



BERENBERG

PARTNERSHIP SINCE 1590

ADDRESSING SOCIAL CHALLENGES WITH PROFITABLE BUSINESS MODELS

A discussion with Professor Muhammad Yunus and Emmanuel Faber

“You cannot have economic results if you don’t have social progress and vice versa.”

Franck Riboud, former CEO of Danone.

Berenberg London Private Banking and Big Society Capital were delighted to welcome Nobel Peace Prize winner and founder of Grameen Bank, Professor Muhammad Yunus and CEO of Danone, Emmanuel Faber. Together in 2006, the two companies launched Grameen Danone Foods, a social enterprise which fights malnutrition in Bangladesh through fortified yoghurt produced by local micro-farmers. The joint-venture, which has created around 1,600 local jobs, is an example of an “economically self-sustaining [business] ... creating wealth for customers, employees and regions where the company operates”¹ and provides an insight into a business model which is relatively undeveloped in the corporate world.

In 2006 Professor Yunus won the Nobel Peace Prize for his pioneering work in microfinance and for his “efforts through microcredit to create economic and social development...” When Danone announced Emmanuel Faber’s appointment as CEO in October 2014, he was memorably quoted in the Wall Street Journal saying: “The economy without the social side is barbarism; the social side without economy is utopia”. This was an opportunity to hear Faber explain the background to this quote, and to help the audience discuss how global corporates can develop a social business agenda alongside core financial targets.

Yunus presented his views on the structure of modern day businesses, having once said: “Capitalism is a half-developed structure which assumes that people are one dimensional beings concerned only with the pursuit of maximum profit...” Yunus argued that modern day capitalism prioritizes financial profitability, whilst “social business” provides an alternative business model which embraces a person’s willingness to help others alongside a focus on financial sustainability. In other words, “it is time to take off our profit making glasses and put on our social impact glasses in their place”.

The relationship between Grameen and Danone began in 2005, when former Danone CEO, Franck Riboud (son of Antoine Riboud) persuaded Yunus to meet with him during a stopover in Paris when travelling from Bangladesh to London.

¹ Lynda Gratton, *Can altruism be good for business?* London: The Guardian, 06.06.14



In that meeting, Riboud agreed to work with Yunus and Grameen Bank to establish a social business model in Bangladesh; a simple agreement to a complicated challenge.

For Faber, social engagement is part of his wider responsibilities as CEO. He cited examples where, as individuals, it is natural for us to be actively doing charitable and conscientious work within our societies. A similar attitude towards social engagement at a corporate level can be adopted within day-to-day businesses; the impact would be hugely significant without the need for significant change.

Faber went on to explain that it took just one year to put Grameen Danone Foods into operation, which he led as Executive Vice President in the Asia-Pacific region. He attributed much of the efficiency to his past and present colleagues who were motivated and inspired by the challenge. For example, Danone brought back a retired engineer to develop a sustainable and cost efficient factory model, 100 times smaller than their regular model whilst ensuring that the yoghurt's nutrients were not compromised. The team also had to adapt to sociocultural, technological and logistical differences that would impact the product's ingredients, packaging, distribution and storage. Faber noted that his employees would work late into the evenings and over the weekends to overcome these challenges and to ensure that the objectives were completed within its deadlines.

The Grameen Danone Foods social business model was structured according to Yunus' definition of social business, whereby the profits remain in the business. It was new to Danone and provided them with a different way of thinking; cash flows were fed back into the joint venture as the businesses enjoyed their growing partnership that created mutual benefits for the local community. Faber described the joint venture as an "innovation hub" that had quickly established itself as a source of technological and social development for the wider Danone Group. The initiative particularly enriched young graduates and employees who were attracted to a new element of Danone's employer branding and its enhanced mission, vision and values.

Grameen Danone Foods cost a relatively small sum of investment to the wider Danone Group, yet its success has led to the creation of Danone Communities, which develops similar projects globally. It has stimulated innovation and employee engagement and inspired collaboration across disciplines and borders to benefit disadvantaged communities. It is an initiative which Faber described as "a drop in the [company's] water that has changed the colour of the ocean".

The success of Grameen and Danone's joint-venture prompted a surge in interest across global corporations to work with Grameen Bank, and Yunus identified various companies such as Uniqlo and McCain for their social engagement. He called on corporations to start up their own social businesses and encouraged



collaboration with other communities, businesses, universities etc.; to measure their impact and understand that the smallest of returns will make a lasting difference to communities as well as their company brand, ethic and workforce.

The discussion was introduced to a group of company CEO's and directors by Big Society Capital Chair, Harvey McGrath, and moderated by Head of UK Clients at Berenberg, Richard Brass.

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