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The key challenges of multinationals certifying as B Corporation

The case of Danone

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**THE KEY CHALLENGES OF MULTINATIONALS CERTIFYING AS B CORPORATION:
THE CASE OF DANONE**

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ABSTRACT

The B Corporations are a new type of company that commits to putting social and environmental goals at the same level as financial performance. The B Corp certification was initially designed for innovative SMEs which wanted to shape the future of business. To trigger a real shift in our economic system, larger companies need to join the B Corp Movement. Danone is the first multinational that will get fully certified in 2025. By now, they have already certified 50% of their net sales. This case study identifies the key challenges of MNCs joining the B Corp movement. It also highlights the organizational tensions faced by Danone in the journey to certification and how they managed such tensions thanks to the paradoxical approach.

KEYWORDS

HYBRID ORGANIZATION, ORGANIZATIONAL TENSIONS, B CORP, DANONE, MULTINATIONALS

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CASE STUDY- PART A

1. Introduction

“Finance should serve the economy, and the economy should serve society” (Marquis 2020b). Emmanuel Faber, the former CEO of Danone, is convinced that companies need to use their influence to trigger a shift in our capitalist economic model. The B Corp movement seeks to *“use business as force for good”* by considering all stakeholders’ interests in their purpose and value creation. By being the first multinational that will get fully certified in 2025, Danone is leading the way towards more environmentally and socially conscious businesses. Since the beginning, Danone has been a mission-driven company with the dual project of Franck Riboud and later the “Entreprise à mission” status. However, organizational tensions arose in the recent crisis that led to the ousting of Emmanuel Faber.

2. Understanding the market

In a report of the UN, researchers found that the food systems account for one-third of the global greenhouse gases emissions equivalent to 18 billion tons of carbon dioxide (The United Nations 2021). Another major problem of our society today is related to hunger. Indeed, in 2021, 811 million people or 9.9% of the global population still suffer from hunger and food insecurity (Action Against Hunger 2021). Those two alarming facts are triggering a food revolution around the world. To have a real impact, food multinationals need to take part in this revolution while helping to address society’s challenges correlated to their industry. Indeed, they can use their influence to trigger a shift along their supply chain from agriculture and farming until the final consumption (Ximena et al. 2016). Besides, consumers are increasingly looking for sustainable and socially responsible products. Indeed, 60% of consumers buy products and services from companies that are socially and or environmentally

responsible (Fromm 2020). Consumers (46%) tend to choose high purpose brands when they need to choose between two brands (Fromm 2020). To help consumers in their purchasing choices, eco-labels have been developed. In the food industry, we can see an increasing number of those labels such as Non-GMO Project Verified, Fair Trade, and Rainforest Alliance. Eco-labels encourage sustainable development in multinationals but lead to consumer confusion due to their increasing numbers, with over 200 labels in the food sector (Fromm 2020). The B Corp certification aims at certifying companies instead of products. It assesses all companies' activities. The certified companies meet the highest standards of social, environmental, governance, and public transparency requirements (B Lab 2021c).

A French food multinational, Danone, has been a pioneer in integrating the social and environmental causes in their mission. Danone is a global food company present in 120 markets. The company has four core businesses: Essential Dairy and Plant-Based products, Early Life Nutrition, Medical Nutrition, and Waters. In 2018, Danone SA had sales of approximately 24.7 billion \$ from which 19% came from bottled waters, 52% from essential dairy and plant-based products, and 29% from specialized nutrition including early life and medical sections (Marquis 2019). Throughout the years, Danone has developed a health-focused portfolio with the aim of being a key player in the revolution of the food industry while keeping its mission at the heart of the business and growing its positive impact on the global community and planet.

3. Danone

Background

Danone has always been a pioneer in its sector. Founded in 1919 after the First World War to tackle the problem of malnutrition, Isaac Carasso with the help of the Pasteur Institute developed an innovative product: yogurt. The product was already used in other parts of the

world but was new on the European market. He started selling it under the name “Danon” to pharmacies. The mission of the company was already focused on helping healthy digestion and promoting health (Danone 2016). In 1972, Antoine Riboud, a French businessman, stated in a famous speech that “the company’s responsibility does not end at the factory doors”. This speech was one of the first times the CEO of a large-scale company acknowledged the importance of people and the environment in a company’s responsibilities. He shaped a new aspect of corporate social responsibility by stressing the human side of business, too often put aside by large corporations. Antoine Riboud’s company (Boussois-Souchon-Neuvesel) and Danone merged in 1973. Daniel Carasso and Antoine Riboud created the ‘Dual project’ that still drives the company today. The ‘Dual project’ is a commitment to combine economic success with social progress. They favour industry at the service of people and the environment because “there is only one planet, and we live only once” (Danone 2021c).

In 1996, Franck Riboud became CEO, succeeding his father. He focused on the international expansion of the company by acquiring different foreign brands mainly in three areas of business: fresh dairy products, biscuits, and beverages. He also developed the Danone Way, launched in 2001, an internal tool encouraging the different business units to monitor their own performance combining business success with their responsibility to stakeholders and the environment. This tool helped Danone to keep track of the sustainable practices across their different businesses (Danone 2016). In 2006, Franck Riboud redefined the mission of the company “Bring health through food to as many people as possible”, strengthening Danone’s corporate social responsibility. Through innovation and expansion, Danone aims to provide healthy food to everyone in the world (Danone 2021c). In 2007, Danone developed the social business “Grameen Danone” in partnership with the Grameen Bank to tackle malnutrition in poor rural areas like Bangladesh. Following this initiative, they created three separate social business initiatives namely Danone Communities, Danone Livelihoods, and Danone

Ecosystem to give financial and technical support to innovative social businesses (Danone 2016). In 2017, Danone presented its new frame of action: “One planet. One Health.” promoting the development of quality products made from natural ingredients to protect the health of people and the planet. This new manifesto was presented by the newly appointed CEO in 2014, Emmanuel Faber. One year later, Danone introduced its nine 2030 Goals which are aligned with the United Nations 2030 Sustainable Development Goals (Appendix 2). These goals aim to drive sustainable value creation in the company through the business, brand, and trust models. With these goals, Danone has renewed its commitment to create positive social and environmental impact. In the business model section, one of the goals of Danone is to commit to growing as a B Corp. They wish to become the largest certified B Corp by 2025 (Danone 2016; Danone 2021a) (Appendix 5).

4. B Corps

B Corporations, or “B Corps”, are models of companies that create benefits for all stakeholders, and not just for shareholders. Their main aim is to *use business as a force for good* by having a positive impact on society as a whole. B Corps are for-profit companies that have been assessed and certified by the non-profit organization, B Lab. The role of B Lab is to ensure that B Corp certified companies meet social, environmental, governance and public transparency requirements through the B Impact Assessment (Appendix 9). The main three pillars of the B Corp certification are verified social and environmental performance, legal accountability, and public transparency (B Lab 2021a). A key feature of the B Corp certification is that it assesses the whole company and its practices, not only one aspect of it. This global and demanding assessment gives credibility and accountability to the certification and differentiates the certification with greenwashing marketing (Honeyman & Jana 2019). B Corps are examples of hybrid organizations which put at the core of the business social, environmental, and economic goals (Villela Garcia et al. 2019). Businesses are engaged with

their stakeholders to take their interests into account and to balance profit and purpose. They want to prove their commitment to a more sustainable economy and to goals that are not only financial. B Corps have to sign the *Declaration of Interdependence* that explicitly states that the B Corporation “creates benefit for all stakeholders, not just shareholders” (B Lab 2021f).

B Lab

B Lab is a non-profit organization created in 2006 by Bart Houlahan, Jay Coen Gilbert, and Andrew Kassoy. Houlahan and Coen Gilbert were the founders of AND1, a basketball-apparel company pioneer in sustainable environmental and social actions. After selling their business, they decided to create B Lab with Kassoy to help the shift to a better economy. Indeed, through their respective careers, they noticed that businesses needed a framework to grow while keeping their original mission and credible standards to distinguish good businesses from good marketing. They worked with attorneys, investors, and pioneer businesses in sustainability to develop the performance and legal requirement of the B Corp certification. In 2007, B Lab certified the first B Corps (Honeyman & Jana 2019). The main goal of B Lab is to accelerate the global shift of using the power of business to help address social and environmental challenges. Their mission is stated as follows: “*Our vision is of an inclusive, equitable and regenerative economic system for all people and the planet.*” (B Lab 2021a). B Lab acts on three important aspects: providing certification for companies doing good, encouraging responsible investments by giving ratings to investors and promoting new legal forms of business that are more accountable, and transparent to the public (Hiller 2013).

B Impact Assessment

To obtain the B Corp certification, companies need to complete the B Impact Assessment (BIA) which is verified by B Lab. The BIA is an online tool to evaluate the impact of a company on its different stakeholders and the environment. Access to the BIA tool is free for businesses.

The assessment process is divided into five sections: governance, workers, customers, community, and environment (Appendix 10). The BIA assesses the impact of the company's day-to-day operations as well as its business model. The number and type of assessment questions vary by company depending on size, industry, and geographic location. For each section, B Lab evaluates and scores the performance of the company. To become B Corp certified, companies need to score a minimum of 80 out of 200. After reaching the score and verification of documents by B Lab, the company has to pay an annual fee which is calculated from the annual revenue. Finally, the company is certified as B Corp and its ratings and reports are made available to the public on the B Corp website. Every three years, the company needs to update its B Impact Assessment and go through the verification process again to keep its certification (B Lab 2020; B Lab 2021h; Honeyman and Jana 2019).

The difference with Benefit Corporations

B Corps and Benefit corporations are not the same things, even if they are often complementary (Appendix 1). Legal Benefit Corporations is a legal structure present in the 36 states of the United States, Italy, Puerto Rico, Colombia, Ecuador, and the Canadian province of British Columbia. This legal framework provides protection for the social mission of the company. Besides, the benefit corporation legislation creates a mandatory requirement for corporations to be legally accountable to all stakeholders: shareholders, employees, customers, communities, and the local and global environment. (Clark & Babson 2012). By contrast, a B-Corp refers to a business of any legal form that has obtained the B Corp certification. Benefit corporations may choose to get certified as B Corps as well, but they are not legally required to do so (Mc Mullen & Warnick 2015).

B Corp Movement

The B Corp movement is becoming increasingly important. It started in 2007 with the first 82 companies being certified as B Corps. As we can see in Appendix 6, the number of certified B Corps has escalated between 2007 and 2016. With the increase of awareness about the B Corp movement, an increasing number of companies are getting certified. Between 2017 and 2019, the number of B Corps has increased by 35% (Diez et al. 2021). In July 2021, 4049 companies across 77 countries and 153 industries were certified as B Corps (B Lab 2021c). B Corps are mainly privately held small or medium-size businesses. 95% of certified B Corps have less than 250 employees (Marquis 2020a). In a study conducted by Cao, Gheman, and Grimes (2017), we can see that the most represented industries among certified B Corps are the service industry with 44% and the manufacturing industry with 15%. According to Honeyman and Jana (2019), there are currently more Certified B Corps outside the United States than American ones. B Corps around the world form a “community of leaders which are convinced that business can be used as a force for good”. The B Corp movement advocates for a shift to a stakeholder economy where companies are building a more inclusive and sustainable economy (B Lab 2021b). The B Corp movement gathers a community greater than the certified B Corps with thousands of benefit corporations, companies using the BIA to improve their impact, academics, investors, consumers, employees, and anyone who has an interest in building a new type of economy using business as a force for good. The movement proves that everyone can participate in the change and not only certified companies (Honeyman & Jana 2019). The B Corp movement claims that the government and the not-for-profit companies alone have insufficient means to address the urgent challenges faced by society today. There is a clear need for another type of business that contributes to this shift in our economy (Roth & Winkler 2018). This belief is in line with the concept of Shared Value developed by Porter and

Kramer (2011). Indeed, the concept of shared value focuses on the interconnection between societal and economic progress. It can be defined as follow:

“The concept of shared value can be defined as policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates” (Porter & Kramer 2011).

Multinationals and the B Corp movement

Initially, the B Corp certification was created for innovative small and medium-sized businesses. Recently, multinationals and public companies (MPC) started to have a growing interest in B Corps (Marquis 2020a). They have three main ways of engaging with the B Corp community. First, they can use the BIA online tool freely to measure and monitor their impact on society. They can also use this tool to assess their future acquisitions or supply chain decisions (Houlahan 2021). Secondly, they can join the B Corp movement through their subsidiaries. Indeed, they can either acquire a certified company, such as Coca-Cola and Innocent Drinks in 2013, or certify one of their subsidiaries, like Unilever and Ben & Jerry’s in 2012. Other examples of multinationals with certified subsidiaries are Procter & Gamble with New Chapter, Nestlé with Essential Living Foods, Campbell Soup Company with Plum Organics, SC Johnson with Ecover (Honeyman & Jana 2019; Marquis 2020b). Thirdly, multinationals are getting directly certified as B Corp. Among certified multinationals, there are both privately held companies such as Patagonia, an outdoor gear and equipment company and publicly-traded companies such as Natura, Brazilian cosmetic company. In 2004, Natura became the first publicly traded company to get the B Corp certification. With annual sales of 3billion \$, it was the largest B Corp at that time (Marquis 2020b). The certification of Natura was a real shift in the B Corp certification, mainly represented by small and medium-sized businesses. Natura showed the way to other large companies to get certified (Watson 2014).

Besides, some certified B Corps went public, making their initial IPO while being certified, namely Rally Software Development Corp in 2013 and Etsy in 2015. Unfortunately, neither of them has been recertified later. In 2017, Laureate Education which was both certified as a B Corp and incorporated as a Public Benefit Corporation, made an IPO and became the first publicly traded company to be legally incorporated under the Delaware benefit corporation legislation (Cao et al. 2017).

The certification for Multinational and Public Companies (MPCs)

The certification of MPCs is more complex due to several practical and institutional barriers mainly because of the design of the BIA. Besides, the corporate legal structure of large companies is more complex, and the legal requirements of B Corp are more difficult to apply to bigger structures, i.e. with several subsidiaries. Indeed, if a parent company gets certified as B Corp, it means that all its subsidiaries are independently certified and meeting the BIA requirements. Thus, B Lab had to review its method of certification as it was not fully adapted to large companies while keeping high standards of assessment (Bold 2016). In 2015, B Lab created the Multinational and Public Markets Advisory Council (MPMAC) which works on the main challenges of certification for multinationals. Their aim is to create a B Corp certification for MPCs that is both meaningful and manageable. After two years, the council designed ten recommendations to create a more efficient assessment process and increase the relevance of the standards for multinationals (Appendix 3). The goal is to ensure that B Lab and the B Corp certification scale with integrity (Houlahan 2021). Following these recommendations, B Lab selected a group of twelve multinationals to test and give feedback on the different recommendations (Freeburg & B Lab 2018). B Lab launched new requirements for the certification process of MPCs reflecting on the scale and complex structure of these organisations. For large companies (more than \$5 billion USD in revenue), B Lab decided to

add two steps to the certification process, namely the pre-screen and scoping phases. The first one aims at helping companies to know the likelihood of certification and their weak points before starting the process. The scoping phase provides companies with a clear plan of their future certification process, including the number of BIA they will need. Indeed, large companies will have to complete a ‘global headquarter’ BIA and several other BIAs for their different subsidiaries and operations. The scores are then combined to have a final overall score. To get certified, at least 95% of the overall operation must succeed the BIA (B Lab 2018a; Marquis 2020a).

B Movement Builders

Recognizing that the certification process for large companies is long and challenging, B Lab created the ‘B Movement Builders’ (BMB) in 2020. This program is a way for companies to engage with the B Corp movement by taking steps towards certification (Houlahan 2021). The B Movement Builders are a coalition of large companies (publicly traded and \$1billion in revenues) which are leading the way to systemic changes in our economic system by supporting long-term value creation for all stakeholders. B Movement Builders are on the certification path and are willing to already genuinely engage with the B Movement. They are committed to the principles of the B movement: (1) concrete actions backed by transparent assessment of performance, (2) dedication to audacious goals to create value for all stakeholders, (3) collaborate with others to create collective and greater impact (B Lab 2021e). The BMB program was first launched with four members: Bonduelle, Gerdau, Givaudan and Magalu. The program also counts two mentor companies: Danone and Natura which have already certified more than 30% of their operations (Ahl 2020). As the interest of multinationals in the B Corp movement is growing, Bart Houlahan, founder of B Lab, claimed that multinationals are already applying to be part of the next cohort of BMB. He is hoping that the BMB program will help the movement to scale with integrity (Houlahan 2021).

5. Danone and the certification process

The journey between Danone and B Lab started in 2013 with the acquisition by Danone of Happy Family, a certified B Corp specialized in organic baby food. Through their relationship with Happy Family, Emmanuel Faber, CEO of Danone at the time, started to hear about B Lab and realised the two organisations were following the same goal of shaping the future of business. According to him, the B Corp certification is the perfect expression of Danone's commitment to sustainable growth as well as the continuity of the dual project introduced by Antoine Riboud. The partnership between B Lab and Danone began in 2015 when Danone committed to using the BIA with its subsidiaries while helping B Lab to develop and test the certification for larger companies (B The Change 2018).

Danone North America

In 2016, Emmanuel Faber decided to create a new separate entity for the American part of the business, Danone North America. In 2017, Danone NA announced the acquisition of White Wave Foods, a US food and beverage company with a focus on plant-based and organic products. The newly merged entity of Danone NA and WhiteWave Foods incorporated using the new corporate form of public benefit corporation. By doing so, Danone NA became the largest public benefit corporation in the world, with annual sales of \$6 billion (Marquis 2019). Pursuing this path, Danone SA decided to set the goal of becoming a certified B Corp by 2025. At the same time, Danone started to pitch the B Corp certification to several of its subsidiaries. With the Danone Way, the company was already monitoring the different business units and their performance regarding sustainable and social practices. Therefore, they could target the top-performing business units and present them with the challenge of the B Corp certification. As of July 2021, a total number of thirty-nine Danone entities have earned the B Corp certification with an average score of 86,1 accounting for approximately 50% of net sales (Appendix 4) (Danone 2021a). The ambition of Danone, as presented in their 2030 strategic

goals, is to get fully certified by 2025. By doing so, they hope to contribute to make sustainable business mainstream and lead the way to new business models. As Danone is a big company, they believe they can drive big changes. Indeed, their ambition by getting certified is to inspire other companies to join the collective mission of “using business as a force for good” (B The Change 2018).

Entreprise à mission

This goal is supported by their recent change into an “Entreprise à mission”, meaning a purpose-driven company. The status of “Entreprise à mission” was created in the French law in 2019 to enable companies to add in their by-laws societal, environmental, and social goals in addition to the lucrative goal. The aim is to combine economic performance with a positive contribution to society. It can be compared to the status of a public benefit corporation (Ministère de l'économie, finance et relance 2021). In June 2020, Danone became an “Entreprise à mission” with 99.4% of their shareholders voting in favour of this change at the General Meeting. Therefore, Danone became the first publicly-traded company to be an “Entreprise à mission”, adding their mission ‘to bring health through food to as many people as possible’ in their status (Danone 2020). Besides, Danone added in their by-laws four goals: (1) impact people’s health locally, (2) preserve and renew the planet’s resources, (3) entrust Danone’s people and, (4) foster inclusive growth. Danone also had to appoint a mission committee to review and challenge their progress towards the different goals (Danone 2021b). The change of their status is in line with the goal to become fully B Corp certified by 2025. Indeed, the change of status ensures that the company is being monitored with rigorous and transparent standards in addition to the BIA’s monitoring (Danone 2020). With more than 50% of sales certified, Danone is on the right path to attain its goal to be fully certified in four years.

6. Future Challenges

Shareholder activism

Shareholder activism can be defined as the use by a shareholder of his equity stake in a company to achieve certain goals, mainly to bring change in the company such as a change of leadership or strategy (Cloyd 2015). On the 15th of March 2021, the board of Danone decided to oust Emmanuel Faber from its CEO and Chairman position. The board acted under the pressure of activist shareholders mainly Bluebell Capital Partners and Artisan Partners, holding together around 6% of Danone's shares. The main reason given by the activist shareholders is the poor financial performance and the 'disappointing' share performance of Danone compared with its main competitors, Nestlé, and Unilever (Appendix 7) (Abboud 2021a). One of the reasons can be explained by the covid-19 pandemic. Indeed, due to the lockdown and closure of restaurants, Danone experienced a significant decrease in the consumption of bottled water. Unilever and Nestlé suffered less from the crisis as their brand portfolio is mainly active in the household and food segments. Indeed, they are both present in the cleaning product, pet food, and coffee segments which boomed during the pandemic (Abboud 2021c). The weak financial performance of Danone was present before the pandemic. Indeed, as we can see in Appendix 8, the organic growth of Danone decreased and is under the average of the sector. A member of Danone's board highlighted the frequent organizational changes, five in seven years, to be a reason behind their poor growth as it is disruptive for companies. (Gansbeke 2021). Besides, Bluebell believes that the low stock price of Danone is due to poor operational record and questionable capital allocation (Abboud 2021c). The activist shareholders asked for the separation of the roles of CEO and Chairman, the departure of Emmanuel Faber as CEO, the selling of low-profit margin businesses and to slow down the restructuring plan. The Bluebell fund claimed that while they support the dual project and change to "Entreprise à mission" they feel that "Emmanuel Faber did not manage to strike the right balance between shareholder

value creation and sustainability” (Abboud 2021b). The future challenge for Danone will be to restore the balance between profit and purpose.

Tensions in the board

The former CEO claimed that the reason for his departure was more related to tensions within board members who used its environmental and social activism as an excuse to dismiss him.

Tensions started when Faber presented its reorganization plan “Local First” which aims at changing the structure of Danone along geographical axes rather than product lines. Indeed, this plan will trigger 2,000 job losses to reach a total of 7 million cost savings which will help Danone’s financial performance. The vote for this plan and later for the ousting of Emmanuel Faber spread tensions among board members because they struggled to find an agreement. The problems of Danone’s financial performance and leadership triggered a real governance crisis. In an interview, Emmanuel Faber stated that a reform of the board members was the most urgent next step for the future of Danone (Chaperon & Girard 2021).

Change of leadership

The change of leadership triggered by shareholder activists represents a huge challenge for the future of Danone. The board has chosen Antoine de Saint Affrique to replace Emmanuel Faber as CEO. He will have to reassure the shareholders by restoring growth among Danone’s different businesses. Danone will have to restore competitiveness in market segments where they are losing market shares or consider selling low-margin profit businesses. Besides, the new CEO will have to pursue the restructuring plan “Local First” initiated by Emmanuel Faber. Another challenge will be to reassure employees who have known many reorganization plans leading to instability and loss of talents among the group. Finally, he will have to find the right balance between purpose and profit (Cougard 2021). Indeed, the pursuing of the B Corp certification goal and other sustainable projects will be essential for the future of the company.

It's essential to note that following the ousting of Emmanuel Faber, the board reaffirmed its engagement towards its mission and the status of 'Entreprise à mission'. (Danone 2021d)

Certification and Recertification of subsidiaries

Danone NA recently completed the recertification process. Indeed, every three years, B Lab asks the existing certified B Corp to go through a recertification process. Danone NA got recertified in 2021, increasing its initial score of 85 points to attain 96 points (B Lab 2021g). The recertification of other subsidiaries will also demand time and money investments. Besides, Danone still has to certify roughly 50% of their net sales in the remaining four years to attain their goal. They started the certification process in 2017 and already certified half of their net sales. The challenge will be to keep up this pace and hope the change of leadership and restructuring process will not disturb this goal achievement.

7. Case synopsis

This case study enables us to understand the key challenges faced by a multinational going through the B Corp certification. It focuses on the specific organizational tensions faced by Danone in this process. Previous research has covered the B Corp certification mainly on the motivations to join the B Movement and the economic and social effects after the certification (Diez et al 2021). Besides, previous papers have mainly focused on small and medium-sized companies (Stubbs 2017; Villela et al 2019; Cao et al. 2017; Bauer 2017). The interest of MPCs in the B Corp certification has recently grown and few studies have analysed the challenges of the certification of large companies (Marquis 2020b; Bolad 2016). With the recent events linked to Danone, it is interesting to analyse the different causes and effects of the crisis that occurred last semester and resulted in the ousting of Emmanuel Faber.

Objectives

- A. The involvement of B Corps in creating shared value
- B. Organizational tensions faced by socially responsible businesses
- C. How the paradox approach contributes to the management of tensions

Courses applicable

With its focus on socially responsible ventures and businesses with a positive impact, this case study can be applied in the field of Corporate Social Responsibility and social business models.

8. Analysis

8.1. How does a purpose-driven company like Danone support ‘shared value creation’?

By integrating social and environmental goals in its core mission and incorporating as a purpose-driven legal entity, we can consider Danone as a hybrid organization. Indeed, hybrid

organizations generate both economic and social value to society. The Hybrid spectrum categorized organizations into four types from for-profit organizations that create social value to non-profits generating economic value through commercial activities. Danone can be considered as a Socially Responsible Business. Indeed, Danone has commercial activities and redistributes profits to shareholders while having a strong mission “One Planet. One Health”. Hybrid organizations often mention social goals in their mission statements (Alter 2007).

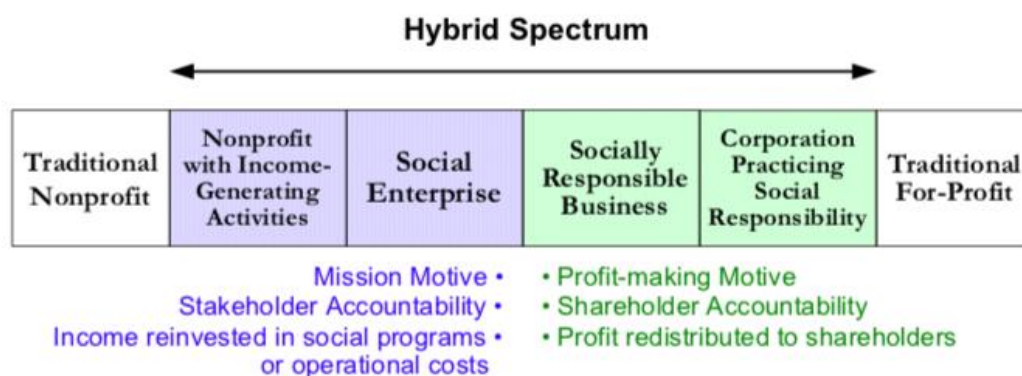


Figure 1- The Hybrid Spectrum

Source: Alter, 2007

Due to the duality of its goals, Danone is creating shared value (Porter & Kramer 2011). They are trying to solve major societal problems such as malnutrition and climate change in a profitable way. Danone is creating shared value by *reconceiving products and markets*. Indeed, in the last decades, Danone has focused its business on healthy products and nutrition. In 2000, Danone repositioned itself as a nutrition and health company by selling off the beers, meat, and biscuit business units and focusing on dairy products and water, and acquiring businesses specialized in medical nutrition and plant-based products (Pfizer et al. 2013). By doing so, their products are creating benefits for the society while contributing to their business success. Besides, Danone is *redefining productivity in the value chain* by improving their environmental performance. Indeed, Danone has enhanced its resource utilization. An example is their Packaging Policy which aims at creating a circular economy by using only reusable, recyclable,

and compostable packaging for their products (Danone 2021g). Danone also committed to CO2 emission reduction and using 100% renewable energy by 2030 as well as an investment of 2 billion dollars for climate action (Bansal, 2021). Besides, Danone is engaged to support regenerative agriculture among its farmers. Therefore, Danone is improving its environmental footprint in its supply chain. Finally, Danone is *strengthening local clusters* by enhancing local infrastructure and institutions. Danone is committed toward local communities. A great example is the “Danone Communities Fund” which was created to support social business and ideas in local communities (Danone Communities 2021). Part of this fund is the social business “Danone Grameen” created in collaboration with Mohammed Yunus to address the problem of malnutrition in Bangladesh (Pfitzer et al. 2013). The process of Danone to become certified as a B Corp strengthens the creation of Shared Value by integrating social and environmental goals and by committing to create value for all stakeholders and society. The B Corp model also assumes that certified companies pursue profits to enable the creation of a positive impact on society (Cao et al. 2018; Stubbs 2017). Since 2020, Danone has incorporated as a purpose-driven company integrating in their by-laws social, environmental and societal goals. The company is legally committed to create shared value and they are monitored on their progress (Danone 2021b).

8.2. What type of organizational tensions is Danone experiencing?

Socially responsible businesses have “a dual purpose of making profit for their shareholders and contributing to a broader social good” (Alter, 2007). This dual purpose causes organizational tensions due to the integration of social and environmental goals in a for-profit structure as divergent stakeholder motives and conflicting logics of purpose exist (Ebrahim et al. 2014; Battilana & Lee 2014). Managers of socially responsible businesses must constantly address diverging but interconnected issues leading to paradoxes. Indeed, the solution to one issue could be detrimental to another issue leading to a risk of unintended consequences (Hahn

et al. 2014). The organizational tensions can be explained through the paradox theory which defines paradox as persistent contradictions between interdependent elements (Lewis & Smith 2011; Hahn et al. 2017). In previous research (Smith & Lewis 2011), organizational tensions have been categorized into four groups: learning, performing, organizing, and belonging (Appendix 12). In the case of Danone, we can identify a *performing tension* in their attempt to consider the plurality of its stakeholders resulting in competing strategies and goals (Smith & Lewis 2011). Indeed, Danone is experiencing a paradox between the **short-termism** of managerial decision making, often linked to the focus on shareholder value, whereas sustainability focuses on the **long-term** benefit from businesses to the society (Hahn et al. 2014). The ousting of Emmanuel Faber was triggered by shareholder activists who were demanding better financial performance. Shareholder activists, especially hedge funds, usually target socially responsible firms because they identify CSR activities as wasteful as they do not maximize shareholder value in the short term (DesJardine et al. 2020). Danone has a strong CSR policy with long term horizon activities such as the implementation of regenerative agriculture (Radjou 2020). Besides, Emmanuel Faber is seen as a “titan” of the CSR movement in MPCs. Indeed, under his leadership, he has implemented the 2030 goals aligned with UN sustainable development goals. Danone also committed to CO2 emission reduction and using 100% renewable energy by 2030 as well as an investment of 2 billion dollars for climate action (Bansal 2021). This focus on CSR linked to a poor short term value creation can explain why Danone has been targeted by activist shareholders to trigger a change in leadership. However, in this case, neither Bluebell nor Artisan Partners have the profile of activist hedge funds only looking for short term profits at the expense of long-term sustainability. Indeed, both investors are committed to long-term investing and sustainability. They decided to challenge Danone’s leadership because of the company’s failure to meet its commitment to sustainability in support of its purpose “One Planet. One Health.”. They are an example of a new type of activist

investors that target companies which are not sustainably profitable, meaning they are not profitable therefore they cannot achieve their purpose (Eccles et al. 2021). The challenge of the future leadership of Danone will be to find balance between purpose and profit to avoid shareholder activist to target the company again.

As hybrid ventures grow, they face tensions of finding a balance between **global and local**. Danone is facing a paradox between global and local because of simultaneous influences related to its multinational structure and its local focus (Marquis & Battilana 2009). This tension can be categorized as *learning and organizing* as Danone is trying to reshape its organization while ensuring stability and efficiency in the future (Smith & Lewis, 2011). Indeed, Danone is facing increasing opposite tensions in its growth and expansion as they must balance local and global. On the one hand, the food revolution and consumer trends are asking for a focus on healthy and local products (Fromm 2020). Besides, the global pandemic proved the importance of resilience and local autonomy (Danone 2020b). Danone is already engaged with its local communities through different programs such as the supply of milk from local farms to make yoghurts in Belgium. By keeping a close relationship with local farmers, Danone hopes to keep a local anchorage (Danone 2021f). At the same, Danone is a multinational company, present in 120 markets and facing influences from its global presence.

In corporate governance, boards face a tension between **control** and **collaboration**, which represents a *belonging and organizing tension*. Indeed, there is a tension between the individualist tendency of control and the collectivist view of collaboration (Smith & Lewis 2011) (See Appendix 13). Taking a paradoxical approach to governance enables the logic of simultaneous need for control and collaboration. A control approach focuses on discipline with the board scrutinizing the decision-making. This approach promotes a separation of the role of CEO and Chairman to increase monitoring. Besides, the board has a great number of outsiders and independent directors to increase objectivity in decision-making. In a collaboration

approach, the board serves as advisors about the company's strategy. The board is composed mainly of insiders valued for their knowledge of the company. The role of CEO and Chairman is often taken by the same person to provide unity of command. We can identify Danone's governance structure towards a more collaborative approach with Emmanuel Faber being the CEO and Chairman at the same time and board members being mainly insiders of Danone. In collaborative governance, directors and managers tend to defend their collective decision making resulting in organizational decline when performance is low (Sundaramurthy & Lewis 2003). The recent decline in the performance of Danone triggered a reconsideration of the governance structure by balancing control and collaboration.

8.3. How is Danone answering these tensions? How should they answer these tensions?

The management of tensions is a fundamental determinant of an organization's future success (Denison et al. 1995). It can facilitate the simultaneous achievement of a firm's environmental, social, and economic goals (Joseph et al. 2018). Many scholars have studied how to manage and mitigate tensions in organizations. The contingency theory assumes that organizations need to achieve alignment or fit among internal elements and with their external environment by selecting among competing demands (Denison et al. 1995). The paradox theory gives an alternative approach to tensions by which organizations can attain long-term sustainability by meeting divergent demands simultaneously. The paradoxical thinking involves two steps: (1) the acknowledgement of tensions and (2) the strategy to manage simultaneous objectives (Hahn et al. 2015). The first is crucial as organizations have to acknowledge tensions triggered by the paradox of corporate sustainability priorities. The second step comprises three different strategies: acceptance, separation, and synthesis (Appendix 10). The *acceptance* strategy occurs when decision-makers acknowledge the two sides of the paradox and decide not to resolve it. This strategy does not seek to find a single strategy to resolve the paradox but will address each priority alternatively. The *separation* strategy separates the paradox spatially or

temporally meaning that decision-makers will address the priorities at different geographic locations or times. Finally, the *synthesis* strategy will meet simultaneous demands by linking or accommodating the paradoxical objectives (Joseph et al. 2018). Battilana et al. (2015) argue that tensions can be managed by letting space of negotiations to foster discussion and problem-solving in hybrid organizations. Concerning hybrid organizations, Hockerts (2015) argues that they can turn contradictory assets into advantages by finding complementaries.

Danone follows different strategies in the management of the tensions they are facing but mainly focusing on answering paradoxes through the synthesis and separation strategy.

Short term vs long term. Danone faces a tension between corporate short-termism of financial objectives vs long-term orientation for environmental and social purposes. The tensions are related to the different temporal aspects of environmental, social, and economic objectives. To manage this tension, Danone used a **separation** strategy by incorporating long-term goals in the core responsibility of top management. Indeed, in 2020, Danone became an “entreprise à mission” integrating long-term goals in their by-laws (Danone 2020a). Another strategy that is expected in the near future will be a strategy of **synthesis** in which Danone will restructure its corporate governance with members more forgiving when they are not meeting the short-term financial objectives. Indeed, when leaving the company, Emmanuel Faber confessed that the board of directors of Danone needed an urgent reform (Chaperon & Girard 2021). Besides, Danone should try to remain more independent from stakeholders that might jeopardize their long-term goals, such as hedge funds. They should focus on ‘patient’ capital from investors committed to their long-term vision (Hahn et al. 2015). To keep its positive impact on society, Danone needs to be economically prosperous (Porter & Kramer 2011). As Bart Houlihan (2021) mentioned, it is a question of balance between profit and purpose. Without financial improvement, Danone will not be able to invest in the long term and grow its impact.

Local vs global. To manage this tension, Danone developed a **synthesis strategy** by deciding on a new restructuring plan “Local First”. The plan focuses on restructuring the former organization of Danone along product lines with the traditional hierarchy structure to an organization along geographical axes. The plan will help Danone increase geographic proximity and local networks. Thanks to this plan, Danone will re-focus on local communities, which is also an important feature in the B Impact Assessment. It will also enable Danone to cut costs, estimated to 1 billion by 2023, and hopefully result in better financial performance (Danone 2020b). Danone also decided to strengthen its governance to support the Local First plan with a new strategy and transformation committee and the refreshment of the board towards greater independence, diversity, and expertise (Appendix 11) (Danone 2020c).

Collaboration vs Control. Low performance triggered a reassessment of Danone’s governance structure and the balance between collaboration and control. Using a **synthesis strategy**, Danone reconsidered its corporate governance structure. Before, Danone was clearly more in a collaborative approach with the CEO duality and insider board members (Sundaramurthy & Lewis 2003). Following the governance crisis and to support the new “Local First” plan, Danone took several decisions to modernize its governance structure and increase independent members in the board. In early March 2021, Danone’s board of directors decided to separate the role of CEO and Chairman, formerly the same role occupied by Emmanuel Faber (Danone 2021d). This decision is in light of the governance crisis that Danone is facing. Besides, it was one of the demands made by activist shareholders. Artisan Partners, one of the activist shareholders, stated that:

“The role of CEO and Chairman should be split to reflect modern-day corporate governance. Governance standards also require that prior leadership leave the board. And logic demands more consumer goods experience on the board of directors” (Askew 2021).

Following the decision to separate the roles, Emmanuel Faber was ousted, first as CEO and then as Chairman. The board also decided to freshen up the board by replacing the different members gradually within the next two years (see Appendix 11). Franck Riboud, a former Chairman and CEO, will step down as board member in April 2022. Besides, at the 2022 and 2023 shareholder's meetings, the elections of new directors will take place to constitute a brand-new board of directors with twelve members (Danone 2021e). Danone's new Chairman, Gilles Schnepp, stated that Danone will focus on increasing the independence and diversity of the board while clarifying the working principles of the directors in the light of a separated governance framework. The change in leadership combined with better corporate governance will strengthen Danone's performance and mission (Barzic & White 2021).

8.4. What are the main reasons for the ousting of Emmanuel Faber? What will be the impact of its ousting on Danone and its mission?

The main reason for the ousting of Emmanuel Faber as CEO and Chairman is linked to its poor management and leadership in times of crisis and organizational tensions. Smith et al. (2012) argues that leaders of socially responsible companies must manage conflicting tensions that arise from their dual purpose in order to succeed. Besides, they researched the skills needed for social leaders and developed a paradoxical leadership model for social organizations. Leaders need three essential metaskills to embrace competing demands : acceptance, differentiation and integration (Appendix 14). Faber's leadership lacked *differentiation* and *acceptance* meta-skills which leads to the main challenge of balancing financial viability and mission. The main reason for its ousting was the bad financial performance of Danone. Indeed, Faber did not manage to maintain commercial viability which is essential to finance the social mission. Activist shareholders identified this weakness and demanded a change of leadership (Eccles et al. 2021). Danone needed a new leadership to manage organizational tensions and hopefully regain financial performance. Concerning the impact on Danone and its mission,

they will perdure. The legacy of Emmanuel Faber, especially the status of “entreprise à mission”, will ensure that the next CEO will continue to fulfil Danone’s mission and commitments. Even if Faber represents an example of leadership by initiating the shift to a purpose-driven company, the system change will require more than a heroic CEO. Our society needs a radical system change that can only be attained if there is common action (Johnstone-Louis & Chairman 2021). That’s why the certified B Corps are engaged in using business as a force for good by working together to drive a system change. Therefore, the ousting of Faber will not affect Danone as their mission is protected and they are committed to their social and environmental goals. Hopefully the change of leadership and stronger governance will trigger better financial results to finance Danone’s mission. Only the future will tell us.

9. Conclusion

Danone will become the first multinational to be certified as a B Corp. As the interest is growing among other multinationals, this case study highlights the journey of Danone towards certification with its key challenges. It mainly focuses on the key challenge of the management of organizational tensions faced by socially responsible businesses. Also, it shows how purpose-driven companies can create shared value and trigger a shift in our economic system. Finally, it analyses the main reason for Faber ousting and the challenges linked to paradoxical leadership. This case can help other multinationals to understand the B Corp certification and organizational tensions related to hybrid structures.

LIMITATIONS

This case study focuses on the case of Danone which is a great and actual example of a multinational going through the B Corp certification process. Due to its size, international recognition and single history, this case study cannot be generalized to other companies,

industries, or markets. Besides, as the crisis in Danone's leadership and governance is quite recent, consequences will arise in the future and should be analysed in future research.

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**THE KEY CHALLENGES OF MULTINATIONALS CERTIFYING AS B CORPORATION:
THE CASE OF DANONE**

APPENDIX

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Appendix 1 : The difference between Benefit Corporations and Certified B Corporations

What's the Difference?

Issue	Benefit Corporations	Certified B Corporations
Accountability	Directors are required to consider impact on all stakeholders	Same
Transparency	Must publish a public report of overall social and environmental performance assessed against a third party standard*	Same
Performance	Self-reported	Must achieve minimum verified score on B Impact Assessment
		Recertification required every three years against evolving standard
Availability	Available for corporations only in 30 U.S. states and D.C.**	Available to every business regardless of corporate structure, state, or country of incorporation
Cost	State filing fees range from \$70-\$200	B Lab certification fees range from \$500 to \$50,000/year, based on revenues
Role of B Lab	Developed model legislation, works for its passage and use, offers a free reporting tool to meet transparency requirements. No role in oversight	Certifying body and supporting 501c3, offering access to Certified B Corporation logo, portfolio of services, and vibrant community of practice among B Corps. To learn more about B Corp certification, visit www.bcorporation.net .
<p>* Delaware benefit corps are not required to report publicly or against a third party standard</p> <p>** Oregon and Maryland offer benefit LLC options</p>		

Source : Benefit Corporation. 2021

Appendix 2 : Danone 2030 goals



Source : Danone 2021a

Appendix 3: The 10 recommendations on B Corp certification for large multinationals

Process:

Recommendation #1: B Lab should establish a more formalized upfront scoping and screening process that includes the ability to receive a “pre-screen” indication of the company’s likelihood of qualifying for the Certification.

Recommendation #2: B Lab should create separate “global” and “subsidiary” versions of the B Impact Assessment that can be distributed and combined, allowing the entire organization to be assessed comprehensively and efficiently.

Recommendation #3: B Lab should develop tools and partnerships that make completing the BIA more efficient for multinationals by allowing collaboration and relying on pre-existing data and reporting.

Question Content:

Recommendation #4: B Lab should develop new or improved questions in the B Impact Assessment on the following topics to appropriately evaluate and drive improvement among multinationals:

- Stakeholder Engagement, Materiality, and Human Rights
- Lobbying, Political Contributions, and Tax Management
- Community Investment
- Supply Chain Impact Management
- Environmental Life Cycle Impact
- Product Stewardship and Customer/Consumer Impact

Verification:

Recommendation #5: B Lab should rely on independent verification of a company’s performance on the B Impact Assessment, including the use of third party assurance providers and/or the exploration of a “crowdsourced stakeholder-based” verification model.

Recommendation #6: B Lab should utilize independent verification when investigating sensitive or controversial practices or issues that arise through the B Corp Certification disclosure process.

Requirements:

Recommendation #7: In addition to the current requirements to achieve B Corp Certification, B Lab should also require that multinationals meet certain baseline requirements around governance of material social and environmental issues and stakeholder engagement.

Recommendation #8: MPCs should be required to have 95% of their overall operations assessed, with an overall weighted score greater than 80, in order to be certified. They must also have impact improvement plans for low performing units or subsidiaries and demonstrate improvement in those units over time.

Recommendation #9: B Lab should create a more efficient recertification process that alternates between a streamlined and comprehensive assessment update and verification. B Lab should also create remediation timelines that allow multinationals to engage in mergers and acquisitions that might reduce their overall score in the near term but allow them to improve the social and environmental performance of new entities over time.

Recommendation #10: B Lab should require multinational B Corporations to make transparent their overall score, the scores of their underlying units and subsidiaries that have completed a separate BIA, answers to the top twenty-five highest point-earning questions for each unit or subsidiary, information regarding the material practice requirements highlighted above, and a tax position and government affairs statement.

Source : B Lab 2018a

Appendix 4 : Danone’s entities certified as B Corps with their respective scores (as of July 2021)

 DANONE Waters Argentina	88.7 BIA SCORE	 DANONE Waters Germany	83.6 BIA SCORE	 DANONE Waters Spain	85.2 BIA SCORE	 DANONE Waters America	81.7 BIA SCORE
 Volvic	81.1 BIA SCORE	 DANONE Evian & Volvic Switzerland	81.3 BIA SCORE	 AQUA	85.9 BIA SCORE	 DANONE WATERS BENELUX	86.4 BIA SCORE
 DANONE WATERS U.K. & Ireland	95.7 BIA SCORE	 SALUS	81.1 BIA SCORE				
 DANONE North America	84.9 BIA SCORE	 DANONE Canada	83.4 BIA SCORE	 DANONE United Kingdom	86.2 BIA SCORE	 DANONE Netherlands	89.4 BIA SCORE
 DANONE Belgium	84.2 BIA SCORE	 DANONE Japan	85.3 BIA SCORE	 DANONE SpA	82.0 BIA SCORE	 alpro	106.3 BIA SCORE
 DANONE Iberia	86.2 BIA SCORE	 DANONE Ireland	81.1 BIA SCORE	 LES PRESIDENTS BIO	126.8 BIA SCORE		
 DANONE ELN Greater China	88.2 BIA SCORE	 blédina	83.1 BIA SCORE	 HappyFAMILY	107.3 BIA SCORE	 DANONE SPECIALIZED NUTRITION BENELUX	96.4 BIA SCORE
 DANONE NORTH AMERICA	84.9 BIA SCORE	 NUTRICIA • Bagó	82.0 BIA SCORE	 DANONE SN Italy (Nutricia & Mellin)	83.0 BIA SCORE		
 La Laiterie de Berzy	99.6 BIA SCORE	 DANONE MANIFESTO VENTURES	87.9 BIA SCORE	 গrameen ডানোন Grameen Danone	109.5 BIA SCORE	 DANONE Egypt	81.6 BIA SCORE
 DANONE Brazil	84.7 BIA SCORE	 MICHEL & AUGUSTIN Les traditions au goût	87.1 BIA SCORE				

Source : Danone 2021a

B Corp is more than a certification



It's a certification

Like the AB or FairTrade label, but which applies to all company activities.



It's a vision

A better way of doing business - better for the environment, better for our employees, better for our customers/suppliers/consumers.



It is a legal commitment enshrined in our statutes:

« to have a positive and significant societal and environmental impact, in the context of its commercial and operational activities. »



It's a movement

B Corp is a community of companies working together to make a positive impact on the planet and people.



It's unique

It is a label that meets the most demanding criteria in terms of performance, corporate responsibility and transparency.

B Corporations are for-profit companies certified by the nonprofit B Lab for meeting rigorous standards related to



Workers

Inclusive & embedded values in day to day



Environnement

Environmentally friendly in everything we do



Customers

Producing and Managing value and impact for customers



Governance

Accountable & transparent



Community

Generous with our time and resources in the community

Source : Danone 2021a

Appendix 6 : Number of certified B Corps around the world in 2007-2016

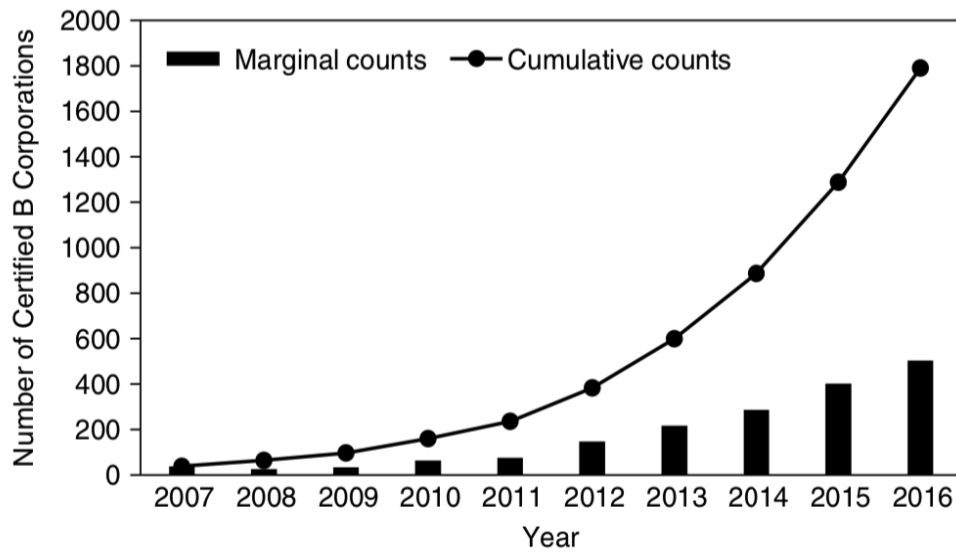


Fig. 1. Count of Certified B Corporations Worldwide, 2007–2016. *Source:* Authors’ analysis of certified B Corporations as of December 31, 2016, using data scraped from the B Lab directory in January 2017 ($n = 1,789$).

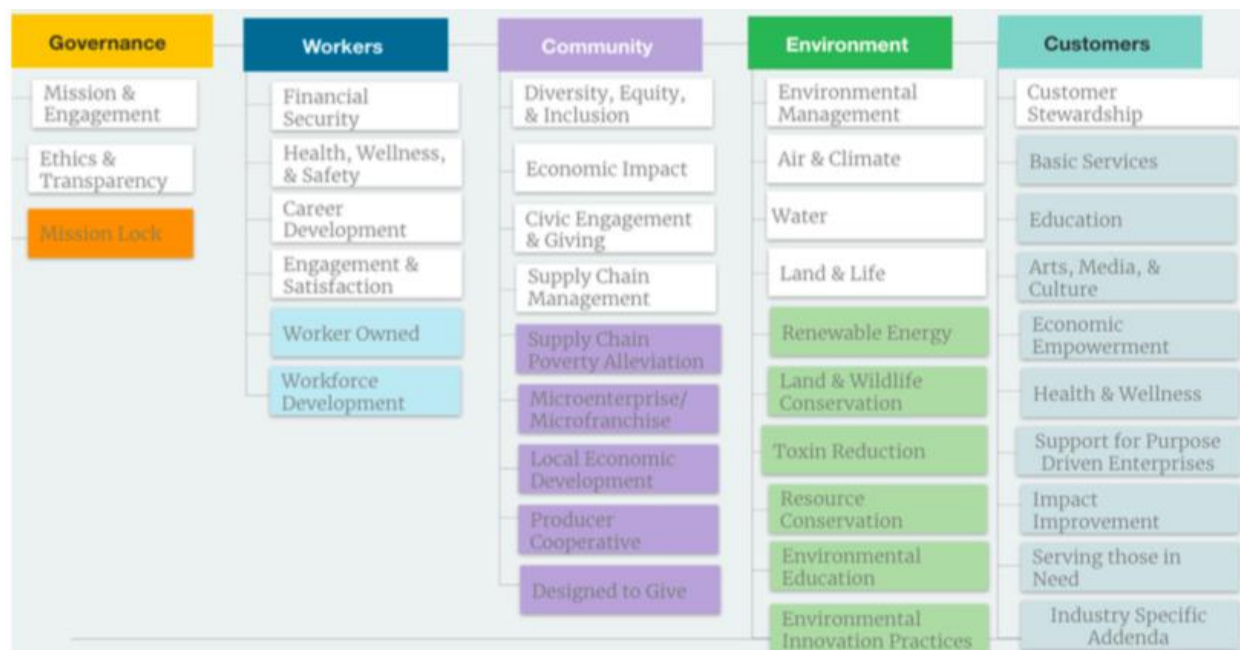
Source : Cao, K., Gehman, J., & Grimes, M. G. 2017

Appendix 8 : Danone’s organic growth and spending on ad and marketing



Source : Abboud 2021b

Appendix 9 : The B Impact Assessment areas



Source : B Lab 2021h

Appendix 10 : Tension management

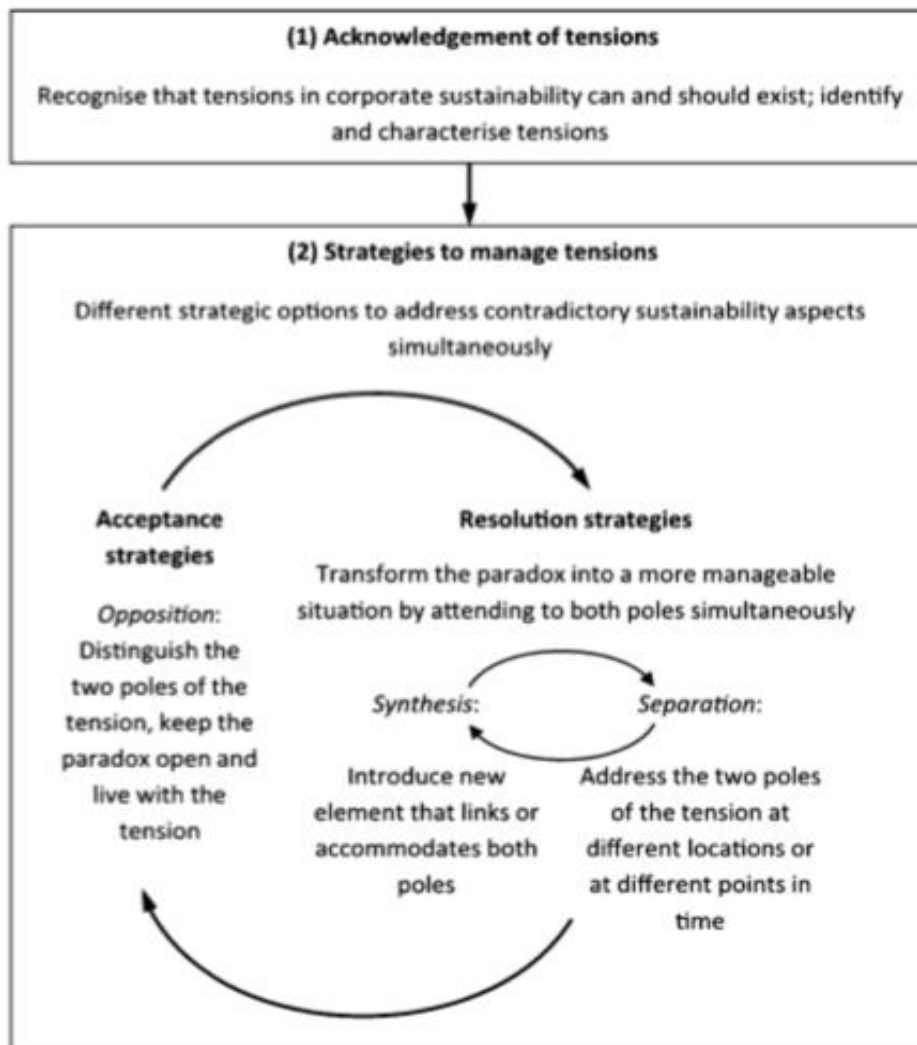


Fig. 1 Tension Acknowledgment and Tension Management. Reproduced from Hahn et al. (2015, p. 300)

Source : Hahn et al. 2015

Appendix 11 : Danone Board composition (29 July 2021)

Composition of Board of Directors

Since Danone's 2021 Shareholders' Meeting, the Board of Directors has been composed of 13 members, of which 11 Directors elected by the General Assembly, and 2 Directors representing employees, the latter not being impacted by the Governance changes announced on July 28.

Nordi Benassem, delegate of the Social and Economic Committee of Danone SA, also attends the Board of Directors' meetings in advisory capacity.

Among the Directors appointed by the Shareholders' Meeting, 73% are independent and 45% are women.

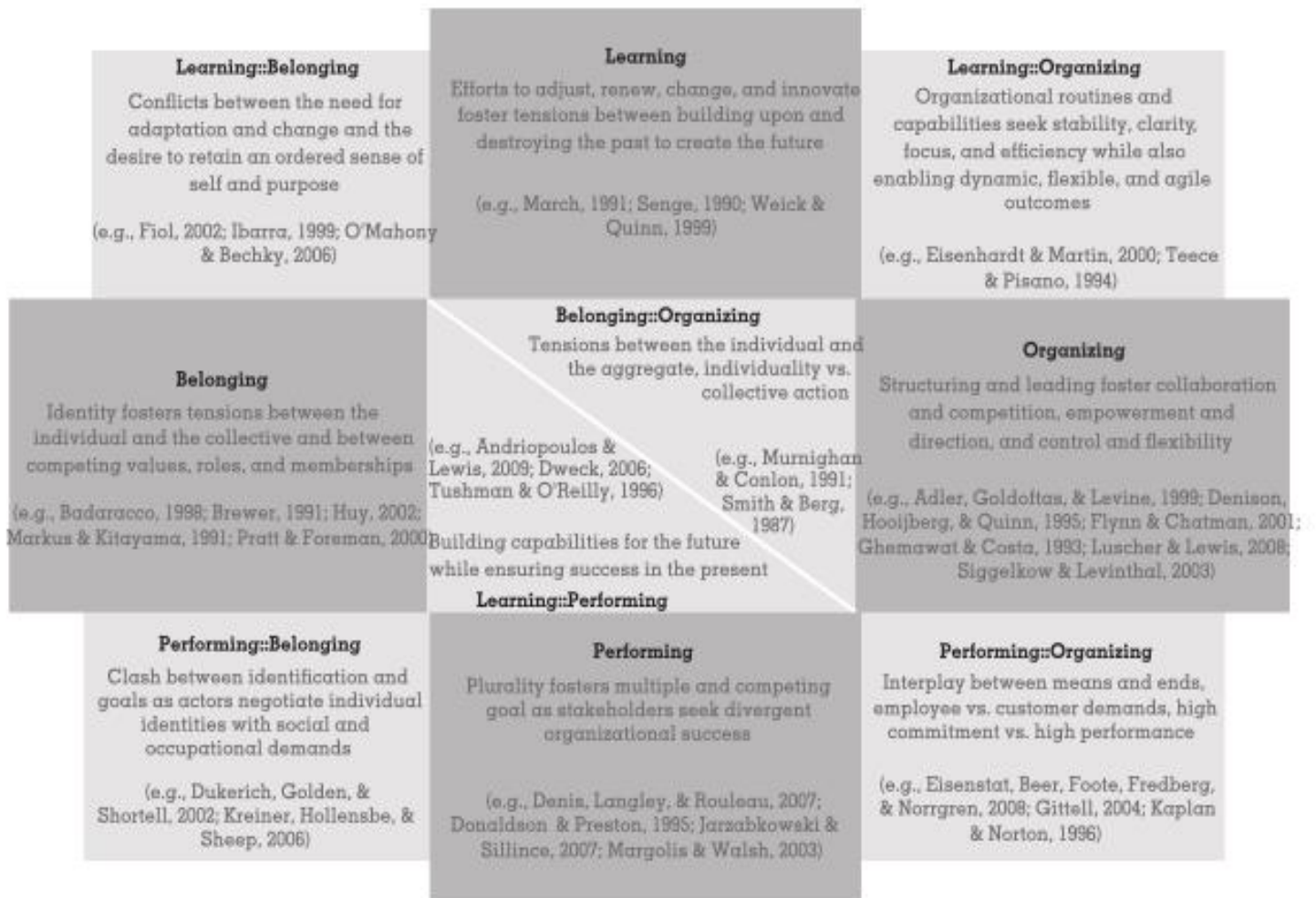
Name	Starting date of Director's term	End of current term
Guido Barilla	2018	2024
Frédéric Boutebba (*)	2016	2023
Cécile Cabanis	2018	2024
Clara Gaymard	2016	2022
Michel Landel	2018	2024
Gaëlle Olivier	2014	2023
Franck Riboud	1992	2022
Gilles Schnepp	2020	2023
Isabelle Seillier	2011	2023
Jean-Michel Severino	2011	2023
Bettina Theissig (*)	2014	2023
Serpil Timuray	2015	2024
Lionel Zinsou-Derlin	2014	2023

(*) Directors representing employees

Source : Danone 2021e

Appendix 12 : Categorization of organizational tensions

FIGURE 1
Categorization of Organizational Tensions



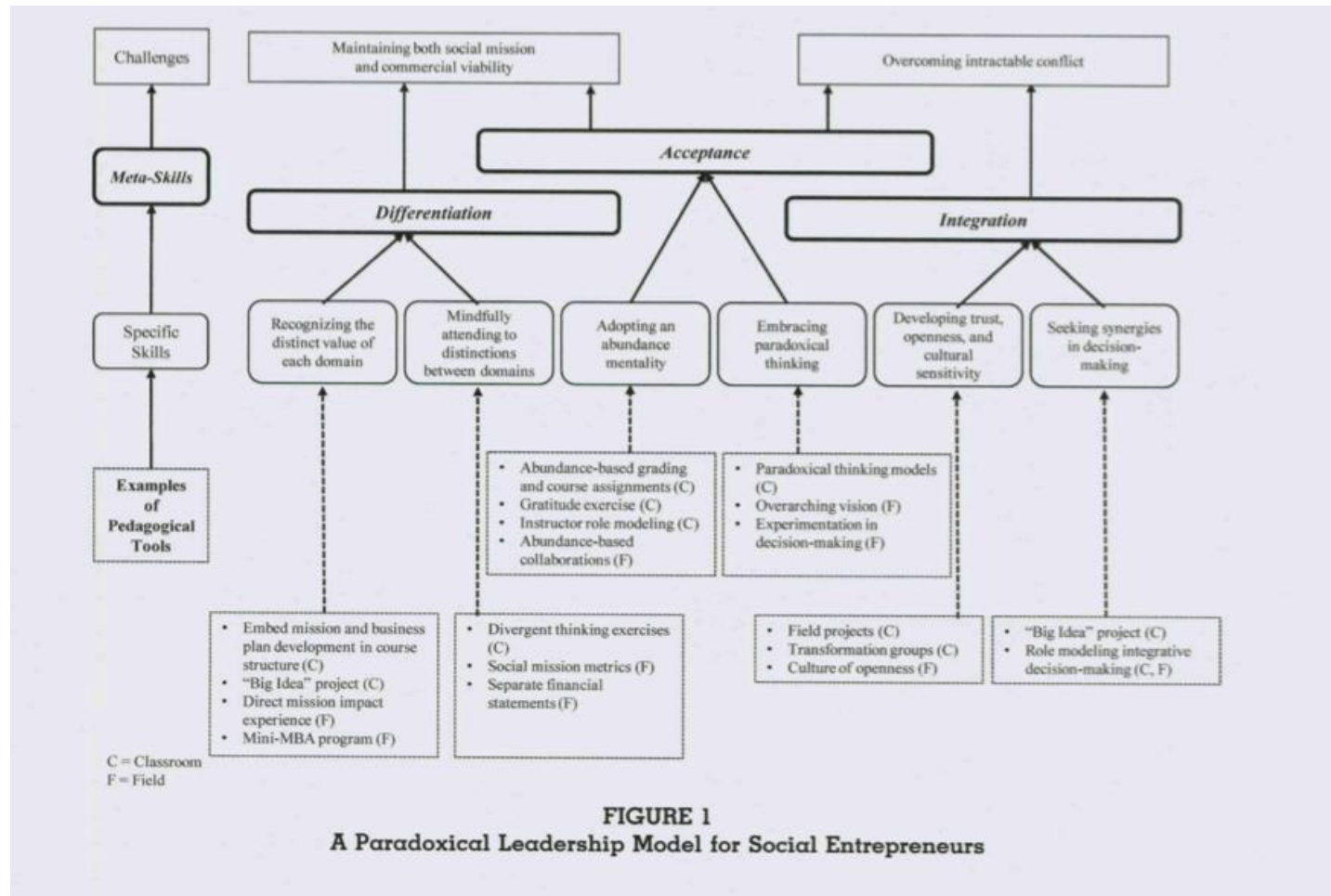
Source : Smith & Lewis 2011

Appendix 13 : Contrasting approaches to corporate governance

Contrasting Approaches to Corporate Governance		
Control	↔	Collaboration
Agency theory (economics and finance)	Theoretical basis	Stewardship theory (sociology and psychology)
	<u>Assumptions</u>	
Individualist Opportunism	Human tendencies	Collectivist Cooperation
Extrinsic	Motivation	Intrinsic
Goal conflict (risk differential) Distrust	Management- owner relations	Goal alignment (firm identification) Trust
	<u>Prescriptions</u>	
Discipline and monitor	Board's primary role	Service and advise
Outsiders Nonduality	Board structure	Insiders, social ties CEO duality
Reduces goal conflict, avoids increasing risk differential	Executive stock ownership	Fosters firm identification and long- term relations
Constrains self serving behavior	Market for corporate control	Curbs psychological commitment

Source : Sundaramurthy & Lewis 2003

Appendix 14 : A paradoxical leadership model for social entrepreneurs



Source : Smith et al. 2012

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