

[Franck Riboud — article in Le Monde on March 3, 2009]

What is the role of business?

For a business leader like myself, the period we have now entered lends new urgency to a long-neglected question that I believe must be answered — that of the place of businesses in our society.

For many years, the general assumption was, whether you regret it or applaud it, that the sole aim of a listed company is to constantly increase shareholder value, achieving ever higher targets. That narrow conception of the role of business has led us to a dead end, and that for me is one of the main lessons to be drawn from the current crisis.

First of all, the search for higher and higher profits simply cannot go on forever. Blinded by rates of return reaching 10%, then 15% or 20% and why not 25%, we forget that there is a physical limit beyond which this house of cards collapses. We have just run up against that limit, with brutal effect.

Secondly, this approach has resulted in a worrying erosion of the ties linking businesses to other stakeholders — suppliers, employees, customers and the communities they operate in. All contribute to the creation of wealth, and some may consider that their legitimate interests are at times neglected.

The course of the current crisis has made it increasingly clear that we ignore at our peril the obvious fact that different economic sectors, different businesses and different stakeholder groups all depend on each other. We have seen not only that a crisis can spread in just a few weeks from the world of finance to the world of industry, from Wall Street to Shanghai and Marseille, but also that even the most prosperous business becomes vulnerable when it operates in a vulnerable environment — a reminder that we cannot do without some form of solidarity. It is a common-sense observation that no living organism can grow and develop in a deprived environment or a desert. In the same way, it is in the interest of businesses to take care of their economic and social environment, with what could be called their eco-system.

Certainly, they must create value for their shareholders, since there is no economy at all without shareholder investment. But they must also create, through their own investments, value and wealth for other stakeholders. Because their success over time depends on the healthy development of their environment. And that is the basic reason for the social utility of businesses.

The question is not whether we should or should not make a profit. A manager who forgets that a satisfactory level of profit is the basic condition for lasting success could only lead the business to ruin. Instead, we must ask ourselves how we can build and sustain profit over time, and how we should invest that profit with consideration for the requirements and interests of our various stakeholders. Which means finding solutions that enable us to manage, on an effective, day-to-day basis, the complex balances and inevitable conflicts between efficiency and security, between the short and the long term, between individual interests and collective well-being.

The management of those balances and conflicts is at the heart of the dual commitment to business success AND social progress that has inspired Danone for nearly 40 years, becoming part of our DNA.

Within our business, that commitment has shaped human resource policies marked by pioneering initiatives in areas that include training, international union representation and profit sharing. At the same time, it has not in any way prevented constant efforts to enhance efficiency. Which in some cases have meant hard decisions on employment. But these have also been taken in the awareness that they must come when the business has the time and resources needed for responsible management of the consequences, attenuating the social and human impact. Which of course means when it is making a profit, not when it is already in trouble and in no position to live up to its responsibilities.

In our relationships with stakeholders outside the business, that same dual commitment to business success and social progress is reflected in our responsible environmental practices and societal initiatives such as our association with Muhammad Yunus. It also inspires our thinking on ways to favor economic and social progress within our business eco-system, in the operations of our suppliers and sub-contractors, and within the employment areas we operate in.

We have already set up a number of structures to back local economic development in different parts of the world, but in the current business environment, which has shown how quickly this development can be thrown off course, we believe there is a need to extend that approach and place it on a more systematic, more lasting basis. We have thus decided to ask our shareholders to set up a fund dedicated to developing and consolidating our eco-system.

Entirely financed by Danone, the fund would be set up with an initial allocation of EUR 100 million and topped up with the contribution of 1% of our net earnings each year. It will provide financing for worthwhile projects identified by our subsidiaries in the regions we operate in, including, for example, programs to develop the know-how of local suppliers, to back the creation of related businesses such as micro-enterprises for food distribution, or to develop employability in communities near our factories. It will not be an emergency fund or a recapitalization fund, since its aim is instead to prevent crises before they happen. Similarly, it is not intended to finance any plans to enhance the competitiveness of our sites, nor as a solution to every problem. It is simply meant to reinforce the economic fabric of which we are part and which is founded on mutual dependence.

If our shareholders confirm their support for this project at our next Shareholder Meeting, we will, I believe, be helping, within our own sphere and without unrealistic ambitions, to open up new perspectives and restore business to its rightful place in the economy and in society at large. It is in any case my responsibility as a business leader to make the attempt.