danone's leaders, to institutionalize their initial intuitions, beyond a few experiments already conducted in the context of the integration. Many initiatives have thus been devised and conducted; a strategy has been defined and an original organization implemented, aiming to promote innovation as well as distribution; innovative systems have also been established at the human resources and *knowledge management* level. Conversely, several limitations show up: protection of the BOP projects, lack of clear objectives and of means (or lack of optimization of such means), lack of clarity and of coherence sometimes in practices.

In the following, we will study, still at the level of the organization, the organizational competencies developed and/or strengthened through SBOP projects; they will enable us to better perceive the effectiveness of the process of institutionalization and finally the reality of strategic renewal at Danone's. These organizational competencies result in part from the collective competencies previously studied at the level of the group, acquired through SBOP projects; they also take root, we will see, in Danone's identity itself and in its past.

5.3.2. Acquisition of organizational competencies

As outlined in the literature review, organizational competencies are defined as a "dynamic ability, the ability of a company to integrate, build and reconfigure routines made from various usages of specific resources of the company".

We are therefore located within the third level of our analysis, that of the organization, and we will now try to define which organizational competencies are being developed through SBOP projects, largely from the collective competencies previously studied.

For the analysis of these organizational competencies, we have essentially relied on the interviews of the leaders of the third circle, or even of a Danone's executive, *a priori* equipped with a larger vision as well as upon official statements of leaders.

It is important to clarify now the limitations of this exercise, which seem in part premature judgments of ongoing phenomena not yet accomplished. A few more years would be needed to make stronger statements. Danone's transformation is far from being complete.

In the following we are going to ask a number of yet incompletely verified hypotheses while attempting to support them with facts.

Two organizational competencies are thus proposed in the paragraphs below, formulated similarly, as for the collective competencies, in the form of action verbs.

We will then try to question ourselves about the strategic nature and the societal utility of such competencies. This will be followed by the analysis of the obstacles and of the levers for the development of these organizational competencies.

5.3.2.1. *Acquisition of organizational competencies*

We have therefrom identified two of them:

1) *Competency 1: To design disruption, quality products, making it possible to target the whole of the pyramid and to further meet the needs of consumers notably by moving away from the cold and the milk chain.*

It is the competency resulting from SBOP projects that seems the most significant. It allows for the whole of the pyramid be more globally considered (at least an important part of the latter), and for the main focus to no longer be just on the so-called "premium" products (which are expensive and target only the top of the pyramid): fresh dairy milk, without milk and without the cold chain, nutrient, part of the local culture, of quality and non-stigmatizing, at very low costs.

Administrator Z:

"I think that the Lématéki that is being produced in Dakar will be tomorrow one of Danone's blockbusters worldwide. It may take 10 years, it is a long process. But I don't know anyone who can drive a vessel of the size of Danone within six months."

B. Hours, operational group executive – until now a promoter of the functional approach – follows attentively the evolution of these new approaches. Just as administrator Z, he comments that they could give rise to the *blockbusters* of tomorrow.

E. Marchant:

"Since the beginning, Bernard Hours regularly monitors our progress. He has first noticed the energy (internal and external) that is

developed in our projects. He told me then that danone.communities was creating goodwill. Then he became interested in the innovations allowed by these experiments and asks us with increasing frequency to simplify and to demonstrate that we have models replicable in nutrition or in water. He was the one who first told me (2 years ago) that danone.communities and Danone should join together in the adventure of the Laiterie du Berger. Bernard still plays its role of operational boss at the danone.communities' board who tests the models and their ability to be deployed."

Several leaders of the third circle have referred to this competency, as already incorporating the group, and expected to spread even further.

Executive X:

"From 2010, there was a more obvious impregnation of the For All approaches, because one could get inspired by what was being done with the management of price points, with the sorts of profits, the sorts of cheaper technologies. And I think this has fairly contributed. I have worked on mixes with a number of countries rather situated at the bottom of the pyramid, on creations under slightly mainstream trademarks with a bottom pyramid offer, with slightly different formulations, with the purpose of getting people into the category, inaccessible for them otherwise. At this point, there was a rather strong proximity of interests and as a result fairly fruitful exchanges on how to move into these logics of understanding of the social pyramid. Until then, we did not consider it much. There were ideas of product innovation which came a bit from what was going on notably in India, with milk-cereal mixes."

Executive W:

"The Sphynx project is very clear about an R&D plan. We have succeeded to find, through various programs, including BOP, elements to make a better product and at a much cheaper return cost."

Some BU leaders think they can replicate the Sphynx project in their own countries, where it will prove its worth (e.g. in France):

Executive Y:

"It is important to avoid repeating the mistake of Eco Pack in France. The consumer does not want to have an ugly, hard to open packaging or one that leaks; he/she wants quality. Even the class D is accustomed to the quality standards of the brands with broad

distribution. There is therefore a risk in trying cheaper products unless we find disruptive processes that allow products to be obtained at least as good as others but much cheaper. Perhaps, with the Sphynx project, we are getting closer to the solution: it may be interesting, the product is correct. We are going to test Sphynx here to see its potential; we are in contact with France to see the finalized mix.”

Such an organizational competency highlights a notorious evolution compared to the one that has made Danone’s success in recent years, promoting among consumers functional products such as Activia and Actimel.

Executive X:

“During all these years, we were focusing on developing our brands and in particular, the functional brands Activia/Actimel. This has been the driving force of growth for ten years: we had a unique brand based on a highly valued functional benefit, and when we entered a new geography (there were a lot of them during ten years), the issue of understanding what was the structure of consumption of the yogurt category has never arisen, how to penetrate: we were there through Activia. It looks basic in appearance but we come back to this because the growth was mechanical: Danone dairy was at 9% growth whereas today the growth is harder to recover. It is no longer enough to put a lot of money behind Activia for this to come up.”

Once again, this is a return to the sources of marketing and an inversion of the recent trends of this function, namely to start from necessities and not from products:

M. Gosselin:

“Through these new models, there is a re-questioning of the conventional strategies and of the centralized approach of marketing. We get to invent new strategies, there where conventional strategies show their limitations. The traditional marketing approach of the developed countries does not apply because it is often too mechanical, too far remote from the consumer and creates unnecessary barriers. It is no longer sufficiently inserted into the intimate knowledge of the consumer to know his/her deepest needs, which is essential when addressing this target. We should not forget that the way of life of BOP populations is totally unknown to most of our marketing managers who do not belong to it. The BOP is a fantastic opportunity to improve our marketing approach. Here, one proceeds from the

need and a market is created; conventional marketing does sometimes the opposite: it creates a need inside a market.”

O. Delaméha implements in France a number of actions aiming to bring back “marketers” to reality and for them to come closer to consumers, who become, according to him, the “masters” of the brand:

“An example of recent actions with the objective of developing marketers is the “The milk of our farmers” operation where we have highlighted again that yogurts were made with national milk. Most people believe that they are manufactured with powdered milk imported from China! And marketers do not know any longer how a yogurt is manufactured. We must conduct disruptions, go back to the basics, build things differently. To come back to the usages of people, to be interested about their incomes and about their spendings, and to be interested once more in prices: is it accessible for people?”

In five years, we will have a brand portfolio more consistent with the pyramid. Consumers will make the buzz. We ought to come closer to consumers, learn to let go.” It is necessary to share the brand with the consumer. It belongs to him/her in fact. We have to be closer to reality.”

2) *Competency 2: To handle the ambiguity or the tension of the dual project between societal and economic dimensions and use it as a lever for competitiveness.*

This is not a completely new phenomenon at Danone: the dual economic and social dimension is embedded in the identity of the group itself; however, the 1990s and the many buybacks related to internationalization have caused a certain dilution of this dual project. The definition of the new mission has allowed it to be brought forward. This mission needed projects to incarnate itself: this is what SBOP projects have to offer.

F. Riboud (readily acknowledging this ambiguity in May 2012):

“I have become very adaptable... And according to the person I am speaking to, I know very well what is put forward.”

Administrator Z also emphasizes:

“Danone has a form of genius that F. Riboud handles with talent; this is the ambiguity. On this subject, this form of genius particularly expresses itself. That is to say, sometimes I am in the societal bait, sometimes I bring out my dove business. And I mix both. I believe that this form of ambiguity is necessary, because it corresponds anyway to a certain reality: on the one side, Danone is a company that is actually engaged with social responsibility, mainly because its core mission, is health through nutrition. It is defined by a societal object and this societal object ensures it be consistent until the end: this societal object, it is health through nutrition to the largest number of people. This object also comprises the need to try to take certain steps that go beyond, I would say, of what a primary business would do. At the same time, Danone is a company in the CAC 40, listed on Euronext and it is important that it provides...”

Thus the societal dimension of the mission and the direction that the company proposes prove to be powerful levers for the mobilization of the stakeholders of the company and in retaining their loyalty:

– beginning with the shareholders and the board of directors.

Administrator Z, also an administrator in other companies, expresses his astonishment when evaluating the share that societal aspects take in administration meetings and when faced with the enthusiasm of Danone’s shareholders, which he considers related of course to economic performance but also to the societal commitment of the company.

Administrator Z:

“The seminar of Danone’s annual council – which is still one day bringing together all administrators-, is a day devoted exclusively to Danone’s social mission, everyone is talking about this. There are not so many businesses that dedicate, I would say, almost half the time of the council over the year to societal issues and to the social responsibility of the house; there are not so many. It is still a sign of a very strong implication. That being said, they have an excellent financial administration, it is a very profitable enterprise and they fight like dogs even about the smallest margin rate. But this is not incoherent...”

Placing the social mission at the heart of the strategy, from the moment it is intelligently defined – and at Danone’s it is intelligently defined -, is a way to put the company under tension about something that is incredibly productive.

This is shared by the executive board. And I think there are a lot of Danone's shareholders who bought Danone shares because they believe in this. If you go to certain executive board meetings of companies in which people tear each other's hair out... when we go to the general assembly, there are shareholders who speak only about money. No one ever speak of the mission or the service retributed. When you go to Danone's, there are ecstatic shareholders, who applaud. However, half of the general assembly session is devoted to Danone's social mission, which achieves great many things around the world. This is unbelievable! So I say: 'where is the winner, where is the loser?' Is it the company that comes up with a societal mission, which claims 'I will change the planet' or yet is the company that says 'I will keep my money, I have a few small strategic problems that I have to solve for this purpose!'"

A social responsibility committee has been created within the executive board, in which members examine the societal strategy of the group.

Moreover, before the creation of the danone.communities and the Ecosystem funds, an intensive dialog of preparation took place, involving the legal and the financial administrations of the group and activists: it consisted in proposing vote instructions to shareholders. This is what led to the vote of 98% of these two funds.

An organizational competency of dialog about the societal subjects within the executive board, as well as among the investors, is thus clearly defined. It obviously plays an important role in the integration of the societal and of the business.

It should be noted here that the societal dimension allows the company to attract other stakeholders into financing actions of the company: it concerns the public organisms or the NGOs that agree, in the context of co-creation, to participate in the financing of the societal actions, as we have discussed during the analysis of the collective competencies (example of the studies about the nutrition impact of the Bangladeshi project funded by the NGO GAIN).

This handling of the ambiguity or of the tension between societal and business amounts thus to involve other stakeholders in the financing of the company's societal actions.

– another stakeholder passionate about the mission and its social ambition: the employees.

Most of the people interviewed, even from the third circle and not necessarily directly or indirectly involved in SBOP projects, have referred to this mission and expressed their pride and the very strong motivation that they were getting therefrom or that their collaborators were getting thereof. A leader has however expressed

some reservation, related to the specificity of his/her activity, about the impact of this mission on his collaborators: namely the R&D CEO of the group, which showed that it had little impact on researchers; he has nonetheless clarified that he was speaking about the Dutch entity (which actually comes from Numico, a company recently re-purchased, and with a very different culture from Danone's).

Apart from this particular case, the mobilizing effect of this mission, or even its power, is underlined by several interviewees.

Administrator Z:

“For large groups that mobilize tens, or even hundreds of thousands of people, which have to develop in the long term, which have to deal with complex strategic caps, to be within the meaning and within the substance, contributes enormously I believe.”

Executive Y:

“For my BU, the benefit of SBOP projects is above all to have a coherent speech to tell to the society, to young people in particular for whom our commitment is important: Danone is not a multinational like others. Danone believes in its mission.”

L. Blime:

“Beyond the perennality of our jobs, there is a social mission in what we do, there is also a unicity of Danone's positioning, that of having a double project, and it is incredibly important to demonstrate that a company that has a double project is even more important than a company that has only one goal: the return on investment of the shareholder. If on a daily basis, it can be demonstrated that we are more creative, more imaginative than a firm that has purely an economic objective, we can contribute to invent a new model. The person who can demonstrate in Bogra that a social business is both a business and something that helps solve the problem of poverty, he/she can also help to change the world because he/she shows that there is a different organization model that can exist. When I was a student, I only knew two models: the model in which we earn money, and the model in which we do charity. And there, I see people who invent something in between and who demonstrate that it works. In the fact of being here a danoner, we are not a social business, but we are a business with a double project. It is important, if one believes in our model, to make it work and to show that it solves more problems than the wealth of the shareholder.”

This sense of the mission is however associated with a strong pressure on the results; some employees are, for their part, more motivated by this pressure than by the sense.

Executive X:

“I think that the mission For All is highly inspirational for many people; for the people who will work with E. Marchant in the BOP and in the danone.communities teams, there is a sense of mission that is very, very strong. For a part of the people who are in traditional business, it is far from their main concerns. There are still yet two worlds. There are overlapping points and I think that this has begun to disseminate different ways of working notably about innovation, about the product.”

This executive thus highlights the two “worlds”, which according to him actually co-exist within the group. This mission does not motivate all employees.

Nonetheless, the impact of this mission within Danone cannot be denied. The participation of French employees to the danone.communities SICAV is the proof.

And beyond this impact, this Danone’s mission carries in itself a questioning of the purpose of the enterprise.

Administrator Z:

“The essence of capitalism, the legitimacy of the enterprise, do not lie in the fact of making money; they do lie in the fact of doing a favor to someone who is going to buy this product. And what is absolutely extraordinary in the world that we are living today in society, is that we have totally lost this from perspective, totally. Because the market is sophisticated, because there is a lot of competition, and therefore one more company or one less... So people end up saying ‘but the essence itself, the motivation, is to make profit for my business.’ No, no! It can be clearly seen, the system has a legitimacy, and if at some given point, the idea of the system is simply to earn money and not to do favors, ultimately we might as well move to a communist state. And what is the legitimacy of the enterprise?”

By re-establishing the idea that the enterprise is here to do a favor, and that this favor is not charity (it is not because my butcher has a good heart that he feeds me! Ultimately, the butcher, I can’t live without him!), once again we meet the mission, we find things that are extraordinarily inspiring for people, extraordinarily performing for

the company; it refocuses on the fact that it serves a customer, who needs its service, and this shows that it is also virtuous: we begin to look at the customer and not at the wallet. And in fact, in the end, we will do a favor to the wallet. Secondly, the employees are galvanized and a dynamic created because people thrill in this world mainly because they are useful to something. And if this utility allows them to earn loads of money, that is very good. On the other hand, there are still many people who are struggling to identify themselves only with 'I am going to make loads of money'. I think that this question about the meaning is absolutely fundamental. Well obviously all companies do not necessarily have the same galvanizing capacity, but when looking at a company like Danone, the fact that it is defined from a social, societal mandate, is extraordinarily important to galvanize the employees of the company, it is extraordinary to strategically carve the company. As a result, when one looks at what it means to 'bring health through nutrition to the largest number', it means 'I will create products that people will want to purchase because they are good and because they will do me good'. And if we are successful in making products which are good and which do good, and which can be bought by billions of people, we are creating a company that succeeds, quite simply! And in the end, this will make us earn lots of money!"

This tension between these two dimensions sometimes leads to a questioning relative to a potential tipping point, that would place the social purpose before the economic purpose; the economic dimension would not disappear, but it would become a lever to achieve the social objective:

Administrator Z:

"We have recently had a discussion during a board meeting, which was based on the theme – launched by Frank Riboud himself – 'Can we qualify Danone as a social enterprise, as a social business?'"

We talk about it, we, in the board: can we be a social business? But I think that this is only lightly serious, because it would make a very bad case to come forward in such manner. But from the point of view of the logic of the enterprise, it makes sense.

The characteristic of a social business is that it is defined by a societal mission, first. Profitability comes later, for sure, it is a condition of achieving the social business mission. Then, one can very well claim that 'me, my goal, it is nutrition for the greatest number, health through food for the greatest number, and to do that, I need a return

on equity of 15%.' This may be derived in this way. The problem thereafter is that, one ought to be coherent and thus still measure the success of the company first from the criterion of the societal performance, and bring it forward as such. And that says a lot of things about the current practices, the strategic development, etc. Danone is very close to that in reality, very very very very close! This is why it makes some sense, because today the performance of the directors of the company is for 50% linked to societal objectives."

As administrator Z highlights, switching from one purpose to another for a group like Danone, listed on the stock exchange is risky; and numerous examples can demonstrate that this has not been achieved. However, it can be interesting to emphasize that the debate about the purpose itself of the company yet exists, even within the boards of directors.

5.3.2.2. Strategic character and societal impact of these organizational competencies

We have highlighted two organizational competencies which seem:

- to originate largely from SBOP projects; such is the case of the first competency: to design disruptive products allowing the targeting of the whole of the pyramid and a better response to the needs of consumers moving away notably from the cold and the milk chains;

- or, that these projects have revived and clarified; such is the case of the second competency: to handle the ambiguity or the tension of the dual project between societal and economic dimensions and use it as a lever for competitiveness.

As stated in the introduction, in the research question, it is interesting to question:

- 1) About the strategic nature of these organizational competencies: are they a source of competitive advantage for Danone?

- 2) About their societal usefulness: in the end, what do they bring to society?

We do not claim to carry out here a thorough analysis of these two points, each of which would require a fully-fledged research, on the impact evaluation, very different from the process analysis that we have conducted. But we are going to try to give some response elements.

Strategic nature of the studied organizational competencies

We will cite the criteria defined by Barney, allowing the qualification of a strategic organizational competency: it must be rare, relevant and valuable, hard to imitate, non-substitutable and non-transferable.

Let us look at the first competence: to design disruptive products allowing the targeting of the whole of the pyramid and a better response to the needs of consumers notably moving away from the cold and the milk chains.

We have not carried out any study of competition, thus we can hardly claim any peremptory statement. However, it emerges that while groups such as Nestlé have long offered food at low prices, without the constraints of the cold chain, they do not present the same nutrition–health positioning that the products developed for example by F. Colombari’s team in the case of Senegal and now of India, and which constitute one of the foundations of this organizational competency. The co-creation of these products with African food businesses, within a process of immersion and of fine listening and close to consumers, taking into account the global and systemic multiple dimensions (culture, taste, nutrition, food premises, cost, etc.), the creative design (“the poor way”) of new microbiological processes, seems to rely on relatively unique, relevant and valuable competencies, hard to imitate (at least in the short-term) or to replace (few other perspectives of reinvention are being offered to the group at the level of dairy fresh products). Regarding transferability, we have valued the difficulty to transfer it even internally (for example, in infant nutrition activities): one can imagine that it becomes all the more difficult to transfer it outside.

Beyond Barney’s criteria, does this competency enable the group to be more competitive? It is still too early to make any such claim, but it seems that these projects actually give the opportunity to Danone to reinvent itself, to avoid shutting itself inside what made yesterday’s success and which is probably no longer suitable to tomorrow’s context, with the condition of course to demonstrate the economic sustainability of *business models* implemented. Will the company be able to take full advantage thereof? It is too early to say.

Let us look at the second competency: to handle the ambiguity or the tension of the dual project between the societal and economic dimensions and use it as a lever for competitiveness.

Here again, the lack of study about competitiveness drives us to act with caution. But in terms of societal reputation, it is clear today that Danone has acquired in the general public an advance when compared to its major competitors.

The impact of SBOP projects in particular, has been highlighted in our research: their scope in terms of reputation is considerable (but difficult to measure): Internet

tools, multiple events, Grameen Danone's excessive media coverage, M. Yunus's books; how many groups have benefited from such repercussions, during the launch of a societal initiative?

One of the consequences is often highlighted: the attractiveness of the group among young people, in particular. It is above all the case in France, but in reality also more globally, surely with some differences across cultures. Thus E. Marchant refers to one of the leaders of Danone Mexico: this latter mentioned recently the attractiveness of the group with regard to the Latin America's youth, associating it in large part to the societal commitment of the group.

The energy that these projects have generated internally, the pride of belonging and the motivation of the employees – at least of a significant part of them – constitutes another strategic contribution of the group.

This strategic ambiguity also integrates a competency of access to the markets, a major asset in a global context where this access becomes more difficult.

We should cite the strategic importance for Danone of the Senegalese project, who is introducing it on the African continent, as a new playground of the group. In addition, a recent interview with E. Marchant made us discover the *social business* project for the fight against child malnutrition conducted recently in China. According to danone.communities' CEO, this project currently allows the group to restore its relations with the Chinese authorities, and to convey in them the image of a reference player in the field of public health.

Furthermore, with regard to the relationship with shareholders, as pointed out by administrator Z, few groups have managed to establish a dialogue so thorough on these societal thematic with their shareholders: the creation of the danone.communities and Ecosystem funds has been decisive in the development of this competence. More fundamentally, this competence very characteristic of Danone, is what makes its uniqueness, its originality, and as already emphasized, protects it partly of any potential tender offer.

At the same time, the leaders continue to exert strong pressure on the results of all the employees; which not are not all galvanized by the societal dimension.

Societal utility of the studied organizational competencies

Here, we do not intend to scientifically assess the societal usefulness of these competencies, which would actually suggest a fine assessment of the social impact of the various projects, and which could occupy a research laboratory for this sole purpose.

However, intuitively, concerning the first competence, a greater proximity with consumers, or even a product co-development with the players in the field, seems to be leading to a positive direction: starting from the needs of populations, rather than to artificially create new ones, as multinational companies such as Danone often do, can only be beneficial. Furthermore the nutritional impact of the products is starting to generate rather positive conclusions. As a matter of fact, in Bangladesh, the study of the NGO specialized in nutrition, GAIN, give encouraging results: eating a yogurt a day for a year, for a child aged between five and seven improves, according to this study, the physical development and certain cognitive functions useful for school learning. As for the impact in terms of creating local employment, Bogra's plant for example has allowed the creation of 220 positions for employees, and provides work to 500 ladies.

Finally, a company that tends to show that societal and business are not necessarily opposed but can be partly reconciled presents the societal utility of introducing questioning in other companies.

O. Kayser, former President of Ashoka Europe and founder of the consulting firm Hystra, speaks thus about danone.communities, of "friction between conflicting objectives, requiring a re-questioning of the dominant paradigms". In reality, it should be noted that several companies have partly started to imitate Danone, creating notably the equivalent of danone.communities and starting *social business* activities.

The time is now of course, for this impact to be significant, within Danone's capability to perpetuate the SBOP models by making them profitable, and to replicate them.

5.3.2.3. Conclusion of acquiring organizational competencies

In this section, we could identify and analyze two organizational competencies developed or enhanced through SBOP projects, thus formulated:

1) To design disruptive products, making it possible to target the whole of the pyramid and to further meet the needs of consumers notably by abandoning the cold and the milk chain.

2) To handle the ambiguity or the tension of the dual project between the societal and economic dimensions and to use it as a lever for competitiveness.

These two organizational competencies are derived in part from the collective competencies described in section 5.5 about the group; and as we mentioned earlier, they also grow their roots from the identity of the group, identity that SBOP projects helped revive, implement and update.

We have finally questioned ourselves about the strategic character of these organizational competencies and about their societal usefulness. Our conclusion is as follows: the analysis that we have conducted tends to demonstrate that these organizational competencies are sources of competitiveness for the group. Regarding their societal usefulness, it remains to be proven through reviews with scientific impact; but the early studies carried out in Bangladesh are fairly encouraging: they already present positive conclusions about the effect on health and on the cognitive abilities of children.

5.3.3. Analysis of the blocks and levers of the institutionalization and the development of organizational competencies

The main blockages or levers that prevented or that can facilitate the processes of intuition, of interpretation and of integration, impact also the process of institutionalization and the development of organizational competencies. Others appear more specifically at the organization level. We have chosen to group together the blockages and the levers relatively to the institutionalization and to the acquisition of organizational competencies; since they are almost identical.

5.3.3.1. Blocks

We have identified the following blockages.

Context

Again, the economic difficulties associated with the crisis, especially in southern Europe, have obviously also an influence on the institutionalization process: the tendency is for hardening and the budgets are getting tighter. For example, one of the major levers of mobilization of CEOs and of dissemination of good practices, the seminar *Growth Accross the Pyramid* (GAP), already mentioned, thus has seen its resources being reduced in 2011.

M. O. Blain:

“Initially, when we had difficulties last year, I was asked to reduce the structures, and as a result, there have decreased everywhere. I have bosses who were unable to defend the structures and who regret it bitterly today. The fact is that they have decided to suppress this post, dedicated to the animation of the GAP seminar.”

T. Delepouille, current manager of the GAP, recognizes that the animation of the seminar is particularly efficient, and would still be useful to a number of subsidiaries.

Another contextual element has undeniably had its role in 2011–2012, linked to the major crisis suffered by M. Yunus in Bangladesh. Accused of corruption by the government of Bangladesh (then exonerated), he was forced to resign from Grameen Bank due to (officially) his age.

These events have only contributed to further complexify the Grameen Danone's initiative, of which it is still expected that it reach the break-even point; a large amount of pressure have then been imposed by the public authorities: the leaders have had for example to appear in courts, because of yogurts that had been identified as adulterated.

Leaders

As we have mentioned at the interpretation, the consensus does not seem to be comprehensive among the management team about the need for strategic renewal, on the one hand, and about the effectiveness of SBOP projects as leverage of such renewal, on the other hand. We stress here a major weakness of Danone's strategic renewal process. Such a limitation located at the level of the interpretation process, comes to challenge not so much the integration process (because it suffices that just a few area CEOs be convinced and attempt experimentations), but principally the process of institutionalization, and finally as a consequence global strategic renewal. However, in accordance with the iteration principle of the process of the 4I already mentioned, it might happen that a BOP experiment succeed in an emerging country and inspires a successful experiment in a developed country, to change the representations of the most skeptical.

The thematics of time can be found here: several interviewees have highlighted the difficulty of the leaders and more globally of the whole enterprise, for long term commitment; nevertheless, such SBOP-like approaches assume a long learning period. Several players have spoken of a period of ten years for such projects to prove their worth. The horizon of a group listed on the stock exchange and whose culture is more concerned with reactivity and intuition rather than with long term vision, is naturally shorter. In addition, only actors involved directly or indirectly in SBOP projects (of the 1st and 2nd circle) truly are aware of the challenges that these new approaches involve for a multinational of a developed country.

The fact that at the end of six years, the Bangladeshi initiative is not yet profitable, and has therefore not clearly been successful, raises doubts among several actors: can we continue to allocate significant resources to projects of which we are not sure that they yield results?

Furthermore, expectations from *reverse innovation* are high and quite impatient: “when therefore will the Bangladeshi and the Senegalese projects enable us in to obtain new *blockbusters*?” is often heard.

The risk of these doubts and of this gap between differing time horizons, is simply the failure of the SBOP approach within the axis *For all*. This is what express key players such as G. Gavelle and M. Gosselin, questioning if the group is giving itself the means to succeed in the challenge of this axis.

Furthermore, interviewed people have mentioned territory disputes that could have hampered the process of institutionalization.

Organization/in-house routines and other in-house players

The lack of valuing of the learnings originated from the SBOP projects and from the global platform is a certain obstacle. The perception that the *danoners* from *danone.communities* sometimes have, as of an entity by itself that manages projects outside Danone’s scope does not facilitate the dissemination of competencies.

Danone’s difficulty to formalize learning is due:

- on the one hand, to the culture of the group, more favorable to the informal and to direct contacts;

- on the other hand, in some cases, to the (sometimes unconscious) reluctance of individuals to convey their knowledge; this is what was repeatedly pointed out for example concerning some players cited in our research.

5.3.3.2. Levers

The progress of the Sphynx project in France, which appears for the moment promising, does not yet constitute an institutionalization leverage. However if it succeeds, it would then demonstrate the benefit of SBOP projects and of *reverse innovation*; many players have their eyes riveted on this initiative, which could open up new prospects.

5.3.4. Conclusion of the third level: the organization

We conclude here the last section of our analysis: that which was focusing on the organizational level, after having studied in sections 1 and 2 the levels of the individual and of the group.

Again, as in the other sections, we have had an in-depth look at:

– on the one hand, the evolution of the intuitions of the leaders and of the “champions”, after the stages of interpretation and integration by this time focusing on the last step of the process of strategic renewal: the institutionalization;

– on the other hand, organizational competencies partly originating from individual and collective competencies: the acquisition of such organizational competencies allows for the verification of the reality, or not, of strategic renewal.

There again, the great wealth of the means implemented in the framework of the institutionalization (through policies, systems and structures), as well as of the acquired organizational competencies, has been brought forward:

– innovative structures and governance have been devised and introduced, promoting innovation and dissemination (such as the organization of the SBOP entity, the danone.communities fund and the governance committee: *Social Innovation Committee*);

– interactive systems, also creative (such as the program *For All Track*, the seminar *Growth too*, the experts day on the 15th of May, the creation of practice communities) have been designed.

Two organizational competencies, of major importance for the group, largely result therefrom, and *a priori* sources of competitiveness:

– to design disruptive products, making it possible to target the whole of the pyramid and to further meet the needs of consumers notably by abandoning the cold and the milk chain;

– to handle the ambiguity or the tension of the dual project between the societal and economic dimensions and to use it as a lever for competitiveness.

Nevertheless, an important fragility is reflected in terms of sharing the vision: the need for strategic renewal and the effectiveness of SBOP projects as the levers of this revival seem to be actually not fully shared by all the executive team, especially as the crisis tends to reduce the perceived priorities toward the short-term.

A relatively blurred strategy, of the structures, and of the fragile systems results therefrom, showing limited means.

Nonetheless, we can picture two phenomena likely to unify the representations of the leadership with regard to the relevance of these approaches:

1) the rise of insecurity, particularly in Europe;

2) the success, if there is success, of a few key experiments such as the Sphynx project in France, soon to be launched, which would then be the demonstration of *reverse innovation*.

Here we perceive the character eminently complex and iterative of the process of strategic renewal: a new stage in the process of integration (the 3rd of the 4 Is) would then be promptly able to once again influence the process of interpretation (the 2nd of the 4 Is) and the process of institutionalization (the 4th of the 4 Is), strengthening then a somewhat fragile strategy.

Analysing Other Cases: Schneider, Renault, Essilor, Bouygues and Bel

As we explained in the methodological section, although an in-depth, longitudinal study of Danone forms the main focus of our research, we are now broadening our spectrum and turning to other businesses, to see if the SBOP projects have been or are now vectors for more global transformation. To do this, we are again using Crossan's 4I model, and propose to investigate individual, collective or organizational competencies, that seem to be emerging as a result of these approaches.

Why these businesses? Because we have been in contact with them through the HEC Social Business chair, have watched them develop since around 2010, and therefore have privileged access on the ground; and because they have initiated important steps in providing business and service access.

6.1. Schneider Electric

The Schneider group, created in 1838 by the Schneider brothers, has worked in a range of fields, such as the steel industry, heavy machinery and shipyards, before gradually coming to focus on energy management, mainly electricity, consequently choosing to rename itself Schneider Electric in 1999. In 2009, the group officially launches a whole series of initiatives to provide access to electricity to more people and to combat fuel poverty, via the BipBop program (Business, Innovation & People at the BOP). This program aims to give access to electricity to 1.3 billion people worldwide. It relies on three factors:

- education: educating young people from deprived areas to enable them to help communities install and maintain access to electricity solutions that have been put in place locally;
- investment: investing in local energy access solutions;

– solutions and business models: to provide a comprehensive range of solutions and viable economic models to communities at the bottom of the economic pyramid. To create electrical micro-networks adapted to villages.

On what ideas and discussions is this project based? According to which processes were these BipBop initiatives developed, and what are their impacts on the business? This section will attempt to explore this, by analyzing the 4I processes and the individual, collective or indeed organizational-level skills that emerge from these approaches. The data below come from the observation of the approach taken by Schneider since the launch of BipBop in 2009, from reading the case study “Schneider BIP BOP: enlightening corporate social responsibility” and from interviews with Gilles Vermot Desroches, Sustainable Development Director for the Group and for the BipBop Program, and President General Delegate of the Foundation.

6.1.1. 4I processes

6.1.1.1. *Intuitions*

Jean-Pascal Tricoire is the first to perceive the importance of inclusive economic models.

In the 90s, the then Director of South Africa, Zimbabwe and Lesotho, Jean Pascal Tricoire realized what it meant to live without electricity when staying with a family in a village in Zimbabwe. He also faced the reality of the shanty towns in Johannesburg, where half the inhabitants did not have access to energy. He therefore concluded that a group such as Schneider Electric could not stand by without doing anything and leave these populations without electricity.

For his part, Gilles Vermot Desroches, also very quickly understood the stakes for Schneider of the BOP populations in terms of access to reliable, good quality, clean and affordable energy.

In 2006, when Danone set up the Grameen Danone factory, Gilles wanted to see Schneider play a role in this social business adventure and offered the factory electrical material.

6.1.1.2. *Interpretations*

Numerous exchanges then took place between these two individuals, and with actors at Danone, especially Emmanuel Faber. Then exchanges also took place with the Executive Committee and some administrators.

All these exchanges reinforced Jean-Pascal Tricoire and Gilles Vermot Desroche's idea that the group had a role to play in providing energy access in poor and developing countries; in a way unique to them; and hoped from then on to focus the group's social commitments in this direction; side by side of course, with the more environmental direction, focused on energy efficiency, which had become really strategic.

6.1.1.3. *Integration*

The first experiment took place in South Africa: it is a system of pre-paid electricity cards in the shanty towns of Soweto. In fact, putting in place energy access solutions was not all that complex and fell within Schneider Electric's key competencies. The most complex aspect was in fact the economic model: how should the system be financed? And how would the BOP population's payments be guaranteed, given their limited ability to pay?

Another experiment was also carried out in Madagascar, where a village was equipped with a solar system by Schneider Electric in connection with a local business.

In 2006, Jean-Pascal Tricoire became the group's president and decided to speed up activities; Gilles started the structuration of the BipBop project.

The second experiment took place in India: an R&D engineer from Schneider went to immerse himself for several days in rural areas, with two sociologists from the University of Grenoble. They contacted a local NGO, which helped them to interact with the population. Convinced that the most urgent need was light, he then designed a solar-powered light, "In-Diya", supplied by a solar panel linked to a battery, using LED technology.

In 2011, Schneider signed an agreement with Grameen Shakti, leader of solar energy access in Bangladesh, and used a network of 100,000 micro-entrepreneurs in rural areas to sell these lamps. The partnership even led to the invention of simpler lamps, which are smaller and even cheaper than In-Diya. Then a new investment team also appeared, led by Chrisophe Polline, as well as two business development teams, one focused on Asia, led by Abhimayau Sahu, and another one for the rest of the world, led by Joel Lelostec..

The question of developing skills clearly arose: how could they find a workforce qualified to install and then maintain this equipment? This is how initiatives for educating electrical technicians developed; in partnership with education specialists in developing countries, such as the NGO IECD, which is recognized in this area: in

Lebanon, in Africa, etc. Education programs were set up with Schneider, for example in Lebanon, where they were even recognized as a state diploma. Between 2009 and 2015, Schneider Electric has trained 60000 young people per year in more than 40 countries, with 200 partners. New economic models were explored with new and very diverse stakeholders:

1) In Myanmar, with the business Golden Key, which provided farmers with seeds and pesticides, and which then began to sell them Schneider Electric solar systems as well.

2) In Ethiopia, a partnership with a micro-credit institution, Pamypa, helped the benefits of micro-finance in financing solar installations to be better understood.

3) In Cameroon, Schneider arranged the installation of village networks with the diaspora, using crowd-funding models.

Finally, in 2013, a meeting with Tony Meloto, founder of the Philippine NGO Gawad Kalinga (known as GK), well-known for renovating shanty-towns, generated a partnership directed toward installing solar panels in GK communities

As these projects, carried out by the NGOs, progressed, Schneider developed a whole range of products destined for BOP populations: different systems for producing and storing energy, public systems such as solar water pumps, battery recharging stations and whole “micro-grid” networks called Villasol.

6.1.1.4. Institutionalization

The institutionalization of Jean Pascal Tricoire’s ideas happened quickly; very soon after the first experiments in South Africa and Madagascar, and before the experiments in Myanmar, Ethiopia and Cameroon described in the previous point on integration. The group leader was convinced and did not require extensive evidence before investing significant resources in inclusive economic models: from the 2009-2011 business program, it became one of the most important projects, a real strategic asset. A new Indian company, Luminous, specialized in low cost electrical tools was also acquired.

Strategies

A clear objective is included in the group’s “sustainability scorecard”:

– from 2012 to 2014: to enable 1 million consumers to have access to energy (an objective reached and even surpassed in 2014, with 1 095 million);

– from 2015 to 2017, to increase fivefold the number of energy access programs.

Structures

Schneider Electric's approach to energy access is mainly led by a central body, the Sustainable Development Department, which also governs the Schneider Electric Foundation and is given considerable responsibility.

But this body does not work alone: it is firmly connected on the one hand to R&D services, which play an important role, and on the other hand to subsidiaries, which include the selling of new offers into their P&L; the offers are not managed separately or consolidated.

The BIP BOP program uses different levers:

- Since 2009, the Sustainable Development Department has thus been developed, to help implement the BipBop project;
- philanthropic approaches via the Foundation, especially financing education programs and sponsoring skills;
- and setting up profitable business models; as in the example of the solar lamps.

In parallel with and linked to this team, an R&D team strictly dedicated to BipBop has been formed in Bangalore, within the Distribution Division. Made up of 6 people, it is creating a major strategic evolution in the group and brings lighting products to the market in an approach similar to that of B to C and “low tech”. Other products have also been developed there such as solar water pumping systems.

The R&D teams are being imitated more globally: each BU names a BipBop representative; all the representatives meet regularly. A cross-functional team on low-cost innovation or “low techs” has also been set up more recently.

Three funds have been created in succession, marking significant stages in terms of institutionalization.

The solidarity fund Energy Access, in which the majority of French employees have invested, invests in energy access businesses. Each time an employee invests a given sum, the business spends the same amount.

Schneider Electric, along with Danone and other businesses, has also created the Livelyhoods fund which is active in reforestation.

In 2015, a second energy access fund was set up, based in Nairobi, with 55 million euros to finance innovative companies in Africa. The idea was to prepare and master innovative economic models which could potentially be replicated on a large scale, particularly in Africa, a region with strong business potential for the group.

The name of the global approach was also modified in 2015: Energy Access, to give it a more professional character and to indicate more clearly the strategic dimension.

Systems and processes

Three incitative measures have been successively put in place to support these steps toward an inclusive economy:

– since 2011, around 5% of the 3,000 directors' bonuses has been allocated to social performances and especially to subsidiaries to which it is appropriate for performances relating to the BipBop program. We note that the criteria for calculating bonuses are established by the Director of Sustainable Development; they are of course approved by the Executive Committee;

– since 2012, 20% of bonus shares distributed to employees have been dependent on the group's global social performances;

– since 2013, 30% of employees' pay rise has been dependent on the group's global social performances.

Training programs were put in place for actors at Schneider Electric, particularly the program "Inclusive Business and Value Creation", set up in partnership with Danone, Renault, the HEC Social Business chair, the Hystra firm and the social entrepreneur network, Ashoka.

Finally, engaging the group's employees in the form of skills sponsorship especially for training technicians in developing countries, is encouraged: 300 missions lasting 2 to 3 weeks have been financed by the group (but carried out during collaborator's holiday periods).

The group's commitment to an inclusive economy is recognized outside it, as shown in India where it has clearly become a factor in attracting young people, in a country where recruitment is very restricted, which seems to reveal a degree of success in the institutionalization process.

6.1.2. Developing new competencies: individual, collective and organizational

The competencies that result from the BipBop program can be considered to go beyond an individual level; these are likely to be collective or organizational, given the number of subsidiaries now involved in these steps, at the level of a few individuals or indeed a group of individuals:

– the ability to now understand the needs and behaviors of rural communities in developing countries, i.e the final clients, in what is partly a B to C approach to offer no longer just products but solutions; this is a major transformation for a group that worked in heavy industry a few decades ago and which has become a technically skilled B to B expert in energy management.

Having become technically skilled in the area of energy efficiency, the group is also developing skills in designing ‘low tech’ options, in different complementary domains such as lighting, water pumps, etc.

– the ability to activate different levers that complement one another extremely well: philanthropy, skills sponsorship, investment, putting in place profitable economic models, etc.;

– the ability to co-create with new, extremely varied stakeholders: micro-finance institutions, local NGOs, diasporas, agricultural businesses, etc.;

– the ability to think out of the box and, using a systemic approach, design radically new models, and a complete range of product offers for isolated villages;

– the ability to develop highly entrepreneurial behaviors within the business, i.e intrapreneurial behaviors.

6.1.3. Limits and prospects

One factor slowing this transformation process is the lack of margin created by the energy access projects, which causes some directors to doubt their business potential and the necessity of allocating resources for exploration.

An overall turnover target for energy access projects and some criteria are taken into account when calculating director’s bonuses, as well as taking account of performances in this area for the BU where relevant. Nevertheless, the directors of subsidiaries do not have precise turnover objectives for these projects. Furthermore, they have an overall profitability objective, which has not altered. So it can be imagined that it is not in their interests to promote these approaches too much, as they would risk damaging their margins.

This system of fixing objectives and the relatively low proportion still allocated to calculating bonuses (5%) undeniably slows the scalability of these approaches.

It seems that for Schneider Electric to properly deploy these energy access approaches, it now depends on precise sale and profitability objectives for these subsidiary regarding these approaches. In our opinion, a major lever would be setting aside key performance indicators (CA and profit) for these projects within subsidiaries, and fixing ambitious objectives.

6.2. Renault

The Renault group was created by Renault in 1898. After the war, it acquired an image as a social, popular business, through its status of nationalized firm especially through the famous 4CV, “the little car for everyone”. Then, gradually, the business became more up market with the Renault 16 and the family cars. At the beginning of the 90s, at the time it was privatized, the Renault Group occupied the higher end of the market, when, to everyone’s surprise, Louis Schweitzer bought the Dacia label in eastern Europe and decided to sell cars at \$ 5000.

The success of low cost cars in eastern Europe as well as in the west, has not ceased surprising leaders and has changed the mix. Nevertheless, toward the end of the 2000s, the group’s CSR director, Claire Martin began to receive more and more letters from individuals explaining that they were no longer able to repair their cars as the price of individual parts and repairs had become too high for them.

The idea then arose of going beyond low cost and paying attention to the needs of deprived populations, exploring social business type steps. We now describe the 4I processes. The data is taken from observing Renault’s approach since its launch in 2010-2011, and from interviews with Claire Martin, RSE Director and from François Rouvier, the Mobiliz Director.

6.2.1. 4I Processes

6.2.1.1. *Intuitions*

The first person to perceive the limits of the product approach, directed toward ever greater sophistication and potentially detached from consumer expectations, was Louis Schweitzer, with the purchase of Dacia and the launch of simple, robust, inexpensive cars. Some twenty years later, the idea this time came from two “champions”, Claire Martin, the Group’s RSE Director, and François Rouvier, then Commercial Director for Central East Africa. Claire had heard of Danone’s initiatives in Bangladesh and of social business, and realized that Renault’s slogan, “mobility for all”, did not match the reality. For his part, François Rouvier also had a few discussions with individuals involved in social business. Looking for a new direction in his work, he met Claire, and shared his desire to work on social business approaches with her. Claire proposed creating a social business entity within her department. They both shared the idea that involvement in mobility access for the most vulnerable populations is now not just the responsibility of the state and civil society, but also of companies such as Renault. Meeting with low-income individuals, identified with the help of associations such as Voiture & Co, convinced them of the need for mobility, especially for a specific market: single-parent

families, for whom the car is a way of escaping a difficult daily life. And in rural areas, for these people, just as for low-income workers, it is a question of survival. Claire and François were moreover convinced that these approaches are valuable for the business.

6.2.1.2. *Interpretations*

Claire obtained the agreement of Carlos Goshen and the Group's Executive Committee to create an experimental social business body within the RSE department. The arguments put forward in the presentation were the following: social business approaches are potentially powerful levers for motivating employees, for the group's reputation and above all for innovation. Numerous discussions outside the group as well, between Claire Martin, Mouna Séphéri, Director of the Alliance CEO office and Emmanuel Faber, end with them convincing directors to launch such initiatives. The conditions fixed by the directors were the following: the first step will be in France (unlike Danone which began its social business in Bangladesh), and the team then called "Mobiliz" would have two years to prove itself.

The team was formed, consisting of three people, François Rouvier and two deputies, for whom Claire Martin was responsible and who reported to the director of strategy. An official connection with the HEC Social Business Chair and also with the resulting incubator, the Action Tank Enterprise and Poverty, was also decided.

Dialogues then took place, with some directors determined to carry out experiments; particularly the Director of the group's After Sales Management. This is one of the key encounters that gave impetus to Mobiliz by providing it with the legitimacy of having leaders who understand the strategic challenges of social business. The official launch of Mobiliz took place in July 2012, with Carlos Goshn, the whole Executive Committee and numerous employees and outside partners.

6.2.1.3. *Integration*

The first experiment was then designed by actors at Mobiliz, inspired by a model that already existed in an associative form: that of solidarity garages. The idea was to suggest that French distribution networks – the Renault garages – become "solidarity garages" while still providing a quality of service at the firm's standard: this meant repairing the cars for some individuals, identified as candidates by partner associations and social services, at an affordable price. Two years after the launch of Mobiliz, nearly 300 garages out of the 4,000 in the network had taken part voluntarily. The motivation of those in charge of these garages: to be better integrated into their neighborhood, to give a sense of meaning to their employees, who describe themselves as proud to belong to the garages that give support to the most vulnerable, in a profession that has moreover, often lost the faith of clients.

With nearly 1000 beneficiaries in May 2015, actors at Mobiliz understand how much the group has in reality become disconnected from those most vulnerable economically; discovering that when the latter needs to buy a used vehicle, they turn to very old German cars rather than to Renault cars, which they do not consider to be sufficiently robust.

As for repairs, the D system has been implemented; certainly not a visit to the garage, where you might have doubts about the bill on leaving.

Since this first experiment, several ideas and projects have been developed. One project was set up to create a business, “The Good Drive”, as a joint venture with video game specialists, and the network of French Driving Schools (ECF): it aims to provide driving licenses for young people, for whom the cost often becomes prohibitive (and it is not now unusual to see them driving without a license). A serious game has been effectively devised which aims to provide them with the reflexes for driving before they began driving lessons, as they would then need far fewer lessons. This is nothing less than a revolution for the driving schools, which have become routine and archaic.

Renault also developed another very ambitious project, in collaboration with the Action Tank Company and Poverty and the BCG, which works for the association on a pro bono basis. It aimed to devise a complete long-term hire solution at very low cost designed for the economically deprived, called “the Mobility Club”. The idea was to enable them, when they cannot do without a car, to even out the costs and above all avoid large lump payments: the latter are indeed disruptive for their delicate budgets, when their cars have to undergo substantial repairs.

Finally, the desire to explore social business models in developing countries has also emerged. The Mobiliz team has tested this idea with the leaders of two countries: Brazil and India. The leader of Brazil is not now ready to carry out this kind of step. The leader of India is very willing.

But in such a country, the idea of selling cars to the whole population is illusory. Very quickly, the actors understand that in a country where most of the population cannot even buy a car priced at \$2000, a new model has to be devised: to sell vehicles, the Group has to turn to selling mobility solutions and to developing new partnerships, in particular with its partner Nissan.

6.2.1.4. Institutionalization

It is without doubt a little early to talk about a real step toward institutionalization. The actors are still waiting to see the results of the first experiments. We can observe however that the new projects still being defined are extremely ambitious, and could quickly impact of the group’s strategies. We can

imagine the long term, low cost hire model being deployed rather like Dacia; and the Indian model, on the scale of a country already immense in itself, being replicated in other developing countries.

Nevertheless, an institutionalization initiative is already underway – Renault funds a shared investment fund with 5 million euros. This fund invests in social businesses that specialize in mobility access. Its executive is in itself a lever for transformation: the fund’s board (Executive and Investment Committee) is in fact made up of several directors from the group (the Financial Director, the Strategy Director, and the HR Europe Director, the no. 2 from the engineering department, employee representatives and outside individuals). No-one could be substituted at the meeting that took place every 2 months to review the investment decisions. At the beginning, the directors involved did not take the fund’s activities very seriously. But gradually, they began to take part and to understand its major benefits, especially in terms of innovation. In 2015, Renault employees in France now have the chance to invest their employee savings in it. Such a step can be seen as a lever for transformation.

Another example has been created, a potential lever for institutionalization: the CSO (Strategic Orientation Committee), which decides Mobiliz’s orientations: it is made up of Carlos Gohns, Mouna Sepheri, Director of the Renault Alliance CEO, Mouna Sepheri and individuals from outside, such as Muhammad Yunus, Guillaume Pépi, President of SNCF, Emmanuel Faber, Jean-Marc Borello, President of the SOS Group.

In 2015, a significant new stage in institutionalization began: the Research Executive for the Renault-Nissan Alliance decides to consolidate a strategy which enables them to ensure that no-one is excluded from mobility, (“zero left out of mobility”).

6.2.2. Developing new competencies: individual, collective and organizational

The skills that have emerged from these first stages are without doubt at the level of a few individuals or a group of individuals. The organization is probably not entirely impacted, although the mobilization of nearly 300 garages, the low cost, long-term hire models, the Indian projects, and the funds reveal another step toward an organizational level.

The individual and shared skills of the group of actors involved in these steps – skills that have emerged from these initiatives – are fairly similar to those studied in the case of Danone, with however some specifics relating to the sector:

- the ability to reconnect with consumers, to widen their field of vision to include those who are no longer consumers; to take better account of the these categories of customer’s aspirations and restrictions;

- the ability to co-create with new parties involved, in particular within civil society; but also with other businesses, such as those specializing in serious games;

- the ability to think outside the box and to develop radical new models, focused on mobility access, rather than on selling cars; in a systemic approach. Here, the SB and the BOP appear to be triggers or accelerators for strategic renewal with regards to progress toward a service economy;

- the ability to develop highly entrepreneurial behaviors within the business, i.e intrapreneurial behaviors.

In reality the change brought about by social business is not as great as in the case of Danone, insofar as the change from a product approach, hinging upon ever-increasing sophistication, to a client-based approach also centered upon a return to austerity, had already emerged during the Dacia episode. And Renault has for a long time leaned more toward a “design to cost” approach than other car-making groups.

According to François Rouvier, the main novelty that the Mobiliz project provides is the gradual diffusion of a new paradigm, of a new representation of the firm, whose aim is no longer clearly reduced to maximizing profit for shareholders alone. Actors are becoming more and more aware of the importance of environmental and social dimensions, from now on inseparable from the economic dimension.

6.2.3. Limits and prospects

In both approaches, 4I’s top-down one and the bottom up process of building individual, then collective and organizational competencies, numerous obstacles of course appear:

- the difficulty of quickly demonstrating the success (as much in volume as in profitability) of these approaches. Launched in 2011, the Mobiliz program still had only 1000 beneficiaries in May 2015 as a result of short term pressures.

The group has still not defined a proper strategy, as neither social performance indicators nor incentive systems enable these social steps to be institutionalized. But the first four years of the Mobiliz program have been marked by a succession of stages that have been more and more important in terms of transformation.

6.3. Essilor

The Essilor group was created in 1972. It resulted from the merger of two groups, Essel (1849) and Silor (1969). In 1996, Xavier Fontanet became leader of the group and achieved its internationalization. Hubert Sagnières became CEO in 2010.

In 2015, the group was the global leader in ophthalmic lenses. Essilor is known for the quality and precision of its lenses, in particular progressive lenses, and for its innovation centric culture. Essel invented the first progressive lense, and Silor, the first organic lens.

But can such a level of quality, which is often accompanied by high cost depending on local economic factors, allow the group to be successful in developing countries? Indeed, just as for the other groups studied, the latter make up potentially very important drivers of growth for the group. Inclusive economy models are perceived as new means of exploration to penetrate these new markets.

The data below come from observing Essilor's approach since 2008, beginning from the start of the century with Aravind in Southern India, from reading the case study "Essilor's Bottom of the Pyramid Strategy in India", and from interviews with Nicolas de Lambert, Director in France and Southern Europe, Eric Leonard, former European Director (recently US Director US), Jayanth Bhuvaraghan, Director of the Group Enterprise Mission, and Claude Darnault, Director of Sustainable Development.

6.3.1. 4I processes

6.3.1.1. *Intuitions*

The director of Essilor in South East Asia, the Middle East, South Africa and the East, Jayanth Bhuvaraghan, Founding President of Essilor in India since the group was initially set up there in 1998, was the first to notice the stakes in BOP markets, especially in rural areas.

In 2008, India had 12 million blind inhabitants, out of a total population of 1.1 billion, representing 30% of blind people globally. It was estimated that in most cases, blindness could have been avoided if an appropriate treatment for visual impairments had been offered.

In section 6.3.1.3 we describe the experiments that were started in this country.

In December 2008, Claude Darnault attended the launch of the Enterprise and Poverty Chair and, since March 2009, the Commercial Director in France, Nicolas de Lambert, and the French Director, Eric Leonard, have joined the social business initiatives and participated in a meeting organized by the HEC social business chair, with Martin Hirsch, and Muhammad Yunus, to reflect on businesses' contribution in the fight against poverty in France. During this meeting, and in the weeks that followed, it emerged that some groups of people in France, those living just below the poverty line and above access to the CMU (health insurance provided for the most disadvantaged), could not afford quality glasses, which become even more necessary with age. From this, the *Optique Solidaire* project arose, also described in section 6.3.1.3.

6.3.1.2. *Interpretations*

Discussions between actors played a very important role in the group's investment in these steps: first of all, between the group in India, and then Jayanth Bhuvarghan and Xavier Fontanet. The latter, during a trip to India, comprehended the country's difficult terrain, and became passionate about the project. He then speaks about it at numerous conferences.

Eric Léonard and Nicolas de Lambert listened to him; they were also struck by the example of Danone, which is already well-publicized. After the departure of Xavier Fontanet, the new Executive committee, led by Hubert Sagnières, took up these topics. It therefore understood that it was a question of reaching future Essilor clients: offering those at the bottom of the economic pyramid access to simple and inexpensive glasses is a means of creating future clients that might opt for Essilor's higher range glasses when their buying power increases.

6.3.1.3. *Integration*

The first important experiment was launched in 2005 in India. It aimed to reach rural populations, via a system that uses vans. Two partnerships were set up with two hospitals known for their ophthalmic care and known to be pro-active in providing access to care for all: Aravind, and Sankara Nethralaya. Four "refraction vans" were financed by Essilor; they transported rims, lenses and refraction equipment and were accompanied by "tele-ophthalmology vans" equipped with apparatus for examining vision and with satellite transmission.

But the actors understood the model's limits fairly quickly: they needed more than 1000 vans to respond to the needs of people in rural areas of India, in fact, the system put in place is very expensive.

The other important experiment was carried out in France, on the initiative of Nicolas de Lambert and Eric Léonard. This was the *Optique Solidaire* program, launched in 2012.

It consists of creating a semi-complete value chain involving all the actors in this chain:

- the maker, Essilor, produces simpler lenses at a marginal cost; so cheaper than those usually sold in France. The frames are made in factories in Jura;
- the health insurance providers that participate in the program identify those likely to benefit from it (the elderly and people who live below the poverty line without state health insurance);
- the partner ophthalmologists agree to serve beneficiaries, without extra billing;
- the *opticians who agree* to serve these people and give them glasses provided by the program, while reducing their margins;
- finally, a subsidiary of Sodexo sends out vouchers for beneficiaries.

In 2014, the program had 2,200 beneficiaries; the number has since increased to include all adults suffering from presbyopia.

6.3.1.4. *Institutionalization*

Strategy and structures

In 2010, Essilor better understood the strategic challenges in BOP approaches via these projects and via expanding into developing countries. The group then intended to provide access to 2.5 billion people with vision problems that are thought to be have been avoidable.

2013 marked a turning point: the “Corporate Mission Division” was created, tasked with coordinating and leading all the group’s social approaches. It was directed by Jayanth in Singapor, who has become the “Chief Corporate Mission Officer”.

Also created and/or re-organized, within this division:

- the group’s Sustainable Development Directorship, led by Claude Darnault;
- an innovation laboratory for social development, relevant to the group and its skills: the BOP Innovation Lab. Also based in Singapore, it incubates projects in partnership with other actors, such as NGOs.
- a separate division, also based in Singapore, the “2.5 B/New Vision Generation” (two and a half billion people/next generation vision) with a specific P&L, which leads the BOP projects, with a focus on China, India and Indonesia and Brazil; it aims to have 50 million new wearers per year between now and 2020, which according to current projections could reach almost 10% of the group’s

volume in the same year. This specific entity favors breakthrough innovation and protects these projects, which, with lower sales prices require more time to break even. But it retains a close relationship with the other BUs, according to Jayanth Bhuvarghan. The monthly board meetings in the countries concerned, as well as other important meetings at regional level, enable BOP experiences and learning to be shared (in a relatively informal way);

– the “Vision Impact Institute”, created in 2012. This is an association that leads research, especially on the link between vision and development. It analyzes the positive economic and social impacts on a well-treated population and conversely, the negative impacts on the security, education, agility, productivity and well-being of some-one with impaired vision. It shares this information widely within the framework of the Vision 2020 program launched by the World Health Organization and carried out by the Action Plan for the Prevention of Avoidable Blindness and Visual Impairment in which the treatment of “uncorrected refraction problems” has become a priority.

The mission, including the division lead by Jayanth, is rooted in the group’s leadership in particular through the CSR Committee, created by Hubert Sagnières within the Board of Directors. This committee approves the main directions proposed by the Sustainable Development Directorship on the economic, human (social and societal) and environmental aspects, and on good governance, and consequently includes the ambition of the inclusive economy initiatives.

The Eye-Mitra (Eye-Friend) program began within this framework in India and is now in place in China and Brazil as well. It consists of creating a new generation of small, rural entrepreneurs educated in basic optics and providing glasses. Essilor has already educated 400 in India, and aims to educate around 4000 more by 2020. The goal is to provide access to glasses, but also to develop young people’s abilities in order to establish them in their villages and effectively combat the exodus from rural areas. Partnerships will also be set up with local education and development institutions and (Be Able). Banks and international donors are beginning to invest in the Eye Mitra program, to help it to expand in Asia and Africa.

In China, a slightly similar program has been started by a Chinese NGO from Yunnan. It consists of educating “vision ambassadors” capable of carrying out basic eyesight checks in rural areas and selling ready to wear glasses. In Indonesia and in Brazil, experimental programs have also been launched.

Moreover, in India, the vans have continued to develop: there are 13 refraction vans as of 2015. Their cost has been reduced fourfold since their launch, their equipment, such as grinders, becoming simpler and cheaper.

In 2015, Essilor reformed under the name “Vision for Life” its strategy for access to vision combined its philanthropic, economic and inclusive approaches: it continues to work toward the goal of eliminating visual deficiencies for everyone, everywhere. An endowment fund aiming to accelerate the infrastructures for care was launched, invested with 30 million euros.

It has three axes:

- awareness and advocacy to make individuals and relevant parties aware of the importance of vision;
- empowering local actors, who are given responsibility for informing and helping their own communities to treat vision problems;
- access to spectacles for the poorest in these communities in order, finally, to offer all and everyone, without exception, the privilege of “seeing better to live better”.

Around the world, a pair of glasses costs between three and fifteen days’ average daily wage. This indispensable article remains affordable for BOP individuals. Essilor has however reviewed and simplified the approach of the traditional optician’s shop, involving costly investment, and has developed frugal new innovations, such as the “ready to clip” solution, invented in 2013; it consists of symmetrical lenses that can be placed either to the left or right of the frame, using a simple clip into the frame.

Apart from India, China and Brazil, BOP programs have also been set up in Mexico, and will soon be set up in Africa.

Systems and processes

In each “country strategic road map”, the country manager must include one dimension linked to the Essilor mission. It can also be seen that the management of BOP projects carried out by the body “2.5 B / New Vision Generation” is subject to statistical objectives for the number of new wearers the group creates and not an objective for turnover. The group’s managers are not part of this body, having no particular incitement to become involved in BOP.

In terms of involving employees in these steps toward an inclusive economy, Claude Darnault, Director of Sustainable Development has promoted the creation of several multidisciplinary technical assistance teams (technical advice, financiers, logistics, marketing/sales, communication, etc.) to support the development of several vision centers in Africa and Madagascar. Employees can support the new vision centers managed by the Eye Mitra, by adopting them through giving

500 euros. The system is limited to this donation as many Eye Mitra do not speak English and do not have email addresses.

6.3.2. Developing new skills: individual and shared

The skills that have emerged from these first stages seem to be mainly collective competencies, concerning the actors in charge of the BOP projects.

Nevertheless, numerous interactions with the whole group, defining a corporate strategy and implementing significant resources make one think that the transition to organizational competencies has begun.

And it is a reinforced vision of the business and its role (to give everyone access to vision) that is flourishing, as stated by the group's president and all its actors. A degree of pride has emerged in people at Essilor: in contributing to a noble goal and in their obvious social utility.

Among the key competencies that are emerging from these inclusive economy projects, we can again observe:

- the ability to create simpler, more frugal products (such as lenses that can be inserted on either the left or the right side, mentioned above); products better adapted to the restrictions experienced by people in poor and developing countries; all based upon a better understanding of clients: for example in Africa, where the average level of vision is fairly good, the actors in the group have understood how for women, wearing glasses could carry a stigma;

- the ability linked to this more frugal innovation to lead a less intense capital development

- the ability to create new value chains, involving all major stakeholders in these inclusive models, as we have seen with *Optique Solidaire*, where private insurance companies, opticians and ophthalmologists take part in the project, creating a different type of relationship between these different kinds of actors, united around the same social objective. This is also the case in India, where Essilor has learned to work with NGOs, innovative hospitals such as Aravind and small local businesses.

- the ability to work with nation states, to help them improve their public healthcare policies; for example in Malawi, Essilor is helping the government to install 52 vision centers in public hospitals.

- the ability to raise new funds, especially from international sponsors.

6.3.3. Limits and prospects

A number of factors are slowing the advance of these steps toward an inclusive economy:

– the healthcare aspect: “you do not sell glasses the way you sell shoes”, Claude Darnault reminds us, explaining that educating a new generation of ophthalmologists or opticians will inevitably take some time, and should not be done badly, and it is also a question of combatting street vendors, who are not trained in optics, selling unchecked to poorer individuals;

– the group’s consequent wish to ensure control by well-trained eye specialists, by maintaining relationships between Eye Mitras, specialist ophthalmology hospitals and trained opticians so that they can refer the cases that they are not capable of treating with simple products;

– the growth of the urban middle class, which offers a more attractive clientèle than rural populations and which are much more likely to attract eye-sight specialists at any level, thus creating medical “deserts” that are still difficult to serve;

– the lack of infrastructure: the real complexity on the ground, especially in rural areas, for example in India where many villages are in very remote regions, the inhabitants do not speak English and do not have access to the internet, etc. This of course limits scalability of the Eye-Mitra program and the logistics between ophthalmology hospitals or optician’s shops in cities close to the countryside.

Faced with these obstacles, the Internet helps simply and rapidly to equip people who need correction but do not have access to professionals.

6.4. BEL

The BEL group is a family business created in 1865 in the Jura. It all started with the refining (or affinage) and the trade of the “comté”. The founder, Jules BEL, very quickly understood the potential of processed cheese.

In 1921 the Laughing Cow was launched, a very new type of product with its soft consistency and individual packages. The group became international in 1950. The strategy focused on 3 elements: spreads, slices and snacks.

Today, BEL is the third biggest branded cheese firm globally. Operating in 130 countries, it has 11000 employees and 28 factories.

Consumers of BEL products are mainly middle class and relatively well-off, in developed countries, as well as in a large number of developing countries.

6.4.1. 4I processes

6.4.1.1. *Intuitions*

The initial idea comes from the group's president, Antoine Fiévet, a descendant of the founder and family shareholder.

He is aware of the BOP and Social Business models that are starting to emerge and believes that it is in the group's interests to explore these new approaches. The jump and the challenge are without doubt less extreme than for Danone, as the BEL group is already known to the middle classes, with less high-range, as well as non-refrigerated products such as the Laughing Cow; but the challenge for them however is to reach customers at the bottom of the pyramid, to ensure their continued growth in developing countries, by designing offers for BOP consumers, and it was above all a question of innovating and inventing tomorrow's products.

6.4.1.2. *Interpretations*

Antoine Fiévet then spoke about this with his marketing and innovation director, Pedro Fernandez, who became passionate about the step, remembering his own modest origins in Portugal.

Together, they also discussed this with actors at Danone, who strengthened their desire to explore new steps in an experimental approach.

6.4.1.3. *Integration*

The step toward an inclusive economy began with the Jefferson project: the idea was to develop a product and an associated economic model for those who earn around \$2 per day (Jefferson being the individual who features on \$2 notes), a product that can be consumed every day that was nutritionally healthy, based on dairy products and supplied locally.

The invented solution is a sort of pouch that can be squeezed and which also contains local cereals; a nutritionally rich product, reasonably priced, sweetened; and able to keep for 3 months at ambient temperature (37°).

The product was then tested in Vietnam, in 2010 with mothers and children. It is called Goodi.

This product is manufactured in small factories, with 1500 tons annual production capacity (compared 25,000 tons in the group's usual factories). The production principles are the following:

- re-finding small-scale virtues: small is big;

- using the group’s technologies while simplifying them as much as possible;
- aiming for a low Capex and a good return on their capital;
- using local products.

The actors in the Jefferson project tried to create a specific network of saleswomen, the “Bel ladies”, to sell the group’s products, such as the Laughing Cow, or Goodi. The first sales were very difficult to make: low volumes; low profitability. The Jefferson project had difficulty taking off.

6.4.1.4. *Institutionalization*

In 2011, the group made a significant step toward institutionalization.

According to actors from BEL, the Jefferson project had failed partly because it was not managed by a specific body, and the subsidiary did not really adopt the approach. Florian Sauvin, who came from the shareholding family, proposed setting up a dedicated structure to the Executive Committee.

An incubator for internal innovation, BEL Access was then created, directed by Florian Sauvin, to lead other inclusive economic projects, by working on the products and business models. The mission of this incubator was to give communities at the bottom of the economic pyramid access to BEL products, in an double social and economic ambition.

The first project was launched in India: Indy project.

The challenge was considerable. One innovation was the “Kitchen lab”. To design a product adapted to Indian tastes and preferences (for example in terms of sugar and color), a new process of designing and testing products was developed, which is much more local, flexible and frugal. A machine is brought to the testing site, a product without any taste is made, to which spices are gradually added so that different formulae can be tested. This was an interesting innovation in terms of accelerating the design processes for new products.

Florian Sauvin then hired Jean Marc Guesne who had already set up a social business in China, asking him to further develop current experimentations and design new ones.

Jean Marc Guesne then suggested adopting another approach, which was considered foolish by many actors within the group. It consisted of counting on the street sellers: they already know how to sell, they have a clientèle and are organized. These street sellers in Vietnam sell fruits and vegetables.

It was now suggested to them that they could make an additional profit from products such as the Laughing Cow or Goodi.

This is how the Sharing Cities projects began.

To attract sellers, beside the profit margin linked to the sale of the Laughing Cow, they are offered a micro-insurance, due to a system of partners such as Groupama in Vietnam. It is suggested that they open bank accounts, as well as training sessions in a “business school” created for them, linked particularly to the NGO IECD. The idea is to create a platform that offered value to these street sellers, besides the profit margin alone.

Launched in 2013, Sharing Cities is a success: as of 2015 it represented 10% of BEL’s sales in Ho Chi Minh, with 1100 street sellers. At the end of 2013, Caroline Sorlin, the group’s manager for 20 years, took over from Florian Sauvin. She decided to strengthen BEL Access’s strategic position and to focus on Sharing Cities. The decision to abandon the Indian project, doomed to failure according to Caroline, was then taken.

Sharing Cities really appeared to be a group project; a press conference was organized in spring 2015 to publicize the initiative.

Caroline then set about convincing BU’s directors to integrate Sharing Cities in their activities, and in a co-financing approach. A significant step in communication was made internally.

Sharing Cities was thus launched in the Congo, the Ivory Coast, Senegal, etc.

There were projects underway to deploy the approach:

- involving the World Bank;
- developing digital tools to manage and train street sellers;
- developing innovative payment methods of the “pay for me” kind: relatives living in cities paying for their cousins, children, etc. living in the countryside.

In 2015, a pilot scheme was also launched in France, with the micro-finance structure ADIE, to give work to small franchised entrepreneurs, who sell food on bicycles in business districts, including the Laughing Cow.

There was also some reflection on the organization: BEL Access is a relatively autonomous body; but in reality, as much of the cost and revenue is managed by subsidiaries, the body has no view of its global costs and revenues.

6.4.2. Developing new competencies: individual and collective

The competencies developed through these projects are mainly individual and collective; they affect actors in the Bel Access incubator: the ability to imagine breakthrough models, especially at the distribution stage, to work in partnership with new stakeholders, such as insurance societies or NGOs.

More generally, one might think that the BEL Access projects, and the institutionalization of Sharing Cities, have begun to impact all the actors in the group, to consider models as potentially smaller, more local, more flexible, etc.

Finally, the group learned to operate a new strategy for growth: using less capital and being more flexible.

6.4.3. Limits and horizons

The BEL Access incubator is certainly independent. But mobilizing subsidiaries to deploy models that, according to them, risk impacting their profitability, still remains a challenge.

The group's new challenge concerning inclusive economies, beyond Sharing Cities, which is already underway, is to invest in exploring new possibilities and to continue to invent the products and models of tomorrow.

PART 3

Discussion

Our analysis has essentially focused on the example of Danone, but also extended, although in less depth, to cover four other cases (Schneider, Renault, Essilor and Bel); with these case studies we aimed to better understand the process of strategic renewal that has taken place from the springboard of SBOP projects. This analysis was completed using the theoretical framework detailed at the end of the literature review. It only remains to critique its contributions and limits: in order to do this, we will analyze, successively, its theoretical, managerial and humanitarian aspects.

Theoretical Contributions

We believe that the work discussed in this book will facilitate a fertile cross-over between the concepts of strategic renewal and CSR/BOP/social business, enriching the strategic renewal model from Crossan's 4I framework, by adding the societal dimension, which is a real accelerator for strategic renewal; and via the bottom-up approach, which focuses on the competencies acquired on the ground and through contact with impoverished populations, and usefully and necessarily complements the top-down approach of the 4I models.

Finally, it is a question of broadening the concept of "reverse innovation" which here could be called "reverse renewal", i.e. broadening the often debased concept of CSR; which does not provide enough breakthroughs, faced with immense current societal challenges, and the danger these pose to businesses; too often, scholars have asked "why" CSR should occur and have not often enough asked "how".

The SBOP models developed by Danone now open new channels for innovation, on indeed for a reverse transformation, based on a degree of frugality and on a co-creative approach: new channels that are pertinent from both the societal and strategic angles of current change.

7.1. Managerial contributions

7.1.1. Managerial contributions for Danone

We propose to focus on two major strategical challenges for Danone, concerning:

- 1) *The For All* strategy.

2) The strategic renewal of Danone from the perspective of the new vision defined in 2008.

7.1.1.1. *For All strategy*

First of all, let us return to the challenge of this *For All* approach for Danone. As we have already explained, given the relative saturation of markets in developed countries, and the strategic importance of ensuring growth drivers for Danone in developing countries, the challenge is not to focus uniquely or even as a priority on the bottom of the pyramid. Rather, it lies in maintaining an increased presence at different levels by keeping the living, evolving character of the economic pyramid in view: individuals and families move within this economic pyramid, the lower middle classes particularly have the chance to rise socially (the opposite, however, is possible in developed countries, marked by a rise in economic insecurity).

Danone made a legitimate and pertinent bet to ensure that it could be more innovative and more up to date with the needs of these developing countries: to target the classes at the bottom of the social scale in order to then move up the scale. Although it is not perhaps the only possible option, it seems to us to have been a sensible choice. It aims to avoid the adaptation trap mentioned by researchers: tackling major, indeed extreme, constraints favor breakthrough innovations and increases the chances of being able to compete with major players from these countries.

Danone, in a much clearer and more pro-active fashion than many businesses, has put in place a strategy and substantial resources for SBOP projects. Those assigned to the *For All* approach, as part of an institutionalization process, offer some richness: the complementarity of the SB and BOP approaches, and the combination of both in the *For All* axis, in a body directed by a General Manager make up a firm element of this. And as a result of its targeted financing and its openness to civil society, danone. communities represents a rich R&D laboratory, a source of learning for BOP projects; as well as for Ecosystem funds today.

7.1.1.2. *Danone's strategic renewal*

More generally, the challenge for Danone is to reinvent itself, to overcome the new constraints and opportunities that are imposed on the group and which have forced it to redefine its vision in 2008, through the following 4 axes: For All, People, Nature and Health. The societal models for access to goods and services are one of the levers for this reinvention.

Figures 7.1 and 7.2 summarize the process of strategic renewal that took place between 2006 and 2014¹ via the lever of the SBOP projects, which highlight their strengths and limits.

In June 2015, when the text for this book was finalized, Danone was preparing to announce its new strategy, developed since 2014 after the arrival of a new leadership team, then led by Emmanuel Faber.

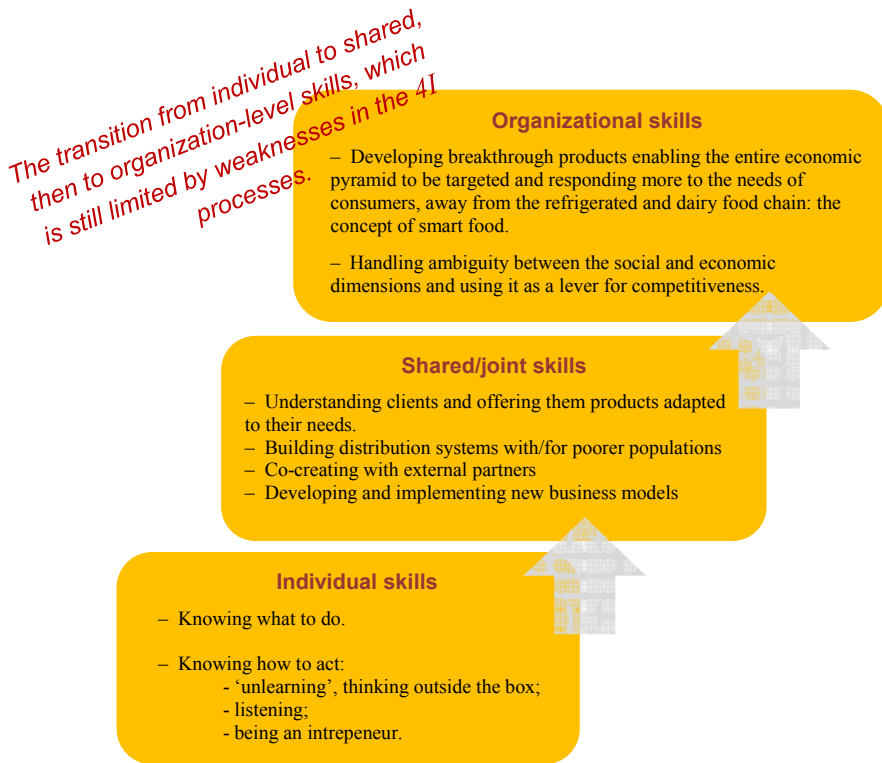


Figure 7.1. *The bottom-up approach for using acquired on the ground in SBOP projects*

7.1.2. Managerial contributions for Schneider, Renault, Essilor and Bel

The study carried out on these four businesses is too brief to claim to make a significant contribution.

¹ Before the appointment of the new executive committee in September 2014.

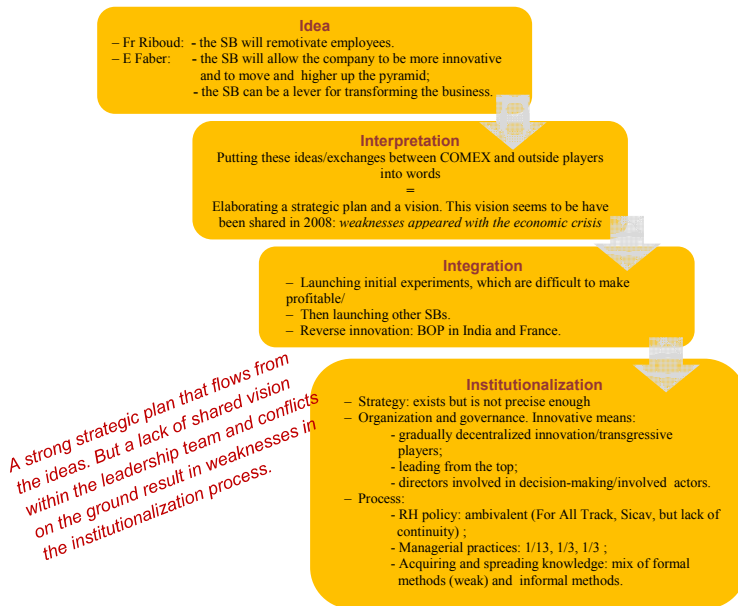


Figure 7.2. *The top-down approach for acting on ideas, inspired by Crossan's 4I*

With a little hindsight, it nevertheless seems possible to put forward the following conclusions: in these 4 cases, we can see a real desire to explore markets at the bottom of the pyramid, through approaches that use different levers. These stretch from philanthropy to BOP approaches, via social business steps. These four businesses have passed the stage of intuitions, interpretations and integration, and real levers for institutionalization have been deployed involving the inclusive dimension in the groups's strategies (0 left behind in social mobility, vision, etc.), a dedicated body, in all 4 cases, the deployment of funds by Schneider and Renault, etc. Moreover, the steps seem to create new individual and collective competencies: an ability to construct low-cost breakthrough solutions, with new stakeholders, by placing populations and their needs and constraints at the center, and not simply using a product-led approach. More fundamentally, a new conception of the business and its role in society is emerging via these projects.

Nevertheless, the transition to organizational competencies seems to be slowed by leadership teams showing a degree of reticence in:

- fixing precise, strategic objectives, subsidiary by subsidiary (or at least, those for which it is relevant), isolating these projects and ensuring that during the

learning stage, they are enabled to have low returns on investment without bringing down other results, except in the case of Essilor, where the BOP approach is managed by a separate body dedicated to P&L. Because of this, employees in the group's subsidiaries are drawn into and impacted by these approaches in terms of learning new skills;

– substantially involving new approaches in incentive systems especially in directors' bonuses, in pro-active human resources policies and in knowledge management.

These businesses have broadened their field of vision, undoubtedly developing a better perception of their societal role, in particular how they can contribute to development. According to executives, these steps enable economic performances to be improved, which clearly remain a main goal.

To take full advantage of these new approaches, to succeed in penetrating these new markets and in helping to transform the business profoundly, improving sustainability and competitiveness, we believe a higher degree of engagement is required, based on greater confidence in the potential economic and societal value of these new models.

7.1.3. Managerial contributions for other businesses

Broadening the contributions of this research to other businesses is immediately impeded by the limited number of cases studied: we are not using a detailed quantitative method with a sample representative of all businesses.

Danone has a very specific identity and culture, as a multinational French business, marked by the double social and economic project. The other four businesses are certainly not known for this double engagement but benefit from reputations as responsible businesses.

The question is therefore the following: what lessons can other businesses take from the more in-depth examples of Danone and the 4 other businesses?

In fact, this book contains a number of lessons potentially useful for leaders – *a priori* more for multinational companies in developed countries – confronted with any one of the following questions:

– in a context that is undergoing change, with increasing constraints (difficult access to resources, threatening competition from developing countries, rise in economic insecurity in developed countries), how can one remain competitive and make necessary changes?

– how can one find new growth drivers when the so-called developed countries are stagnating or in a state of crisis, and the markets are saturated?

– how can one remain/become innovative when the weight of routine and the abundance of resources tend to make us complacent?

– how do we continue to motivate our employees when they show clear signs of disengagement and when maximizing profit for shareholders no longer provides them with the motivation to get out of bed?

– when there is a level of distrust toward businesses, following various scandals and crises, how do we regain public confidence?

– how do we consolidate a focus for a company ever more in tune with society's needs and expectations?

– how, as businesses leaders, do we find a sense of meaning for ourselves?

We can see that these questions are more or less urgent depending on the sector.

Our research addresses these potential questions by reminding leaders of the benefits of the following steps:

– the benefit of prospective analysis, which consists of studying current changes (environmental, demographic, economic or social) and their long-term impact on society and business in-depth;

– the benefit of a multi-directional reflection: on the business's long-term mission and vision; on the potential redefinition of these two central points; on the development of a strategy arising from it. This research highlights the importance of directing everything toward this mission/vision;

– the benefit of potentially using SBOP projects as a lever for strategic renewal. The leader of a multinational French business was speaking quite recently about these approaches as an “existential break” for his group: in fact, he mentioned that his products had become too expensive and inaccessible for a whole segment of the population, and mentioned the lack of motivation and ability to innovate among his employees;

– the benefit of reflecting on the individual contributions leaders can bring to these transformations.

For businesses interested in BOP populations in emerging countries, as well as in concepts of *reverse innovation* and *reverse renewal*, this book provides a number of possible trajectories and axes for attention:

– 1st axis: incubating and investing in the means to make the SBOP projects succeed;

– 2nd axis: using these projects as levers for innovation, for *reverse innovation*, for motivation, indeed for reinventing / transforming the business.

Many potential levers have been highlighted by the case study:

– creating *social business* funds, in order to finance breakthrough model experiments, using a specific, slow, patient capital, and co-creative steps with organizations in civil society, and thereby motivating employees through the employee savings plan;

– creating a BOP body, close to this *social business* body, but attached to the business and financed by it; a body responsible for carrying out BOP experiments (therefore aiming for more profit), and taking advantage of learning from the *social business* structure;

– creating decentralized R&D laboratories, in countries where the BOP poses significant challenges and implementing steps toward immersion and co-construction;

– arranging seminars on strategy to spread good practice and for General Managers of subsidiaries to define their BOP and *For All* strategies;

– revising career management HR practices aiming to highlight the importance of skills developed through SBOP projects.

As for key success factors, we suggest the following main factors:

– identifying and valuing “transgressive” innovators, often on the peripheries of the system;

– choosing actors to lead these specific entities mentioned above, who are invested with a large amount of legitimacy and credibility, recognized for their performances and the quality of their internal networks; and thus able to mobilize many services and involve individuals with diverse skills (for financial and legal services);

– installing governance for SBOP initiatives involving the business’s leaders and individuals outside the business, especially in civil society, encouraging the combination of different points of view.

This book clarifies and explains the challenges of involving the societal dimension in the business’s strategy and processes: the challenges for society in general, and also the challenges for the businesses and its competitiveness.

We demonstrate that CSR, too often perceived as the handling of collateral damage as a kind of “reparation” for the negative effects of the business’s activities, has been superseded. The integration of the environmental and societal dimensions, is shown to be a necessity in firms’ core business models. A slight decrease in

negative effects only reinforces the mechanisms at work: global warming and the breakdown of natural resources.

For leaders who are still understandably skeptical about CSR and assimilating it into a remedy, we can show that the trend for reconciling the economic and the societal, and skilfully handling the ambiguity between these two notions, can be a strategic skill for an organization.

7.1.4. Summary of this research's contributions to management

The different case studies underline the necessity for the directing team to:

- agree on a shared vision for transformations to be implemented;
- create a clear and ambitious BOP strategy from this;
- mobilize more their HR in the transformation process.

As for the other businesses, this book presents a possible step toward strategic renewal, and offers an analysis of operational processes, enabling SBOP experiments to be carried out and to be utilized as levers for innovation and transformation.

7.2. Humanist contributions

Following the theoretical and managerial contributions, it seems appropriate to enquire about the humanist contributions of SBOP projects. This is what we would like to define here.

What do we understand by humanism in everyday language?

There are several possible definitions. We will opt for that given by Larousse:

“A philosophy that places man and human values above any other value.”

What does our research contribute from such a perspective?

We have grouped these humanist contributions under three main themes which we will distinguish in the interests of clarity. One should be careful not to forget that they are intrinsically linked:

- 1) Development of poor countries and the role of multinational businesses.

2) The business's end goal and the reconciliation of its social and economic dimensions.

3) Relationship to reality.

We will often refer to the example of Danone, not to present it as an ideal and perfect model, as it has also shown many limitations in this domain, but to highlight the reflections that arise from the SBOP projects and from the perspectives that the latter reveal.

7.2.1. Development of poor countries and the role of multinational businesses

If the SBOP initiatives give businesses numerous strategic benefits, they can also be carried out with the goal of reducing poverty, i.e. for the benefit of poor populations.

The issue of providing access to a number of products and services that answer to populations' basic needs is a common thread across all these projects.

Of course, we are aware of the tendency of multinational businesses in developed countries to export their western ways of life to populations with very different cultures, creating new (artificial and not basic) needs for these populations.

In particular, the most frequently cited example is that of Unilever's *Lifebuoy*, cream, believed to help India populations to bleach their skin.

The BOP can of course be used in this way and be thus distracted from the real goal.

The case of Danone highlights actors' initial reflex: to sell products to emerging countries that were developed for northern populations (namely yoghurt) without thought for factors relevant to developing populations (such as heat, poverty, etc.).

The move toward better adapted products appears at the second stage: from the approaches of immersion and observation of habits and needs – approaches implemented by actors such as F. Colombar – products combining modernity and tradition have thus emerged. Bel also developed the product *Goodi* as a result of an immersion approach.

As for Schneider Electric, listening to the needs of African populations in particular has led to breakthrough innovations, with B to C products such as the solar lamp. Renault understands that, in India, poor rural populations' need for

mobility will not necessarily be met by large-scale car sales, but by mobility services. Finally, Essilor has provided simpler and clearly cheaper glasses for India.

Moreover, the SBOP approaches studied do not consider poor people as nothing more than consumers.

The end goal also takes account of help in acquiring or developing work, in order to help individuals leave out of poverty and acquire a sense of dignity. This goal can be reached by the following activities:

- upstream (for example, via milk farms);
- production, with partly demechanized factories;
- downstream (for example with the “rickshaw” networks that have become vendors and *ladies*).

When F. Colomban developed his new recipes with Mrs. Dior, local actors in a way became co-creators and players in their own development. Schneider Electric educates young people in electrics, as future entrepreneurs in charge of installing and maintaining electrical materials; Essilor does the same with Eye Mitra. And Bel educates street sellers and helps them to improve their working conditions and revenue.

Another characteristic of the SBOP initiatives emerges from this. The initiatives are able to develop by combining two dimensions favorable to populations’ real and lasting development: carried out for poor populations, they can also develop with them.

One trait particular to SB is worth underlining by returning to an element of the M. Yunus’s definition of SB: it is not a question of developed countries giving money, once, to all poor developing countries or populations. Major international donors have often, rightly, been accused of distributing large sums, without really being able to control how the sums given out are used.

In SB, it is a question, not of giving, but of investing this money in businesses, which in principle are economically stable and independent of subsidies and which themselves therefore generate wealth.

Finally, if these businesses effectively bring with them the *savoir-faire* and significant financial resources of multinational businesses, there is also a reverse learning process: this can be seen when they are confronted with very strong constraints while developing their SBOP projects, and when they work with populations for whom creativity often means survival; the challenge is therefore to

bring this learning back to the business's country of origin and to diffuse them more broadly.

These SBOP approaches can therefore offer an alternative to classic approaches to development, in a way that differs from aid and patronizing neo-colonialism.

They mark a new form in which businesses can contribute to millennial objectives for development, now called sustainable development objectives.

7.2.2. The business's goal and the reconciliation of societal and economic dimensions

If businesses original *raison d'être* was to provide goods and services that respond to population's needs, in recent decades, "limited companies" have emerged, whose aim is to maximize profit for providers.

It is interesting to recall the works of Bakan and Hurstel, which explain this evolution and show its limits. Hurstel therefore suggests France should modify article 1832 of the *Code Civil*, by formulating it as follows:

"A company is made up of two or more people who contract to allocate goods or their work to a shared business with a view to pursuing a business project that respects the general interest, funded by profit";

whereas in the current article, the only goal of business is "to share the profits or to profit from the economy that might result from them".

The SBOP approaches studied thus put forward a choice of final goal:

- either choosing a societal goal: resolving a problematic social issue (in the case of *social business*);
- or the combination of two goals: economic and societal (in the case of BOP where the economic goal however often remains a priority).

From these perspectives, man certainly remains a means. In fact, it would be vain and utopic to ignore the notions of profit and performance of which workers are in fact the lynchpin. But simultaneously, mankind also becomes the business' end goal, which comes to serve human needs.

Economic activity can therefore be a cause of growth for everyone who interacts directly with the business:

– clients: as mentioned in the previous section (at macro level, however), access to essential goods and services improves their well-being *a priori*;

– shareholders: it's worth asking if the 98% vote by Danone's shareholders, for danone. communities and Ecosystem funds, has not changed the meaning of their participation;

– suppliers: they are perceived as partners rather than as mere suppliers;

– employees: they have the chance to make their work an opportunity for personal growth as well as growing the business: the excellence they asked to aspire to increases their business's economic performance, at the same time enabling them to develop their potential as people.

Definitively, the *business case*, studied at organizational level, also seems applicable at individual level. The quotations underline this: through the SBOP experiences, the *danoners* have, under certain conditions, autonomy and adaptability, the chance to grow and develop sometimes unexpected abilities. In some cases, this is a real revelation: we can speak of an extremely shy young engineer's "incredible" growth; motivated by the meaning of their work, stimulated by the many challenges to be met, the actors interviewed state that they have developed an ability to reflect on strategy, a sense of their responsibilities, autonomy, entrepreneurial abilities, creativity, and of listening and engaging in dialogue with diverse stakeholders. Let us take a single quote on this, from I. Sultan:

"Before, we were super doers: we gave you a hand but the higher echelons strangled creativity. I have "unlearned" to depend on experts and to feel much more responsible while accepting less security. I have developed my entrepreneurial capacities, my creativity. We (Danone) need to become a school for entrepreneurs and intrapreneurs."

Where major organizations tend to transform individuals into mere performers, the SBOP projects can be schools for intrapreneurs.

This book shows the importance of the responsibility given to each player in the business.

Do these experiments allow all stakeholders to return to a degree of wisdom, which the productivist system has at times made us forget? From wanting "always more", "always quicker", "always bigger", or "always more concentrated", we return to a degree of patience and moderation (we speak of "slow and patient capital", relative frugality, a return to smaller and more local units, to human sizes, etc.)

Don't these approaches also tend to reconcile, in part, the concepts of economy and generosity, which are so often opposed? As M. Yunus emphasizes, capitalism was in part misguided, tending to assume, in line with its neo-liberal ideology, that "homo-economicus" is exclusively motivated by the rational seeking of profit. M. Yunus speaks of "money-making robots". However, he mentions its other dimensions: emotional, relational, intellectual and spiritual.

As we have underlined, we, as economic actors, are certainly egotistical and possibly greedy; but we are also capable of generosity, even within economic activities. The many quotes from actors in the inner circles of multinational organizations confirm this.

The astonishment of a team of finance professors from one of the best European business schools on learning that shareholders at Danone had voted by a 98% majority for the danone.communities and then Ecosystem funds, was very significant: from a theoretical standpoint they just could not admit that the shareholders could take such an irrational and apparently partly altruistic decision.

We will return here to the questioning of dominant paradigms cited by O. Kayser, above, which enables this *social business* paradox to arise: how can we explain multinational businesses launching initiatives whose main goal is not profit?

All this leads us to ask the following question: isn't this *social business* concept a breach in the wall – the wall that has shaped our minds, and which makes the economics and the common good, business and generosity separate and opposed?

Finally, we think that these approaches create a different type of relationship to the usual balance of power that creates mistrust. They introduce notions of cooperation and confidence that are no longer just optional:

- between individuals;
- between north and south;
- between rich and poor;

– between businesses and civil society. Until now, the worlds of business and civil society have tended to have a distant and mistrustful relationship, businesses perceiving NGOs and associations as structures lacking in professionalism, peopled by inefficient idealists; NGOs, for their part, consider business as the lawless henchman of blind capitalism. There, too, the barriers of mistrust are crumbling at least in some cases: actors in civil society are showing themselves to be more professional than expected, and those in business can sometimes surprise by the authenticity of their societal approach.

7.2.3. Relationship to reality

With the modernization of technology and the sophistication of models, the people that make up the business and its ecosystem have very often lost touch with a number of essential realities: when they invest, shareholders no longer really know what concrete economic activity they are contributing to; employees tend to no longer have any contact with clients, workers and engineers with subject materials and leaders with their employees.

Let us cite some examples from interviews carried out at Danone, about classic business:

- researchers/developers design products in large R&D laboratories, detached from the final users, in an approach to technological innovation often disconnected from actual needs;

- marketers are no more directly connected with their clients; they go through research department that gather a few clients in a room to test the products, in a way that is moreover disconnected from the real conditions in which products are consumed;

- food engineers, according to some, no longer know how to make, for example, a yoghurt: the process is so automated that they only need to know how to press buttons;

- actors in the business have forgotten that a yoghurt is made with milk, not necessarily synthetic or powdered milk, but milk from cows, handled by farmers; the communication campaign “milk from our farmers” is intended as a reminder.

As A. Grandjean and J.-M. Jancovici say, we live in a virtual world, in *Second Life*².

What can we say about the example of the SBOP projects detailed in this book?

- investors in different funds (danone.communities, Renault, Schneider) visualize the projects that they finance and find meaning in them;

- marketers return to the street, to schools, to meet consumers, and test products in real life conditions;

- researchers/developers invent simpler, more cost-effective products, answering real needs;

- buyers return to a relationship with local suppliers.

2 An internet site enabling users to recreate themselves in a virtual world.

The study of individual skills has brought out a connection to real life actors as well as the individual transformation that results from it: from system implementers, we see these actors become, through the SBOP projects, real intrapreneurs, engaged, creative, close to consumers and local populations, brimming with energy.

They have thus been given the chance to reconnect:

- with the concrete reality in which most people in the world live;
- with “the other”: those who work and live very close together (who social networks can connect, such as danone.communities), just as much as those who live on the other side of the world;
- with themselves: with their creative abilities and their energy;
- with time: faced with a pace that never stops getting quicker (taking more than a day to reply to an email is sometimes viewed as unacceptable), actors rediscover the notion of time as lengthy and consequently, they rediscover the notion of allowing projects to mature;
- with nature and with local communities, their richness and limits: importing powdered milk by plane to supply the factory is no longer a necessity, instead returning to more local realities by re-evaluating a place’s resources is again possible and even desirable.

Through reconnecting in this way, aren’t actors themselves reconnected with life and, through them, their organization, ultimately contributing its regeneration?

But, more fundamentally, what is the reason for this “regeneration”? We think it can be seen in quote from J. Fox at Danone:

“For me, work is not just making a living and enjoying yourself doing it; for me, work needs to have meaning and so I have no problem working 14 hours a day.... Either I am useful and in line with my values, or I feel I’m not and that day, I’ll leave and do something else.”

Isn’t this more than anything a return to a sense of actions having meanings?

7.2.4. Summary of humanist contributions

Logically, we can state that the humanist contributions described above link the points already studied in the theoretical and managerial contributions. But we return to them here through another angle. Like a prism with many sides, the reality of the SBOP cannot be perceived in a single way.

The analysis above leads naturally on to the following conclusion: societal projects for access to goods and services can be levers for humanizing a business and this, in particular is true of multinational businesses in developed countries. They are potential schools for awakening consciences and for intrapreneurship, enabling individuals to reconnect with reality and with the meaning of their actions, thus contributing to the organization's regeneration.

7.3. Limitations

Our work has many limitations. These are perceptible in many points, of which we are aware and which we should explain clearly here.

7.3.1. *The decision to focus on an SBOP body*

Many other societal projects have been carried out by the businesses studied, which it would also have been interesting to analyze, such as the projects carried out by Danone's Ecosystem fund. The reasons for our decision were explained in the methodological section.

7.3.2. *The timespan of the analysis*

We often felt we were "halfway through": the projects have not yet fully shown their results and in only a short time, some will.

We recognize that, in their current state of development, it is not possible to provide proof that these approaches work.

7.3.3. *The author's involvement in SBOP approaches*

Our research is based on an assumption that is debatable by its very nature and which very obviously has limits (which we assume).

It is a question of asserting a necessary transformation in methods of production and consumption, faced with current societal changes and challenges, which the author considers to be major; in our opinion, businesses have an essential role to play in this, side by side with public authorities and civil society.

This assumption has resulted in engagement with the HEC Social Business Chair (financed by Danone, Schneider Electric and Renault). This engagement has

of course introduced bias into this research. We have tried to reduce it as much as possible:

- by sticking to the principles on this point explained in the methodological section;

- by building an analytical framework that is as rigorous as possible, enabling the processes of strategic renewal carried out as a result of the SBOP projects to be analyzed, without glossing over – quite to the contrary – the many obstacles to this renewal.

7.3.4. Research perspectives

Among the axes for future research to which this book leads, we can note the following:

- comparing SBOP approaches and low cost type approaches;

- intra-sector comparisons, such as those that Arjaliès *et al.* advocate [ARJ 11], as constraints specific to each sector influences how much room these businesses have to manoeuvre. It would therefore be interesting, for example to carry out similar studies in sectors where the threat of emerging giants is considerable. Reverse innovation would then be a priori even more strategic.

- a statistical study of the impact of SBOP projects on these projects' intangible capital.

Conclusion

This book is based on the following assumptions:

- our world is currently undergoing major changes, with multiple dimensions;
 - environmental, demographic, economic, social, cultural and political.

The transition to a new era has begun; this era is characterized in particular by climate change, increasingly tenuous and costly access to natural resources, a growing population, by a new distribution of economically active classes throughout the world, by economic convergence as well as by global fragmentation;

- human freedom and creativity are capable of working on this new stage to avoid exacerbating tensions, and to make it as harmonious as possible;

- it is imperative, in particular, to invent new methods of production and consumption, which place radically less pressure on resources, and reduce social discrepancies. Breakthroughs are required to achieve this.

Our own experience and the themes emerging from reverse innovation make us think that the solutions are to be sought in countries and populations that are already confronted with an increasing scarcity of resources, where creativity is necessary for survival.

Some businesses have already had this idea, and have already begun to create societal models for access to goods and services for and with poorer people, with the strategic intention to make these levers for reverse innovation, indeed for transformation or strategic renewal.

Our analysis of the example of Danone, and the other businesses studied more briefly in the latter part of the work, shows that the SBOP projects can be levers for reverse innovation, indeed for reverse renewal from a double perspective:

- societal, enabling the business to contribute to building a more sustainable economy;
- strategic, making the business more competitive in new, emerging contexts.

In fact, through some projects – via some processes and under certain conditions – the business learns to make breakthroughs, to reinvent itself by operating in a more innovative and entrepreneurial way, with fewer means, more simply and at lower cost, taking consumer needs rather than products as a starting point, in a co-creative approach.

These projects, although sometimes very small, are thus potentially powerful levers for reverse innovation, indeed, even for reverse renewal.

The process of strategic renewal that we have analyzed in this book has two main dynamics:

- a top-down approach: this starts with leaders' and champions' intuitions, and analyzes the way in which these ideas are interpreted, integrated and then institutionalized, according to Crossan and Bedrow's 4I processes. It also demonstrates the complementarity between individuals who are capable of transgressing norms – sometimes at the margins of the system – and those who are involved in the system, using good internal and external networks and contributing to institutionalizing these innovations;

- a bottom-up approach, starting from the ground in an experimental approach enabling individual, then collective and organizational skills to develop. The role of sometimes relatively transgressive actors on the ground in strategic renewal can clearly be seen.

Our research defines the conditions necessary to this renewal. Its implementation requires, in particular:

- the leaders to be united around a shared vision for strategic renewal and the efficiency of SBOP projects as levers for this renewal;

- setting up rapid experiments in order to consolidate initial intuitions;

- implementing levers for institutionalization, among them:

- a (relatively decentralized) organization for promoting innovations on the ground, and for diffusing them across the whole organization,

- a human resources policy that actively contributes to strategic renewal using all the means at its disposal: recruitment, career management, bonuses and training; this policy should also understand how to value skills acquired through the SBOP projects,

- education processes and processes for sharing lessons,

- accepting long learning times, longer than those usual at the company, but all the more necessary because the SBOP approaches create real paradigm shifts and breakthroughs.

If they comply with these conditions, the societal projects for access to goods and services appear to be potential levers for humanizing multinational businesses in developed countries:

- an awareness that they have a role to play in the development of poorer countries; not alone, but with public actors and civil society;

- actors' awareness, – particularly shareholders and leaders – of the business's end goal; from the goal of maximizing profit, we are tending to move toward the goal of maximizing value creation for stakeholders in the business, who of course include shareholders, as well as clients, employees, communities etc.; in a collective creation approach;

- finally, a reconnection to reality, to meaning, to life, contributing to the organization's regeneration.

It is as if a wall was starting to crumble again, or indeed showing signs of collapse. What some have audaciously called the “the Chicago Wall”, a wall created artificially in the minds of a large number of people (actors in the economic world, in civil society and in the political world), a wall that tends to make economic activity and the struggle for the common good separate and indeed opposed, and which has led us to current economic, environmental and social impasses; a sort of perversion of capitalism.

In reality, a new paradigm is emerging, a new representation of business, cited by Emmanuel Faber in the preface of this book and suggested by Segrestin and Hachuel in their book “Rebuilding the business” and Rodolphe Durand in “Disrupting the World”: business conceived as a joint, creative project. I would add: a human adventure for and by mankind, in the service of life. In reality, it is about a return to sources and basics; a return to Earth.

Appendix

Societal Projects for Access to Goods and Services, by Danone, Examined in the Book

Grameen Danone Food Limited Project – Bangladesh – social business

Context

This initiative arose from the meeting between Professor Yunus and Franck Riboud at a lunch in Paris in 2005. It came in the wake of Yunus' development of the concept of social business. It was the first project financed by danone.communities.

Objective of the project

Danone made a commitment to Professor Yunus to help combat malnutrition in Bangladeshi children. Danone decided to begin by focusing on young children (3–7 years old), and then to focus on babies later on.

Presentation of the project

Grameen Danone Food Limited (GDFL) is a joint venture between Danone and Grameen Group, and is based on the social business model. According to Yunus, it was the first social business to have a huge multinational like Danone as a stakeholder. The project was launched to serve as an example and prove the viability of the social business model.

GDFL's mission is divided into four parts:

- to offer a high-nutritional-value product to impoverished populations;

- to create jobs locally;
- to protect the environment;
- to be financially viable.

The project came together very quickly, with a high level of involvement from both parties. The factory was built a year after the project's launch, in the region of Bogra, following a very different model to that usually employed by Danone. Simpler and smaller than a typical Danone plant, the factory makes much greater use of human labor. As far as possible, the ingredients used are locally produced, with a view to stimulating the local economy, helping to make the activity perennial and limiting transport costs.

The project involves circular-economy initiatives, such as recovery of agricultural waste linked to dairy farming (which can then be used to power the factories' lighting systems).

GDFL's first product was *shokti doi* – a recipe developed to satisfy children's tastes and their nutritional needs (a yogurt provides 30% of their daily requirements of vitamin A, iron, zinc and iodine).

To begin with, the product is distributed in the rural area by *shokti ladies*: saleswomen on foot who are paid a basic fixed rate, plus a commission on each sale. This reflects GDFL's aim of encouraging local entrepreneurship, and of having access to rural areas where there is no established distribution network. A more typical distribution system for urban areas was put in place in 2009.

Resources made available by Danone

Danone.communities is a minority investor in the project. Danone's research and development (R&D) division has been highly involved since the beginning (for development of new products and new packaging). Numerous Danone executives have been involved, in terms of marketing, strategy and even finance, on site or remotely.

Impact of the project

Global Alliance for Improved Nutrition (GAIN), a Swiss NGO, is charged with measuring *Shokti Doi*'s effect on children's health. A study is under way, run in collaboration with Johns Hopkins University; the initial results show an improvement in the physical and cognitive abilities of children eating one cup yogurt per day.

Recent evolutions

Grameen-Danone today impacts 300,000 children, and is the largest business in the world impacting nutrition of kids in a BtoC approach. GDFL is expecting to break-even in 2017.

Lemateki Project – Senegal – social business

Context

Lemateki is a social business which aims to improve Senegalese schoolchildren's nutrition. The first step is to improve their health and education, and hence equality of opportunity for children living on the outskirts of an urban area. The aim is also to encourage nutritional – and hygiene education at school, in partnership with the Ministry of Education.

Objectives of the project

To alleviate malnutrition affecting schooling for Senegalese children. There are few school canteens in peri-urban public schools, and the existing nutrition programs do not cater for children attending school. The children buy their meals on the street, with a tiny and inconstant budget. They have access to products which they like, but which are insufficient from a nutritional point of view. Lemateki aims to offer a product which suits their taste, and which also serves their nutritional needs.

To support women's entrepreneurship. The distribution of the products will involve the dinner ladies already present in school. In time, a portion of the profits seen by these microentrepreneurs will be channeled into concrete social benefits (access to health insurance, training, etc.).

To produce, transform and consume locally. By using a high proportion of local ingredients, the project lends value to Senegal's agricultural production.

Presentation of the project

What Lemateki offers is Moss Tekki: a product adapted to the nutritional needs and eating habits of Senegalese children. It is made using cereals and milk, to a recipe co-prepared by François Colomban from Danone R&D and a Senegalese chef passionate about child nutrition. It serves 30% of a child's nutritional needs, and can keep at 30° for 3 months. It is sold for 50 XOF.

A pilot phase took place between March and June 2011. It was launched in 17 schools in the Dakar suburbs in order to:

- validate the acceptability of the product to the children;
- validate the industrial process of manufacture of the product;
- validate the modes of distribution and social marketing.

A social enterprise was launched in Senegal (late 2011–2012), involving:

- bringing together investing partners;
- setting up a production factory in Senegal;
- launching Moss Tekki in urban schools in Dakar and Senegal.

Resources made available by Danone

Danone.communities is one of the three main partners in the project, and is a minority investor. It is also providing human resources: a project manager, as well as staff, R&D personnel and volunteers from Danone.

Recent evolutions

The project has explored different business models, which have not reached the break-even. It was interrupted in June 2015, but brought many learnings to the Group.

Nutrimad Project – Madagascar – social business

Context

GRET is an NGO active in Madagascar, particularly in the struggle against malnutrition. GRET has previously launched initiatives in this domain, but has come to the realization that it lacks the marketing skills to reach a larger number of families. It also wishes to alter its financial models in favor of social-business-oriented ones, which would allow it to become less dependent on grants and subsidies. This objective ties in with Danone's own, which is to develop other social businesses within the danone.communities framework.

Objectives of the project

Danone and GRET have come together to help reduce child malnutrition, as well as to create jobs for underprivileged populations and develop local agroalimentary transformation. The model needs to be able to be followed on a large scale within

the planned timescale, in order to maximize its social impact. Hence, the economic objective is to reach the level of financial viability where the project can provide for all its own expenses (production, distribution, marketing, structures, etc.) and thus self-perpetuate.

Presentation of the project

The experiment was conducted with the product *Koba Aina* – a flour product designed for children between 6 and 24 months of age, marketed as part of the Nutrimad program since 2000, in the “*Hotelin-jazakely*” (restaurants for babies) set up in poor quarters in the largest towns in Madagascar, including Tananarive, the capital. These “baby restaurants” have the twofold mission of offering vulnerable urban families ready-made baby gruel, prepared with *Koba Aina* powder designed by Nutrimad, while distributing awareness-raising messages about child nutrition. In addition to the restaurants, the project involves a team of women in charge of home-selling the formula in sachets, or preprepared in the form of gruel sold by the ladleful.

Resources made available by Danone

Industrial expertise on large-scale production and research on improving productivity. Experiments under way in developing economic models for low-income populations (projects in Indonesia, Bangladesh and South Africa). Danone is also covering exceptional costs (for studies and tests).

Impact of the project

The partnership’s aim was to draw conclusions about the feasibility and economic viability conditions for a model of the production and commercialization of a foodstuff for children, aimed at underprivileged families. With this in mind, a detailed analysis of the initial model was carried out jointly, followed by proposals on how it might be improved. The study demonstrated that the model’s strengths lay in its perfect adaptation of the features of Nutrimad’s product to the local context, and the high level of support for the idea of “*Hotelin-jazakely*” on the part of local and national institutions. However, the weaknesses pointed out by the study pertain essentially to commercial aspects such as the packaging of the product, its labeling and distribution and the sales pitches employed by the sales team.

Recent evolutions

Danone decided to withdraw, as some investors were threatening to cut their subsidies to the GRET, if the NGO kept on collaborating with businesses involved in first age milks.

Malin Project – Blédina-Croix Rouge – France – social business

Context

In light of the project in Bangladesh and the media coverage it attracted, Danone's leaders were criticized by public authorities and civilian actors in relation to their lack of action on malnutrition in France itself. Their response was to set up the project "*Malin pour bien grandir*" (Clever[ness] to grow up well), aimed at child nutrition.

Objectives of the project

This project fits in with the approaches to health promotion described and validated by the WHO, in the context of public health policies regarding nutrition, taking up the recommendations put forward by the *Programme National Nutrition Santé* (National Health Nutrition Program) as to the struggle against unequal health between different social groups. Its aim is to improve child nutrition in families living below the poverty line.

Presentation of the project

This is a multi-actor partnership between Blédina, the Red Cross in France and the public authorities; it is aimed at the 100,000 children born each year into a family with less than a €1600 month income. The method is to assist the families identified in two different ways: first, by giving them a voucher entitling them to 30% off child food products, in the conventional distribution circuits; and second by offering them an educational program and personalized support in regard to their children's nutrition.

The Malin program is targeted at young children (4 months to 3 years of age), born into families in a precarious situation. The families involved in the program, every 3 months between the child's 5th and 21st month of life (i.e. five times), receive nominative money-off vouchers with a total value of €315. These vouchers are valid for 3 months, in all the listed supermarkets, and apply to child nutrition products suitable for the child's particular age and needs. The families may also receive baskets of fresh produce, with the aim of encouraging home cooking.

A pilot phase was run in November 2010 in three test cities: Grenoble, Nancy and Nantes.

Impact of the project

As the project is still in the pilot phase, it is difficult to measure the impact it may have in the future.

The intention is also to evaluate the program's impact on the populations involved, in terms of nutrition, access to products and consumer habits developed. There is also a focus on the financial impact of the money-off coupons.

A further evaluation will be carried out on the device itself, with a view to identifying the relevant conditions for general expansion of the project on a national scale.

Recent evolutions

The project keeps on developing, with a recent focus on offering new services that will help the project become financially viable.

Milk Start Project – Poland – social business

Context

Following his visit to Bangladesh, the DG of Danone Poland decided, in 2008, to recruit Sylvain Romieu – who, at the time, was involved in Grameen Danone – to work on the 2009 launch of the Milk Start project, aimed at bottom-of-pyramid populations, with the goal of combatting malnutrition. The product is a sort of soup, made from milk and cereals (popular in Poland, eaten for breakfast or dinner). The project was based on a partnership between four actors: Danone, who designed the product; a production company, specializing in the manufacture of milk-based soup; a distributor, who is the largest discounter in Poland; and a mother-and-child health institute.

Objectives of the project

In the future, Danone Poland wants to extent its BOP products to adults and obtains a similar profit margin to that of its usual activities. Such was the requirement put forward by Danone in the context of the *Dream project*. The initial BOP initiative was not subject to this rule.

Presentation of the project

The product is made by Maspex. Then, it is sold in the 800 stores of the largest discount chain in Poland: Biedronka. The *Mother and Child Institute* – a major medical authority and center of expertise in child health – drew up the nutritional profile for children between 6 and 11 years of age and selected the essential nutrients that the product needed to include.

The partners made the commitment to raise social awareness of the problems of malnutrition in Poland, by carrying out shared actions.

The new product, called *Milk Start*, is available in two flavors: raspberry and banana, and it sells for around €0.14.

Resources made available by Danone

With the transformation of the BOP project into the *Dream project*, a cross-cutting team, made up of one person from the various departments, meets regularly each week to monitor the progress of the projects. Three members of Danone Poland's board of directors are present at these weekly meetings: the External Relations Director, the Purchasing Director and the Director General.

Recent evolutions

The project has been interrupted, following the departure of the General Manager.

Sphynx Project – France – BOP

Context

This project corresponds to a strategic aim of the directors of Danone Produits Laitiers Frais France, to bring the brand closer to the consumers – notably by taking account of the socioeconomic context in France (with increasing numbers of the population falling into poverty). There is an imbalance in the distribution of volumes of product in relation to the volumes of the population of France. Hence, the objective is to extend the range of fresh products and offer a new product which is accessible to all. This project also ties in with a high expectation in France, in view of the different projects of danone.communities having attracted media attention (Grameen Danone, Lematéki, etc.). It takes place with a view to reverse innovation, and draws a great deal of its inspiration from the Lemateki project in Senegal (with a cereal-based product which does not need to be refrigerated).

Objectives of the project

1) An affordable price, because the project is aimed at populations below the poverty line. The long-term objective is to reach better-off populations which are less easy to target directly. The idea is also to break with the classic model of “premium” Danone yogurts, and thereby avoid any negative fallout.

2) A nice-tasting product.

3) Perceived quality of the product, judged in relation to standards and market references. French households have a tendency to buy brands – particularly when it comes to products consumed by children.

4) Non-stigmatization of the target population, while working to change the consumption habits of very poor people, who are often immigrants, in practice.

Presentation of the project

The product launch was planned for late 2012/early 2013. In order to properly understand the profile of the poor consumer, the first step was to *collect a certain amount of information* (through interviews, INSEE studies, etc.). Then, Danone agreed on *partnerships* with various actors: ATD Quart-Monde, the food bank network, IMS – *Entreprendre pour la Cité* (Enterprise for the City). These agreements helped Danone gain more concrete knowledge about poverty. In exchange, Danone committed to developing collaborations between the dairy industry and the food banks.

Impact of the project

This project is rich in terms of *lessons learnt*.

On BOP projects in developing countries, the added value of Danone products is the *nutritional quality* they represent: they serve to overcome nutritional deficiencies. In France, on the other hand, the main purchasing criteria would be the *price* and *taste* of the product.

Selling a product cheaply in France is a risky venture for Danone, which has the *image* of a premium brand; a genuine referential standard in the yogurt market. The danger is that this image may be weakened, and Danone could see competition from distributors' own brands which are cheaper. The solution under study is to distinguish themselves by offering alternative forms of product to the existing ones (semolina milk, pouches with milk mixed with cereal, etc.).

Recent evolutions

The project has been put on “stand by”, as some other issues have been then prioritized. But, the development of new products has been reused for other platforms and will be part of new strategic initiatives to be launched in the next months.

Gizikita Project – Indonesia – BOP

Context

Insufficient food remains a major issue in Indonesia. According to *The World Food Program: A Food Security and Vulnerability Atlas of Indonesia*, 37% of children under 5 are malnourished. There are two main factors that account from this situation: first, a lack of micronutrients (vitamins and antioxidants) and second insufficient macronutrients as well (lipids, carbohydrates and proteins). Thus, in line with its motto: “*Apporter la santé par l'alimentation au plus grand nombre*” (Bringing good health to the world through good nutrition), Danone established a brand called Sari Husada in late 2009, whose mission (with its product, Gizi Kita) is to combat malnutrition.

Objectives of the project

Gizikita is aimed at medium and lower class consumers. The project’s goal is to prevent the alimentary shortfalls by distributing micronutrients (through food supplements) at an affordable price (€0.04), and to teach mothers how to ensure their children’s diet is well balanced in terms of macronutrients), through an education program: *Ayo Melek Gizi*, run in the city of Posyandus.

Presentation of the project

Gizikita offers micronutrients for sale in sachets (5 g sold for 500IDR). These sachets contain a powder to be mixed in with children’s food and drinks. It has no taste, and contains 50% of the RDA of the most important micronutrients (iron, zinc, iodine, calcium and vitamins A, B, C, D, etc.). By giving their children a dose of this powder twice a day, parents significantly reduce the risks of anemia, goitre, cretinism, night blindness, retarded growth, etc., for their children.

Gizikita’s food supplements are now available in 25,000 typical local shops, as well as in distribution chains such as AlfaMart. Communication is via TV, with advertisements lasting 15 min.

Education for balanced eating takes place through the program “*Ayo Melek Gizi, Macro-nutrient Balance*”. This program was developed by Sari Husada, in partnership with KOLs and NGOs and the Ministry of Health. 100,000 mothers had been trained by this program in Posyandus in total. This figure should have doubled by 2012.

With a view to increasing the number of mothers reached by this program, another project was set up in parallel: *Warung Anak Sehat*. This project involves

walking (and sometime wheeled) stalls, run by enterprising women who enjoy microcredit, where mothers can approach to receive free training about nutrition and buy healthy products for their children.

Resources made available by Danone

For this product, the research is carried out locally (particularly with local universities); and the materials are also locally sourced. The project benefits from numerous exchanges with Danone Ecosystèmes.

Recent evolutions

The project has been interrupted; but programs of nutritional education have been deployed by the subsidiary. Some actors think about relaunching the project.

BOP Project – India – BOP

Context

The project comes in the wake of the initiative in Bangladesh. While it is not directly inspired by that earlier program, Danone’s objective remains the same: to provide fresh products to as many people as possible, adapting the marketing strategy to the local context. The situation in India is a complex one, because of the frequent power outages, the scant means of preservation, the different buying habits (local shops, and sometimes street stalls), different tastes, different packaging and so on.

Objectives of the project

The project focuses on medium-to-lower classes, living in urban areas, for reasons of ease (it is less easy to gain access to customers in the countryside). The aim is to encourage the consumption of dairy products which, at present, is a very underdeveloped market. With this goal in mind, it is important to paint the product as being of good quality, because the people likely to consume fresh products do not want to be perceived as “poor”. Work also needed to be done on the consumers’ tastes, because milk is not an attractive food product for Indian children.

Pouches similar to those in Senegal have also been developed: they include cereal products, and are not refrigerated.

The longer term objective is to construct a network of reliable and effective partners (NGOs, dairy-producing cooperatives, street vendors, etc.).

Presentation of the project

Capital intensity is lower than in Bangladesh, and the volumes are greater. The plant uses a UHT sterilizer, which makes preservation easier. However, production is not yet automated, in order to encourage the use of local workforce.

The product is distributed by rickshaw, which allows for customer feedback as well as cold-chain management. Danone recruits local autoentrepreneurs, and women who are trained in sales. Sessions have also been set up in local schools.

In terms of publicity, buying fridge space in local stores increases the brand's visibility. The packaging bears very bright colors so as to be clearly visible in the shop.

In comparison to normal marketing, there is a great deal of more simplicity and little sophistication in communication with the consumer.

Resources made available by Danone

The marketing-mix has been completely overhauled; a new sales model has been devised.

The R&D Department has invested a great deal of work in the invention of a new recipe to lend attractiveness to a product which was not yet attractive in India.

Recent evolutions

The BOP project has been temporarily stopped, as the profitability was not coming fast enough. Mainstream business is going ahead.

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