



THE AGE OF CORPORATE RESPONSIBILITY

PREFACE BY JACQUES ATTALI

We talk to

- > Andrea d'Avack: LUXURY REINVENTED BY CSR
- > Thibaut Guilluy: TAKING RESPONSIBILITY FOR ACTIONS PAST, PRESENT AND FUTURE
- > Patrick Viveret: A RETURN TO ETHICS AND DISCERNMENT

THE SPIRIT OF LA REVUE*

*Can-management be discussed
in simple terms?*

Company transformation is everyday business for us management and strategy consultants. It is also yours, as the leaders of businesses that are perpetually undergoing change.

What we have learned – and what we continue to learn as we do our job day after day – is something we want to share with you.

You will not find any ready-to-go recipes here: there are no miracle concepts guaranteed to give your competitiveness a major boost. What we offer here is food for thought. There are no sermons or lessons; instead we provide a framework for interpretation, to help you separate the wheat from the chaff.

And because we love discussions, we also talk to personalities from outside our organisation, to garner their reactions to the ideas we put forward. We intend to remain at the forefront of modern thinking, but won't be fooled by fashions!

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President of Chanel Foundation & Global Head of Corporate Responsibility*



ARNAUD GANGLOFF
CEO of Kea & Partners

BENOÎT GAJDOS
Senior Partner at Kea & Partners,
General Manager of CO

Editorial

Corporate responsibility

To go down this road is to work in favour of the development of both your company and your employees, with respect for the natural balances in place. It is with optimism that we embark on this topic today, so abundant are the opportunities offered by this way of seeing businesses, both for your future and for the future of your company. The age of the responsible company is upon us and this undertaking is of the kind that can mobilise us all.

For Jacques Attali, who penned the preface to this issue, there is no doubt about this. A major player as President of Positive Planet, he alerts us to the urgent need for our companies to make this shift.

Patrick Viveret, philosopher and essayist, takes a watchful look at the changing nature of our world and the economic, social and political risks that threaten us. Convinced that companies need to re-establish ethics and discernment in their practices, he invites them to become facilitators of a society “living together”.

Thibaut Guilluy, CEO of Group Ares, has been fighting social exclusion for over twenty years. As a keen observer of their practices, he calls upon companies to reconcile the economic and the social, by taking full responsibility for their actions in the past, present and future.

Company leaders did not need these viewpoints and urgings to take action. Andrea d'Avack, President of Fondation Chanel and in charge of brand responsibility at the global level, attests to the engagement of the luxury sector. The Group is taking bets on the future and its performance, by endeavouring to contribute to a better future.

As to us, responsibility has long been at the core of our *raison d'être*. This can be felt in our commitment to build a positive economy together with you, using transformational know-how that closely interlinks economic performance with individual development. It can also be seen in our involvement in creating and running CO, a non-profit strategic consulting firm designed to serve the general interest.

Tomorrow has a future, let's make it happen together!

JACQUES ATTALI

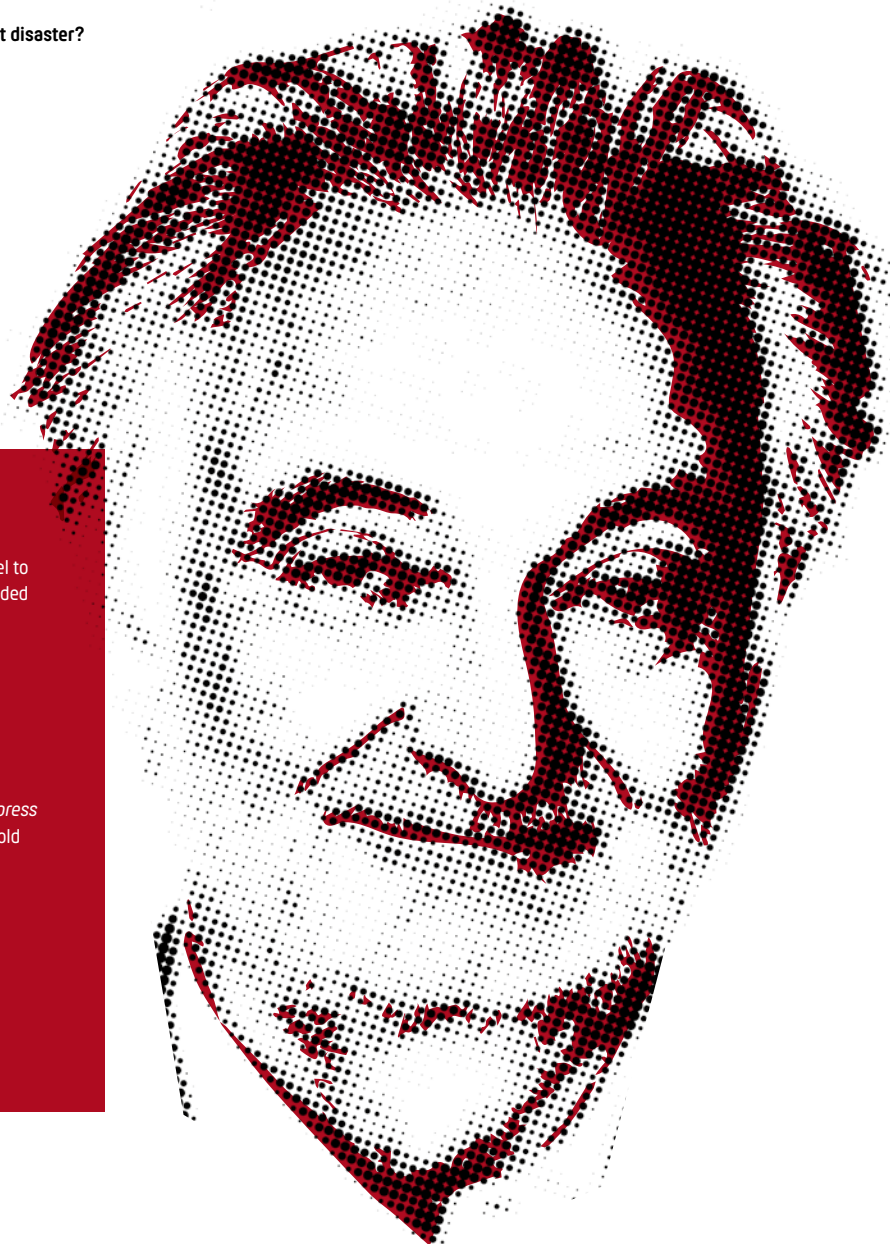
A graduate of Ecole Polytechnique and ENA, and special counsel to French President François Mitterrand for ten years, he has founded four international institutions: Action contre la faim, Eureka, BERD and Positive Planet.

The latter is the world's foremost institution providing support for micro-finance, and has supported over 10 million micro-entrepreneurs.

Jacques Attali has published more than 1,000 editorials in *L'Express* magazine and is author of 67 books, totalling 7 million copies sold and translated into 22 languages.

He is President of the Positive Planet Foundation, A&A Group, and Slate.fr.

He has also conducted several orchestras across the world (Paris, Grenoble, London, Jerusalem, Shanghai, Astana).



Preface by Jacques Attali

*Interviewed by Arnaud Gangloff, Senior Partner and President,
and Benoît Gajdos, Senior Partner, Kea & Partners*

HOW DO YOU SEE CORPORATE SOCIAL RESPONSIBILITY AND THE WAY IT HAS DEVELOPED OVER TIME?

JA: Today, we live in an age of dyed-in-the-wool capitalism. The status of companies is such that all the power is in the hands of the shareholders. Except for cooperatives and special structures such as joint ventures, the very definition of that status is responsibility toward those who hold the capital.

The status of companies is such that all the power is in the hands of the shareholders. ”

Employees may be represented on Boards of Directors, but only symbolically. In reality, the power lies entirely in the hands of the shareholders, who are fully empowered to make decisions, and of course adjust their behaviours depending on whether the company is national, family-owned, held by a stable shareholder base or by a shareholder structure that changes every millisecond, depending on the interest of the markets.

At the same time as capitalism continues to reign supreme over companies, it has been joined by a new and consequential power: that of the

consumer, who is truly the main player, more so even than the employee. The end-consumer is king, determining the survival of companies, whether business-to-business or business-to-consumer firms.

Consumers themselves live under the tyranny of their own buying power. Consumers demand very low prices. This is why an alliance has now formed between shareholders and consumers, against workers, at the global level.

Yet these same consumers have gradually come to realise that they too are citizens, and have no interest in destroying their own work. By buying at low prices and killing off employment, they are sowing the seeds for a future in which they themselves no longer have the means to make purchases. There is growing awareness of this globality, as a result of which consumers feel responsible with respect to labour. This is the reason behind their desire to more frequently “buy national”, and the reason for their sense of responsibility with respect to the environment, in the broader sense of the term.

Company leaders have astutely understood that appearing a responsible company has several benefits. First of all, to many, corporate social responsibility is a way of engaging in public relations, at lower cost than advertising. They have also realised that it is beneficial to their employer

Are we moving fast enough to avert disaster?

brand and attractiveness, as employees are proud to work for companies that have and give meaning. Lastly, consumers are also paying more and more attention to the reputation of companies.

Corporate social responsibility remains a means of whitewashing for a large proportion of the corporate world.

As a result, we are gradually moving, most often with a great deal of cynicism, and very largely driven by the draw of capital, toward what I term patient capitalism, meaning capital that takes the time to find an interest in the long-term, and which understands that if it is not altruistic, it is fated to go extinct. However, corporate social responsibility remains a whitewash for a large percentage of companies and still remains very marginal, even at those companies that deem it important.

LOOKING BEYOND THE CYNICISM OF TODAY'S WORLD, HOW SHOULD CORPORATE SOCIAL RESPONSIBILITY BE EXERCISED?

JA: It should be exercised with respect to all stakeholders, meaning workers, shareholders, consumers, the territories in which they work and the generations to come. Five partners. We are thus far from the mark. The ideal society could be described as one in which all five of these partners would be seated together around the table to determine the company's future.

SHOULD THE STATE PLAY A PART? IS IT ONE OF SEVERAL STAKEHOLDERS?

JA: The State holds key responsibility, which it establishes by law. It does not need to be a company shareholder to play a very important

part. The law is in every way a decisive instrument of the State. The question remains as to what falls within the realm of the law. Can it demand that a company use French suppliers? Can it require a company to keep its head office on national soil? Can it force it to take into account the interests of the generations to come? While the answers to all these questions will be determined by a country's political leanings, the law can shape many aspects of this issue.

Another question that emerges is that of the part played by social partners. I am of those who believe that they presently do not embody the general interest. The social partners represent the social partners. They represent capital and labour, but as I was saying earlier, capital and labour are not the only partners to a company: in particular, they take into account neither the long term, nor future generations. There are other players whom I have not mentioned, and who are not partners to companies as such, but are important: the unemployed. The social partners do not represent the unemployed either.

It is not right when an agreement is signed with the social partners, yet does not apply to the potential workers not in the company. Yet the unemployed or those in training, students, have every right to be taken into account, if only because companies must help ensure that future workers are as well-trained as possible.

WITH PUBLIC FINANCES IN THE DOLDRUMS, DO YOU THINK THE STATE SHOULD RELINQUISH SOME OF ITS SOVEREIGN POWERS, IN THE SOCIETAL OR ENVIRONMENTAL AREAS, FOR INSTANCE, TO DELEGATE THEM TO COMPANIES?

JA: First of all, that is a political decision. It is entirely imaginable that a country might decide to entrust the private sector with a number of general interest responsibilities, whether in the form of concessions, or straight-out privatisation. The State can entrust prison management and hospital management to chosen concession-holders, or

privatise them, another far less restrictive way of going about matters.

I am not convinced that the State should be relinquishing powers, though. Quite to the contrary, never in the history of humanity has the share of wealth created by a Nation from the provision of State services been so high. It continues to be on the rise everywhere, even in so-called "liberal" States. When not increasing due to action on the part of the State, it benefits from the private insurance system, which stands in for the government or supplements its action. If you total up the contributions of the State and insurance, you come to the same figures throughout the world, around 50 to 55% of GDP. What's more, this is set to increase, due to the growing percentage of services in GDP.

Yet the State is not necessarily well-equipped to cope with new needs. New responses will be needed in the face of population ageing, precariousness, the housing issue, or continuing training, etc., and the State does not know how to easily phase out somewhat obsolete functions. One frequently-cited example of this is the traveller pigeons still kept by the Ministry of Defence thirty years after they had gone out of use.

WHAT MAKES YOU OPTIMISTIC ABOUT THE FUTURE OF CORPORATE SOCIAL RESPONSIBILITY TODAY?

JA: I am neither optimistic nor pessimistic. Optimism and pessimism are attitudes which spectators can afford to have. I can be optimistic or pessimistic about the outcome when watching a football match as a fan, but not when I am one of the players on the pitch.

As a player in the fray, taking action through Positive Planet, I contribute to building an environment conducive to aid, modestly, humbly, and making sure that social responsibility is more widely present. And I do see it having become so. I see many people who have grown more aware. The Positive Economy Forum which we convene

every year attracts growing numbers of people, all interested in the topic. Incidentally, I prefer to use the terms positive economy or positive companies, rather than corporate social responsibility, because what I am implying is far broader. It encompasses corporate social responsibility, environmental responsibility and responsibility in general. It is for this reason that the concept of the positive company or positive responsibility is far better-suited in my view. From that standpoint, we are headed in the right direction. Are we moving fast enough to avert disaster? I don't quite know...

5 disruptive trends

By Maxime Rog, Kea & Partners

We have selected five major trends* that are gaining speed today and incur the responsibility of companies.

For an exploration of these trends and their implications in greater detail, we invite you to read the full text of our special report here, or on our website kea-partners.com
www.kea-partners.com/Revue-21-entreprise-responsable/5-tendances

*Sources listed on page 46.

1/ SOCIAL NORMS ARE BEING RESHAPED

ECONOMIC EQUALITY BETWEEN MEN AND WOMEN: STILL AWAITING THE BREAKTHROUGH

170 years

That is how many years of progress are still needed to achieve economic equality between women and men.

GROWING PRESSURE TO CLOSE SALARY GAPS IN COMPANIES

78%

of those working for major corporations deem that the added value of leaders, shareholders and employees was evaluated inequitably across France in 2011

33%

of preparatory school students planned to become entrepreneurs in 2015

A DEEP-SET CHANGE IN THE WAY YOUNG GENERATIONS RELATE TO EMPLOYMENT AND COMPANIES



BIG DATA, A NEW STRATEGIC RAW MATERIAL WITH HIGH ETHICAL STAKES

83%

of company leaders across the world estimate that data mining has improved their products' and services' profitability

97%

of consumers in the United States, the United Kingdom, Germany, India and China fear that companies and governments could use their personal data at their expense.



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2/ DIGITAL IS SHAKING UP THE WAY PEOPLE RELATE TO WORK AND ETHICS

TODAY'S JOB MARKET IS SET FOR TRANSFORMATION

10-47%

of current jobs are threatened by automatisisation and digitisation, respectively, in the France and US

50%

of current jobs could see their content transformed in France, as a result of new technologies

TOWARD A CHANGE IN THE INDUSTRIAL MODEL

+25%

annual growth on the 3D printing market between 2017 and 2020

30 MILLIONS

connected objects across the world by 2020 (as compared to 10 million in 2015)



3/ MANAGING RESOURCES AND THE ENVIRONMENT BECOMES A COMPELLING NEED

FROM RESOURCE ABUNDANCE TO RAREFACTION

1.6 x

Planet Earth would be needed to meet our global consumption needs in 2016

CLIMATE CHANGE CAUSED BY MAN, A NEW DEAL ON THE GLOBAL TABLE

250 MILLION

climate refugees estimated to be on the move in 2050

1 TRILLION DOLLARS

in annual estimated savings on the cost of materials after the shift into the circular economy, based on existing technologies

FROM A LINEAR ECONOMY TO A CIRCULAR ECONOMY



5/ REGULATORY RESTRICTIONS AND COUNTER-POWERS ARE GAINING MOMENTUM

India becomes the first country to enshrine CSR investments for companies in law.

2014 2016

ON THE COMPLEXITY OF INVESTOR AND REGULATORY EXPECTATIONS

26%

of the world's financial assets are managed on the basis of CSR criteria, an increase of 25% since 2014

The requirement to publish CSR information and third-party certification is extended to unlisted companies in France with over 500 employees, with sales revenue exceeding €100 M.

ON THE CHANGING POWER BALANCE BETWEEN COMPANIES AND CIVIL SOCIETY

148

significant court proceedings, initiated by NGOs against companies on Human Rights issues in the world

2016

The Panama Papers are published, detailing the list of companies that have taken advantage of offshore financial arrangements.



4/ RESPONSIBLE CONSUMPTION IS ESTABLISHING ITSELF

FROM MASS CONSUMER ACTIVITY TO RESPONSIBLE CONSUMER ACTIVITY

21%

of farmers sold their products on short-circuit distribution channels in 2014 in France

25%

annual growth on the electrical vehicles in 2016

\$100 bn

The sharing economy market in 2018, as compared to \$26 bn in 2015

FROM THE OWNERSHIP ECONOMY TO THE USAGE AND EXPERIENTIAL ECONOMY

52%

of the French used a sharing service in 2013

Patrick Viveret, Philosopher and essayist

Getting back to the basics in ethics and discernment



Our society is now reaching untenable thresholds ecologically, socially and even financially.

HOW DID WE GET TO THIS POINT?

Namely, eight people across the world post a combined income equal to that of half of humanity, by-products amount to ten times global wealth, and 98% of the financial transactions that take place each day are speculative in nature. There is a high risk that situations on par with the 2008 crisis occur again, with aggravating circumstances, as the States will not have the means to save the global financial system a second time.

With these thresholds having been hit, it is no longer possible to forecast a future that would merely extend from the current lines. Rarely have political, climate-related and social risks loomed so large, and the time-scales could be far shorter than we previously thought. The very future of the world is being questioned, not only from the economic standpoint, but also the social and the political. Moreover, there exist very real risks of aggravated regression, and a rise of phenomena which, if not taken seriously, could trigger belligerent responses. And all of this could happen on a horizon extending not so much to 2100 as to 2050.

In the pre-modern era, religion was the foundation for the distinction between good and evil and the relationship with nature, insofar as nature was supposedly of divine order.

The modern-day emancipation movement has sought to develop an economy free from both those considerations. Nature has become but a resource to be dominated and managed. And it is true that, for several centuries, this freed up a good number of potentialities, not only economically. However, we are now paying dearly for the lack of discernment triggered by that emancipation, in the form of ecological destruction.

Clearly, some companies belong to the Old World and continue to deem that there is no reason to be concerned about social, societal or environmental responsibilities. At the global level, stock markets do not give any special favours to responsible companies; for many companies, CSR is experienced as a means of communication that balances out reputation capital. As to those bodies that represent

PATRICK VIVERET

Philosopher, writer and honorary judge at the Court of Auditors (Cour des Comptes), Patrick Viveret has run a special project at the request of Michel Rocard on public policy assessment and produced a report, under Prime Minister Lionel Jospin, on wealth indicators.

A co-founder of the international talks "Dialogues en Humanité", he founded, along with Edgar Morin and Stéphane Hessel in 2012, the "Roosevelt Collective". He is also founder to the Observatory on Public Decision-Making.

dialoguesenhumanite.org
collectif-roosevelt.fr

companies, first and foremost MEDEF, they are far from taking into account these needs, and the heart of capitalism, driven by information and finance, does not beat to the pace of social responsibility. We can no longer operate on monetary valuation alone. That is a luxury which we can no longer afford.

AND NOW THAT WE ARE HERE, WHAT SHOULD WE DO?

The return to ethics and discernment, which appeared to be fading during the move toward emancipation and modernity (in particular by our glossing over the relationship with nature), is vital if we are to be able to distinguish the beneficial from the harmful.

One of the questions that can light our way is that central to “salvation accounting”, itself linked to the economy of salvation: is the business I am looking at beneficial to humans and their environment, or something that is, to the contrary, harmful? Let us restore their full meaning to both these terms. Originally, in the “salvation accounting”, “a profit” did not imply monetary profit, but indeed a source of betterment, benefit. Value was not *value for money*. In Latin, it means life force. What contributes to producing life force and what contributes to destroying it? This is a question of fundamental importance. **Yet the question of profits and losses, in the full sense of both terms, has been replaced by that, simpler, of monetary gain or loss.**

We are entering a new era. The key challenge is obviously not to make a return to pre-modern times, as anyone can see that the various forms of religious or more largely identitarian fundamentalisms today are paths into regression. The approach we need to adopt is a virtuous spiral: holding on to the essential gains of modernity, including emancipation, freedom of conscience, individualisation, the

entrepreneurial spirit, etc., but leaving aside all the worst which modernity carries, meaning the double blind spot with respect to nature and ethics.

The aim is now to come back to our origins and fundamentally question what is meant by general interest and ecological challenges, ethically and discerningly. Any player attempting to sidestep this process (in particular companies), will inevitably find themselves unable to take up the challenges of the future.

By creating tools to measure profits and losses in the full sense of the term and enabling dialogue between stakeholders, we will create the conditions necessary for discernment. A company's information and assessment system should not be used solely to incorporate the purely monetary aspect. Alongside this, there are an ecological compass, a social compass and a qualitative compass that result precisely from stakeholder deliberation around the question “are we looking at beneficial or harmful activities?”.


This is what I call benefits-based accounting.

WE EACH HAVE A PART TO PLAY

It is a new approach that fully takes into account ecological and ethical issues and applies to all players.

The State, more than any other, cannot cast off this responsibility and consider itself but a landscaper of the economy which, in turn, would be determined solely by the question of value for money. A company cannot bear the situation of excessive competitive disadvantage when it is the only one behaving virtuously. For instance, if its competitors all continue to take advantage of tax havens and tax optimisation, the cost of its virtue will become too costly. It is here that the responsibility of political players comes in. Debate on this has come to a new turning point with Apple and its decision to be based in Ireland, where the tax rate is 0.005%. It is obviously hard to stand up to fiscal dumping of such proportions. Yet this is one of the key responsibilities of European policy-makers, who have the challenge of determining the playing rules. It is further the responsibility of the regulatory authorities to intimate that it is not enough to offer products at lower costs. There are also other playing rules that need to be taken into account: if a given economic player does not play by the rules of this game, it will be penalised from the standpoint of supply and, for instance, face taxes.

However, each party has its own responsibilities. While the State is in charge of building the systems that will protect society (social protection, security, etc.), the vocation of companies is to bring together people ready to take risks around specific endeavours, to invent, anticipate and uncover new forms of wealth creation. However, they must do so in line with ethical and ecological concerns, and while contributing to security-building and socially protective functions...even though these are not incumbent upon it and are taken on by the State.



Companies actively enable the togetherness of the societies in which they operate. As such, they are responsible for their own direct impacts, as well as their indirect impacts, which they must assess with their stakeholders. This is the sole condition for discernment. Rethinking the concept of profits and losses must be a central component to any CSR approach.

However, companies have another responsibility yet: specifically, to be able to understand the word “profession” in its full sense. The term combines the notions of “a calling” and “a vow”. A profession, when understood as both a pre-ordination and a statement of allegiance, is far more powerful than employment, which means “to be folded within”. Where a profession enables a life project to be accomplished, it is a chosen occupation, when all too frequently, employment is work engaged in under the constraint of necessity. In our societies, there exists a very large reservoir of profession-calls that do not necessarily lend themselves to market-style compensation. Hence the value in coming up with other forms of income, such as the contributive revenue suggested by Bernard Stiegler, who recognises the existence of a contribution that would be non-market-based and yet beneficial to society. Companies will be all the more creative and all the more capable of mobilising the emotions and intelligences of their employees if they help them serve their profession, their life's project, rather than merely going about a job.

Yet at the same time, companies should not go beyond their legitimate bounds and under no circumstances should they use the weakness of States to make their way into territory that is above all political and societal. They are not legitimately empowered to do so. Yet this remains one of the secular trends of companies today. For instance, the leaders of the World Health Organisation have clearly stated that global health policy is now being determined by the Bill and Melinda Gates Foundation, as a result of the disproportionate budget which

the foundation wields. I see this as an unacceptable incursion and feel there is no reason for the Bill & Melinda Gates Foundation be the sole voice determining global public health policy. In response, we need to apply de facto management principles, as defined by the Court of Auditors (Cour des Comptes): since the Gates Foundation is behaving as though it were a global public health player, it must also take up the responsibilities that come along with this. These include, for instance, entirely reviewing the membership of its Board of Directors so that all players in global public health are represented. In addition to guaranteeing full accountability, though, companies also have a primordial part to play. Politicians are fascinated by the business world. The more entrepreneurs and representative bodies adopt accountability principles, the more politicians will benefit from a dynamic pressure, i.e.: “if even young entrepreneurs are moving in this direction, we can hardly allow ourselves not to get the job done on our end”. Quite to the contrary, if the corporate world sends out no other message than “don't hamper us with ecological, social, etc. requirements, inordinate income inequalities, etc.”, then political leaders, already under heavy pressure, will be all the more likely to move in that direction.

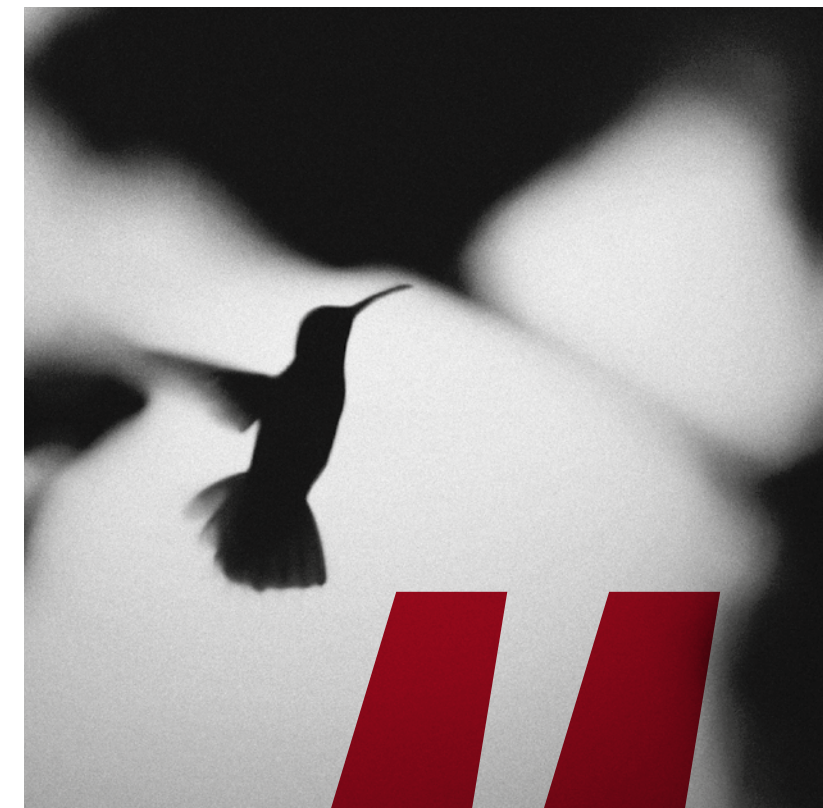
Fortunately, there is a currently an upsurge of creative forces ushering in the sense that the true corporate adventure will be all the more thrilling and all the more legitimate if it takes into account the above requirements. There exist a good number of new business players taking into account these perspectives, and a good number of players shifting the lines, like the Entrepreneurs' Parliament or the CJD (Young Company Leaders' Club).

Consumers and, more broadly speaking, civil society also play a key part: consumers, by no longer considering price as the sole purchase criteria, but by developing greater social and

environmental demands; and civil society, by serving as watchman to company behaviours, as reputation becomes increasingly strategic. Through its action, civil society has the ability to point companies in a new direction.

Lastly, the educational system has a decisive part to play by helping raise awareness in new generations. Will this be enough to take up, in a relatively short amount of time, the challenges we face as a result of unsustainability levels? I doubt it.

As the hummingbird in the legend said, “we all have to do our part”.



Corporate responsibility more than an obligation, a performance driver

by Benoît Gajdos, Senior Partner at Kea & Partners and
General Manager of CO, non for profit strategy consulting firm

“In the face of this changing world, the question of responsibility bears upon all of us, as citizens and as active members of the political scene, the administration or the corporate world. For companies, it is up to their leaders to take a stance and make bold decisions for the future.

Regarding the role of the company in society and the world's transformation, leaders have the choice between two stances. First, they can seek a compromise to reconcile as best possible the economic, environmental, social or societal imperatives they face, in a “disembedded”¹ vision of their firms, so as to better co-exist with society. This implies that other stakeholders and, in particular, the State, will serve as guarantors to the general interest and the common good. Or, they can look to more radically place companies at the centre of society and the biosphere, with the imperative of guaranteeing their lasting future.

1. Disembeddedness: a concept established by Karl Polanyi (1886-1964), a Hungarian economist specialising in Economic History and Anthropology.

Responsibility can be seen as an impetus for action or an outcome. It is conceived of either as a response that satisfies as best possible stakeholder expectations, or as the company's foundational and foremost component. It then becomes a driver for singularity and innovation, capable of creating a competitive edge and enabling companies to originate the standards that will apply to all others.

Balancing out the short- and long-term issues is of fundamental importance. What are the sometimes opposing issues on which leaders will need to arbitrate, most often making decisions that will play out well beyond their time with the company? What performance indicators should they select when a growing number of studies have shown that the companies most engaged over the long term outperform their market, yet at the same time, pressure for short-term results has not relented?

To find the best way forward, let us look back at the history of corporate social responsibility, putting it into perspective, shedding light on what that responsibility entails and offering some keys toward implementing it.

BENOÎT GAJDOS

An agronomics engineer and biologist, Benoît started his career as a researcher at Institut Pasteur. He moved to the world of consulting in 1990, when he joined Bossard Consultants.

He was one of the founders of Kea & Partners in 2001, developing CSR strategy and actions there since 2007.

Alongside his consulting work at Kea, he contributed to creating CO, the non for profit consulting firm to which he is the General Manager. In this capacity, he works with multiple structures in the social and solidarity economy.

co-conseil.fr

A BRIEF HISTORY OF CORPORATE SOCIAL RESPONSIBILITY

The history of companies since the 16th century has left behind three major legacies, which shape our understanding of responsibility today.

Stakeholders have exercised more and more pressure over time:

- > the State, by significantly tightening regulations,
- > customers, who are increasingly demanding when it comes to CSR,
- > the financial markets, through the widespread adoption of extra-financial ratings,
- > employees, who expect an increasingly responsible attitude and a strong commitment from their company,
- > civil society, which call out companies on their practices.

The scope of corporate social responsibility has considerably expanded.

Responsibility is no longer taken solely with respect to shareholders, but extends to many players operating in all areas: economic, social, environmental and societal.

The time scale has changed.

Companies' obligations, which used to consist solely of abiding by standards in their present-day activities, now include making up for past actions as well as engaging in acts of preservation, by becoming accountable for their actions in the future.

These forces combined have brought out two visions of corporate responsibility. The first, referred to as **disembeddedness**, is prone to liberal thinkers, and rests on the premise that the economic, social and environmental spheres each carry their own constraints. The aim is thus to strike a balance capable of minimising the negative impacts experienced by society and the environment. The second, known as integration or **embeddedness** sees companies, society and the biosphere as closely intertwined and holding opportunities for one another. The aim here is to develop synergies to maximise these positive impacts. Economic activity thus becomes inseparable from the social organisation that both makes it possible and restricts it.

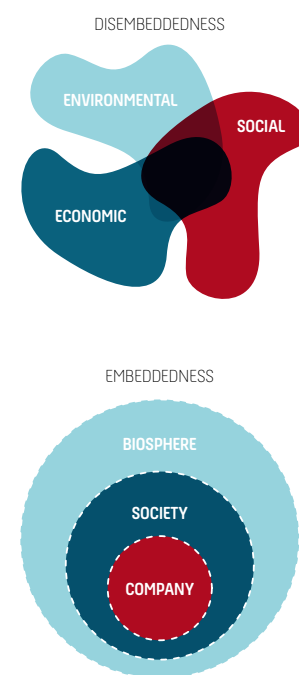


Figure 1: Two visions of corporate social responsibility

RESPONSIBILITY: BEING AN ACTIVE PLAYER IN SOCIETY

One eminently significant fact about the shift in process lies in the recent appeal issued by company leaders, heads of international organisations and leading academic figures to have the Civil Code modified, in order to incorporate into the articles defining the concept of corporate social responsibility the concept of "increasing and preserving common public goods"².

Ultimately, a company needs to ensure its own compliance, secure its long term future and contribute to the common good.

Being a player in society means taking action at all three of these levels and taking into account a growing number of stakeholders. This implies implementing three types of transformation, each operating according to its own logic (see Figure 2, page 25).

1. Being in compliance

The aim here is to curb the company's negative impacts on its stakeholders. Compliance is a requirement. It is governed primarily by national or international regulations and by soft law (standards, labels, initiatives and reference guidelines).

2. Securing the long-term future of the business

The aim of this transformation is to adapt the company's operations to the changes in the environment and society to secure its existence in the future, with a positive impact on direct stakeholders. This pertains to the ecosystem in its entirety.

3. Contributing to the common good

The aim here is for the company to contribute to the development of human beings and to enable them to live in the greatest possible harmony, taking into consideration demographic, environmental and economic changes. This level is the most far-removed from core business operations and raises uncommon questions, which most often go beyond its area of operation.



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responsibility

www.kea-partners.com/Revue-21-entreprise-responsable/histoire

2. Appeal in favour of a responsible market economy, *Le Monde*, 16 November 2016

1. Being in compliance

The scope of compliance is expanding relentlessly, in terms of both subject areas covered and individuals on whom it impinges in companies.

This thus demands that a definition be set out and that boundaries specific to each company be outlined. Which reference guidelines should prevail? Is the best rationale that of pure compliance with the regulations or one in which players strive to impose higher standards (the company Switcher, for instance, has chosen to offer full traceability on all the t-shirts it produces)? How should geographic disparities be addressed: by aligning with the most demanding country (running the risk of lowering competitiveness) or on the minimum in each country or region (running the risk of weakening the competition)?

Next to be attended to is risk management. What is the appropriate organisation mode (structure, processes, reporting) for implementing and securing compliance with the reference guides selected? How can the risk management culture be developed within teams? How should monitoring and perception of low-frequency signals be structured to anticipate and influence changes to the standard (regulatory or social)?

On the issue of organisation, while it does need to be adapted to a wider variety of environments with greater agility and autonomy on the part of teams, it is nonetheless a necessity to opt for a uniform policy. The impacts of non-compliance (financial or reputation-related) are such that overall optimisation is preferable to a rationale of purely local adaptation. The red zone⁶, that pertaining to compliance with non-negotiable rules, is significant and emphasis will be placed on securing ownership by the teams.

2. Securing the long-term future of the business

Central to the matter is the business model and how it can be adapted to environmental or societal developments, these changes often challenging, by nature, the very foundations of the business. Examples include: the move from the gas engine to the electrical engine in the automotive industry, the decentralisation of production in the energy sector, the shift to local production that is respectful of the environment and consumer health in agro-foods, etc.

Moreover, a cultural transformation is afoot in each trade. For instance, in purchasing, the long-term future of the segment and costs need to be taken into account concurrently. In marketing, visibility thus needs to be secured through resource-efficiency. Where performance management and institutional communication are concerned, the approach is far more systemic and less purely economic. In a good number of industries, the service and usage rationale is gaining ground, over the concepts of product, ownership, etc.

These changes are primarily the result of external forces: the environment, consumers, citizens, NGOs, the financial markets, etc. The internal forces are indeed of limited impact: only 12 % of company leaders deem that their investors expect to see CSR strategies develop in the business community and 34 % deem that more employees should take these responsibilities in this development in order to usher in a “CSR culture”. Consequently, the changes called for here show characteristics that make management more difficult. First of all, they often go against companies short-term interests, where costs or investments are concerned. Secondly, they do not form suddenly, but result from a gradual, often slow process, which requires that the former and new model co-exist (for instance: while hybrid vehicles or electrical vehicles are

developing, they still account for a very small minority of the market, and while price elasticity exists, it is not unlimited...). Lastly, the stakeholders most committed to CSR often work far from the company's core business, making these changes difficult to sense for the teams.

Fundamentally, the aim is to develop new business models which are expected, at least temporarily, to co-exist with other current models, even though they are antagonistic. From concepts to skills, organisations, partnerships, or performance measurement systems, it is sometimes necessary to fully reinvent the business before its offer can be transformed!

For this transaction to be successful, action must be shaped along four lines: a clear conviction on the part of the company leader, the search for a balance between an abiding present and a future remaining to be built, an educational effort and indicators to which to refer.

The company leader must show a clear and lasting conviction to strongly guide the company, as the uncertainties, changes in pace, and constant antagonisms are such that the need to transform can't be founded solely on rational criteria, translated into short-term objectives. For instance, Interface, the global leader in carpet manufacturing, could not have made its deep-set transformation without the engagement of its Chairman Ray Anderson who stated, from as early as 1997 “if we're successful, we'll spend the rest of our days harvesting yesteryear's carpets and other petrochemically derived products, and recycling them into new materials; and converting sunlight into energy; with zero scrap going to the landfill and zero emissions into the ecosystem. And we'll be doing well ... very well ... by doing good. That's the vision”.

6. See « Don't place all your bets on project model! » - Jacques Jochem - La Revue de Kea & Partners #3

7. “ Les meilleurs patrons misent désormais sur la RSE ” [The top company leaders are now placing their bets on CSR] we-rse.net October 2016

This transformation will require apt management of the long run and an effort to strike the right balance between a persisting present and a future that remains to be built.

Some existing activities or products will need to be gradually transformed as rules change, while the new products will have to be designed in line with the new reference guidelines, which will furthermore serve as proof of feasibility. Also to be taken into account is the, often slow, pace of development shown by the market and consumers so as to avoid getting into dangerous situations by over-anticipating, in particular during periods of high economic tensions. Decisions will also need to be made as events unfold, to redirect change as needed, in an environment that will remain difficult to predict.

Educational efforts with all teams will be of the utmost importance so numerous, complex and potentially anxiety-generating the issues will be, requiring much to be fundamentally re-thought. This effort will be aimed at moving the issues from the hallowed halls of expertise into a place of systemic approach in which all can engage, by “bringing the outside in” so as to speed up awareness.

Lastly, markers and milestones will need to be established so that everyone involved can find their bearings, by announcing and steering:

- > aims that are few in number and understandable to all,
- > action plans by function as well as cross-cutting action plans toward achieving them, > effort and performance indicators, measuring progress (percentage of product portfolio in line with the new criteria, percentage of upstream supply in line with demanding social and environmental criteria, level of CO₂ emissions, level of energy dependency, etc.).

These objectives and action plans may, where necessary, be made public, so as to heighten commitment from all corners. In this sense,

companies such as L'Oréal, Schneider Electric, Nestlé, Kering or Interface offer enlightening examples.

To foster the transformation process and efforts connected with it, the State will have a key part to play: providing incentives or establishing requirements where necessary, to set company behaviours in a new direction, basing their action on changes in consumer behaviours or financial market.

3. Contributing to the common good

The general interest has always been at the heart of discussion on companies (see complete article on the history of responsibility), even where it fell first and foremost within the realm of the States and, later, by proxy, the players in the social and solidarity-based economy. However, as the issues became more critical and likely to destabilise the world and societies (increase in global demographics, climate deregulation, declining biodiversity, heightening precariousness, population ageing, etc.) and the difficulty for States to address them alone, companies find themselves pressed to provide concrete responses to their role with regard to the general interest.

What's more, company stakeholders are shifting their stance in this direction. The younger generations tend to make the public interest a lifestyle choice, which as such influences: the employer for whom they choose to work, their engagement in volunteer activity - in France, volunteers from the active population now outnumber those from the retired population -, their enthusiasm for special training programmes and social entrepreneurship. Society (consumers, NGOs) increasingly pays attention to company action in favour of the general interest, which becomes an increasingly important reputation driver. As to companies themselves, 76 % of their leaders deem that the best way to address social and environmental issues is to tackle them together⁸.

8. CO-Ashoka Survey on Co-Creation in Companies, March 2016

Moreover, acting in the general interest, far from being incompatible with business concerns, quite to the contrary provides an additional manifestation of performance, as many studies demonstrate:

- > 83% of companies deem that profits and positive impact on society are compatible with their core business⁹
- > 66% of consumers would be ready to pay more for sustainable products or service⁹
- > 64% of consumers expect that brands contribute to a better society and 51% of consumers say that their loyalty will go to brands committed to building a brighter future¹⁰
- > Companies enjoy twice the degree of employee dedication when they are seen by the latter as responsible, yet, overall, employees see their employees as lacking commitment when compared to their expectations¹¹
- > In the United States, those companies that have increased their social investments by 10% or more saw their growth increase by 8.3 % on average between 2013 and 2015 (9% between 2012 and 2014) when the average for other companies was a 2.3 % decrease (+2 % between 2012 and 2014)¹²

The question is thus not whether companies should endeavour to contribute to the public interest, but indeed how. Considering the current complexity and maturity of companies, it is obvious that philanthropy (historically highly developed in the Anglo-American world) is no longer enough. Financial donations do not appear a better means of contributing, except in the view of 4 % of companies⁸.

Our experience stirs us to offer four key success factors toward making this transformation of companies a reality: making societal action an integral part of strategy, managing it as an investment and developing

new organisation and work modes.

Societal strategy needs to be fully integrated into overall strategy and not be experienced as an “aside” to business activity. It should be developed on the grounds of company legitimacy and skills, so as to be understood and supported by all stakeholders. By way of example, companies in the communications sector dedicate 39 % of their societal budget to the field of education (as compared to an average of 17 %), those in the healthcare sector invest 64% of the same budget to the healthcare sector (compared to an average of 26 %), etc.

Consequently, corporate social responsibility needs to be managed not as an expense, but as a focused investment maintained over time. The magnitude and complexity of the issues to be addressed are such that companies not focusing their investments would be spreading their resources too thin. The responses needed here in most cases remain to be invented and entail significant human and financial resources, to be managed according to an often multi-year schedule. Consequently, it is interesting to note that the number of projects supported by companies in the United States is regularly decreasing, attesting to a massification of investments¹².

And whenever investments are made, instruments of measure are never far behind. To estimate the societal impact of action undertaken, from the start, the best-suited reference guidelines (of which many are available) must be applied to each initiative, key indicators must be defined taking into account the capacity to track them and, lastly, those indicators must be subject to tracking... like any other indicator, meaning with the aim of ensuring they are effective and secure a good return on investment, and not only serve as a demonstration of good will !

In France, many systems encouraging investments in the general interest have been

9. “The Sustainability imperative” - Nielsen study, 2015
10. Brand Gagement Tilt Ideas/Epsy study, November 2016

11. Engagement Survey Nuova Vista/BeBetter&Co 2014
12. “Giving in numbers” - CECF, 2015 and 2016

set up. In particular, tax exemption policies make it possible for companies to engage at lower costs. Yet the level of engagement in France remains far below that posted in the Anglo-American countries, where the tradition is very strong.

Co-construction is a necessity and requires new organisation and work methods. Solutions remain to be invented and are not within the reach of any single player. All of them will require that complementary skills and cultures be added which, combined, will have maximum impact (57% of companies see co-construction as the most appropriate driver and 91% as one of the top three drivers¹³). While this work mode is widely-lauded, it does entail developing specific qualities, such as openness to different cultures or the ability to innovate and experiment¹⁴, and respect various stages of social innovation (conception, experimentation, modelling and thereafter deployment).

These project managing modes call for adjusted structures, as much from the operational, as from the regulatory and fiscal standpoints. The past few years have witnessed the emergence of both financial (endowment funds, impact investment funds, etc.), and operational structures, such as the SCICs (collective interest cooperatives) or JVS (social joint ventures), through which these new needs can be addressed.

	TYPE OF TRANSFORMATION	ADDED VALUE	TRANSFORMATION DRIVER	KEY SUCCESS FACTORS	KEY CHALLENGES	PRIORITY PROCESSES
3 COMMON GOOD	Change in company positioning and change in scope of action, beyond traditional activities	Social sustainability in the broader sense of the term	Meaning Corporate vision Desired values	Fundamental legitimacy Shift from a subsidy logic to an investment logic New work modes	Measuring the impact on operations	Co-creation Disruption Creativity Trial and error
2 SUSTAINABILITY	Cultural transformation, shifting jobs, business transformation	Growth in positive impacts	Business fragilisation Economic sustainability Adaptation to the competitive environment	Clarity in aspirations and objectives Ability to manage time horizons (anticipating versus responding to the market) Changing skills Measuring changes	Co-existence of multiple models	Business projects Stepping up cooperation and cross-cutting action
1 COMPLIANCE	Regulatory adaptation	Reduction in negative impacts	Risk Restrictions Cost	Choosing the level of compliance Creating a risk management culture and setting-up the related organisations	Challenge in predicting regulatory changes Proliferation	Formalising the red zone Steering deployment Compliance

Figure 2: Three transformations waiting to be accomplished

RESPONSIBILITY:
THE WATERS ARE RISING

These three levels of responsibility are changing swiftly and so-called “common goods” components are fast becoming compliance components, making it a necessity for companies to adapt, or even anticipate, at the expense of losing competitiveness.

A study on how companies have been taking on their responsibilities and become full-fledged players in society shows a number of secular trends emerging, as well as a general acceleration in the transformation phenomenon:

- 1. The number of companies developing actions at all three levels (compliance, sustainability and public interest) is on the rise.
- 2. Companies are focusing interest more particularly on their missions and their *raison d'être*.

> Many of them are including public interest thinking in their mission. As Michael Porter and Mark Kramer emphasize it¹³, “*Many companies are reinventing their raison d'être. They no longer see themselves fundamentally in terms of products or services, but through the prism of the societal needs to which their products or services offer a response*”.

> 24% of company leaders report having shifted their company's *raison d'être* over the last three years to bring them more in line with stakeholder expectations and 31% describe the said *raison d'être* as rooted in creating value for society¹⁴.

> Whereas these past few years, business leaders cited business and reputation-related factors as the grounds for their CSR policies, since 2014, the leading reason has been ensuring consistency in the company's mission and values¹⁵.

13. Fortune, August 2016
14. “Redefining business success in a changing world” - CEO Survey PwC - January 2016
15. Sustainability's strategic worth: McKinsey Global Survey, 2014

3. New legal statuses are developing to take all three of these levels into account: the Benefit Corporation in the US, SCIC (collective interest cooperative company), and SOSE (company with extended social purpose) in France.

4. The sums paid out by philanthropy to serve the general interest and number of corporate sponsorship programmes is growing, as much in France – between 2013 and 2015, the percentage of corporate sponsors rose from 12 to 14% overall and from 23 to 47% in intermediate-sized/consortia companies; their combined budget rose from €2.8 bn to 3.5¹⁶ – as in the United States: 55% of American companies increased the amounts they dedicated to sponsorship between 2013 and 2015, and 35% will be doing so in 2016¹².

5. The number of days of skills-based sponsorship grows each year, as does the number of employees involved. To illustrate, in the United States, the percentage of employees engaged through sponsorship or volunteering increased from 28 to 33% between 2013 and 2015¹².

What was acceptable yesterday is becoming unacceptable now and what was exceptional is becoming commonplace. In other words, “the water level is rising”: what used to fall within the scope of sustainability is becoming compliance, and what fell within the scope of the common good is becoming synonymous with sustainability. For instance, a few years ago, fair trade segments would develop in the name of the common good, when now, they are a matter of establishing an operation over the long-term, in many industries; where social policy is concerned, whereas membership in a mutual fund used to be considered a means of tending to the long-term future, by increasing employee loyalty, it is now a requirement; consumer information (about real estate, food products, etc.) used to be a competitive advantage serving the long-term, but are now an obligation).

16. Corporate Sponsorship Survey, Admical 2016

CONCLUSION

In 2004, Milton Friedman was able to say, “*the sole responsibility of leaders is to see to the profitability of their business, in the interest of shareholders alone. As such, CSR can only be tolerated on the condition that it is insincere, and hypocrisy is virtuous when it works to the benefit of profits and virtue is immoral when it does not work to their benefit*”¹⁷. Today, nothing could be farther from the truth!

Three major forces are creating positive tension and stirring company leaders and companies to become players in society:

Society:

Failure to take action means running the risk of lower competitiveness, in terms of image, business performance, or even production capacity. Yet beyond that risk management, taking action is a means of creating value, both economically (by lowering costs, securing value chains, price premiums) and in terms of reputation, with the consumers and employees who are increasingly attached to them and make them a pre-requisite for their loyalty and their engagement.

The regulatory authorities:

Not all fiscal and regulatory rules today are designed in such a way as to stir new behaviours and extended company responsibility. It is nonetheless more than likely that the legislative authorities show increasing care about facilitating change, by fostering experimentation with new models, instituting rules likely to stir virtuous behaviours, and by issuing, as a means of last resort, regulations that penalise the least responsible players.

Education

Consistent with the market’s historical rules, the educational system has long trained existing and future corporate players to respond solely to economic performance, measured using... economic indicators.

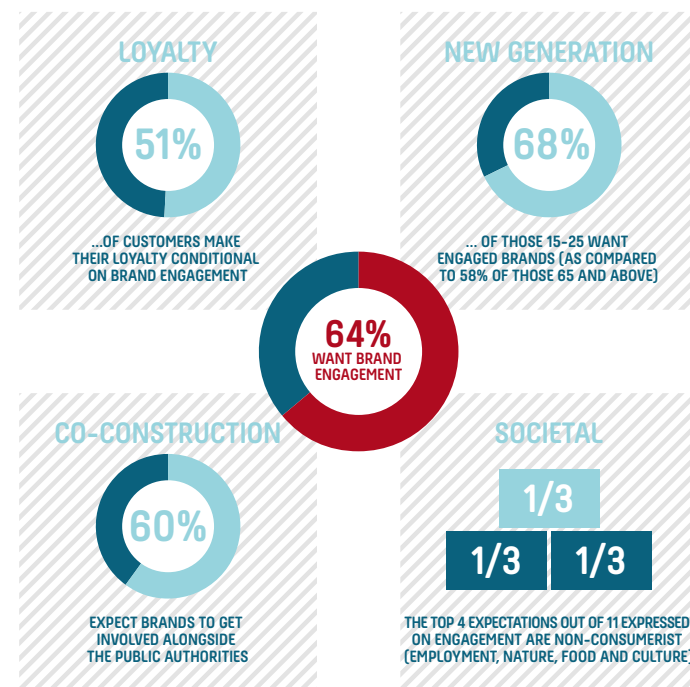
17. V. J. Bakan, *Psychopathes & Cie. La soif pathologique de profit et de pouvoir* [Psychopaths & Co. The Pathological Craving for Profit and Power], Montréal, Les Éditions Transcontinental, 2004, p. 44, quoted by M. Capron and F. Quairel-Lanoizelée.

This is no longer the case and most degree programmes offer broader responsibility approaches, with a more holistic vision of performance, exceeding the tight boundaries of business activity, and taking into account social, environmental, qualitative and quantitative criteria. The new generation of managers will thus bear these principles.

Just as NASA’s Gene Kranz said about Apollo 13, “*Failure is not an option*” for companies “*Irresponsibility is not an option*”.

Brand'Gagement: engagement as a pre-requisite for sustainable brands

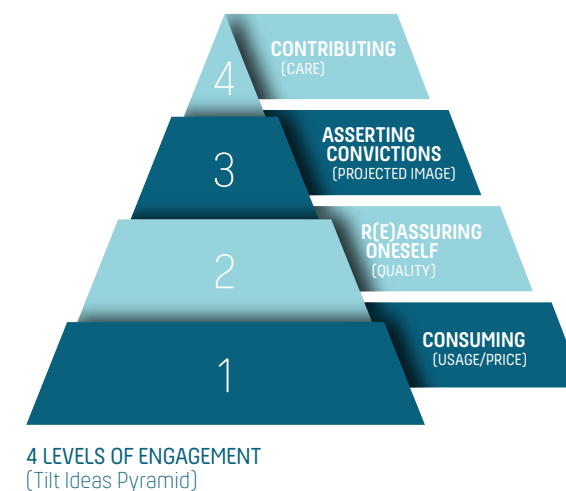
by Antoine Mahy, Director of Tilt Ideas, sister company to Kea & Partners, dedicated to innovation, brand and prospective research



BRAND'GAGEMENT SURVEY 9/2016

National representative survey of 1 000 French consumers, ages 15 and above (mainland France), surveyed on-line between 22 and 28 July 2016;

Representativeness covers gender, age, geographic location, socio-professional category, professional situation of the party interviewed and household income.



“Doing well by doing good”, that magic ode telling of blissful convergence between two irreconcilables: Being and Having. Yesterday the utopian vision of many an association, the endeavour to infuse economic undertakings with meaning has started to take on very concrete applications that announce another possible paradigm. So, is it a passing fad, or here to stay?

To offer some data, Tilt Ideas surveyed the French in 2016, through Brand'Gagement, a nation-wide quantitative survey. It probed their expectations of brands, in terms of meaning and engagement. The results are enlightening: 64 % of consumers want brands to make a positive contribution to a project for a brighter future. And 46 % of them are even ready to pay more for the same product/service, if it is shot through with some additional meaning!

And we have not heard the end of such requests, as the most fervent of them come from the young and the early adopters! That being said, the idea is not to risk slipping into a new form of purpose washing, but rather to embody an angle of social value, and build new business models in such a way that they too generate positive externalities. It is in this spirit that businesses are seeking to move up the meaning pyramid: to support the maturation of customer expectations, from the purely functionalist approach to contributing to an endeavour broader than them, with the brands as intermediary and not only the public authorities or associations.

The key then lies in the ability to harmoniously bridge the brand's image as crystallised through its history and culture, and a project for the future capable of mobilising individuals. That principle having been established, it will be time to work on understanding which project is the most engaging for a given target population. A splendid field is thus opening up to companies, invited to give a new shot of meaning to their offer, to establish them for the long term.

Taking responsibility for actions *past, present and future.*

*Interview with Thibaut Guilluy,
CEO, ARES Group*

by Benoît Gajdos, Senior Partner, Kea & Partners



WHAT IS MEANT BY A RESPONSIBLE COMPANY?

TG: Companies—just like individuals—are responsible for their actions. A company has the duty to take responsibility for its impacts on all stakeholders: employees, customers, suppliers, shareholders and, broadly speaking, the environment.

The leading responsibility of any company is to secure their long-term future so that they can uphold their commitments.

While shareholder expectations are widely acknowledged and not subject to debate, the issue is more complex when it comes to employees. Beyond honouring employee compensation, companies are expected to ensure that their men and women – their lifeblood – also thrive. It is thus of essential importance that they give meaning to the missions they assign. It is also important that they maximise the value of and develop skills in order to keep step with constantly transforming professions. As to customers, it is the quality of the offer and promise that needs to become the focus of interest. For instance, can Monsanto Group today claim, without going into detail, that its approach and services do not prejudicially affect

its customers? Currently, there are few services or products that could emerge without a supplier and partner ecosystem that incurs the company's value along the entirety of the value chain.

WHAT USE IS A SOCIAL COMPANY LIKE YOURS?

TG: Restoring the confidence of the most vulnerable populations has been Ares' purpose since its founding. Whether they be homeless, uprooted migrants, young people without qualifications, refugees or unemployed persons, we help them take aim at the obstacles that prevent them from working, so that they can find the way back to lasting employment. As a result, they become capable of actively shaping their lives. Our association's use and raison d'être lies in the fact that companies do not give due consideration to the question of social inclusion. We are there to respond to that unanswered need.

Taxation and our social protection model serve as a social safety net. However, company leaders should be asking themselves the question: what portion of responsibility should my company be taking on directly, and what portion should it delegate to third parties?

THIBAUT GUILLUY

Thibaut Guilluy is 40. Deeply stirred by the issue of social disenfranchisement, he founded his first integration firm in 1999, upon graduating from ESCP. He has been CEO of Ares Group since 2005. In June 2016, working in partnership with Investir and +, Vitamine T and Youbaky Ventures, he founded the association SocialCobizz, the purpose of which is to bring out a more inclusive society, by capitalising on and deploying the social joint venture model across a broad range of territories and sectors.

Ares Group is the leading player in integration via economic activity in the Greater Paris Region, its prime purpose being to foster the integration of individuals hit by major social disenfranchisement (the homeless, people without qualifications, disabled persons), by offering them work and social support adapted to them. "No one is unemployable": such is the belief central to the mission which Ares Group's employees have been pursuing for over 25 years.

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We have been operating for too long on a model that separates the economic from the social, when, by essence, companies are social.

It is my conviction that our system today is on its last legs. We have been operating for too long on a model that separates the economic from the social, when, by essence, companies are social. The work contract that unites two stakeholders offers the finest illustration of this. The divide between the two worlds can be seen, first, in the way business affairs are managed and profits ascribed to companies are owned (it is sometimes the first and only responsibility which company leaders and shareholders ascribe to themselves, to lay it on somewhat thick) – and secondly, the social aspects delegated to the State, through taxation.

COMPANIES ARE ALSO REFERRED TO AS “MORAL ENTITIES”. IT MIGHT BE RIGHT TO LOOK AT THAT EXPRESSION WITH A FRESH, LITERAL PERSPECTIVE. HOW CAN IT DEMONSTRATE THAT QUALITY OVER TIME?

TG: The future is our future past and the past our past future... companies need to be accountable for their actions over time. That is exactly what is meant by the principle of responsibility, with respect to the environment and to society as a whole.

Indeed, a company must shoulder responsibility for the mistakes it has made in the past. For instance, in cases involving asbestos or soil pollution, those who have caused the situation must be sought out and called upon to remedy the situation, in accordance with the “polluter pays” principle.

It is also important that they be able to project into the future and measure the extent of the negative externalities they have caused. For instance, if they have successfully safeguarded and even improved their employees’ employability, in the event that they have had to part with some of them, the impact will not be negative, or only to a minimal extent. If, however, they have not taken care of this aspect over the past twenty or twenty-five years, then unemployable people will end up on the

street, with very negative impacts, socially and economically. Companies must then make up for their shortcomings by “making up” for those impacts. If you do not make it a requirement that companies take responsibility for all their past actions, you cannot create responsibility for the future.

CAN A COMPANY TAKE RESPONSIBILITY FOR ALL THE CONSEQUENCES OF ITS SOCIAL AND ENVIRONMENTAL IMPACTS ALONE?

TG: What you are asking about is the distinction between individual responsibility and collective responsibility.

On some topics, companies can take action alone, while on others, they will have a preference for collective action, so as to impact the system more effectively.

When issues can be broken down into parts, so can the individual responsibility related to them, in which case, it must be brought to bear. The more the polluter is expected to be the payer, the greater the sense of responsibility and the more that polluter will do to find a way to remedy the problem. In contrast, when collective responses are provided to situations caused by individual responsibilities, that sense of responsibility fades. Why would a player inflict restrictions upon itself when its counterparts are sitting back and relying on the collective?

Even in multi-causal issues such as climate warming, there exists individual responsibility. Companies must ask themselves whether their contribution to the phenomenon is positive or negative. What are my positive or negative externalities? As a result, they will be able to work on their processes, procurement methods and working principles, to solve part of what is an overriding problem.

When no individual responsibility can be identified, it becomes society’s responsibility to take over, by imposing a tax or developing standards. It is here that the regulatory authorities come in.

DOES BEING RESPONSIBLE MEAN ONLY KEEPING TO THE STANDARDS IMPOSED BY THE STATE?

TG: The standard forms the collective framework that will later guarantee fair competition. It is needed so that the ways in which the various parties go about serving their responsibilities do not vary too widely. Where no standards exist, it becomes very difficult for companies to take on their responsibilities when others do not and, instead, count on the collective to do so. Europe is faced with this problem in free-trade agreements or WTO discussions, when countries with socially-advanced business models find themselves having to come in unison with Chinese or Indian models, for instance, which are not aligned to these standards. The result is a competitiveness gap.

Regulators can also take action via incentives. For instance, to address the issue of disabilities – a serious problem in society –, the Agefiph tax in France addresses the problem of inclusion in companies. Of their own accord, companies do not see any interest in hiring disabled persons. An obligation has thus been placed upon them, so that at least 6 % of their headcount is disabled. If they cannot or do not wish to comply, they must bear the cost.

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Some companies are proactive and take action in anticipation of the standards.

Some companies are proactive and take action in anticipation of the standards. One example is Eco-Emballages in the field of recycling. It is an association founded by a group of industrial players, spurred by Antoine Riboud at Danone and Jean-Louis Beffa from Saint-Gobain, with the aim of setting up a selective waste collection system and giving a second lease on life to packaging materials. In so doing, they made waste

management their own affair, so as to minimise its impact on the environment, without waiting for the law to place that requirement on them.

Another example is offered by L'Oréal, which kicked off a world-wide solidarity purchasing programme, Solidarity Sourcing, though it was under no obligation to do so. L'Oréal operates in environments where the communities are vulnerable, including: people in situation of disenfranchisement, with disabilities or minorities in certain developing countries. Seeing that these vulnerabilities were not letting up, Jean-Paul Agon decided, in 2009, that L'Oréal would do its part in an attempt to mitigate them. Now, the Group chooses its suppliers and service providers not only for their competitiveness or ability to respond to demands, but also because they can have a positive impact on these vulnerabilities. L'Oréal's is a proactive programme, in which companies take responsibilities that are set to become the standard in the very near future. The law ultimately imposes rules when problems persist for too long and individual players, including companies, do not have the capability or desire to solve them.

I believe in a system where the players get organised and propose their improvements and regulations unprompted.

Corporate proactivity is essential. I believe in a system where the players get organised and propose their improvements and regulations unprompted. This requires a spirit of responsibility and anticipation on the part of leaders. Legislators should not be there only to regulate and devise safety nets, via standards or taxation, aimed at players who have yet to take on their responsibilities. Where the standard comes first, there is significant risk that it will not be optimal.

IF IT IS UP TO COMPANIES TO DEVELOP THEIR RESPONSIBILITY, WHAT DO YOU SEE AS THE KEYS FOR THIS TO HAPPEN?

TG: Determination on the part of the leaders, a sound sense of time, cooperation and metrics are the four key words.

First point: there must be a strong, sincere drive, embodied by the company leaders. Setting out responsibility principles that no one applies in practice results in effects that are more damaging than the status quo. Responsibility is first and foremost a matter of personal ethics; the way those ethics play out in behaviours and in the company culture is thus central. Secondly, responsibility-taking is also conditioned by interest. I do not believe in responsibility for responsibility's sake alone. Ethics and interest work in synergy and must fuel the leaders' determination.

The second entry-point is the sense of time. Companies are required to report in accordance with a variety of time scales, but most frequently, with very short ones (yearly, quarterly), when where responsibility is concerned, the results can be felt only over the very long term. Company leaders must strike the right balance between those two time horizons.

Cooperation is, in fact, the third dimension on which work is required. The complexity of the issues in responsibility imply the ability to work as a community, with market players, NGOs, social companies, associations, etc. Forms of intelligence specific to working in partnership and cooperation are needed so as to foster cross-fertilisation between all players involved. Currently, programmes are being set up between major corporations and environmental organisations, even though their cultures, histories and interests are not necessarily aligned. Their cooperation is proving fertile, but it is also not always easy, and finding the way forward requires effort.

The fourth and final point has to do with metrics and showcasing. When I studied at ESCP, the concept

of IRR (internal rate of return) or the bottom line on the P&L were showcased as the golden numbers. However, if you give too much importance to these figures, without taking into account their negative externalities, this will inevitably lead to financial over-responsibility and irresponsibility in all other areas. If the company talks about social responsibility but calculates its bonuses solely on the basis of margin or profitability, its message becomes muddled to the point of unreadability. In order to move ahead on these issues of social responsibility, it is thus essential to choose the right indicators.

WHAT ARE THE BENEFITS, IN ADDITION TO MINIMISING RISK, FOR COMPANIES SHOWING A STRONG SENSE OF RESPONSIBILITY?

TG: First of all, their meaning will grow tremendously: as citizens, and thus as company customers and employees, we are currently floundering in search of meaning. If there is no cogency between a company's social purpose and the way it implements that purpose, then its message will backfire. In contrast, when companies assert themselves as responsible players, they build up their employer brand, respond to one of their employees' strongest aspirations and give them pride in belonging to the company.

Secondly, there are competitive advantages to be enjoyed on the market: Taking action concurrently on the economic, social and societal dimensions sets out a global virtuous performance circle – as defined by the CJD (Centre des Jeunes Dirigeants).

Interface, the world's leading carpet tile maker and distributor, sets the example in this respect. In the late 1990s, its leaders committed to achieving a zero-footprint on the environment by 2020. This triggered a series of decisions which, from the purely economic and short-term standpoint, would have been management errors: they invested several million euros in carpet tile deconstruction and recycling technologies, with an extremely low ROI when compared to the material recovered. In

the end, however, their wager as believing leaders gave more meaning to the company, its legitimacy and its credibility. On the way, they were able to boost their market share and achieve profitability levels that outstripped those of their competitors.

Financial and economic performance can no longer be disconnected from social, environmental and societal performance. Each of these forms of performance fuel one another, in a dynamic spiral.

By failing to set out on the path of responsibility, companies run the risk of unsettling their economic sustainability.

By failing to set out on the path of responsibility, companies run the risk of employee disengagement, customer wariness and the entry into effect of legislation and standards that will apply to them without their having been prepared... In the end, inaction means running the risk of unsettling their economic sustainability.

DOESN'T THIS BRING THE QUESTION OF THE END AND THE MEANS BACK TO THE FORE?

TG: Here, the company leaders' core convictions and positions prove essential: they need to believe above all in the company's *raison d'être*, the answer to its "why", and not automatically making decisions based on profitability.

Discussing new, so-called liberated business models, Frédéric Laloux explains in his book "Reinventing organizations"¹⁸ that a company's *raison d'être* is what guides its every decision and that all employees, whatever their level, should be able to contribute to it.

Money is only the sign that a company is in good health, it is only a consequence. Looking at it from the perspective of individuals, while the aim in life is not to be in good health, the latter is needed to make plans reality, build a family, etc.

18. Reinventing organizations: on the road toward inspired work communities - Frédéric Laloux - Éditions Diateino

For a company, the same is true. Many studies incidentally show that companies that do not make profits their foremost purpose are generally leaders on their markets, develop more quickly than others and generate higher margins. This is probably because their employee engagement is higher, decision-making is more efficient, and the organisational lines smoother.

Yet today, the dominant model pays little heed to the congruence between the deep-set well-being of employees and company ethics. Yet why would any individual choose to embark on an adventure if it meant going against his or her beliefs? Every study about engagement level, and especially the Gallup study¹⁹, shows that only 11% of employees see themselves as actively engaged in their company. Three to four times more employees are disengaged. This should give business leaders something to ponder.

YOU HAVE BEEN WORKING IN CO-CONSTRUCTION WITH COMPANIES FOR QUITE SOME TIME. WHY IS THIS?

TG: Working with an ecosystem of partners and stakeholders, you gain the opportunity to become aware of your responsibilities. Responsibility is best measured through the eyes of others, as only we do not necessarily realise the impacts we can have on others.

Working with an ecosystem of partners and stakeholders, you gain the opportunity to become aware of your responsibilities.

Ares' mission is to enable the disenfranchised to regain autonomy and dignity through work. As a result, in the course of our work, we often find ourselves operating in close conjunction with companies. We are at tool, a simulator, and a specialist, helping them become inclusive again.

When we succeed in demonstrating to them that we can develop high-quality, competitive services with people in vulnerable situations, they start to look at their own ability to manage those profiles differently.

Our country is in a paradoxical situation: the unemployment rate is very high, many people are considered unemployable and, at the same time, many companies are having trouble hiring...

We provide support and training to these so-called unemployable people until they are attractive enough as potential employees to companies. We build bridges between companies and ourselves. Through dialogue and close cooperation between them and us, we gain an understanding of the skills they need and learn together how to better manage the human fragilities involved, and better link them up with performance-driven thinking, without disconnecting the economic from the social. This is how we are able to bring those individuals back into the fray.

YOU ARE BEHIND THE CONCEPT OF THE SOCIAL JOINT VENTURE (SJV). EXACTLY WHAT IS THAT?

TG: Historically, integration companies wishing to engage in the social arena would develop their own market in various selected sectors. However, they did so less astutely than did traditional companies, as their know-how was first and foremost social. Whatever the area of activity, we will always perform less effectively than companies that have the know-how and all the resources on the market.

The core business we need to develop is supporting individuals and building their skills. When the business expertise of a major firm is brought together with the social and interpersonal know-how of a structure like ours, we can focus more on what we know how to do, without having to set up new mechanisms or a business model, because they already exist.

For companies, the undertakings in which we

engage together are vehicles for meaning, learning opportunities and enhancement, for their customers and employees, as well as in the way they approach and organise their markets.

From the operational standpoint, the marginal costs are on both ends. Social joint ventures are the most efficient way of addressing a social issue. They lead concurrently to cooperation and fertilisation, buoying up the social endeavour, in that they are more connected to the realities of the working and corporate world.

19. "State of the global workplace" Gallup Poll

**ANDREA D'AVACK**

Chairperson to the Perfumes and Beauty Division at CHANEL from 1997 to 2015, Andrea d'Avack now heads CSR and Advocacy at CHANEL and chairs the CHANEL Foundation, which he founded in 2011.

The CHANEL Foundation takes action to improve the social and economic living conditions of women and children.

Since 2016, it has also been engaged in promoting the role of women in art and culture. It does so by supporting and working with innovative general projects spearheaded by social associations and companies in Europe, the United States and internationally.

*Interview with Andrea d'Avack,
President of Chanel Foundation &
Global Head of Corporate Responsibility
by Arnaud Gangloff and Benoît Gajdos, Kea & Partners*

Luxury reinvented by CSR

IS THERE AN URGENT NEED TO RETHINK THE ROLE OF COMPANIES WITH RESPECT TO CIVIL SOCIETY AND SOCIAL, SOCIETAL AND ENVIRONMENTAL CHALLENGES?

ADA: From the consumer standpoint, we are at a crossroads, and where luxury is concerned, in a highly schizophrenic situation. If we take a look in the rear-view mirror, through the market studies and consumer studies available, we do not sense any great urgency. The issues we are talking about here only marginally affect luxury consumers. They do not necessarily connect luxury buying with responsible buying, once past the regulatory compliance aspect.

However, if we look ahead, and project what our consumers will look like in the future, I think we do have a duty to move ahead of the game. I think that a new generation is now rising, where people will not be able to substantiate that kind of buying unless they see that they are also contributing to something greater at the same time, something that goes beyond the product. We can thus expect to see some drastic changes in the years to come.

From a more global standpoint, the instability of our societies, caught between a secular progressive movement (respect for human rights,

environmental preservation, health and well-being, etc.) and sometimes uncontrolled inward-turning reactions, waning solidarity and sometimes violence toward entire communities, pushes companies to engage in more advocacy to take up the social and environmental challenges they face and fully shoulder their responsibility.

HOW DO YOU PICTURE A MORE RESPONSIBLE VERSION OF LUXURY?

ADA: Luxury needs to reinvent itself, taking into consideration the shift from possession into use.

All the parameters are now changing swiftly. First of all, what will define the concept of exclusivity tomorrow? Will it mean owning rare objects, or merely taking part in unique experiences? This is a radical change in the way we see luxury.

Secondly, the concept of quality and sustainability will come into play.

HOW DOES RESPONSIBILITY MATERIALISE AT A GROUP LIKE CHANEL?

ADA: Compliance, sustainability and *brand purpose*: those are the three factors that guide our day-to-day reality and general thinking on the topic.

Compliance is part and parcel of any luxury brand, being inherent in the concept of quality. It is an extended form of compliance which goes beyond regulatory compliance, and includes best practices specific to the sector and in constant motion.

For luxury brands, **the sustainability** of the business is of critical importance, as it raises three major questions: access to raw materials, preserving know-how and innovation.

We are currently engaged in an essential discussion about creation: in what way is it the source of the common good and what is our role within this?

95% of our products are derived from natural raw materials. We all share the conviction that the competitive war tomorrow will be waged around the supply of raw materials of exceedingly high quality. They are the very foundation of the creative act: without them, we cannot deliver the expected product quality. We thus need a vertical form of integration and control over the entirety of our *sourcing*, whether on the environmental, social or societal aspects.

Secondly, we pay extreme attention to preserving our know-how. This is central to creation, in fashion, jewellery and perfumes and beauty products. Today, we are trying to phase out the term luxury companies, and refer instead to cultural and creative companies. The European Commission is actually beginning to identify the cultural and creative industry as a full-fledged industry which

needs to be protected and championed. The preservation of our cultural and creative capital is absolutely vital in the mission and responsibility of any luxury brand.

Lastly, innovation is the area in which luxury will have to invest, as a necessity and a priority. We need to rethink the business in a completely innovative manner to invent products and services that catch customers off-guard, taking into account environmental restraints, social requirements and societal change.

We know that we cannot count on the States to secure our future. It is up to companies to take on that responsibility, meaning to shoulder the consequences of their actions, their behaviour on other and on the planet. However, deploying such a strategy within the company requires a very powerful cultural transformation.

This is a real topic of discussion within the Group. Fully taking into account the concept of sustainability already requires profound change – in behaviour, business priorities, investments and budgetary management – which needs to be managed and requires a great deal of energy. How can we add to this the requirement to make a positive contribution to society? How can we create the understanding that the aim of business lies elsewhere? The discussion has not yet reached a clear culmination as of today. However, we are increasingly convinced, through the discussions we have in-house that, ultimately, the only way to achieve this is by connecting it up with concept of **brand purpose**, so that it rings true with what we are.

We will not succeed in shifting the boundaries of business, securing the long-term future of our operations, or making a positive contribution, unless we also bring about a shift in the company's *raison d'être*. We are currently engaged in an essential discussion about creation: in what way is it the source of the common good and what is our role within this?

WHAT ARE THE MAIN DRIVERS TOWARD MAKING THIS TRANSFORMATION TOWARD GREATER RESPONSIBILITY? THE SHAREHOLDERS, THE MANAGERS, THE TEAMS OR THE EXTERNAL COMMUNITY?

ADA: Chanel is a private company that places sustainability above all else. It is obvious that it is a great facilitating factor. We do not have to demonstrate why we need to engage in long-term programmes with high-impact on the brand's attitude toward its customers and toward society, nor do we have to explain why our short-term objectives are not our very top priorities. The challenge always lies in moving from concept to action. And action is possible only on very concrete things, previously identified as feasible. Our challenge will thus be to choose those fields of action in which we enjoy credibility, where we can truly have an impact, and quickly secure results. To carry out this transformation, there needs to be a deep understanding of the topic, shared by top management. Top management has a dual part to play: first, it must let loose the initiative-taking spirit, and give *license to operate*; and secondly, it must help prioritise the initiatives put forth by the teams, in line with the strategies of each division and region.

CSR is not an extra something, it is a cultural transformation.

Concretely, it is the teams themselves that truly shift the lines today. We have real determination to initiate change, drawing upon our operational teams. This is fully consistent with what CSR means. It is not an additional activity, it is a cultural transformation that affects each and every individual in the company. The response we are now seeing is an unprompted, immediate and enthusiastic buy-in to this change process. Now, the obstacles are often budgetary in nature, or due to a lack of clarity on how to prioritise the changes which companies face today.

TO SUPPORT SUCH A TRANSFORMATION PROCESS, IS IT NOT NECESSARY TO ADOPT AN INNOVATIVE WORK PROGRAMME WITH SPECIFIC PRINCIPLES AND MEANS?

ADA: It does. We have put together a CSR plan that breaks away from our usual operating methods. It is built on a distinctive organisation, framework and resources:

A corporate vision that gives global consistency

At the corporate level, a small specialised task force which I facilitate is in charge of developing the CSR vision for the Group and brand, providing a methodological framework and fostering attainment of the objectives (guaranteeing consistency, coordinating and steering).

One framework, one strategy and one programme per division, with the aim of creating meaning


Leaving the lion's share of initiative-taking to the teams works only if the said teams are not left to their own resources. They need a framework to guide their action. It is up to the management teams in the Divisions and Regions, supported by one or two CSR experts, to take responsibility for setting the framework and general direction that give meaning to each individual's action, in line with the Division's or Region's strategy.

A network of operational change managers

We chose to put responsibility for the change in the hands of the operational teams. We did not create any parallel structures. In each of the divisions and on each of our major markets, operational managers take on, in their area, and in addition to their traditional professional activities, a role in steering the CSR transformation project. Today, in Paris, we have 80 ambassadors in the three divisions and, if we add up all the regions, around 150 people are actively involved in CSR transformation projects.

A fund allocating special financial resources

We observed that, during the first two or three years, the initiatives were able to generate savings just because people were working more efficiently



and consuming fewer resources. In the medium and long term, it will become necessary to make major investments, even when these do not provide immediate returns, or are not necessarily easy run economically. It is for this reason that we decided to create a fund to give operational players the resources which they would not otherwise receive via their annual budget. The fund offers the same financial impact overall as our carbon emissions. It makes it possible, very quickly, to support a project that falls within the framework of what we developed. It is working very well. We kicked it off in June 2016, and six months later, had already financed around fifteen projects. It is also a way to give visibility to management on these initiatives, which would otherwise be drowned in the divisions' budgets.

All in all, it is a cultural change. For the first time, the initiative is coming from the ground, with methodologies and tools to conduct projects that are shared by the divisions, which are in turn given incentive to work together, in cross-cutting fashion. The CSR programme is seen in-house as innovative in the way it plays out, like an open working mode, culturally apart from the rest.

HOW DO YOU MEASURE THE IMPACTS OF THOSE CHANGES?

ADA: As is the case with many companies, we are trying to determine how we can best measure what we refer to as our *social capital*. The company's performance needs to be seen in a much more holistic manner. These are discussions that currently remain very academic, because we do not know exactly what they concretely cover in the company's actual activities. The workstreams remain to be determined and we are truly only at the inception.

We do, however, have a tool that enables us to measure the impacts of our brand strategy: *brand equity*. The concept of *Brand Equity* rests on three pillars: the brand's spirit (impact and presence), its value

(assessed on a scale from one to ten) and its brand love factor (power of suggestion with customers, breadth of content).

Every year, a survey is run with a large client population, in a large number of countries. The development trend is analysed year on year, comparing with other competitors and the analysis is refined over time, taking into account even more qualitative factors, to estimate the brand's ability to generate desirability into the future. Obviously, as the world changes and with consumer pressure on CSR, *brand equity* will also measure a company's societal impact and, much more than a " rear-view mirror ", will become a potential assessment tool for the future.

Another question comes up, incidentally: what part should we play in educating consumers?

WHAT ARE YOUR RESULTS TO DATE AND MILESTONES AHEAD?

ADA: The first achievement was getting the company in motion. We are seeing multiple initiatives at all levels and observe clear clusters of success in the fields of *sourcing* and *retail*. Where *retail* is concerned, each new store that opens across the world is now certified LEED²⁰. Very few companies are engaged in it. Generally speaking, they label only one or two of the more prominent stores to keep their communication going. We are in the process of launching the LEED certification for the entire Perfumes and Beauty Division. It is a real commitment and is changing the way we design stores and in-store advertising, adopting a circular economy approach. It is important to understand that working on the stores' and POS' outfitting has major impact. In volume terms, we ship far more in-store advertising equipment than products. It is for this reason that we really took aim at that topic. While we are making progress, a tremendous amount of work remains to be done before the whole company can be said to be in motion on this challenge.

20. LEED – Leadership in Energy and Environmental Design is a set of standards on high environmental quality building design in effect in North America and created by the US Green Building Council – source Wikipedia

As to *sourcing* it raises the question of possible alliances with other companies. In some sectors, it is absolutely necessary that we work together as we have very concrete projects enabling us to solve the issue of production lines differently than a single brand might do alone.

BEYOND THE BORDERS OF ANY COMPANY, DOES CHANEL NOT HAVE A BROADER PART TO PLAY ACROSS THE SECTOR?

ADA: It does. We are already present in a large number of industrial bodies. Many of our employees take part in all the technical working groups on regulatory and *advocacy*.

The sector is very broad and includes both luxury brands and mid-range brands. It is important that, within these bodies, we defend the interests of the creative and cultural industry, which sometimes differ from those of the larger retail distribution industry. In other words, we have a part to play and an influence that often go well beyond our company's economic impact. This is a driver on which we also have a responsibility to uphold.



> Infographics sources found on pages 8 & 9

5 disruptive trends

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'Free-spirited excellence' such is our motto. Excellence is at the core of what we do but we do it with a free, independent and relaxed style.

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