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THE CAC 40 COMPANIES & THE SOCIAL BUSINESS 2014 Survey - Convergences' publication -

Editorial conception: Louise Duquesne, Lucille Hamalian, Carolina Herrera, Judith Jakubowicz, Nathalie Touzé et Alice Wagner

Lay out: Jacques de Laboulaye

Publication available at: www.convergences.org

For more information: contact@convergences.org

About us

Convergences

Launched in 2008, Convergences is the first year-round advocacy platform in Europe aiming to build new synergies and collaborations between public, private and civil society actors as well as with academia and media. Our goal is to tackle the challenges of poverty in the North and the South, and work toward a more sustainable and fairer world.

Convergences engages with diverse stakeholders in order to share knowledge and best practices, and to establish and promote co-creation and high impact innovative partnerships.

Our scope of interest is wide ranging: sustainable development, international development, solidarity-based and inclusive finance, Corporate Social Responsibility (CSR), social entrepreneurship, social and solidarity economics, and new technologies for change.

Convergences relies on more than 200 partners within its Working Groups in order to undertake the following activities:

- **The Convergences World Forum:** 7,000 participants; 300 keynote speakers; 50 conferences, workshops and networking sessions; 40 exhibitors at the Professional Marketplace.
- **Events organized throughout the year:** Launching events for the Microfinance Barometer and the Social Entrepreneurship Barometer; “Youth We Can!” night events; Club Microfinance Paris lecture series.
- **Publications:** the Microfinance Barometer, the Social Entrepreneurship Barometer, the Visions Convergences Report, and the Survey on the CAC 40 and the Social Business.

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The CAC 40 & The Social Business

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Foreword

The scale of the economic, social, and environmental challenges we currently face lead all socially responsible actors to ask: “what is my role and share of responsibility?” **Nowadays, the private sector, and particularly large corporations, acknowledge their ability to play a key role in reducing poverty, and economic insecurity and exclusion. But what are the means of action they put into practice?**

“Social business” is an ambitious, promising model with a vast potential not just in terms of social impact, but also in terms of stimulating innovation and creating new markets. Professor Muhammad Yunus, Nobel Prize laureate in 2006, is the inventor and ambassador of this new business model. He defines it as “a profitable activity that serves the development of vulnerable populations, whose profits are systematically reinvested into the project for the benefit of these populations”.

The social business model appeals to a growing number of large companies around the world. These include Intel in America, BASF in Germany, McCain in Canada, and Uniqlo in Japan, to name a few. These companies have each created joint ventures in order to fight poverty in the global South through social business models.

A significant number of French companies are now also exploring and implementing the social business approach. They are developing initiatives such as making essential goods accessible for the poorest, or they have integrated a social business approach into their Corporate Social Responsibility (CSR) strategies, both in France and in emerging countries. We feel, however, that the pioneering initiatives of these companies need to be conveyed and communicated in a much broader way, so as to share both lessons learned and best practices, and ultimately lead to wider adoption of new and successful social business models.

As a result, Convergences has undertaken this first survey, which explores the various ways in which French companies from the CAC 40 now incorporate the social business model into their strategies.

Fourteen French companies have now articulated the nature of their commitment and initiatives in the field of social business. Convergences’ survey outlines the goals of these companies and their activities; it stands as a “first inventory” of the variety of approaches and projects being undertaken under the banner of the social business model, and include work both at the heart of production and distribution lines, and in CSR policies in the form of pro bono work, social “intrapreneurship,” or support given to social enterprises.

Our report bears witness to the often startling potential of the private sector in promoting development, and in the fight against poverty, social insecurity, and exclusion. It advocates for the creation of innovative social business models between companies, NGOs, and public authorities. We hope it also serves as an invaluable tool for the impact investment community, especially within the context of the work that is currently being undertaken by the G8 Task Force and its French Committee.

Jean-Michel Severino, Chairman, Convergences
Nathalie Touzé, Executive Director, Convergences



Executive Summary

A third of the companies in the CAC 40 are involved in social business-related projects

Aside from the 3 pioneer companies of social business that have created joint ventures with Grameen, the companies who have described their social business initiatives in this report communicate relatively little about them, beyond the information provided in their annual or CSR reports. Thanks to the present survey, Convergences is helping to promote the development and replication of these positive social impact initiatives by making them known to a wider public.

Social business, the French way

Asked to define social business, the companies taking part in this survey show that they have adopted a wide variety of approaches compared to the original definition of social business given by Professor Yunus. They all agree on the importance of the principles of “social objectives”, “profitability and economic sustainability” and the “non-maximisation of profits”, but they remain divided over the question of dividend payments.

Indeed, half of the companies surveyed on their social business activities preferred to respond in relation to their “inclusive business” activities, which is to say a for-profit development strategy involving the supply of essential goods and services to “Bottom-of-the-Pyramid” (BoP) populations.

Motives and target populations of social business initiatives

All respondents cite poverty reduction and sustainable development as their main drivers, both of which are intrinsically linked to the social business approach. Moreover, they describe a notion of almost “moral” duty to be actors of progress and social justice, and their actions are motivated by a desire to promote fair growth, jobs and sustainable livelihoods for the excluded and the poor.

Today, the initiatives inspired by social business are growing and bear witness to the increasing desire of the private sector to contribute to development, to have a positive social impact and to innovate both where business models and target markets are concerned. Social business initiatives are seen as opportunities to innovate, by inventing new ways of producing and consuming, but also to appeal to and motivate the companies’ own employees.

They mainly target developing regions, above all Africa and Asia, but also populations in France, while emerging markets are more often targeted by inclusive business initiatives.

In-house action is preferred

A large majority of the responding companies develop their social business initiatives internally in CSR or sustainability departments, while 8 companies have also created dedicated structures, such as foundations, social innovation labs or joint ventures. These different implementation methods are often combined.



Economic inclusion of “Bottom-of-the-Pyramid” populations and support for social enterprise, at the heart of social business activities

The surveyed companies all take part in the development of new financial and business models, in 2 main areas: projects promoting the social and economic inclusion of Bottom-of-the-Pyramid (BoP) populations and located at the heart of the company’s activities, and projects providing strategic, technical and financial support to social enterprises.

Numerous companies have adapted their products and services to BoP populations as part of social business initiatives. Microfinance, or the development of financial products and services for poor people excluded from the traditional banking system, is one of social business’s key initiatives. The economic inclusion of BoP populations in value chains is another example, and the companies taking part in this survey claim to place local producers in developing countries at the heart of their production and distribution chains.

The other major category of social business projects can be described as development support given to social enterprises. This support ranges from risk capital to in-house incubation and from pro bono work such as skills-based volunteering to the promotion of “intrapreneurship”.

Partnerships are the cornerstone of social business

Working in close cooperation with stakeholders is considered a critical part of all social business projects. Social business initiatives are usually born out of strong partnerships with local non-governmental organisations, public institutions, banks or social enterprises. The presence of a key partner is often a decisive factor in the development of these initiatives.

Keys to success and challenges encountered

The surveyed companies state that the 3 major factors for a successful social business project are the strong implication of management at the outset and over the course of the project, solid connections to the local community and stakeholders, and the creation of partnerships. Conversely, the obstacles mentioned by the companies included a lack of awareness amongst stakeholders, difficulties in measuring projects’ social impact, and lack of data available or insufficient sharing of resources.

All of the companies surveyed consider the evaluation of their projects as essential to ensuring their credibility, but not all of them take this commitment to the same level due to the high costs involved, the difficulty of determining reliable long-term indicators of social impact, and the importance of third parties in the evaluation process. Companies are sometimes confronted with a paradox of needing to spend more money on “measurement” than on the actions themselves.

4 recommendations for the development of social business by the CAC 40

In conclusion to this survey, Convergences would like to make 4 recommendations to enhance the impact of existing initiatives and develop new social business activities in all the CAC 40 companies:



1. Capitalising on the experience and sharing the resources of the different stakeholders - a critical leverage to develop and scale up these projects.
2. Ensuring the participation of all the actors in an ecosystem and developing stronger partnerships between public, private and non-profit organisations.
3. Investing in the measurement of social impact, a crucial step in promoting the development of social business initiatives and improving their efficiency and efficacy.
4. Raising the awareness of the company's different stakeholders, with more "meaningful" internal communication and more targeted external communication, in order to strengthen the company's image.

Social business and the CAC 40, a promising opportunity to develop further

The development perspectives of social business are promising, both in the companies that are already active in the area as well as those that are not yet familiar with this approach. These innovative practices are bridges to the future for the stakeholders of the development sector, who are beginning to see companies as reliable and committed partners.

4 Key Recommendations for the Future Development of Social Business

Initiatives initiated thanks to social business are rapidly expanding and bear witness to the private sector's increasing desire to contribute to development and to innovate in terms of business models and targeted markets. The 14 companies that responded to the present survey and their numerous innovative, high social impact initiatives are good examples of this trend. However, even if this change is well on its way, some challenges still need to be tackled. In this context, Convergences gives 4 recommendations below to enhance the impact of existing initiatives and to develop social business activities in all the CAC 40 companies.

1. Capitalise on experience and share resources

The innovative, powerful and highly promising nature of social business-inspired initiatives involves a variety of actors from all sectors: companies, non-profit and development organisations, public authorities, academic institutions,... Sharing the expertise of the different stakeholders constitutes a key leverage to develop further and scale up these projects. In this respect, exchange platforms and thought and research centres are opportunities that should not be missed to share best practices, to meet new partners and ultimately to promote the emergence of a strong social business ecosystem.

2. Allow the participation of all members of the company ecosystem

Social business initiatives can only be successfully scaled up in the presence of a deeper dialogue between interested public, private and non-profit actors. On the one hand, the public authorities must play the role of



facilitators for the projects, through public funding, by providing data and by enabling the local implementation of initiatives. On the other hand, private companies, which are the forefront of these practices, have a federating role to play as a result and must provide means for inclusive decision-making processes, which are fundamental in the construction of long lasting projects. Lastly, the experience and knowledge of beneficiaries' needs which is conveyed by non-profits make them important clearing houses on the ground during a project's planning and execution at a local level.

3. Invest in impact measurement

The survey has revealed that companies are well aware of the importance of measuring the impact of their social business projects, but that this activity is not yet developed enough. Evaluation allows both the ongoing supervision of projects' accurate implementation and the assessment of the end result. Investing in the measurement of social impact is a crucial step in promoting the development of initiatives and improving their efficiency and efficacy. The adoption of a common language and methodology of social impact measurement would make social business significantly more attractive for investors and companies.

4. Raise the awareness of different stakeholders

Raising the awareness of a company's different stakeholders on the subject of social business can be powerful. Stronger internal communication directed at all employees can respond to their "search for meaning" while more targeted external communication can improve and strengthen the company's image. The development of socially oriented employee savings, channelled to social businesses fighting poverty in developing countries, would be a powerful way to rally support from employees in big companies. Conventional communication tools: events, targeted programmes, the creation of new meeting places, are also important leverage tools that can be used to increase employee ownership of social business initiatives.

Annexes

Note on Methodology

Purpose of the survey

The survey's purpose is to draw an inventory of the social business initiatives being developed by France's largest companies. This makes it possible to appreciate the diversity of approaches used and of target regions, to better understand the motives and interests of the companies and to predict the future direction of this sector.

The companies contacted

The companies contacted for this survey make up the CAC 40, a sample of 40 corporations in different economic sectors that are representative of the general trends in the 100 French companies with the highest market capitalisation. The sample is reviewed every quarter, and can be modified in order to ensure that it remains representative.



The sample used for this survey is that of the 1st June 2014: Accor, Airbus Group, Air Liquide, Alcatel-Lucent, Alstom, ArcelorMittal, AXA, BNP Paribas, Bouygues, Capgemini, Carrefour, Crédit Agricole, Danon, EDF, Essilor, GDF SUEZ, Gemalto, Kering, Lafarge, Legrand, L'Oréal, LVMH, Michelin, Orange, Pernod Ricard, Publicis Groupe, Renault, Safran, Saint-Gobain, Sanofi, Schneider Electric, Société Générale, Solvay, Technip, Total, Unibail-Rodamco, Vallourec, Veolia, Vinci and Vivendi.

Survey methodology

The survey was conducted using an interview questionnaire, with the representatives of 14 companies (see the list of individuals interviewed below). The survey is purely declarative, and its results do not have statistical value, being merely descriptive and qualitative. The interview questionnaire contained a variety of open and closed questions.

The companies were asked about their definition of social business, the shape and level of maturity of their projects, the areas and geographic regions targeted by their initiatives, their motives, the structural changes needed and their commitment to social impact assessment. The companies were also asked to describe one or two of their social business projects in detail.

Companies surveyed and spokespersons

1. **BNP Paribas**, Emmanuel de Lutzel, Social Entrepreneurship Project Manager
2. **Crédit Agricole**, Christophe Person, Social Business Expert, and Pascal Webanck, Administrative and Financial Officer of the Grameen Crédit Agricole Foundation
3. **Danone**, Emmanuel Marchant, Deputy General Director of danone.communities
4. **EDF**, Jean-Claude Houssou, Head of the “Energy Access” mission
5. **Essilor**, Claude Darnault, Head of Sustainable Development
6. **GDF SUEZ**, Malia Belkacem, Project Manager, Sustainable Development Department
7. **Lafarge**, François Perrot, Coordinator of the “Accessible Housing” programme, under the Innovation Department
8. **Legrand**, Hervé Pernat, Head of Sustainable Development and Strategic Processes
9. **L'Oréal**, Charlotte de Tilly, CSR Deputy Director
10. **Orange**, Denis Guibard, Head of Sustainable Development, Products and Services
11. **Renault**, François Rouvier, Head of Sustainable Travel and Road Security/CSR
12. **Schneider Electric**, Gilles Vermot-Desroches, Head of Sustainable Development
13. **Total**, Jean-Marc Fontaine, Head of Social Business and Society
14. **Veolia**, Benoît Ringot, Projects Director, Innovation and Markets Department