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² For the "Business life" seminar

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DANONE ECOSYSTEM

by

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Overview

What is the link between rag-and-bone men in Jakarta, milk manufacturers in Normandy and southwestern France, roadside fresh food hawkers in traffic jams in Mexico City, and Ukrainian and Egyptian farmers ? The answer is Danone of course ! This small food industry company which became known in the 1960s has come a long way and has been transformed into a global enterprise. Initiated by Antoine Riboud, economic and social commitment has always remained a priority. Currently, Danone's managers are focused on their partnerships. In these times of crisis, and faced with increased environmental requirements, how should the company reconcile economic efficiency with social performance and still manage to remain a leader in the food health sector ? In the light of this challenge involving social economy, and in partnership with NGOs, Danone has resolutely chosen to follow the path of social responsibility demonstrated by its use of radical innovations in the company's relationship with its ecosystem.

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TALK : Muriel Pénicaud

In 1976 I started my career as a territorial administrator having occupied an important position in the associative sector. In 1985, I worked for the Ministry of Labour, Employment and Professional Training as a ministerial advisor. After that, I became director of training at Danone. I held this position for nine years, before accepting the job of director of human resources and manager of sustainable development at Dassault Systèmes. I returned to Danone in 2008 and was appointed vice president of human resources and managing director of social innovation.

Danone and its dual commitment

First, I would like to put the dual project in the context of Danone's history. Like any innovation, what we refer to as our ecosystem can only exist if it has a solid foundation. In 1972, at the French Employer's Conference (*Assises du patronat*), Antoine Riboud explained the basis for the dual economic and social commitment which the company was implementing. Forty years later, our principles are still as simple as they were, despite the fact that their implementation has become much more elaborate. The French company which started out as a glassmaker has now become the world leader in manufacturing healthy foodstuffs, but our fundamental concepts remain dominant, and are the backbone of the group which Franck Riboud developed worldwide.

Initially the fundamental concept which surprised many people was that there could not be economic progress without human progress, and that investment in development and team motivation could provide the stimulus for sustainable economic progress. For some people, this is simply common sense, but for others, this is naïve. However, when given serious consideration, this idea has brought us success by enabling us to create some methods of improving the way in which our company functions today.

Danone's latest turnover was twenty billion Euros. Danone exists in ninety countries and employs 100,000 people including 8,800 in France. From being a glassmaker, Danone became a European food manufacturing group and then a world food group, and, over the last ten years, has focused all of its attention on healthy foodstuffs. These transformations have been accompanied by changes in staff and the range of activities, but despite this, the cultural fundamentals have remained the same. They are in our policy of safety standards in the workplace which now includes those of our sub-contractors on site, also in developing countries. This implies a sizeable commitment from management, and has produced surprising results which, against all expectations, are sometimes better in these countries than in developed countries where these factors can be taken for granted. When conditions for social improvement and economic opportunities occur simultaneously, there is always a correlation between indicators concerning efficiency, quality and security.

We have always invested a lot in communication. This is easy when everything is going well, but between 2008 and 2009, when we were affected by the global economic crisis, our priority was not to reduce any of our training budgets anywhere in the world. I only had to intervene personally in two countries to enforce this ; all the other countries adhered to the guidelines without any problem. In the end, they have all understood that when times are hard, it is the investment made in employees which will enhance the company's performance.

We went even further by launching an initiative called the 'Danone Leadership College', an in-house management school which is open to all of our managers, including line supervisors, and provides the same programme for everyone. It is a large-scale project which took off in 2009 in spite of the crisis. It involves 15,000 people and is focused on team leadership and staff training. In the short term, this may be judged to be unproductive, but this programme is hugely successful because it encourages human mobility in order to transform local product units, because of the development of leadership.

The relevance of the dual project is very evident at Danone. It is something which is constantly being raised and is present in every action but, with hindsight, was and still is a strong motivation for our teams. Like a large number of companies, we regularly carry out surveys to assess our staff's level of commitment. For the past three years, we have extended these surveys to include our entire workforce, not just management. They are written in 37 languages, and in Indonesia, people are even employed to help illiterate staff to complete the survey. The results show that our staff have a very high level of commitment and this grows year on year for 87 % of our staff. These figures place us among the best global companies for commitment levels. The correlation between commitment of employees and staff performance is very strong.

Finding a sustainable balance

As far as our relationship with trade unions is concerned, we have also progressed from a European level to a global level. Yesterday, for example, I met with the General Secretary of the International Union of Food workers (IUF). Since 1988, we have signed nine global agreements which are the bases for further action in certain countries. In addition, every year Franck Riboud presides over a three-day seminar during which we meet with the union representatives of the employees in all the countries where we have sites, and sometimes our discussions with the IUF are heated. These meetings and exchanges serve to demonstrate our corporate cohesion.

We sincerely believe in management which can be delegated to local teams. These teams are very decentralised in their initiatives and responsibilities, but still rely on a very strong corporate culture which promotes a number of interactions. This proves the importance of an in-house network culture on which the majority of our training systems are based. It is this culture which one finds in the idea of the ecosystem.

We strongly encourage people to share their experiences laterally rather than operate a 'top down' approach. Our training programmes operate on a campus-style system with a sort of nomadic company university. There are about twelve programmes every year, each a week long, which bring together between three and five hundred managers in Evian, Jakarta or Mexico City. These are very large forums which simultaneously offer a range of specialised training programs and seminars. They are an opportunity for employees to discuss work practices and to create networks. The countries which are the most advanced in a particular activity play the role of teacher for other countries. The aim of this is to profit from other people's knowledge and know-how, and to speed up the dissemination of these feedback experiences.

All of this is part of our culture which is decentralized, but very network-oriented. One of the roles of head office is to make sure that everything can work properly. Over the past two years, there have been some new developments. They include the 'DAN 2.0' project which has implanted Internet and Intranet technologies on top of this network culture and, as a result, we now have the in-house equivalents of Wikipedia and Facebook. Over the past eight months, 250 active in-house Danone communities have been created with networks of people throughout the world who are able to exchange their experiences and ideas. This has come about without any stimulus or intervention from Danone headquarters. As well as internal networks, there are also interactions between Danone communities and those outside the company.

Similarly, 'Danone Way', a self-assessment tool launched twelve years ago, is available to each business unit which is audited and certified on a group level. It enables each business unit to take stock of the situation in terms of legal issues, relationships with clients, the environment and governance. In the assessment survey, all the philosophy and fundamentals of the group are evident. It is not a reporting tool in the strict sense of the word, but a measure of continuous progress by the management, and is an illustration of the way one can share a culture while remaining decentralised, since it is the local manager who is in charge of the assessment.

The latest in-house innovation concerns a health care plan. Currently, 60 % of our employees live in developing countries. We realised that in these countries there was none – or very little – health care cover, and that sixty thousand Danone employees had very little or no cover for hospitalisation, maternity care, nor for access to doctors and chemists. In accordance with the principle that social and economic progress go hand in hand, we thought we could change people's lives if we gave them basic health care cover. So we assessed each country, and six months ago we launched a programme called 'Dan Cares' which, over three years, will allow us to provide basic health care cover to our employees. In the countries which already have a health care system, but where coverage is extremely limited, our aim is to upgrade this system. In countries where only the executives currently benefit from health care cover, we are negotiating with our service provider to extend cover to all our employees. In countries where there is no cover provided locally, we are asking a certain number of our large global providers to set up health care cover for us. Employees are very enthusiastic about this. When cover is provided, it is noticeable that staff turn-over and absenteeism are radically reduced, the level of commitment rises, and the attractiveness and health in the workplace are improved. A basic concept for making social progress has brought with it great economic advantages. Dan Cares has upset a number of our competitors who have accused us of social dumping in reverse but whose trade unions are now asking for the same conditions ! It is a fact that in Indonesia the cost of implementing health care cover raises labour costs by 15 %, but social indicators are improved so much because of this that the positive economic effect is very noticeable. Dan Cares is not a charity, but an attempt to maintain a sustainable link between economic and social factors.

All of these measures are the result of our dual project which is constantly being improved in the course of our international development. Contrary to preconceived ideas, there is no dichotomy between the world of rich and poor countries. The expectations and bases of motivation are similar for all employees and the differences are becoming narrower in spite of local variations.

A company in a desert ?

In 1972, Antoine Riboud stated that a company's responsibilities towards its environment and society did not stop at the factory or office door. His son, Franck Riboud, shares the same conviction which is reinforced by his own beliefs. He believes that a company cannot grow all by itself. It needs suppliers and distributors in areas where it has sites in order to grow and prosper. It needs a structured environment which is sound and which is growing. The economic crisis, especially in the car sector, showed that a financially weak sub-contractor might become a problem for the buyer. The concern back in 2009 was how our suppliers, clients and site areas were going to withstand the effects of the crisis and how we could support them.

For a long time, Danone has been sensitive to situations in the areas where it has sites. We create jobs there, we have always helped employees who leave the company to find other jobs, and when we have been forced to close factories, we appeal to our investors in order to try to create jobs. As far as our clients and suppliers are concerned, if they depend on us for their growth, the same can also be said for us: without farmers, suppliers of PET (polyethylene terephthalate) for our bottles, and distributors, the Danone model would grind to a halt. This fact made us realise that we should not only take into account this mutual dependence in our business dealings with them, but that we should also keep an eye on their economic and social durability. This is a sort of extension of the dual commitment in a different format which takes into account our common interest in the creation of value throughout the chain.

At our General Assembly meeting in April 2009, Danone decided to create a trial of a corporate endowment fund over a five-year period worth one hundred million Euros called the 'Danone Ecosystem Fund'. Its aim was to strengthen the initiatives of those bodies actively

involved in the sectors of economy, work and employment. It was not compulsory to seek approval for this project from the General Assembly, but Franck Riboud wanted to do so in order to open discussion about the possibility of a company whose objective was not solely to create the most profit possible for its shareholders. Naturally, a company should create value for its shareholders because, without their money, there is no business, but at the same time, it must also create value and wealth for other parties actively involved through its own investments. We had to convince our shareholders of the merits of this initiative and that, without the growth of farmers or distributors, our model would be less robust. The motion was overwhelmingly approved by 98 % of those present.

The aim of the fund is to finance local initiatives. It is neither a charity nor a corporate investment. As far as governance is concerned, we have an in-house committee at Danone which validates the projects, commissions to a team on site to help local people, and establishes a strategic orientation committee chaired by Franck Riboud and co-chaired by Martin Hirsch and Pascal Lamy. Those taking part also include the global representative of the food industry trade unions, a Mexican anthropologist, the founder of a large network of social entrepreneurs, and several other people who have been with us in this process and are interested in how a company is capable of changing its position when it considers its ecosystem.

The company's social footprint

In the same way in which one talks about an ecological footprint, we thought it was relevant to define the concept of the company's social footprint which enables one to analyse the impact (not purely financial) of our subsidiaries on the actively involved parts of their ecosystem. This social footprint is measured by full-time jobs generated both within the company (permanent and temporary jobs) and outside the company (upstream, sub-contractors, transport and logistics). It enables one to map the large social impact of the company on its ecosystem. Subsidiaries can then adapt their initiatives and projects precisely according to where they are judged to have the greatest social impact. We have therefore tried to count the number of full-time jobs we have created. We included farmers whose entire dairy or fruit production is sold to Danone. Then we analysed the logistics and short-distance delivery services intended for our products, for example in the provision of home delivery of large water canisters or in the baby food sector where we considered the transport services which deliver our products in vehicles with our name on, and so on. Depending on the jobs and geographical location, the ratio of our employees and these resulting jobs varies between 1 to 2 and 1 to 10. Therefore, indirectly, we support thousands of families. We had not realised before that there were so many.

In Indonesia, where we have a large-scale water business with Acqua, the leading global water brand, more than four thousand people earn a living from the sale of this water, and we have two thousand lorry-drivers who distribute it to every town and village.

In France, Danone employs two thousand two hundred people in our fresh produce activity, works with three thousand five hundred farmers as well as distributors. The scale of our activities can increase very quickly. If one analyses this social footprint, the perception of one's activity changes. If a company is growing, jobs may be created as the result of existing jobs whereas if a company is experiencing problems, some jobs may be endangered without one always realizing this. One can make sure that one's suppliers conform to employment law, but one can go further than this and consider them as social entities which have their own dynamics. So we have gradually started to measure our social impact for each of our projects in a systematic way.

We launched this fund eighteen months ago and today twenty-two projects have already been approved and financed, and about thirty are being considered. Our local teams lead these projects which they have created with NGOs.

The ecology of milk

We have five projects. The first concerns the supply of raw materials, especially milk and fruit. These projects are carried out both in developed and developing countries. In the Ukraine, dairy farming is relatively small with 1.5 cows on average for every producer. This helps to explain why a large number of producers leave the sector every year. The level of revenues and milk quality are extremely poor.

In partnership with Heifer, an NGO specialising in agricultural development, the project consisted of creating dairy cooperatives bringing quality fodder, veterinary products, metrology, rooms and milking materials, and a great deal of training. In the long term, this project is aimed at one thousand six hundred farmers of which four hundred already belong to eight cooperatives.

The fact that we invest in sustainable agricultural development has created a significant impact in this country both with regards to the Ministry of Agriculture and the farming sector. We are seen in a very positive light. The Ukrainian business unit has made a deal with the farmers to buy their milk over the next five years. We are well aware – and we encourage the fact – that we are not their only client, and that they have other activities such as vegetable production for example, so that they are not totally dependent on us. The result, after the first few months of activity, has been a 30 % increase in the farmers' revenues. Good quality milk brings in more money, and for us there has been a notable decrease in the amount of milk which has been rejected because it was substandard. By investing in the structure of the ecosystem, both with regard to skills and the way in which operations take place, we are helping to change the local situation.

In France (where Danone only represents 4 % of total milk usage and cheese producers are the largest users), with the prospect of deregulation in the milk market in 2015 and because of increasing environmental requirements, we have created a project with the livestock farming institute in southwest France, one of the poorest livestock regions in the country. This project incorporates a training program to teach farmers management skills and to help them learn about the agricultural economy. A sociologist has checked that the model is appropriate for local needs. Originally we needed to be reassured about our upstream ecosystem, in other words to have the producers living and growing appropriately in the supply zone around our local factory. During the process, our marketing teams tested the impact of this approach on consumers. Results showed that half the consumers questioned did not know that yogurt was only made with fresh milk despite the fact that fresh milk is synonymous with nature and health, and therefore has meaning for the consumer. As a result, this project, which was initially orientated towards purchases and the quality of the product, has become a project which is integrated into corporate strategy. This point was made even clearer a month ago : packaging on our natural yogurt clearly states 'Milk from our cattle farmers' and there is a link to an Internet¹ site where there is a video in which breeders explain their profession.

The business unit carried out another project in Normandy with three hundred farmers who wanted to 'go green'. France actually has to import organic milk because its domestic production cannot satisfy demand. Organic milk is 30 % more expensive, but to produce it according to organic standards which require that all traces of fertilizer are eliminated from the cow's food chain, there is a time lapse of three to five years for all the necessary costly investments before cattle farmers can profit from the expected benefits. In the context of this project, the business unit reassured the farmers in advance that it would buy their milk at organic milk prices. We and the livestock farming institute work with the farmers, and we have created a management training program.

¹ www.danoneetvous.com/Nos-engagements/Nos-eleveurs-et-Vous

In Egypt, there is a very strong demand for milk, and our activity is growing well there although production is small. Our original idea was to create a large farm of five thousand cows because in Egypt there is neither the quantity nor the quality of milk that we require. Talking with the authorities however, we realised that milk production did in fact take place in homes and was carried out by women who had one or two cows. The revenues earned from the sale of this milk supplied these women with a supplementary income during times of great insecurity. The local team reconsidered our project and decided to create a farm school which was half the size of that envisaged in the initial project, and, with help from an NGO, we created a series of cooperatives of small producers in the nearby area. The presence of the farm school enabled the cooperatives to produce better quality milk (as a result of the fodder, veterinary treatment, equipment and training provided) and therefore to generate greater revenues. In terms of governance, creating these sorts of links is a complicated affair because they have to strike a balance between interdependence and independence of the different entities involved. However, this example shows the extent to which supply is essential for us, and how milk, a simple raw material, can gradually become the centre of a real ecosystem.

Danone has always been very demanding about the nutritional quality of its milk, and now the question we are asking is how can the purchase of this milk be integrated into a sustainable economic and social system, both in economic terms and in ensuring the income of jobs and skills for farmers, and in terms of quality for us.

Recycling

The second project concerns recycling, specifically in the water business. We have a number of brands of water throughout the world. This sector has two sub-sectors : bottled water, and water in canisters delivered to homes. In both cases, our activities respect the environment and have developed from the use of non-recyclable plastic in our bottles to bottles made from PET, and now from plant-based plastic. The Évian brand, to name but one, has also made a commitment to have neutral CO₂ emissions over the next four years. It intends to achieve this firstly by reducing its packaging and secondly by recycling. Next, in order to balance the residues made in the production of CO₂, it is replanting mangroves. It has already replanted thirty-six million plants in 2010 in Senegal and India.

In some countries, there are recycling channels. There has to be an efficient collection chain. However, in developing countries, these channels do not generally exist. In Brazil, Indonesia, Argentina and Mexico, this collection is mostly done by rag-and-bone men in generally deplorable sanitary and social conditions. They collect and bring the packaging to rubbish dumps where it is sorted or they sort the rubbish in their own homes to determine the waste which is recyclable and which they can then resell at low prices to intermediaries who then sell it on to companies.

In these four countries, the business unit launched similar projects with help from NGOs. The aim was to organise the rag-and-bone men into self-run cooperatives and to create a sorting place in proper, sanitary conditions. Machines have been installed for an initial lucrative transformation of the waste into plastic balls which we then ask our PET suppliers to buy. The project also includes providing social cover for these rag-and-bone men, which they clearly do not have, but we will only give it to them if they agree to put their children into full-time education.

These projects are very ambitious and require employees to be highly motivated. However, from time to time they can disturb some of the people in the sector who have organised themselves into Mafia-style corporations which take advantage of the old system, and so these people can be very stubborn if they meet with competition. Sometimes, however, the appointment of some of these intermediaries to positions within Danone can help to ease the situation. Nonetheless, the business unit also has well-known local leaders of opinion who support these projects, because in terms of employment and living conditions, these projects have an extraordinary impact. These business units could obtain recyclable PETs without

organising rag-and-bone men and without making our life complicated, but our involvement allows us to put down roots in a local, social setting. In some countries, we may lack recyclable PETs. In Indonesia, if our project with the rag-and-bone men ('pemulung') continues, we hope to be able to cover 15 % of our needs – an appreciable amount.

Above all, this is one of the areas where our social impact in terms of employment could be huge. This strongly encourages our local teams to create a common platform between us and the local ecologists which is one of the keys to the success of our activity in these sectors. These are large-scale programmes which have a powerful impact and are therefore very interesting but they can barely cover an entire region. Finally, the business unit also envisages being able to improve living conditions, income and the health of three thousand people simply by intervening in a specific area in Jakarta and in Jogjakarta.

Distribution

The third project concerns the creation of distribution networks in areas which are not normally accessible. These networks encourage the integration of people in difficulty. For the past four years, Danone Mexico, with help from the Ashoka NGO (a network of social entrepreneurs), has been carrying out a project called 'Crossroads'. Its aim is to help low-income, single mothers to sell water and fresh yogurt to car drivers stuck in the endemic traffic jams of Mexico City. The success of this project is enhanced by a training system called 'Skills for Life' which gives dignity back to these women who are marginalised. An institute for social development was created to train these women, a third of whom were recruited in the end by Danone. Normally, they would never have been considered for jobs with us as they do not have sufficient qualifications.

The difficulty of progressing further is that in Mexico City many areas of the city are very dangerous and are controlled by gangs, and so these women are in danger. A new project called 'Semilla' was put in place a few months ago with a new distribution channel whereby women who are well-known in the areas where they live and are protected by their community, deliver these products door-to-door. This organisation has therefore brought to the fore women who are capable of taking on greater responsibilities in the long term in this social development project. The aim is to create four thousand jobs in four years.

Home help

The fourth project concerns the provision of domestic help services. This is the initiative of our medical nutrition activity which includes specialised food products for patients in hospitals, even those who are being tube fed. The units also provide products to combat nutritional deficiencies prevalent among old people, and also to reduce the effects of some serious diseases. All these products which are nutrients and not medication, are nonetheless issued on prescription and the cost is reimbursed.

In France, we have a system of domestic help for these categories of people, but in most countries such a system does not exist at all. In Brazil, our subsidiary's project, in collaboration with an NGO, is to create a network of one thousand two hundred home-helps, five hundred of whom have already been recruited and trained, in order to enable people to benefit from domestic help prescribed by the hospital. The business unit creates jobs which do not require much skill initially, but which become more skilled with time. This helps to increase its reputation in hospitals and in the eyes of health professionals.

Here again, we have a strong social impact which is accompanied by an economic impact which makes it sustainable. This would probably not be the case if it was just a charity activity. We hope that over time we will have acquired sufficient experience to launch these operations on an even larger scale. Our aim is to start to prove that our products have positive effects and demonstrate the durability of this growth model by investing heavily in these projects.

Regions

The last project directly concerns the regions where our factories exist. We have one hundred and eighty factories throughout the world, covering all our activities, and are most often located in rural areas. Generally speaking, each factory employs between one hundred and one thousand people and therefore strongly influences life for the labour pool in the area. For example, in Évian, 66 % of jobs in the Chablais region are more or less directly linked to our water bottling plant and hotel activity there. Danone has kept a certain number of projects which are not directly linked to the activity itself, but which enable the development of micro-entrepreneurs, activities of local SMEs (small and medium-sized enterprises), micro-credit in these regions, and so on. In Indonesia, the reason that Aqua has a project to develop rice-growing is to protect the source. This enables us to breathe life into the local labour pool.

We are at the very beginning of our adventure but we are already in a position to conclude that the necessary conditions for success are, firstly that the projects are firmly managed with our local partners, and secondly that our teams learn to work with the NGOs (and vice versa). This may take some time. In each project, the results of the first experience are important because we are creating these projects jointly with NGOs. Our teams are not used to working with these sorts of organisations, and do not have either the same way of thinking or the same decision-making processes, and so there is a period during which they will have to get used to and learn about each other.

Even though these projects are not a guarantee of success, and are often innovative, they are part of the long-term approach, and one of their most important points of interest is that they can change greatly the way in which we do business. Let me illustrate this point by explaining that we appointed our fresh dairy producers' sourcing director head of the Danone Ecosystem Fund. Holding these dual functions simultaneously, he now finds himself in a paradoxical situation. He must buy products at the lowest price and, at the same time, develop and preserve the interests of farmers and suppliers ! Currently, purchasers, followed by marketing managers and, gradually, by all employees, are seriously thinking about ways in which the creation of sustainable value in their profession might become a 'win-win' situation both for Danone and its suppliers.

DISCUSSION

Question : *The amount of time necessary to put together these sorts of projects must be enormous. How do you find that time ?*

Muriel Pénicaud : We created a small team of four people. One is based in America, one in Asia and two in Paris. Their work is focused on the ecosystem. The learning curve depends on the country in question, and the people in each team go into the field to oversee each project. It is not that easy for a company and an NGO to build an economic and social activity together ! Part of our 'knowledge management' programme is dedicated to teaching this unique know-how.

Head office has limited the number of project managers to four. Each project is made up of local teams who, like the NGO with whom the project has been created, devote the necessary time and money for each project. The number of employees on site – both NGO and Danone people – varies between fifteen and twenty, and this team is managed jointly. Local people are so enthusiastic about these projects that it is not very difficult to recruit locally.

Q. : *How do people get to know about these projects ? How does the Fund's initial one hundred million Euros influence company strategy and help to acquire a following outside the company ?*

M. P. : Three of the criteria for a project to be accepted are that it must be reproducible, feasible in the long-term, and capable of changing scales. If a project has no impact in space and time, it will be rejected. Like business angels, we choose our investments which is the role of the committee which selects the projects. If we succeed, for instance with the Indonesian rag-and-bone men or with the dairy cooperatives, what we will have learned from these experiences will then enable these sorts of projects to be replicated in numerous other countries. These criteria are thus integrated into a project from the moment it is put forward.

If we want to try to obtain a following, our experiences must be successful. We have not really talked about this publicly before now, so here, at the École de Paris, we can officially announce that as a result of our activity over the past few months, we are starting to get tangible results.

In the Ukraine, the Heifer NGO was so enthusiastic about the project that it recently stated it was ready to go even further and change the scale of its involvement by inviting its sponsors to give money : in the space of two weeks, this operation brought in one-and-a-half million dollars to finance our projects in the Ukraine. This was beyond our wildest dreams, and our sponsors made publicity for us in a much more efficient way than we ever could. Now, since Danone has been featured on television twice and appeared in more than eighty press articles, the Ukrainian Ministry of Agriculture is starting to ask our competitors what they can do to help their own ecosystems.

Some companies who have similar management skills to our own such as Essilor or Schneider, have created Grameen-Essilor and Grameen-Schneider partnerships which are similar to our Grameen-Danone partnership. Danone.communities, which has been in existence for five years, has played a motivating role in encouraging other companies to become interested in social entrepreneurship. If our projects work, other companies will not hesitate to follow suit.

As far as the influence that our initial one hundred million Euros in the Fund had, if, at the end of these tests, it transpires that one can achieve efficient sourcing in a different way, then a large number of people, including us, will do so.

Finance and tenderness

Q. : *Why is something which appears to work at Danone not more reproducible elsewhere ? The answer which immediately comes to mind is that it is because you make 'caring' products*

which make people think of their mothers and childhood. But why is this not the same for your direct competitors ? Nestlé, for example, conjures up Swiss bankers with their eyes riveted on the bottom line as far as I am concerned !

M. P. : I am not at all that sure that this is as prevalent as you say throughout the entire Danone company. The proof of the success of this exceptional fund will only be if, at the end of the five-year test period, we do not have to put back one hundred million Euros on the table, and that the system continues to function by itself. Even though, for historical reasons, Danone managers may have a social conscience which is stronger than in other companies, the fact still remains that, everyone, including us, is very concerned by the top and bottom line of the balance sheet ! Therefore, we need to prove that these sorts of projects work and only then will we gain a following.

One of our main difficulties is the timescale. The results are not easy to determine either after a quarter or a year. It is similar to a material investment for a medium or a long term, such as the building of a factory where the return on the investment can only be measured in terms of years. This is one of the reasons behind the creation of this fund. The micro-tests which had recently been tried were on a modest scale. Furthermore, the creation of this type of project requires new skills. Danone marketing managers, who are business school graduates, are not familiar with the world of rag-and-bone men, which is not a particularly caring sector. So, once a year, with danone.communities and our social innovation programme, we bring together our managers and NGO partners so that they can discuss and learn from each other. This is a sort of economic and social R&D (research & development).

Contrary to our competitors, our decentralisation is a cultural asset. The managing directors of our subsidiaries involve themselves deeply in these projects and defend them in front of the executive committee, displaying considerable personal commitment, without losing sight of the profitability requirements of their structure.

We have only had two presidents in the history of our company, and 90 % of our managing directors throughout the world have been recruited in-house. This management continuity is a precious asset which enables us to communicate and to share our values within the company. Our corporate culture attracts people. Our employees have a great deal of autonomy and, if they are able to attain managerial excellence while at the same time doing some social good, then this has meaning, and they are happy about it. In order to launch such projects, they must be consistent with the internal practices of the company. If you only carry out social actions and there is no internal social discussion, then the employees and the media will turn against you and your projects will not last long ! At Danone, employees understand the importance and relevance of these projects and are not opposed to social dialogue which takes place in-house.

Public service or social entrepreneurship ?

Q. : *If Danone acts as it should with respect to its ecosystem, this implies that there is a relative lack of public authority regarding protection systems or health. What is your relationship with the authorities ?*

M. P. : Is the role of government to create cooperatives or to carry out waste reprocessing ? Perhaps, but the way the world is, they do not necessarily have the means... Having said that, we always inform them before we start our projects, in particular via our NGO partners. Of the twenty-two projects we have financed, we have either come across indifference, or been well received or had an extremely positive reception as in Egypt where the new minister, who took over from his predecessor following the Revolution, supported us, thereby strengthening our credibility. As far as Dan Cares is concerned, if governments were to set up mutual insurance companies, we would help them to do so and they could take over from us. If this were the case, we would happily pay our social contributions !

Q. : *What makes you different from other large global groups ?*

M. P. : We do not claim to be either original or to have wonderful projects. We carry out our projects as we see fit ; it is up to other people to decide whether they find them innovative or not. Americans are much more advanced than Europeans in terms of foundations and charity organisations. It has long been a tradition of theirs to innovate, make profits and then for some managers to give back part of their income to the community. They get some important tax breaks as a result. In Europe, one tends to integrate social responsibility into the company's strategy and daily working method. It is undoubtedly due to our greater sense of social tradition.

Q. : *Do you envisage telling consumers about these issues ?*

M. P. : Our latest campaign includes the slogan 'Milk from our French cattle farmers'. It has only been in circulation for a month, but already the reaction to the Internet website is extraordinary in terms of the large number of 'hits'. Consumers are now starting to realise the environmental content of the products they buy and to take this into account in their purchasing decisions. One of my dreams is that one day the same will be true of the social content. People only take notice of extreme and negative cases such as child labour, but never the positive cases. When one buys a product with a brand name, one does not know if the employee producing the product is earning the minimum wage, or has been trained, or whether he gets any profit share. If our products are more expensive, it is partly because at Danone wage costs are 40 % greater than those of our other brand name competitors. The consumer has not yet realised this difference in social content. I hope that one day there will be social traceability !

Presentation of the speaker :

Muriel Pénicaud, part of the Danone Executive Committee, is the Vice President Human Resources of Danone as well as the Chair of the Board of the Danone Ecosystem Fund. A Graduate in Psychology and History, she started her career in 1976 as a territorial administrator. In 1985, she worked for the Ministry of Labour, Employment and Vocational Training, fulfilling several roles including advisor to the Minister of Labour. She joined Danone in 1993 as Director for Training. In 1996 she became Vice President for Executive Development and in 2000 was nominated Vice President Organisation and Human Resources Policies. In 2002, she became Executive Vice President of Dassault Systemes, in charge of organisation, human resources and sustainable development, before returning to Danone in 2008. Elsewhere, she is the co-founder and vice-president of the Web TV and of the Law and Management School of Paris Panthéon-Assas, a member of the "Haut Conseil du dialogue Social" (a national authority working on labour union representativeness), and co-author of the report presented to the French Prime Minister on "well-being and efficiency at work" (2010). Since May 2011, she has been a member of the France Telecom board of directors.

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