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The emergence of multipolar corporate governance: the case of Danone and the French Société à Mission

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ABSTRACT

The search for sustainable corporate governance frameworks in the face of current social and environmental challenges has renewed the debate over the appropriate characteristics of stakeholder governance. In this paper we explore the potential contribution of an original governance body to a stakeholder governance model: the mission committee created by the French *société à mission* corporate form in 2019. We study the case of the recent governance crisis at Danone, the first listed *société à mission*, whose CEO Emmanuel Faber was dismissed shortly after the change of legal status. Based on a series of interviews with members of the mission committee and management, including Pascal Lamy and Emmanuel Faber, we show that in the Danone case, the combination of the mission and the mission committee displayed interesting characteristics. First, the mission committee ensured the persistence of the commitment of the firm towards its mission despite the governance crisis. Second, it initiated a system of "check and balance" on the decisions of the board of directors for all matters affecting the mission. Third, it suggested a renewed accountability framework to assess the firm's response to its mission. Overall, we argue that such a mission committee might be the embryo of a new kind of "multipolar" corporate governance framework, in which monitoring powers are shared amongst a wider variety of constituencies than those elected by shareholders, thus effectively changing the balance of corporate governance. It however raises new research questions to ensure the robustness of such committee faced with greenwashing and issues of conflicts of interests.

Keywords: Corporate governance, stakeholder governance, profit-with-purpose corporations, société à mission, purpose.

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Introduction

Sustainable corporate governance is one of the main issues of management researchers and policymakers in our troubled times. Societal expectations are growing for business corporations to use their unprecedented power of action and their innovation capabilities to contribute to solve our current social and environmental challenges. The European Commission is currently under the process of examining an initiative dedicated to sustainable corporate governance, aiming at improving the EU regulatory framework on company law and corporate governance. However, this topic is the place of heated debate over the ideal features of such a framework for sustainability.

A specific point of dissensus is the level to which non-shareholder stakeholders should be integrated to the corporate governance bodies and processes, to ensure that corporate decisions are increasingly taken with a view towards a variety of constituencies' interests, rather than for the financial performance of the company as a main goal. Various models of a so-called "stakeholder governance" have been discussed, from the codetermination model prominent in some European countries to the specificities of co-operatives, and from the adoption of dialogue tools with various stakeholders to the creation of specific stakeholder oversight boards with certain governance powers (Amis et al., 2020). Overall, the general view in existing literature is that the bulk of governance mechanisms representing stakeholders interests in large corporations are often found to have limited impact and grant limited power to stakeholders (Spitzeck, Hansen, and Grayson, 2011).

In this paper, we focus on a new type of governance mechanism created by the recently adopted "PACTE" law in France. As part of a global movement of creation of new corporate forms enabling companies to commit towards a social or environmental "purpose" (see for instance the *Benefit Corporation* in the United States, or the *Società Benefit* in Italy), the French corporate law has introduced the *Société à Mission*. Interestingly, this corporate form requires the creation of an unprecedented governance device: a "mission committee", i.e., a committee that should be distinct from existing governance bodies (such as board committees or work councils), comprising at least one worker, and dedicated to following the way the company is answering to the purpose it has committed to (Segrestin, Hatchuel, and Levillain, 2020). The rationale of the drafters of this new legal provision was that such a committee would better engage the company to effectively fulfil its purpose compared to other tools such as accountability standards or reporting requirements. In this article, we aim at exploring the potential of this novel governance mechanism to effectively change the balance of corporate governance, traditionally biased towards shareholders' interests.

To do so, we conducted a study of a very particular case: that of Danone, the first company listed on the stock market to have adopted the form of *société à mission*, and the largest employer at the time of adoption of the form[1]. This is an interesting case for several reasons explained hereafter, the main one being that Danone has gone through a deep governance crisis in 2021, leading to the dismissal of its CEO and chairman Emmanuel Faber, a few months after having adopted the *société à mission* form. This provides a powerful set up to understand how the mission committee has played a role in the governance of the company on critical issues during that period.

[1] It has now been supplanted by La Poste.

We find that in the Danone case, the combination of a commitment towards a purpose and the creation of a specific committee displayed useful characteristics for a sustainable corporate governance framework. First, the mission committee ensured the persistence of the commitment of the firm towards its mission despite the governance crisis and the dismissal of the CEO who initiated the transformation into *société à mission*. Second, it initiated a system of "check and balance" regarding the decisions of the board of directors for all matters affecting the mission. Third, it suggested a renewed accountability framework to assess the firm's response to its mission, which are not directly linked to the traditional "ESG" (environment, social, governance) criteria to assess extra-financial performance.

Overall, we argue that such a mission committee might be the embryo of a new kind of "multipolar" corporate governance framework, in which monitoring powers are shared amongst a wider variety of constituencies than those elected by shareholders, thus effectively changing the balance of corporate governance. We therefore suggest new avenues for "stakeholder governance" that aim at contributing to the current debate on sustainable corporate governance.

1. Literature review: from stakeholder committees to mission committees in sustainable corporate governance

The current search for corporate governance frameworks conducive to greater sustainability has recently rekindled the debate on so-called "stakeholder governance". Once vivid during the 2000s after the rapid spread of "stakeholder theory" (for instance Donaldson and Preston, 1995; Jensen, 2001; Freeman, Wicks, and Parmar, 2004), sparking an examination of the differences and convergences between "shareholding" and "stakeholding" models of corporate governance

(Turnbull, 1997; see e.g. Letza, Sun, and Kirkbride, 2004), it peaked in the aftermath of the 2007-2008 financial crisis (Dent Jr, 2007; Greenfield, 2007).

While a decade has passed since these explorations, the renewal of the debate today seems to take roughly the same forms: a recent Academy of Management Review editorial calls for a "theory of stakeholder governance" (Amis et al., 2020), insisting that such theory should take into account the variety and complexity of relationships between firms and their "multiple stakeholder groups" beyond the mere "governance of manager-stakeholder relations" mostly concerned with the sharing of created value. Bebchuk and Tallarita (2020) explain the "illusory promise of stakeholder governance" claiming that its most spread conceptualizations, namely "shareholder enlightened value" (Ho, 2010) and what they call "stakeholderism" (putting stakeholder welfare as an end through changes in directors' duties but not in stakeholders' rights) has produced more harm than good to the targeted stakeholders themselves. Bridoux and Stoelhorst (2020) however recall that "stakeholder governance" takes many forms, not only dialogue forums or directors' duties, but also "lead role governance and shared governance" in which direct cooperation between stakeholders at the governance level is indeed fostered. Overall, the ways in which such various forms of stakeholder governance would indeed incur changes in the functioning of corporate governance for more sustainable behaviors remain rather fuzzy.

In this paper, we specifically focus on two types of actual governance mechanisms that include the representation of objectives that go beyond the financial interests of shareholders: the representation of non-shareholding stakeholders in committees at the corporate governance level, and the legal commitment of corporations towards social or environmental purposes enabled by recent legal provisions in several countries.

1.1. Stakeholder committees: three models of stakeholder involvement in the governance

While the practice of creating "stakeholder committees" at the corporate governance level of corporations is not new, and is somehow widespread, there seems to be surprisingly little English-language literature addressing the characteristics and impacts of this specific feature. It is however patent that such committees display a wide variety of forms, powers, and roles in current organizations.

A first version of such committees could be the creation of CSR[2]-dedicated committees at the level of the board of directors (Eberhardt-Toth, 2017; Salvioni and Gennari, 2019). Their role is to strengthen the integration of CSR issues into everyday business matters by embodying the responsibility of such considerations into a specific governance body, which must therefore ensure that the topic is tackled during board meetings. As other board-level committees however, these committees rarely comprise stakeholders or stakeholders' representatives *per se*. They are constituted of directors who already belong to the board besides this specific committee.

A second version is the creation of stakeholder "panels" (see e.g. Scherer, Baumann-Pauly, and Schneider, 2013) which enable managers to meet with chosen stakeholders' representatives to discuss several business decisions in the day-to-day activities and at the strategic level. These panels do not have formal governance powers: they are consultative bodies created by top executives in order to voice stakeholders' interests in the decision-making processes within the firm. Although described as "democratic corporate governance" devices by Scherer et al., these panels are designed to be "multi-stakeholder forums" (Spitzeck and Hansen, 2010; Amis et al.,

[2] Corporate Social Responsibility

2020) in which issues chosen by the management are discussed without leading to formal commitments on the part of the company.

A third version is the creation of stakeholder "oversight boards", at the corporate governance level, which are granted specific governance rights. Here again, a wide diversity of names and powers can be associated with such boards: they can be called "advisory boards" (Murray, 2017), "advisory councils" (Morrissey, 2020) or "oversight boards" (Kay and Silberston, 1995). The common feature of these boards is that they have the formal capacity to interact directly with the board of directors, while not being composed of directors themselves. They thus have a right both to access information available at the board level, and to push information to the board. Murray also considers that these boards might have rights to publish reports either publicly or to specific governance constituencies, to participate to the nomination of directors or representatives, or to block changes in control through "selective voting rights". As such, the stakeholder advisory boards would be given formal governance powers that might have impacts on the actual balance of power. Yet, no concrete examples of such boards are given by Murray, and the example of Wells Fargo's advisory council discussed by Morrissey only has information rights. Table 1 provides a summary of the three previous models of stakeholder involvement found in the literature.

Perhaps the best summary of the variety of existing stakeholder committees was given by Spitzeck and Hansen back in 2010 (Spitzeck and Hansen, 2010; Spitzeck, Hansen, and Grayson, 2011). Coining the term "Joint management-stakeholder committees" or "JMSCs", the authors classify stakeholder governance mechanisms in four clusters along the variables of "scope" and "power": "Dialogue and issues advisory (low scope and low power)", "Strategic advisory and innovation (high scope and low power)", "Issues collaboration (low scope and high power)",

"Strategic collaboration (high scope and high power)" (pp.384-385). While the last category provides hope to find examples of governance mechanisms in which stakeholders do have impact on the balance of corporate governance, the authors rapidly explain that such committees in fact mostly cover strategic groups with customers, aiming at taking decisions over the desirable features of products to increase their selling potential, rather than discussing sustainability issues. Overall, Spitzeck et al. recall that "many stakeholder engagement mechanisms have been found to have limited impact […]. For example, formal stakeholder dialogue fora do not go beyond mere exchanges of different stakeholder viewpoints" (Spitzeck, Hansen, and Grayson, 2011, p. 561).

	CSR board committees	***Stakeholder panels (or JMSCs)***	***Stakeholder oversight boards***
Composition	*Not stakeholders but directors*	*Stakeholders & management*	*Stakeholders*
Objective	*Ensure that CSR is considered at the level of the board*	*Voice stakeholders' interests in decision-making processes*	*Monitor the consideration of stakeholders' interests at the governance level*
Power	*Information and influence at the board of directors*	*No influence on governance, consultative for managerial decisions*	*Range from right to information to voting power at the governance level*

Table 1 - Three models of stakeholders involvement in the literature

Finally, beyond the debate over the "scope" vs. "power" (see also Fung, 2006 for a comprehensive view of participation mechanisms in governance), such stakeholder participation mechanisms also raise other challenges that are not currently solved by existing proposals :

- The tension between a broad participation of stakeholders vs. a narrow expertise of participants (Scherer and Voegtlin, 2020);

- The difference between managing and building relationships with stakeholders (Lozano, 2005; Jonker and Nijhof, 2006);
- And the appropriate content of accountability mechanisms to avoid drowning participants into "floods of data", but to "act as a mediator for management, dialogue and relationship building" (Lozano, 2005, p. 71).

1.2. Profit-with-purpose corporations: new corporate forms no new stakeholder rights?

Besides the renewal of the interest in stakeholder governance, another recent wave of innovations has aimed to change the balance of corporate governance towards more social and environmental objectives: the creation of profit-with-purpose corporate forms in various countries (Levillain, Segrestin, and Hatchuel, 2019). Instead of focusing on "stakeholder" governance, the rationale behind these innovative legal provisions was that directors or executives that aim at launching responsible initiatives towards social or environmental goals must be provided with formal governance mechanisms to protect them from the changing expectations and pressures of shareholders. To do so, these new corporate forms, available as an option in most of the United States (*benefit corporation*, *social purpose corporation*, or *public benefit corporations*), in Italy (*Società Benefit*) and in France (*Société à mission*) require two thirds of the shareholders to accept a change in the article of incorporations to enshrine a "purpose" or "mission" that extends beyond the search for profit for shareholders (Levillain and Segrestin, 2019).

While still rather recent innovations, on which few empirical studies have been carried out to date, these new corporate forms have already raised numerous debates about their ability to effectively change the corporate governance model towards more sustainable behaviors. If one puts aside the debate on the appropriateness of providing only an "option" for interested

entrepreneurs rather than an obligation for all companies (see for instance Greenfield, 2015), three lines of argumentation have emerged in this literature field: quality of accountability, rights given to stakeholders, and actual directors' duties.

First, these forms raise a question about the level of requirement on accountability and control to ensure that the purpose is indeed respected (Ebrahim, Battilana, and Mair, 2014; Stecker, 2016; Kurland, 2017; Tchotourian, 2021). For most of these forms, the mechanism to ensure that the stated purpose is effectively considered by the company's management relies on third-party reporting standards chosen by the company itself. For some others (notably the *social purpose corporation* in California and Washington), the company is required to write a report on how they made decisions regarding the purpose, and the strategy they mean to implement in the coming years to fulfil it. As such, it is feared that these forms increase the risk of "greenwashing" and give little to no further guarantees to non-shareholder stakeholders that their interests are weighted in the decision-making. Some first empirical studies show that *benefit corporations* have a better CSR reporting quality than their counterparts with usual corporate forms (Wilburn and Wilburn, 2019; Mion and Loza Adaui, 2020).

Second, the governance model provided by these forms give little rights to stakeholders (Ebrahim, Battilana, and Mair, 2014; Villela, Bulgacov, and Morgan, 2019): neither the definition of the purpose nor the control mechanisms are formally required by law to include stakeholders. Some authors however argue that the purpose of "public material benefit"required by some of these forms is explicit enough to force companies to build and protect "common goods" that benefit to all stakeholders (Shackelford, Hiller, and Ma, 2019).

Third, and finally, there is a debate on the actual effect of the change in directors' duties that is created by the legal statute (Liao, 2016; Levillain and Segrestin, 2019; Scherer and Voegtlin, 2020). On one hand, the legal commitment towards a purpose is expected to provide executives with the necessary leeway, protection, and liabilities to make sure that the purpose is indeed considered in the day-to-day decision-making processes. On the other hand, it is still unsure how litigation will emerge, and how courts will react, to situations where there happens to be a trade-off between financial interests and purpose. The governance mechanisms created by the legal provisions do not formally settle the question.

1.3. Sociétés à mission and the "mission committee": our research question

This detour by profit-with-purpose corporations is justified by the innovative provision that one of these new legal forms provide regarding stakeholder governance. Indeed, the French version, called "*société à mission*", does not rely on the same control mechanisms as its US and Italian counterparts. Instead, it created an unprecedented governance device: a "mission committee", that should be distinct from existing governance bodies (such as board committees or work councils), comprising at least one worker, and dedicated to following the way the company is answering to the purpose it has committed to (Segrestin, Hatchuel, and Levillain, 2020). This committee is in turn backed by a second control mechanism: every two years (or three for the smaller companies with less than 50 employees), the *société à mission* must be audited by an independent third-party body accredited by a public organism. Based on the report of the mission committee, but also on a variety of other sources of information (including their own investigations), this third-party body must verify that the objectives stated in the articles of incorporation were indeed fulfilled by the company[3].

[3] These elements of French corporate law can be found in the articles L210-10 and following in the French Commercial Code (https://www.legifrance.gouv.fr/codes/article_lc/LEGIARTI000038528238/).

Put together, these two governance mechanisms have significant powers granted by law. First, the mission committee can carry out "*any audit it deems appropriate and receives any document necessary to follow the execution of the mission*". Second, it must "*present an annual report* […] *to the general meeting responsible for approving the company's accounts*". Third, "*when the opinion of the independent third-party organization concludes that one or more of the social and environmental objectives that the company has set for itself* [in its bylaws] *are not complied with, the public prosecutor or any interested person may apply to the president of the court* […] *to order, if necessary under penalty, the legal representative of the company to remove the words '*société à mission*' from all acts, documents or electronic media issued by the company*". This means that the work of the mission committee can lead the company to lose its specific status of *"société à mission*".

This combination of a mission and a mission committee at the governance level is an original feature, whose concrete impacts on the balance of corporate powers has still to be studied. We contend, however, that studying this original form of committee will advance knowledge on the avenues to progress towards effective stakeholder governance.

Our research interest is therefore to explore whether this novel governance mechanism has a better potential than usual stakeholder committees to effectively change the balance of corporate governance. More precisely our research questions are: how do the features of mission committees compare to the three previous models of stakeholder governance? And what potential impact do they have on the balance of corporate powers at the governance level?

2. Method: the case of Danone's governance crisis

To investigate our research question, we choose in this paper an exploratory approach, which aims at providing only a first answer to the question. Indeed, most of the existing *sociétés à mission* have adopted this new statute less than 18 months before the time of writing of this paper, and the first examinations of the changes of governance in these companies show a tremendous diversity in the ways these mission committees have been put up to work during their first year of existence. A systematic analysis of the functioning of such committees is furthermore subject to the same difficulties of access to the data as for board research.

Instead, we chose to conduct a single case study with the company Danone, which has gone through a deep crisis of governance about 6 to 10 months after its shift to the *société à mission* form. This specific event enabled us to highlight the functioning of this specific mission committee as well as the interactions it had with the other governance bodies of the company. As a single case study, our analysis therefore only provides an exploratory answer to the research question but enables a better control of the various parameters which played a role in the implementation of a mission committee in the corporation's governance.

2.1. Choice of the case

Danone is a very interesting case for our research interests for several reasons. First, although being known for decades for its engagement towards social and environmental issues (at least since the 1972 speech of its then CEO and chairman Antoine Riboud on the double social and economic project of the company), it displays all classical characteristics of the corporate governance of large firms. It is listed on the stock market, with a significant free float. Its governance is composed of the classical committees of the board of directors (audit, governance, strategic, and engagement). As most large French corporations, its CEO is also chairman of the board. As a company in the agri-food sector, its activities are not "by nature"

linked to a social mission, as it could be the case in education or health sector for instance. It was also the largest employer to have switched to *société à mission* at that time, with about 100,000 employees in the whole group at the international level. It should however be noted that Danone had announced its intention to certify all of the group's subsidiaries with the "Certified B corporation" label and had already certified several of them before converting to *société à mission*.

Second, the adoption of the *société à mission* statute was approved by more than 99% of the shareholders in the general assembly of June 2020, thus demonstrating a strong convergence of the shareholding structure to this new governance model.

Third, Danone has known unprecedented difficulties on a significant part of its business lines, notably because of the COVID-19 pandemic, which led its CEO to announce a lay-off plan about 5 months after the general assembly. This announcement was closely followed by numerous observers, including national press, as deemed to be potentially contradictory with the very nature of the *société à mission* form. A few months later, a crisis between the CEO and the board of directors led to the dismissal of the former in March 2021. The French national press strongly insisted on the role of two activist asset managers having recently acquired Danone stock (Bluebell Capital and Artisan Partners for less than 5% combined) and demanding the dismissal of the CEO. The long-lasting public engagement of the CEO Emmanuel Faber towards social and environmental issues led some commentators to extrapolate that a significant part of Danone's engagement towards its brand-new mission risked vanishing at the same time as the leader. All put together, this series of difficulties constitute a powerful tool for the researcher to reveal the functioning of the governance in troubled times, i.e., where it should be the most efficient.

Fourth, the 2021 Annual General Meeting (AGM) of the shareholders occurred in April, and a report of the mission committee was presented to the shareholders (and made publicly available). The case therefore enables the monitoring of the governance situation over a period of time long enough to observe the consequences of the crisis and the functioning of the governance bodies.

2.2. Data collected

To investigate the functioning of the mission committee at Danone and its impact on the governance of the company, we primarily conducted a series of 8 semi-directed interviews from March to May 2021 with participants as diversified as possible to have a comprehensive view of the crisis at play. We therefore interviewed members of the mission committee (including its president Pascal Lamy), as well as members of the management (including the former CEO Emmanuel Faber himself) and of trade unions within the company. We also sought to get the viewpoint of an "engaged" shareholder, i.e., a representative of an asset management firm owning Danone shares, and which investment strategy is oriented towards societal responsibility issues such as social and environmental stakes. Table 2 summarizes the data we collected for this research. A summarized interview guide is available in Table 3.

We also completed these interviews with two other sources. First, direct exchanges with three other members of Danone's management at the occasion of workshops organized by a French non-profit association on the topic of the transformation of companies into the *société à mission* form. These informal exchanges took place along 10 workshops from March to December 2019 and then 8 workshops from September 2020 to April 2021. They were capitalized in the form of one of the authors' field notes as well as citations in the deliverable of the workshops, which helped us rapidly gain a good knowledge of the context of the implementation of the *société à*

mission form within Danone, as well as the main challenges it raised according to these managers.

Second, we gathered all available data that was published to prepare the 2021 AGM: the mission committee's report, resolutions filed by shareholders which mentioned the form of *société à mission*, as well as the unfolding of the meeting itself, which was an online event because of the COVID-19 pandemic.

Interviews
8 interviews (1 to 2-hour-long, semi-directed): • Two members of the mission committee (the committee's president, and an employee) • The CEO Emmanuel Faber • One member of Danone's top management • One representative of an "engaged" shareholder • Three unions' representatives
Field notes from exchanges with three members of Danone's management during working groups on the conversion of Danone to *société à mission*
Public data
Data published for the Annual General Meeting (AGM) • Report of the mission committee (14 pages) • Resolution filed by a group of "engaged" shareholders at the AGM • Written responses of the board of directors to the shareholders Attendance to the AGM itself
Public speaking of the CEO and some shareholders (national and international press from November 2020 to November 2021)

Table 2 - Data collected on the Danone case

Implementation of the mission committee
• Nomination of members • Task sheet and roadmap, means of action (if applicable) • Personal appreciation of the current functioning and needed improvement • Work already achieved and contents of the discussion on recent crises • Link between the mission committee and the other bodies within the group
Dismissal of the CEO and perspectives
• Personal perception of the governance crisis, its factors and consequences • Role of the mission committee during the governance crisis (if applicable) • Relation with stakeholder groups • Anticipation on future work to be achieved by the committee • Expected impact on the purpose of the departure of the CEO • Future role of the commitee

Table 3 - Summary of the semi-directed interview guide

2.3. Data analysis

This being an exploratory study based on a limited number of interviews, we did not seek to adopt a systematic coding approach on the content of the interviews to make concepts emerge. Instead, we attempted to reconstitute the functioning and role of the mission committee as well as of stakeholders interacting with the mission committee during the different crises experienced by Danone. We specifically focused on the perceptions of the role and knowledge of the inner members, their interactions with other governance constituencies and broader stakeholders, their position regarding some specific events, the topic of the meetings, and the perception of what should be the impacts of such a committee, from within and outside the committee. We paid particular attention to surprising elements given current knowledge on existing stakeholder committees or boards.

This led us to constitute a list of "events" related to the governance of Danone in which the mission and the mission committee played a significant and original role, compared to expectations about a stakeholder committee. We also identified several topics that gave rise to

debates in the press tackling the Danone case while we were conducting our interviews, and which highlight some originalities in the functioning of this new governance scheme. This approach pinpoints some interesting and original avenues to analyze the potential role of such a mission committee.

3. Findings: original governance events hinting towards a form of "mission activism"

3.1. The implementation of the société à mission at Danone

Danone adopted the *société à mission* status and appointed the members of the mission committee in June 2020. The mission is composed of the *raison d'être* that Danone defined in 2005 ("*Bringing health through food to as many people as possible"*) and of four social or environmental objectives articulated around four topics: "improve health", "preserve and renew the planet's resources", "entrust Danone's people to create new futures" and "foster inclusive growth". The whole formulation is available hereafter in Box 1.

Danone's mission includes four social or environmental objectives, defined as:

- *Impact people's health locally with a portfolio of healthier products, with brands encouraging better nutritional choices, and by promoting better dietary habits.*
- *Preserve and renew the planet's resources by supporting regenerative agriculture, protecting the water cycle, and strengthening the circular economy of packaging, across its entire ecosystem in order to contribute to the fight against climate change.*
- *Entrust Danone's people to create new futures: building on a unique social innovation heritage, give each employee the opportunity to impact the decisions of the Company, both locally and globally.*
- *Foster inclusive growth by ensuring equal opportunities within the Company, supporting the most vulnerable partners in its ecosystem, and developing everyday products accessible to as many people as possible.*

Box 1 - Danone's mission as defined in its articles of incorporation

The mission committee is composed of international experts in various topics covering sustainable development, governance, health, or social topics, and from diverse geographic

origins. The composition as of May 2021 (date of the AGM) is detailed hereafter in Table 4. Between its creation in June 2020 and the end of 2021, the mission committee has known several changes in its composition. These changes are also detailed in Box 2.

Pascal Lamy	Former Director General of the World Trade Organization (WTO)
Gabriela Ilian Ramos	Assistance Director General, Social & Human Sciences at UNESCO
Hiromichi Mizuno	Board Member of PRI & Advisor to the Government of Japan
Rajiv Shah	President of the Rockefeller Foundation
David Nabarro	Former Advisor to the United Nations on the 2030 SDGs
Emna Lahmer	Danone employee
Jean-Michel Severino	Board Member of Danone

Table 4 - Composition of Danone's Mission Committee as of May 2021

Former Patagonia CEO Rose Marcario has been part of the committee until October 2020, as well as Guido Barilla, independent Director at Danone and Chairman of the board of Barilla, until December 2020. The latter was replaced by Jean-Michel Severino. Sharan Burrow, former Chair of the mission committee and General Secretary of the International Trade Union Confederation (ITUC) decided to step out during the governance crisis that led to the dismissal of the CEO Emmanuel Faber. Pascal Lamy then became Chair of the mission committee. Finally, Ngozi Okonjo-Iweala, economist and former ministry of Finance of Nigeria left the mission committee when she was appointed head of the WTO. Ron Oswald, former General Secretary of IUF (International Union of Food) joined the committee after May 2021.

Box 2 - Changes in composition of Danone's mission committee between June 2020 and December 2021

The independent third-party body required by law to verify the firm's progress towards its mission has not published its first report as of May 2021. According to the mission committee report, PricewaterhouseCoopers (PwC) has been selected to this role. It has been one of the statutory auditors of Danone since 1992 and has overseen the legal verification of the non-financial statement included in the Management Report for almost 10 years.

3.2. Functioning of the mission committee: numerous meetings to drive the debate

Danone's mission committee officially reports that the committee met three times between June 2020 and March 2021. In practice, our interviews show that the committee also organized numerous unofficial meetings so that members who did not know very much about Danone could ramp up their knowledge of the group and its mission. The then CEO Emmanuel Faber participated to these meetings in order to explain Danone's strategic choices and positions, as well as discuss challenges that were raised by the mission and might jeopardize current business activities. One of the objectives of the first-year meetings was to decide upon the Key Performance Indicators (KPIs) that are to be used to monitor Danone's progress in the mission committee report (MCR).

Our interviews highlighted that the mission committee was deliberately composed so that it would spark debates. Emna Lahmer, for instance, is a former employee-director of Danone, and was known to bring potentially conflictual topics on the table. To her, the debates she experienced within the mission committee are much livelier than those she witnessed between the directors. Some trade union representatives also take part in the committee, which drives important debates. When the General Secretary of ITUC (International Trade Union Confederation) announced her departure from the committee because of her discontent with the governance crisis around Danone's CEO, she was promptly replaced with the former General Secretary of IUF (International Union of Food), also very well known to have fought for important social causes internationally at Danone and its competitors in the past. It is important to stress that every trade union representative we interviewed expressed their support to Danone's *société à mission* status, and their concern over the abrupt change of CEO.

According to our interviews, the composition also provides extensive means of investigation for the committee: by bringing a union representative, an employee and a director, who all have

known the group for several decades, around the same table, it provides the capacity to interrogate every level of the company, and virtually all international facilities. Some specific examples were given in the interviews. External members also provide knowledge about stakeholders, including competitors on the topics related to the purpose. The participation of the CEO to some meetings also enables access to confidential elements ahead of time, so to reduce the risk that the committee reacts with strong disagreement after specific decisions. It was particularly the case about the "Local First" lay-off plan announced a few months after the adoption of the *société à mission* form, about which the mission committee was informed early. However, several committee members explained that they deemed that such a management decision was not in the scope of the mission committee's role. It was collectively decided that Danone's mission related mostly to "external impact" topics, and that a lay-off plan was a typically managerial decision with little to no relation to Danone's mission, even though part of the mission is dedicated to the employees' capacity to influence the group's decisions.

3.3. Unprecedented governance "events": the role of the mission in the governance

Besides the functioning of the mission committee itself, our interviews led us to identify several "events" during the governance crisis at Danone that highlight the potential transformative role of the mission.

Coalition of shareholders to protect the mission

First, we witnessed the creation of a coalition of "engaged" shareholders to protect the mission at a times when it was suspected that the dismissal of the CEO would revise the position of the directors about the status of *société à mission*. Indeed, five asset managers (Phitrust, Ircantec, CAVP, OFI AM, Mirova) filed a common resolution, which questioned the Board of Directors on their individual positions regarding Danone's mission to clarify their commitment towards

the new articles of incorporation. This led the directors to write a common response ensuring all shareholders of their determination to fulfil the purpose adopted a year before.

Beyond shareholders, we also were told about an original weaving of links between shareholders (notably French) and trade unions (notably US) to share information obtained on the conditions of the vote on the *société à mission* form in the AGM of June 2020. This collaboration has notably brought up the opposition of Artisan Partners at the time, an information that was unavailable to the French engaged shareholders.

Mission committee as an independent counterpower to the board of directors

Second, the mission committee settled itself very quickly as an independent voice in the governance of the company, especially independent from the board of directors. The crisis around the CEO very much highlighted this point: when suspicions rose that the dismissal of the CEO could have an impact on the company's engagement towards its purpose, several members of the mission committee asked for the reassurance, on the part of the new chairman of the board, Gilles Schnepp, that the mission would not change, and that the committee would retain all necessary means and sufficient resources to ensure its purpose. A meeting was specially organized to discuss the conditions for the implementation of this guarantee. The Chair of the committee also publicly threatened to resign, should the mission be put into question by the new governance of the firm. Although some of the members felt this threat was overstepping the prerogatives of the committee, the Chair explained it was a way to make it known that the committee was attached to its independence, on a topic that was unlikely to create dissensus, since more than 99% of the shareholders had approved the mission a year before.

Mentions of the mission in the annual general assembly

Third, the mission became a basis to justify strategic decisions presented during the AGM. By making challenges about nutritional health or regenerative agriculture explicit, the contents of Danone's mission now serve as a platform to explain the strategic decisions, without necessarily referring to the economic or financial rationale supporting the choices. During the AGM, the mission was thus mentioned six times to back decisions.

Requirement of new KPIs by the mission committee

Finally, the 2021 MCR contains a requirement that the KPIs followed to assess Danone's fulfilment of its mission be revised for 2022 so that they better reflect the real challenges posed by the mission adopted in the statutes. The 2021 KPIs are said to focus more on the "inputs", i.e., the means and activities that Danone dedicate to the mission, which were already monitored before adopting the new status. The 2022 KPIs must focus more on the "outputs" and "impacts", i.e., on the concrete effects that Danone has on the components of its purpose. Here, the interviews stressed that the committee explicitly rejected the suggestion to adopt the KPIs created by the management without regard. For the members of the committee, the choice of appropriate indicators is indeed pivotal to cascade back to the strategy and make sure that the latter follows the mission, and not conversely.

Interestingly, this discussion mirrors a debate that took place in the public space on the best way to evaluate Danone's performance in this crisis: while some observers kept the stock price as the only compass, others sought to compare Danone's activities (thus contributing to the mission) with those of competitors (who, not being linked to a mission, may have broader activities, potentially more harmful to society). Others have sought to objectify social and environmental performance, using the mission as a symbol of the group's commitment to CSR, and therefore using standardized ESG indexes to do so. But in the end, it is the mission

committee and the third-party body that are the focus of attention when it comes to sanctioning or not strategic plans: they are in charge of assessing the company's performance and strategy in relation to the mission itself. The statute can therefore contribute to the dissemination of a shared evaluation framework that goes beyond economic indicators alone.

3.4. Perspectives: resilience of the "société à mission" and power of the new committee

Resilience of the société à mission through governance crises

Overall, the story of Danone raised two main debates in the French practitioners' and academic circles about the *société à mission*. The first was obviously about the durability of such a form and of its promises through governance crises that are tightly linked to the financial performance of the company. For some commentators, the dismissal of Emmanuel Faber epitomized the incapacity of the new corporate form to efficiently fight the search for profit of large transnational and listed companies when it clashes with social or environmental purposes. Yet, our study shows that despite strong successive crises, the mission remained in the articles of incorporation, the new chairman and the new CEO both restated the importance for Danone to fulfil this mission, and the mission committee was reassured that it would keep all necessary resources to fulfil its purpose. This robustness of the *société à mission* was defended by the ex-CEO himself in several interviews in the national press. The introduction of the purpose in the bylaws ensured its durability, and led the board of directors no to retract, or to change the content of the engagement of the firm.

This is all the more visible that the public announcement in June 2020 that Danone became the first listed *société à mission* dragged the spotlights on the company in an unprecedented way. An illustration of this is the fact that at the time of the "Local First" plan (i.e. before Faber's dismissal), the public debate focused on Danone, even though in the face of the health crisis, many other companies were implementing more severe layoff plans. This tends to show that

this status reinforces the capacity of the company to be questioned by civil society, precisely because it is a legal and voluntary commitment of the company

Acceptable power of the mission committee in the corporate governance scheme

The second debate related to the legitimate power of the newly created mission committee. While the Danone case has contributed to a certain amount of publicity around the *société à mission*, it has also led some observers to recognize that the transformations in governance brought about by the creation of the mission committee are not insignificant. Its interactions with the board of directors, in particular, are both new and unclear, as corporate law does not give any specific positive counterpower to this committee besides the right of requesting *any* information deemed useful for the follow-up of the mission and of writing up a report to the shareholders. Some authors, for instance, suggested that the mission committee should be considered as any other board committees (as auditing or compensation committees), and therefore be subject to the directors' final opinion. It is however not the choice that was made at Danone, and it is clear that the potential impact of this new governance mechanism on the balance of interests within the company will closely depend on this decision.

4. Discussion: beyond stakeholder committees, a new mission-based multipolar governance?

4.1. The mission committee: an innovation compared to stakeholder committees

Our case study shows that the mission committee created by the PACTE law in France is an atypical governance body. Indeed, its characteristics make it distinct from the three types of stakeholder committees identified in the literature.

It differs from the typical CSR committee by not being attached to the board of directors, and not being allowed by law to be composed exclusively of directors. On the contrary, at Danone the mission committee demanded to preserve its independence from the board, to be potentially able to act as an internal counterpower to the board, should the topic require such an opposition. This function therefore asks the committee to adopt a very different position from that of a "box-ticking" or "compliance" exercise that has sometimes been criticized in typical strategic CSR approaches (Painter-Morland, 2006; Larner and Mason, 2014).

It is also different from a typical stakeholder panel because it is required by law to be part of the governance bodies of the corporation, and therefore not to be an instrument at the use of executives, but conversely a college whose task is precisely to assess the quality of management decisions towards the mission. Its mandate is therefore defined by corporate law, and it is autonomous in defining its own agenda, as opposed to typical panels which are solicited for specific management issues. As such, the mission committee has virtually unlimited access to information, and therefore can theoretically ask for all investigations deemed necessary to pursue this assessment task.

The closest form is that of the stakeholder oversight board, as it shares its premise to create a new check and balance mechanism within the governance scheme to offset the weight of shareholders' financial interests. Like stakeholder oversight boards, the mission committee's composition is up to the company itself, it has access to board-level information, and it acts as a monitor of the board's activity. However, the rationale backing the composition of the mission committee relies on a very different ground from the stakeholder theory (as seen in Murray, 2017).

Neither French corporate law nor the specific case of Danone appeal to a stakeholder model to constitute the committee, except for the mandatory presence of an employee (who can, in

practice, be a salaried executive though): such an approach would have required Danone to represent customers, suppliers, communities, civil society, the environment, etc. Instead, the rationale here is to ensure the availability of expertise on all matters related to the mission written in the bylaws. The specific choice of Danone is to rely on experts of international level, involved (or formerly involved) in international organizations. This is key, first because it escapes the usual criticism of finding consensus on the relevant stakeholders to be represented in such committees (see for instance Amis et al., 2020; Bebchuk and Tallarita, 2020 criticizing the applicability of the salience model of stakeholders). The composition is to be logically derived from objectives adopted in the mission, so to add credibility to the assessment role of the committee.

Second, because the power of the mission committee is strictly bound to the writing of the mission itself: although stakeholders' opinion might be relevant information to assess the company's decisions on some of the social or environmental objectives, the purpose of the committee is not to voice stakeholders' interests by opposition to shareholders' ones. This becomes apparent when one of the roles of such a committee is to adopt an interpretive or even dialectical stance regarding the writing of the mission to be able to provide relevant performance indicators, sometimes in opposition to the indicators suggested by the management. It is the mission, rather than stakeholders' wishes, that dictates the assessment.

Finally, compared to some recommendations by Murray (2017), the mission committee has no direct voting or decisional power. However, its appraisal has still direct influence on the company because it serves as a basis for the third-party independent organism to decide whether the company is worthy of the *société à mission* status or not. If the MCR mentions that there is doubt that the company is following its mission, then it creates a legal basis for the court to take the status away from the corporation.

	Mission committee
Composition	*Stakeholders and experts linked to the mission written in the bylaws*
Objective	*Ensure that the mission is followed by the directors and the executives*
Power	*Virtually unlimited access to information related to the mission and check and balance power through capacity to demand the loss of "société à mission" status*

Table 5 - Properties of the newly created mission committee

In the end, the mission committee resembles more a kind of "constitutional council", which role is to ensure that the mission, as new constitution for the firm, is respected, rather than the oversight or supervisory boards of two-tier corporate governance structures.

4.2. A revision of accountability and stakeholders' roles in profit-with-purpose corporations

By requiring a mission committee in corporate law, the French *société à mission* introduces an innovation compared to the counterpart models of profit-with-purpose corporate forms in other countries. The Danone case shows that such a committee might have potential to tackle some of the criticisms addressed to the previous forms.

Accountability: from compliance to appropriate performance indicators

The first debate we mentioned above was about the quality of accountability requested by the new corporate forms, with the risk that they might foster greenwashing practices rather than mitigate them. In our case, the company was already reporting its extra-financial performance on selected indicators, before having adopted the new form. However, the thinking of the newly created mission committee led to debate the appropriateness of such indicators in the face of the ambitious mission promised by Danone. And to require a new set of indicators, defined in part by external actors to the company, so that they would better reflect the actual impact of the company—and not only its demonstrated effort.

By relying on an actual governance body, rather than on existing reporting practices, or on external standards or "ESG" (environment, social, governance) criteria, the *société à mission* revises the classical viewpoint on appropriate accountability of the material impacts of corporate activities. It promotes a dialectical and contingent approach to performance measurement, based on a necessary interpretation of the relationship between expectations and promises on one hand, and actual activities and challenges of the company on the other. In the end, the objective of such a governance scheme could be to create specific performance frameworks for each *société à mission*, in which the previous economic or financial aspect is but one of the dimensions of the capacity to fulfil the purpose.

Right to stakeholders: stakeholders' oversight of the mission

The second debate related to the absence of new rights granted to stakeholders. This remains partially the case in the *société à mission*, since there is no obligation to represent "salient" stakeholders in the mission committee. Two peculiarities might however be noted.

First, we saw that the mission committee still creates a counterpower to the board of directors, while relying on external, non-shareholder actors to offset the weight of shareholders' interests in the monitoring process. In that sense, our case epitomizes one of the pillars of stakeholder governance, while, as mentioned earlier, it escapes some of the main criticisms of stakeholder theory.

Second, the corporate form makes it possible for willing companies to give voice to some specific stakeholders: either by mentioning this engagement directly in the mission, in which case the mission committee must verify that the company has indeed correctly taken into account these stakeholders' voice, or by including them directly within the mission committee, in which case these stakeholders inherit from the powers granted to this committee. These two mechanisms however only remain optional, and not compulsory.

It is also interesting to note that the mission serves as a rallying point for various stakeholders previously unrelated, such as employee or trade union representatives and engaged shareholders. The emergence of such "coalitions" of stakeholders using the legal commitment towards a purpose to back their action might offer a new set of means towards sustainable corporate governance. Anecdotally, we were also told that members of the mission committee at Danone had been contacted several times by external stakeholders (a supplier for instance) to examine whether the behavior of Danone they observed in some specific instances was to be deemed compatible with the mission by the committee.

Directors' duties

Finally, regarding directors' duties, our third line of debate, the French *société à mission* provides teeth to the purpose by granting the mission committee as well as the third-party independent body the capacity to sanction any company deemed to disregard its mission. Although the loss of the *société à mission* status might seem a very light sanction compared to the ambition of some promises of such companies—and despite the potentially strong reputational damage that such a loss might create—it is a pivotal piece of the credibility of the form. Indeed, for all *société à mission* that have been assessed by the third-party, if it keeps the status, then it means that one can trust that the mission is indeed fulfilled by the company—at least according to this third-party body.

One should also note that the writing of the mission into the articles of incorporation prevents making of this engagement a mere act of individual leadership, linked to a particular CEO or Chairman, and which might vanish at the same time the person leaves the company. Although responsible leadership should be a strong component of sustainable governance (Waldman,

Siegel, and Stahl, 2020), it is important for the credibility of the form that the commitment towards social and environmental objectives is not subject to the sometimes frequent changes in the shareholding or management structure of the company.

Overall, the combination of mission and mission committee holds potential to ensure the credibility of the commitment of profit-with-purpose corporations. The committee gives teeth to this commitment, and the example of Danone illustrates how, although it was a proposal of the CEO himself, the mission acts retroactively on the discretion of the directors and executives and is not a purely instrumental tool for usual business purposes.

4.3. An emerging model of sustainable corporate governance and its current limitations

More generally speaking, the *société à mission* provides an original example of corporate form to advance the theoretical debate on sustainable corporate governance.

Scherer and Voegtlin (2020) have stressed the challenges raised by the design of sustainable governance schemes. The previous analysis highlights the contribution of the *société à mission* to two of them: the tension between participation and expertise, and the tension between polycentricity and centralization.

A multipolar model of corporate governance?

Whether one should rely on the broadest possible democratic participation of stakeholders— and citizens— to the governance of corporations, or on the most appropriate expertise to guide the decisions, is the first thorny issue of participation vs. expertise. It has already been stressed that profit-with-purpose corporations do not aim at promoting stakeholder primacy over shareholder primacy, but to organize the governance framework around the commitment towards a purpose (Levillain and Segrestin, 2019). Our case highlights that the mission

committee might however provide a trade-off on this tension, by making it possible to open the writing of the mission to a broad set of stakeholders, while still relying on a limited set of experts to carry out the assessment of corporate activities once the mission has been set.

In the same vein, the *société à mission* suggests a new avenue on the polycentricity vs. centralization issue. For Scherer and Voegtlin, this tension expresses the difficulty to chose between the efficiency of a centralized decision process, which might however disregard the variety of possible choices and interests, and the innovativeness of a polycentric network of decision-making, which might however more often lead to lock-in situations. Our case suggests a way to benefit from both models. Polycentricity has rarely been applied to corporate governance because it presupposes a "collection of heterogeneous on decision centers acting independently" (Aligica and Tarko, 2015), which seems inapplicable to corporations. Some counterexamples are given by Turnbull (2020), which epitomize this representation of a network of independent boards, for instance geographically distributed over a given territory. In our case, the governance is not split between a variety of distributed boards, but separated in two organized "poles"—the board of directors and the mission committee—restoring a form of balance in the corporate governance scheme, and fostering the diversity of interpretations of the appropriate strategy to fulfil the mission through the variety of constituencies.

This original functioning, that we suggest calling "multipolar corporate governance", tocontrast it with "polycentric governance", nevertheless answers some of the criticisms of centralized decision-making: it avoids the cognitive fixation on a unique way of thinking business activities, it enables to grasp a variety of performance dimensions and fosters innovation thanks to the varied expertise of the mission committee, and it prevents most of lock-

in situations by not duplicating decision powers but by adopting a "constitutional council" approach to ensure the respect of the mission.

Limitations of current form

This is perhaps the most intriguing surprise of our case study. While the *société à mission* does not change the usual terms and conditions of the annual general meeting and of the shareholders' rights, the form seems to revise the position of the board of directors in a "good" corporate governance scheme. Under this statute, indeed, the board of directors is neither granted primacy—such as in the Blair and Stout model of director primacy (Blair and Stout, 1999)—or bound to the interests of the shareholders, such as in the usual shareholder primacy model. It is subject to an original system of check and balances which does not rely on the attribution of shares, such as in the model of insider control (Aguilera et al., 2008), but on the creation of a specific governance body.

The pivotal issue then becomes the appropriate constitution of this specific governance body, which raises new risks of deviance and greenwashing. How should this mission committee be constituted, and with which competences? How to ensure that the committee is not riddled with conflicts of interests that might impair its objectivity? In our case, we described a strong and determined committee, looking for ways to ensure its independence and the means for its action, but how to generalize?

The case provides some first answers, by stressing the importance of the presence of experts, and of debating the interpretation of the mission and the appropriate performance indicators. But it also raises new questions for research: for instance, how to characterize this emerging type of "multipolar" governance, in which the interactions between mission committees and boards of directors are still to be defined, and written in law? What is the durability and

sustainability of this multipolar governance model? And how to objectify its impacts on social and environmental issues?

Conclusion

The mission committee of the *société à mission* holds the potential to transform profit-with-purpose corporate forms into an efficient model for sustainable governance, by using the purpose as a means to question strategies and governance equilibria. In that sense, it holds the promise mentioned by Battilana and colleagues (2020) to ease the trade-offs between societal and profitable purposes in current business organizations.

This committee, combined with the legal commitment of the articles of incorporation, gives teeth to the purpose of the organizations, at a time when purpose is presented as a leeway for the sustainable behavior of corporations (see e.g. Hollensbe et al., 2014).

However, it has retroactive effects on the role and discretion of directors and chief executives: by creating a model of "multipolar" governance, it raises new questions on the appropriate articulation between different committees at the governance level, without impairing the efficiency of the organization. We think that this paves the way to renewed research on models for sustainable corporate governance.

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