

# Danone – key issues



## DANONE – INDIVIDUAL CASE STUDY ANALYSIS Dax Foley – 10520701 Groupe

Danone is a world leader in the production of dairy products being one of the largest dairy food and water producers in the world. With 90, 000 employees in 120 countries of the world the company is very much knowledge-intensive and innovation-driven. Growing to become one of the most successful food and beverage companies in the world has not been without its challenges, primarily for Danone this has been successful knowledge management through all levels of the business. Danone's success lies in the company's innovativeness when it comes to new and creative ways of transferring knowledge throughout the company coupled with a clear strategy for future growth.

Frank Mougín, executive vice president of human resources, and Benedikt Benenati, organisational development manager, were given the task of developing a means of sharing knowledge between employees from around the world in a company with a highly decentralised business structure with little horizontal communication among divisions (Edmondson, Moingeon, Dessain, Jensen 2008, p6). Creating a successful way of sharing knowledge to ensure long term sustainability of the company was Danone's key issue. Groupe Danone's mission is to bring health through food to a maximum number of people in an effort to create sustainable development. Danone realised that most company's these days target only a small percentage of the world's population when marketing their products. In order for the company to succeed in such a competitive industry, it was necessary to ensure sustainable development.

As such, in 2001, the company launched the Danone Way, as a “ practical and sustainable approach to building socially responsible corporate values into the company’s policies and aspirations” (Edmondson et al 2008 p. 4). Through this initiative, Danone took responsibility for and assured excellence throughout the product lifecycle, from the guarantee of quality raw materials to the protection of water reserves in production. In order for the company to remain profitable, whilst servicing the entire population, including those living in poverty, the company had to be extremely efficient and this meant effective communication and knowledge sharing across the company. “ Knowledge involves the ability to exercise judgement and draw distinctions, and requires knowing how to apply knowledge in new contexts” (Soo, 2008).

“ At Danone, we don’t have a lot of quantified organisational expertise. The expertise that we have is the sum of our individual knowledge” stated Fabien Razac (Marketing Director) (Edmondson et al 2008 p. ). Thus in order for the company to survive, networking amongst employees is extremely important. If the company fails to network efficiently, the company will struggle to transfer knowledge across employees and will fail to become a learning organisation that is “ skilled at creating, acquiring and transferring knowledge and at modifying its behaviour to reflect new knowledge and insights” (Soo, 2008).

The company’s primary challenge lies in developing a sustainable method of transferring knowledge across the company and over the past decade numerous approaches have been trialled. One of Danone’s first attempts at knowledge management was to leverage company talent without centralised governance. The company developed the Growth Program and looked for

<https://assignbuster.com/danone-key-issues/>

good performers in areas such as renovation, innovation, proximity and affordability. The company believed that by bringing all of these ingredients into one basket, they would be able to outperform their competitors. This program initially proved successful increasing growth to a steady 5% (Edmondson et al, 2008 p.

6). In 2001, Danone launched a group wide SAP business software program called THEMIS which contained a list of 144 formalised best practises for varying operations. The company soon began to realise that this system was not suited to the organisations decentralised nature and was countercultural, as the company was not process driven, being far more entrepreneurial. Employees did not take well to a formalised structure of routines on how to perform their tasks, and as a result the program proved difficult to implement.

This system had been trialled and proven in numerous other multi-national firms, however it was not the best way for Danone to operate. Danone employees did not use portals to share information and felt most comfortable talking to each other. “ Systems and processes slowed down the business” (Edmondson et al, 2008 p. 8) Each company has its own culture, consisting of shared beliefs, values, ideologies and norms, that is shaped around the company’s strategy, structure and internal and external environments (Soo, 2008). It is critical for management to understand the company’s culture in order to successfully develop a system of knowledge sharing, especially in a company that operates in 120 different countries. It was vital for Danone to develop a framework through which the sharing of

knowledge was enjoyed and beneficial to the company's long term growth prospects.

Sharing knowledge is ever so important in the increasingly competitive environment that multinational firms operate in. These days it is common for employees to change jobs and work for new companies in search of new and exciting projects. The top level staff at Danone will not be around for ever, thus it is vital for them to share the knowledge they have gained from working in the industry with their colleagues. Without a sufficient knowledge management system the company will fail to expand and grow, and will soon be overtaken by its competitors. Danone understood that in a group of 90,000 employees, the solutions to the problem of one team are likely to exist partly or in whole elsewhere (Edmondson et al, 2008 p. 8) and in order to ensure efficiency it was vital that this knowledge be communicated across the company.

The Networking Attitude program was launched by Danone in 2002, as a way to circulate good practises and make people in units far from each other share knowledge". The program consisted of numerous creative social tools to stimulate sharing and use of knowledge (Edmondson et al, 2008 p. 8). The largest of these tools was a program run during Danone conferences across the world, called a Marketplace. Facilitators arranged and ran marketplaces and contacted 5 to 10 colleagues about three weeks in advance to mobilise them to act as givers - offering good practises, or solutions to problems.

The rest of the participants were to act as takers; managers with problems or issues to resolve. Each participant in the marketplace would dress up in

costumes, and the room would be themed around differing concepts, portraying a relaxed and informal atmosphere where by participants hierarchical rank were obscured to help participants overcome inhibitions. Danone ensured that top level management attended all marketplaces to show their commitment in developing a learning organisation (Edmondson et al, 2008 p. 9). This method of knowledge sharing has proven to be very beneficial for the company with positive feedbacks given from 86% of participants (Edmondson et al, 2008 p. 1).

The Networking Attitude program also consisted of two other programs that were generally run when time was more limited. Message-in-a-bottle sessions were run which consisted of a small group of people getting together without observers to talk about problems and suggest solutions to these problems. The final concept that Benenati came up with was a T-shirt session. Again the primary aim of this was to promote the sharing of knowledge amongst employees in the hope of increasing the company's efficiency.

Participants in this program would write suggestions on the front of their t-shirts and problems on the back and then would mingle rapidly in an energizing learning session (Edmondson et al, 2008 p. 10). All of these programs proved successful in stimulating problematic discussions. The main concern that Danone had was whether the benefits of running these sessions were greater than the costs involved in making such sessions run.

The sessions may well be beneficial in the short run after the program is run, but it is very important the participants take the acquired knowledge and the

new network to the next step of the journey (Edmondson et al, 2008 p. 10). In order to ensure this would happen several tools were put in place. The Who's Who was created as an internal directory on the Danone intranet. Employees all had their own profile and logged on to the network to share problems and ideas.

“ The idea is that if you have a problem you can with a few search words find someone who can help you in the area you need help” (Edmondson et al, 2008 p. 1). This program again relied on the use of IT and the internet. The program revealed mixed results with some employees using it on a regular basis and others not even trying it once. Again the reason behind the limited success of this follow-up program is probably due to the company's culture of sharing knowledge through talking, not through technology.

In order for Danone to run a successful follow-up program they should continue to run similar group discussion sessions but on a smaller scale at regular, scheduled times to encourage the adoption of informal networking. The Who's Who should run alongside these programs as an alternative way of seeking answers to problems and sharing knowledge, particularly in the more westernised countries that Danone now operates in, whose employees rely on computer systems on a regular basis. Stimulating motivation for employees to network is a very difficult task for Danone. Most employees already have too much work to put networking as a top priority - especially when it's not rewarded (Edmondson et al, 2008 p. 12). The costs of running Danone's networking sessions are already incredibly high, so to provide monetary incentives to network may not be the ideal solution.

If employees were to receive a reward for simply attending these sessions, the program may be abused in that employees would attend the session to receive the reward but not participate efficiently and effectively in sharing information. It may be better to provide attendees with a minor reward for attending but then larger awards in the follow-up sessions that are run, to ensure that what is being learned in the sessions is being put into practise. Rewards could possibly be in the form of additional days of holidays being added on to employees paid holiday breaks, or paid weekend getaways for participants that showed excellent commitment to the programs. Given the success of the Networking Attitude program that has been run for upper level managers of the Danone group, the question is whether or not to extend the depth and breadth of the program. Increasing the programs depth, would mean increasing the number of employees who attended the knowledge sharing sessions.

“ The performance of this company is not the 10, 000 senior management but all of you 90, 000 people. Performance is always better when there is a clear alignment between senior management and employees” stated Deheunynck (Edmondson et al, 2008 p. 13). Before considering how deep to extend this program it is critically important to see proven success for a consistent time period, and gradually over time the depth of the program should expand.

“ Much of the richness of the Networking Attitude comes from crossing countries. When you get to a certain level there are language barriers”, stated Cartledge (Edmondson et al, 2008 p. 13). This is important to remember when considering how much the Networking Attitude program



should be extended. When incorporating all staff from differing levels of hierarchy and differing nationalities there is always going to be communication barriers. If Danone were to consider expanding the program to all staff, rather than relying on direct conversations between employees (which may be difficult due to differences in languages, cultures etc...) to transfer knowledge, the company should consider alternative ways of getting the same message across.

For example, sessions could be run whereby staff re-enact workplace scenarios, without the use of dialect, in a humorous and entertaining manner so as to portray solutions to common workplace problems. Humour would be important to motivate employees to attend and take full advantage of the program. By increasing the width of the program, partners, suppliers, customers and consumers would be included. This would be an innovative way of capturing knowledge of the company's external environment. One such marketplace has been run by Danone featuring the company's potential suppliers.

The suppliers competed on coming up with the best solution for Danone on a strategic business issue. The supplier with the best solution won a contract with the company. Innovative ideas such as this are extremely important for the company to continue its success in the market. Danone is an excellent example of a successful multinational company, that is knowledge intensive and innovation driven. Despite the company's success, it is still facing critical issues concerning the best way for the company to share knowledge and network. By keeping networking interesting and entertaining, employee's

motivation to share knowledge will be enhanced and the company will continue to grow and achieve long term effectiveness.

? REFERENCES Soo, C (2008) Organisational Learning and Innovation Lecture Notes (Week 2), UWA Business School. Edmondson, A, Moingeon, B, Dessain, V and Jensen, AD 2008, Global Knowledge Management at Danone, Harvard Business School