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# Key future challenges in turbulent times - Europe 2024-2029

ESCP Impact Papers  
Fifth Edition

Edited by: Régis COEURDEROY, Sonia BEN SLIMANE  
Guest editors: Aurélien ACQUIER, Jérôme CREEL,  
Olivier DELBARD, Frank FIGGE, Frédéric FRÉRY,  
Rand GERGES-YAMMINE, Hector GONZALEZ JIMENEZ,  
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# ABOUT **ESCP BUSINESS SCHOOL**

ESCP Business School was founded in 1819. The School has chosen to teach responsible leadership, open to the world and based on European multiculturalism. Six campuses in Berlin, London, Madrid, Paris, Turin and Warsaw are the stepping stones that allow students to experience this European approach to management.

Several generations of entrepreneurs and managers were thus trained in the firm belief that the business world may feed society in a positive way.

This conviction and ESCP's values - excellence, singularity, creativity and plurality - daily guide our mission and build its pedagogical vision.

Every year, ESCP welcomes 10,000+ students and 6,000 managers from 135 different nationalities. Its strength lies in its many business training programmes, both general and specialised (Bachelor, Master, MBA, Executive MBA, PhD and Executive Education), all of which include a multi-campus experience.

It all starts here.

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# FOREWORD



**Professor Léon Laulusa**  
Dean and Executive President, ESCP

Europe is currently facing unprecedented challenges in the realms of climate change, economic inequality, geopolitical tensions, rapid technological advancements, and must handle the impact of global crises on local industries and societies. Addressing these issues is crucial and requires innovative solutions and collaborative efforts to shape a sustainable and prosperous future. These challenges present Europe, particularly during this period of European elections in June 2024, with a unique opportunity to unite, innovate, and forge new paths toward a more sustainable, prosperous, peaceful, and fairer future.

In this challenging context, the role of ESCP Business School, a major actor in the European academic landscape, launches the 5th edition of its Impact Papers initiative. Contributions, are guided by the expertise of participants within the strategic framework of LIGHTS (*Leadership, Innovation and Entrepreneurship, Geopolitics, Human well-being, Technology and Sustainability*), provide impactful reflections and inspire positive change in Europe and beyond. Together, we can navigate these turbulent times and build a more sustainable and resilient future. This initiative perfectly illustrates the European motto: United in Diversity!

As for the four previous editions, our professors, researchers and doctoral students as well as external participants have taken part in this initiative. They have contributed from various and complementary perspectives to establish the foundations for our strategic research orientation, LIGHTS.

Our Chairman, Philippe Houzé, who has kindly accepted to be part of this special edition and provided us with his vision on the Future of Higher Education, regularly reminds us that our mission, more than ever, is to educate responsible and purpose-driven leaders and entrepreneurs who will have a positive impact on businesses and the world.

On behalf of our Executive Committee, I would like to acknowledge and thank all the Professors and other participants who have contributed to this fifth edition of Impact Papers. I would particularly like to thank Professor Régis Coeurderoy, Associate Dean for research and Dr Sonia Ben Slimane, Executive director of ERIM and editorial coordinator of this edition, for their involvement throughout the edition process and for the quality of this special edition, which translates the LIGHTS strategic orientation, and involves our campuses as co-editors: from our Madrid Campus: Hector Gonzalez Jimenez; from our London campus: Daniella Lup,

Hsin-Hsuan Meg Lee, and from our Paris campus: Aurélien Acquier, Christopher Hossfeld, Frank Figge, Frédéric Fréry, Jérôme Creel, Maxime Lefebvre, Olivier Delbard, Rand Gerges-Yamine, René Mauer, Régis Coeurderoy and Sonia Ben Slimane.

I also would like to thank the Editorial team on the behalf of ERIM: Professors Régis Coeurderoy, Sonia Ben Slimane, and Erblin Grazniki and Emily Olyarchuk, Sandrine Kiefer in Communication Division.

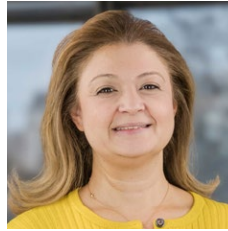
I wish you all a joyful, inspirational and insightful read of this European edition!

# EDITO



**Professor Régis  
Coeurderoy**

Associate Dean of Research  
(Paris Campus)



**Dr. Sonia  
Ben Slimane**

Editorial Coordinator

After four successful and impactful editions, made possible thanks to the valuable involvement and contributions of our faculty members, PhD students as well as external contributors, we are glad to introduce this 5<sup>th</sup> edition of ESCP IPs.

The fifth edition was launched with the flagship title: “Key future challenges in turbulent times - Europe 2024-2029”. We are facing an unprecedented time of economic, social, environmental and technological challenges. These challenges are mainly seen through a series of crises. They also give rise to new thinking on a forward-looking and operational basis for big challenges in the near future.

ESCP Business School is a major actor in the European academic landscape. As a unique European business school open to the world and, even if ESCP does not vote, ESCP has a voice. In that perspective, the elections are an excellent window of opportunity for us to give voice to our expertise and experience on topics we care about. As a fully-fledged top European Business School, we can draw the attention of opinion leaders and media to our uniqueness at this post-election time. We suggest a forward-looking approach to highlight issues that will be important in the coming years.

With regards to the strategic orientation of research at ESCP Business School, the aim is both to strengthen its leading position in research quality in the academic landscape, and to be an impactful voice in proposing practical applications for key subjects characterising our environment. This strategy is translated in the accelerators process named “**LIGHTS**”, standing for “**L**eadership, **I**nnovation and **E**ntrepreneurship, **G**eopolitics and **G**eo-economics, **H**uman well-being and workplace, **T**echnology, and **S**ustainability”. The idea behind this is to lay the foundations for a “Think Tank” approach, a space for exchange and dialogue with stakeholders.

In order to emphasize this orientation, all contributions have been classified according to these key categories. The idea is to increase the impactful contribution of ESCP members to analyse, criticize, answer, and thus propose avenues for further research and interest for academics and broader stakeholders, based on their expertise, their experience, and their multi-disciplinary competences, thus stimulating creative ideas and innovative perspectives that could inspire our many stakeholders.

We can mention the following themes:

- The future challenges of Business & sustainability (ESG rating, New Business models, circular economy, beyond growth, climate change, etc.)
- The future challenges of Inclusive Leadership and Well-Being management at work (Transformational leadership, new forms of work, diversity & inclusion, feminism in practices, etc.)
- The future challenges of International Business and economy, and the new geopolitical order (Geopolitical challenges for European Business, globalization of European Business, Scale-ups in Europe, etc.)
- The future challenges of Disruptive Technologies Management (Deep Tech, A.I., digital platforms, unicorns, affordances & issues of big data, etc.)
- The future challenges of Innovation, creativity and entrepreneurial transformations (Art thinking, Design thinking, new consumption models, etc.)
- The future challenges of markets and societies (societal transformations, consumption behaviours, philosophy of management...)
- And, of course, because ESCP Business School is a higher education institution first and foremost, we open the edition with contributions about the future of higher education in management studies!

The breakdown of the number of contributions for this 5th edition both in English and French, following the LIGHTS under the hat context of the Future of Higher education is as follows: Future of HEI (15), Leadership (8), Innovation and Entrepreneurship (6), Geopolitics (8), Geo-economics (7), Human resource management/well-being/workplace (11), Technology (8) Sustainability (12) for a total of 76 contributions.

The papers gathered for this fifth edition of the ESCP Impact Papers series address a range of challenges and opportunities in the identified LIGHTS topics, to create sustainable value. Specifically, they discuss the latest advances in knowledge of sustainability-related issues, including business philosophy and business value, corporate activism, the role of technology, new business models and sustainable value chains, people, their wellbeing and their prosocial behaviour, as well as pedagogy and the role of business schools in educating future responsible leaders.

This Impact series is a collective effort by the ESCP community as it takes one step further in having a positive impact on business, society and policy.

Finally, we would like to thank Pr Pramuan Bunkanwanicha, Dean of the Faculty, who has contributed alongside the previous editions, and the Research staff.

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## [ Heading for Presidents' interviews

Valérie Moatti  
Professor and Former Dean of Faculty  
Board Member, ESCP BS

Given its European identity and footprint, ESCP is at the forefront when it comes to providing insight on the future of business education. To contribute to a broader view, we interviewed the President of ESCP and its French subsidiary, Philippe Houzé and the Presidents of our British, German, Italian and Spanish campus subsidiaries i.e. respectively Lord David Gold, Mrs. Miriam van Straelen, Mr. Francesco Profumo, and Mr. Domingo San Felipe. The President of Sorbonne Nouvelle also shared his view, as one of the leaders of Sorbonne Alliance (an ESCP partnership with Sorbonne) and expert in higher education and European matters.

As you will see in the following insightful interviews, they all believe in a very open and interconnected model of education across countries, locations, cultures and fields.

They also all strongly support the view that business schools contribute to a better world in different ways: bridging gaps between people and avoiding conflicts, being more protective of the environment, preserving democracy, being more inclusive and socially responsible. Research and education should be considered as a common good and contribute to fight fake news. They are also tools to help develop and position individuals in a context of increasingly rapid knowledge obsolescence. To achieve such ambitious goals and make significant impact, leadership at business schools is key.

Finally, our speakers share the idea of a specific European model for education as a result of European history and cultural heritage but also of its specific location between Asia and North America, its huge diversity (of languages, size, history, values, economic development, political model,...) and its complex though instructive governance model. Within this rich European model, each country displays specific features representing challenges, opportunities, but also complementary assets and competences to further reinforce the European education landscape.



ESCP Impact Paper No.2024-01-EN

## **[ “Change is the only constant”**

Philippe Houzé  
Chairman of the board of ESCP BS and Galeries Lafayette,  
Vice Chairman of the board of Carrefour

### **Abstract**

Philippe Houzé is non-executive president of ESCP Business School and president of EESC ESCP (ESCP’s legal entity in France). In this interview he spells out the transformation challenges facing business schools resulting from changes in society. Here he is in conversation with Léon Laulusa, executive president and dean of ESCP, and Valérie Moatti, professor and former faculty dean. Houzé has been chairman of Galeries Lafayette for several decades, and was previously a director of several companies in the group, including the Monoprix brand. Houzé has been non-executive vice-president of Carrefour for nearly 10 years.

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## **“Change is the only constant”**

### **Valérie Moatti**

Drawing on your experience as a major business leader and your position as president of ESCP, what does it mean to be a world-beating business school?

### **Philippe Houzé**

A top-tier business school should inspire and serve society. It needs to train the leaders of the future, responsible, dedicated and accountable businessmen and women who will make a positive impact on our planet, society and organizations.

This means trying to develop several key features, first and foremost a school of excellence. It's important to have a solid reputation for academic excellence, research and innovation. And that requires a high-flying, diverse and international teaching community. What's more, as well as drawing on an active worldwide network of alumni, a top-tier school attracts and selects first-rate students with varied, international profiles. And then it enters partnerships with companies and makes a meaningful contribution to economic life by encouraging start-ups and entrepreneurship. Last but not least, the top business schools have to show unwavering support for ESG (environmental, social, governance) issues.

Rankings play a prominent role when weighing up a business school's position in the global landscape. But they're not the only criteria, because it's difficult to compare certain aspects between schools.

I think we need to lay more stress on impact indicators, such as the ability to create businesses and raise funds. These are areas where our alumni shine: ESCP is the leading business school in Europe in terms of the number and volume of fundraising by former students, and seven of the 34 tech unicorns in France were founded by ESCP graduates.

## **The ability to tease out entrepreneurial and creative thinking is one of the key roles of a major business school.**

### **Valérie Moatti**

In your opinion, what will be the most important developments in the years ahead?

### **Philippe Houzé**

We're expecting there to be non-stop changes in the field of education. That could mean embedding extra technology such as generative AI into learning methods, transitioning to a more personalized and experiential learning experience or putting greater emphasis on sustainability and ethical conduct in management programs. Or it could involve focusing increasingly on interdisciplinary approaches to addressing complex global issues.

My view is that change is the only constant, so we have to remain in a state of constant adaptation: nothing is set in stone, everything starts anew every day. Our ability to break new ground and give our students the tools they need to innovate in the way they learn is fundamental. We co-produce knowledge with the school, students and companies, and we design new models and test them out. The role of a business school is to act as an experimental laboratory for society, and that's what we've been doing at ESCP for over 200 years.

## **Change is the only constant. Education must allow for constant adaption and innovation.**

### **Valérie Moatti**

People are talking more and more about the impact of business schools. What importance do you give this idea, and what do you think lies behind it?

### **Philippe Houzé**

For a business school, “making an impact” means having a responsibility towards the young people we train. These students won’t just have successful careers in the strict sense, but will also be socially responsible leaders who will make a positive contribution to society.

It also means carrying out research that tackles the challenges facing business and society, and working closely with industry and government to drive innovation and economic growth. In addition, it involves promoting ethical practices and sustainability initiatives. In more specific terms, I urge business schools to develop further impact indicators on society, such as carbon footprint, inclusion and diversity, not to mention respect for others.

Let's take a topical concrete example. We have witnessed an intellectual frenzy in recent weeks, especially at Sciences Po and in some US universities. I think it's vital in these circumstances that we avoid any political infiltration and manipulation by groups intent on spreading violence, stigma and even Holocaust denial. Schools must be fora for discussion and debate that is healthy and measured, where knowledge is safeguarded and developed. Not, in other words, places where small, extremist and violent groups spring up that attack other students. These institutions are showing a lack of leadership for allowing this state of affairs to develop. A school's leadership is instrumental in terms of its impact and reputation.

By contrast, scaling up the impact a school makes is a virtuous circle: students who have been trained to high academic standards, and who are socially responsible, will make a positive contribution to society and, in turn, become role models for future generations.

## **Developing the impact of a school is a virtuous circle.**

### **Valérie Moatti**

Let's turn now to what's happening in Europe. Do you think European business schools have an educational model?

### **Philippe Houzé**

Business schools in Europe often put the focus on their rich academic heritage, linguistic and cultural diversity, their world view and cross-border collaboration. Europe should play a key role in promoting the European values of openness, inclusiveness, sustainability and social responsibility. In addition, Europe occupies a unique position between the United States and Asia. Its hallmark is an educational tradition embedded in humanist values and the promotion of critical thinking. Until now, this combination has fostered innovation and made a success of European leaders. Global competition is intense in the face of hefty geopolitical challenges. There's no doubt the EU needs to scale up innovation and research. We need a holistic approach that spurs people on to create and develop businesses in Europe.

**Valérie Moatti**

Moving on to France, what do you think are the main strengths and special characteristics of French business schools?

**Philippe Houzé**

The main advantages of the French education system – and that includes business schools such as ESCP – is that they have their origins in a long history of academic excellence. There has always been a strong emphasis on theoretical knowledge combined with practical applications, vocational courses and a worldwide reputation for innovation and creativity. This is also linked to the singular nature of the *classe préparatoire* system that prepares top students for the *grandes écoles*. This provides solid general knowledge, a multidisciplinary approach and an extremely rigorous way of working.

The future challenges for education in France and for business schools include adapting to advances in technology and market needs, making themselves more competitive on the international stage, and managing issues relating to carbon neutrality and inclusiveness.

**Valérie Moatti**

As a major business leader, how do you see the future of business schools? Do you think that the landscape of management education can be restructured with new stakeholders breaking through?

**Philippe Houzé**

I don't see there are any major risks to the role of business schools in the future. I think the disruptions will have a bigger impact on university courses, in particular with the drop-off in MBAs that's already started and the consolidation in bachelors like the one at ESCP. Young people are now always in a hurry and want to have access to very good training programs that mean they're employable when they're still very young. At the same time, we're likely to see a growth in executive education and lifelong learning.

I have drawn inspiration for many years from Philip Kotler, the marketing professor. His customer approach is very helpful in the retail industry but it can also be used in the context of business schools. Kotler recently wrote an article that I found really interesting on what he calls the "zero customer". One of the aspects he talks about is "zero patience", a term he uses to describe how hard customers find it to wait. We can see the same thing with students who want to have a degree as quickly as possible. Another dimension is "zero boundaries", which alludes to the disappearance of borders between digital and physical retail channels. This same phenomenon is at play in education, where online and physical teaching are increasingly interlocked. The focus on sustainability and net zero is also highly relevant to education. Other aspects that could potentially be included in the context of business schools are the "extinction of the environment" – to highlight the extremes of luxury goods and what is very affordable –, the disappearance of loyalty, and "share of wallet" being replaced by "share of life".

The future of management training will almost certainly be modeled by ongoing technological advances, geopolitics and shifts in society's expectations. Business schools have absolutely to carry on breaking new ground and fine-tuning their courses, teaching methods and research agendas so they stay relevant in today's world and make a meaningful impact in the constantly-evolving landscape. And that's why at ESCP we're planning on expanding our expertise in what we call LIGhTS. In addition to the field of management, our research, teaching programs and projects will focus primarily on these areas that are shaping the society of today and tomorrow: inclusive leadership, innovation and entrepreneurship, humanism as a core value, technology and deep tech, and sustainability.



## **[ “We are hungry for success”**

Lord David Gold,  
Chairman of the London Campus board of ESCP BS,  
member of the UK House of Lords,  
one of the United Kingdom's leading litigators

### **Abstract**

**“A leading business school has to be ahead of what is going to happen in the future”**, reported Lord David Gold, Chairman of the London Campus of ESCP Business School. In a conversation about the leadership of business schools in Europe with Regis Coeurderoy, Associate Dean for Research at ESCP, and Valérie Moatti, Professor and former Dean of Faculty and Board member at ESCP, he offered his British perspective. Lord Gold is also a member of the UK House of Lords, a former senior partner of the leading international law firm Herbert Smith (now Herbert Smith Freehills), the founder and principal of David Gold & Associates, Gold Collins Edelman Advisors and Balance Legal Capital; he is widely recognised as one of the United Kingdom's leading litigators.

## **“We are hungry for success”**

### **Looking outside one's own geographical area**

#### **Valérie Moatti:**

How would you define a leading business school today?

#### **David Gold**

I think there are three things, completely interrelated.

Number one, in providing education a leading business school should have in mind that the students may and, indeed, should be aspiring to be managers and leaders of businesses internationally. The school and students should look outside their own narrow geographical area and, at the end of their course, they should be equipped to take on these roles.

Next, as part of the experience of being a student it is essential that they should build up relationships with others who hopefully are going to be leaders of businesses in the future. It is a form of networking. US schools are far better at achieving this than those of us in Europe and it is a lesson to learn. Actually, ESCP is in a marvellous position to promote networking, not just because of the way we teach. But one of the things I'm very conscious of, is that we are in a very privileged position, and we are privileged because a large number of our students are the sons or daughters of international business people. They are not used to staying in one place forever. They understand that it's part of their lives to move around from one country, one experience to another, and that adds tremendous experience. Even though our students are very young, they come with the experience of their parents. I regard this as a terribly important feature.

The third point I want to make is that for a business school to be successful, if possible, it has to be ahead of what is going to happen in the future. And I have very much in my mind: AI, it's a buzz set of letters now, everywhere. Business schools should be ahead of the game, anticipating what this is going to do to business and the world. And that's just one example.

### **Not accepting mediocrity**

#### **Valérie Moatti**

When you say “being ahead”, what does it mean for a business school? Teaching? Research?

#### **David Gold**

Both. I don't think a successful school can get along just by having one of the two disciplines. Just teaching risks the place becoming mundane. Having research and being at the sharp end of research impacts one's ability to teach. Where it goes wrong, is where the academic profession loses sight that it should try and do both.

#### **Valérie Moatti**

What are the resulting key features?

#### **David Gold**

There are three. First of all, having the experience of being in a leading academic institution. Second, there must be proper training for the future. Third, the school must identify where there are technological and other changes that impact on how things should develop.

## **Régis Coeurderoy**

What are the mechanisms for being ahead vs. being followers? Does it imply some specific resources or knowledge?

## **David Gold**

I think it's a series of factors. The first, that may surprise you a little but it's no different to a successful business, is the leadership of the organization. And that leadership is both in setting an example, a guidance, but it's also in managing the school and the participants, the professors in that school in a very supportive way, but in a very critical way as well. Once you accept mediocrity, you are on the way downhill. If the teaching staff are not of the right caliber or are not properly performing, you have to take action. And one of the problems in traditional university institutions is tenure. Professors have tenure. And they may think to themselves: that's it, I'm safe for life. It's a very unhealthy position, in my view. So, leadership is absolutely essential.

And "hunger" is the next thing. One of the things about ESCP, which is interesting is whenever we receive accolades from commentators or newspapers as to our position, there's an absolute delight. We're hungry for success. That's very important. If we accept that we are Number 4, and are permanently content with that rating, then that is dangerous. Harvard, London Business School and Imperial have a better rating right now. We have to aspire to be ahead of them and aim for the top position.

The next thing is that we have to make the life of our teaching staff, as well as our students, as pleasant as possible. We don't want them to be inconvenienced by the building, by the facilities, by everything. We want to make it easy for them to concentrate on their teaching and work. In the time I've been involved with the London school I have seen how much the facilities have improved and there's still work going on which gives people a feeling of contentment and success. When you see things moving forward, then you think, "oh I'm in a place where I want to be".

And the final point is the choice of students. It's another point about not accepting mediocrity. We have to aim only to take in the very top students who will challenge their professors and will challenge each other. Once we lower the standards on the people we let in, again, we're going backwards.

## **UK post-Brexit: how to remain involved with Europe?**

### **Valérie Moatti**

Do you see any British specificities, either in general or since Brexit?

### **David Gold**

I want to make another point. This is not a post-Brexit point, although might have been exacerbated by Brexit.

Money. The issue of money is incredibly significant. I am a member of the All party Parliamentary Universities group in the Houses of Parliament with members both from the House of Commons and House of Lords. Every now and again there is a seminar, a meeting of whoever wants to come from, mostly from outside the Parliament. University leaders come and share their experiences. There is an obsession with lack of finance for this, that, or the other. I don't know how it is in Europe outside the UK. But my guess is, it's not much better. In the US, there is an experience of giving. The alumni group of ESCP is doing its best to raise money, the foundation, etc., and they do very well. But in the United States, the top

universities have an incredible source of money from alumni. You go through university, then you give back, and you give back in cash. And I think there are better tax incentives for doing this as well, which makes it easier. A report just issued confirms that UK universities are dependent on overseas students for funding, as they are charged more than UK students.

With a few exceptions, our universities do not have the financial endowments that you see in the States which gives those benefactors great influence over the institutions they support. And so that is a factor which I think one has to bear very much in mind.

Now as to Brexit, I am very troubled by Brexit. I was anti-Brexit. I remain so. One of the big issues was whether the flow of students across countries might be reduced. The UK ceased to be involved with the Erasmus project which is a concern. Nevertheless, the flow of overseas students coming to the UK remains very high. It may take time to return to the numbers that we had before Brexit but I am confident that this will return. One of the great strengths of ESCP is the way in which students move around from one country to the other. It's marvellous. In my view British students who are not able to join European institutions suffer greatly. And I think it works both ways. If European students are not coming to the UK, that's a great pity, too. We all lose out.

## **Retaining a high profile**

### **Valérie Moatti**

There's also a huge debate on the impact of business schools. What does it mean for you?

### **David Gold**

I think it is very important for several reasons. It goes back to the opening question in our discussion.

If we are to attract the best professors and the best students, they want to come to an institution that they consider is up to their quality and will enhance their life and their reputation.

So, how does the university do that? First of all, there has to be high profile. Second, both students and professors benefit from being able to say that they are members of a prestigious university. Working in such schools enhances everyone's lives going forward. And that's why scholarship in the form of research papers is also terribly important. Whether it's professors or others in the school, being seen to be associated with a school such as ESCP helps profile, and also helps attract the right sort of talent. If ever we are seen as just another school with nothing special to offer, we will lose our reputation for quality and risk going into decline.

### **Valérie Moatti**

How do you see the evolution of business schools in general? And what do you think are the key challenges and opportunities for business schools?

### **David Gold**

I think that the role performed by business schools is preparing students, especially at post-graduate level, for the crossover into business. And it is sustained. I don't think that's a risk. I think one can be concerned that individual schools, perhaps in certain geographies, can suffer. And they can suffer because they may lose sight of the areas I've touched on. If they are satisfied with mediocrity, then they go backwards. I think that post Brexit, there is a risk

that students in the UK will feel, or prospective students will feel, that there are better opportunities for them to work elsewhere. The US is a big draw. I think one of the great features about ESCP is that we offer students the chance of working on various campuses. One of the negatives about the UK ESCP is that we do not have enough British students.

## **“Research intensity plays a role in raising the profile of higher education”**

Daniel Mouchard,  
Professor of Political Science  
President of Sorbonne-Nouvelle,  
ESCP partner through Sorbonne Alliance

### **Abstract**

How can top-tier higher education institutions preserve their role in a fast-moving world, where knowledge soon becomes obsolete or faces stiff competition from fake news? Their excellence hinges on the link between research and training, together with research’s capacity to deliver the tools for accessing and decoding knowledge. Daniel Mouchard is a professor of political science and president of Sorbonne-Nouvelle. Here he takes a close look at the challenges of training and disseminating research for the common good – and even for the good of democracy – in conversation with Régis Coeurderoy, professor and associate dean for research at ESCP, and Valérie Moatti, professor and former faculty dean. Sorbonne-Nouvelle is a partner of ESCP through the Sorbonne Alliance.

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## **“Research intensity plays a role in raising the profile of higher education”**

### **Valérie Moatti**

Based on your experience and position as university president, what exactly is a top-tier institute of higher education?

### **Daniel Mouchard**

Training and research are the core missions of higher education. Although that may sound like a tautology, it's important they remain the focus of the leading establishments. This means aiming for excellence in the field of training in the areas where they're strong and excellence in research. It also means injecting life into the connection between training and research. This unique link between the two is central to higher education, and that mustn't change. This integration is also what makes our establishments different from other training organizations.

New missions that are linked to these are becoming urgent and imperative. First, it's vital that we incorporate the cross-functionality of a number of major issues for our students in a world that is becoming increasingly unstable and unsettled. This includes questions about serial transitions and sustainability. It also covers the work context, where the challenges are becoming even greater given the current uncertainties, the growing pace of a number of different phenomena and developments in the labor market. It means that top-tier establishments need to meet the demand for personalized support by giving career development more visibility and exposure.

At the same time, this isn't at all incompatible with flexible training. At Sorbonne Nouvelle and ESCP we offer a skills base that should and can be constantly refreshed. Top-notch establishments are set apart not just because they can offer formal education but also lifelong learning. If I take my cue from the thinking of Hartmut Rosa, it's also a societal issue. The great German philosopher talks about various forms of social acceleration: informational, professional, and so on. Higher education must be able to rise to this challenge by offering training packages that constantly update skills and knowledge. So, it's also about responding to the fast-moving obsolescence of certain forms of knowledge and the spread of fake news.

## **The impact: giving students the keys to navigate their way through society**

### **Régis Coeurderoy**

Do the pressures to ramp up skills acquisition threaten the monopoly on knowledge that has long been the prerogative of higher education?

### **Daniel Mouchard**

Yes, there has been a very significant proliferation in all kinds of content production, as well as much wider dissemination, which is linked in particular to the digital public space. By contrast, I think it's still higher education's deep-seated association with research that is its strong suit. It's because of this that it has the capacity to provide the tools for decoding and differentiating all these extremely diffuse forms of knowledge whose scientific foundations can vary enormously. We will always be there to offer tools for guidance, a kind of “GPS of

knowledge”, to use a very pertinent phrase coined by François Taddéi, director of the Learning Planet Institute.

### **Valérie Moatti**

There’s a lot of talk about the impact of higher education and business schools. What do you think is meant by the term?

### **Daniel Mouchard**

If we look at the students first, the impact involves rethinking the very idea of skills and learning. The skills base is still a key issue, and it has to retain its deep roots in academia in the good sense of the term; based on research, in other words. But what students are asking for is more and more diverse. It’s not just about becoming proficient in this or that academic field but also about the skills needed to enter the world of tomorrow. We provide them with a kind of toolbox they can use in different settings to champion a number of issues that are close to their hearts.

The impact is then based on the capacity to provide environments that are conducive to developing projects.

For the academic community, the notion of impact is linked in particular to thinking about the dissemination of knowledge and the role of scientific mediation. The idea of participatory science is central to what we have to do nowadays.

## **Research: a public good and a challenge for international cooperation**

### **Régis Coeurderoy**

How do you see the connection between research and teaching for the major players?

### **Daniel Mouchard**

As far as higher education goes, the intensity of research and the ability to share play a role in raising our profile. Research is first and foremost a public good, and not something you monopolize. But, of course, this doesn’t stop it from being the subject of economic valorization. There’s a very strong link between training and research, which means that research feeds into training. In addition, it means there is a very important aspect to training through research. Research methodologies together with ethical and professional questions about research must be key components of training.

And another vital point is internationalization. Developing international links depends on things like student and teacher mobility, but it also covers the actual activity of research and training. It needs to become more international; in other words, it needs to be constantly fed by everything that happens on an international level in terms of research, publishing, etc.

Scientific excellence is a public good, which means it is also a shareable good. On an intellectual level, it’s about competition; but on a societal level, it’s about cooperation and sharing.



## **Higher education: a catalyst for European integration**

### **Valérie Moatti**

Do you think there is a European model of higher education?

### **Daniel Mouchard**

I'm not a specialist in education systems in the strict sense of the term, but I do have experience of European university alliances. The first thing to say is that the models vary enormously in terms of funding structures, the status of research fellows, the relationship between the public and private, whether or not there are research organizations separate from the universities, and so on. But there are also areas of similarity in terms of goals and cross-functionality.

To take one example: as part of the European Universities alliance, which Sorbonne Nouvelle is a member of (YUFE – Young Universities for the Future of Europe), we are working on a European bachelor's degree in urban sustainability. Sustainability issues and issues about planning for the social world are found in every country. And this serves as a catalyst for convergences: not in terms of educational models but in terms of practices and expectations along with European values.

Taken as a whole, European education systems are under huge pressure: fake news is spreading fast, there are all the changes in knowledge, and threats to academic freedom, which are very strong in some countries, including inside the EU.

The challenge is to champion the core values of the world of academia, and in broader terms, the values that drive European integration. Needless to say, higher education is one of the mainstays of this integration. The Erasmus scheme is frequently cited as a very visible, high-impact program.

I often use the concept developed by Fritz Scharpf, output legitimacy, compared to traditional electoral legitimacy by inputs, i.e. the electoral transaction, etc. Erasmus is a typical example of this. There aren't very many European programs that have as much impact.

### **Valérie Moatti**

What role does France have in the landscape of European higher education?

### **Daniel Mouchard**

France has played a key role. Its model has strengths, and it has the power of initiative in the context of European integration. I would like to remind you that the European University is at origin a French initiative, launched and formatted by president Macron.

Above and beyond the European programs, the hallmark of the French model is the potency of public research and the ability to carry out high-level fundamental research based on regular investment. In addition, the status of research fellows guarantees independence and protects them from a number of pressures – more effectively, at any rate, than other types of status.

And then, behind all that, there is a deep connection between the higher education system and the democratic, republican values that underpin the French approach. The public research system means that convergences are possible together with a solid basis for fundamental research, and this protective status is all-important for the trouble-free production of knowledge.

These are the strengths of the French model, and it needs to be safeguarded and consolidated. I think this can serve as an inspiration for the European experience.

### **Régis Coeurderoy**

In the US, we have seen what is called the “Ivy League” emerge in higher education: a handful of big, dominant universities with the rest of the university ecosystem organized around it. Do you think there could be a similar development in Europe at a different pace?

### **Daniel Mouchard**

The systems are still very national, and European universities are very much in project mode. I don't see any cultural or regional structural changes in the model on the horizon that would move towards convergence and that would give rise to a system comparable to the Ivy League.

There are universities that have a special profile in all European countries, and which can talk to each other. There are already networks of research-intensive universities, and they are influential and attract funding. But there isn't much convergence or institutional integration. What's more, in the US there is considerable heterogeneity.

### **Valérie Moatti**

Do you think it's possible that leaders, national leaders to begin with, could emerge at European level?

### **Daniel Mouchard**

The European model for funding research creates *de facto* leaders in the sense that they capture funding and scientific activity. This is generated by the ERC model. Picking up ERCs has become a strategic goal for any establishment that actually wants to join this “club”. But it isn't exactly an institutional structure since it depends all the same on project funding.

There's also the effect of size and critical mass. Lots of things come into play. If a system based on excellence materializes, nobody is going to be against it on a scientific level: scientific excellence is by definition grounded in competition, and we need scientific excellence – but alongside the need for a democratic requirement that is just as strong.

And that's now more important than ever given the political situation in Europe. Democracy is facing a challenge that isn't just about scientific democratization but also about the very notion of democracy. It's absolutely critical. So, the concentration of excellence – which, once more, is stimulating on an intellectual level – shouldn't be incompatible with this democratic requirement to disseminate and nurture knowledge.

## **“Designing a hybrid form of life at school”**

Francesco Profumo,  
Chairman of the Turin Campus board of ESCP BS,  
Chairman of Isybank (Intesa San Paolo),  
Former Minister of Higher Education in Italy  
Former President of the Turin University as well as Politecnico de Torino

### **Abstract**

**“The competences we learn become old in a short time. What you need to do is to be stronger from the knowledge point of view. And then, in order to get this, you need to have input from different points of view,”** states Professor Francesco Profumo, Chairman of the Turin Campus of ESCP Business School. He offered an Italian view about the leadership of business schools in Europe in a conversation with Alberta Di Giuli, Dean of the Turin campus, Regis Coeurderoy, Associate Dean for Research at ESCP, and Valérie Moatti, Professor and former Dean of Faculty and Board member at ESCP. Francesco Profumo is the President of the Fondazione de la Compagnia di San Paolo, the former Minister of Higher Education in Italy and the former President of the Turin University as well as Politecnico de Torino. He has been a board member of several international large companies including Reply, Unicredit and Telecom Italia.

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## **“Designing a hybrid form of life at school”**

### **Adapting our model to the rapidly changing, uncertain world**

#### **Valérie Moatti**

What do you think a leading business school is today?

#### **Profumo Francesco**

In this time when everything seems to be in crisis, looking at the future is the best step that we can take. My concern is that the model of our school in the last two centuries, started from the Industrial Revolution, where the pedagogical model was a setup. For example, the first industrial revolution was between the late 1700's and the early 1800's; and what we could call today the GDP was adapted at the time. The new technology was related to the use of a new form of energy. And the knowledge that school taught was enough to last people for their entire lives.

Today, we are in what we could call the fourth industrial revolution, and two elements are completely different from the past. First of all, the velocity. In the sense that we can no longer expect to have one revolution for 100 years, but maybe a few bends... And the second point is the uncertainty, in the sense that, in the last few years, we touch with our hands that everything is not fixed, everything could change very rapidly in some way.

That makes it difficult, more than in the past, to understand the role of the school and the model of the schools. For example, we are pretty sure that the traditional model in which the teaching process takes place inside the building of the school, is not part of the new life. Neither is a school in a single location.

Then for the future, we need to look more and more for a model of a school that could be related to the model of the life we are going to have. And from this point of view, the President of the European Commission launched the three transitions in November 2019: the digital transition, the green transition, and what she called the social resilience. At that time, we were thinking of the three transitions as separate one from the other. But now, after five years, we understand that the transitions are tied to one another. This means that the schools have to have a hybrid model in the sense that the delivery could be in presence, but also remote.

Also, the big topics should not be in silos like in the past, instead we need to have more interconnectedness. And the last point is that, in the previous industrial revolution, we had, in some way, some kind of a consolidate competence in the sense that the relation between knowledge and competence was tightly connected. Today, my feeling is that knowledge is much more important for people's future than competence, because new technology, a new way of life could really change competence in a short time. And this means that, for the new generation, they could go back to school 5 or 6 times in their lifetime. Anytime, they can keep a basic part of the knowledge. But, they will have to re-produce the knowledge, the competence, that they need to use in their daily life.

## **Opening to a broader range of fields**

### **Régis Coeurderoy**

On which basis are some business schools leaders and others followers? Do you see any differences between today and tomorrow?

### **Profumo Francesco**

In the past, we used to think that business schools were very elite schools, i.e. they were only for a small part of the students. And it was a kind of bridge for high-level, high-quality jobs for those students. I have the feeling today that more and more, we need to design a hybrid form of life at school for the young generation. Let me explain.

In the past, most business school students had a background in economics. Today, it is no longer true, in the sense that students come from very different fields: social sciences, engineering or art. I have the feeling they could be excellent students for business schools. And business schools could really design broader opportunities for these students, in the sense that business does not relate specific fields anymore, rather it is more general. In this sense, it seems to me that attending a business school could be a good way to complete an education for people who are in different fields but are very, very capable. They can then transfer to their future life what they have learned in the business school.

Basic knowledge is very important. It is also very important too for them to have different experiences in order to have inputs that come from different fields, from different environments. The competences we learn become old in a short time. What you need to do is to be stronger from the knowledge point of view. And then, in order to get this, you need to have input from different points of view.

## **Europe: where compromise is learned**

### **Valérie Moatti**

Do you believe there are any specificities about business schools in Europe versus the rest of the world? Is there a specific way of educating in Europe?

### **Profumo Francesco**

I am sure that, because we have in the Union more than 500 million people, we have 26 different countries, we have cultures that are very different, Europe is a good spectrum of the future.

And in some way, this experience of having very different people who need to work together, need to try to get the right rules for them, is really an important culture. And this culture is not so common outside of Europe. If you look at China, or if you look at South America or US, they are completely different. I'm sure that Europe is more difficult, because when you have people seated around a table, they come from different experiences. It's difficult to reach the final point. But, at the same time, it is a great school for having people well educated and able to reach compromise. I am sure that it brings lots of value.

Probably, in order to combine this value with the ability to reach the point, we need to review the governance of the European Union. In this sense, unanimity was good when the Union was made of 6 countries; it is not the case anymore with 26 countries. And you'll need in some way to rethink this point. Otherwise, you have to stop because just one small

country, or just only a reduced number of countries, disagree. They can stop everything. The European model is very good, but its governance needs to be revised.

## **Impact: it's about more than careers or the corporate world**

### **Valérie Moatti**

There is a lot of buzz about the so-called « impact of a business school ». It is included more and more in rankings, accreditation, and so on. What does it mean? What should be the impact of a business school from your point of view?

### **Profumo Francesco**

We are in the process of seeing a major change in the expectations of young people related to the next step of their life related to their work. For a long time, the priority, at least for a class of people, was to get a great job with a great salary and great opportunity to grow. And in some way, business schools were a good starting point for that. Indeed, people were investing time, money in order to obtain the possibility to improve their type of work, their salary and, in general, their position in society. Today, if you talk to young people, they have changed this perception, in the sense that they are looking more for a hybrid model. They look for a good job and a good salary but the most important is the quality of life, the quality of the opportunity to meet good people, the quality of the environment.

I have the feeling that, starting from this point, it is also valid for the impact; we need to have new instruments versus those we had in the past, such as the bottom line. We need to add something more. And because business schools have been leading schools for a long time, they have also been able to address people, to address society. I have the feeling that today, business schools need to really look with different eyes and maybe modify their impact model: What do the students look for in the future?

### **Valérie Moatti**

I understand you are mostly focused on teaching. Are there any other roles for you, beyond educating, in the impact of a business school?

### **Profumo Francesco**

An interesting point is related to the opportunity students have to do internships during their school career. I heard some business schools students are looking for internships not only in companies but more and more in non-profit organizations. Some good practices, methods and capabilities that they have learnt at business school could also be useful in different types of organizations. In order to attract also students with different targets for their future career, this integration between classrooms and companies during their study is excellent. It is also excellent to have different campuses in different countries.

## **Italy: an “open field” for business education**

### **Valérie Moatti**

Let's focus now on your local context i.e. Italy. Are there any specific features of the Italian model of education? What does Italy bring to Europe?

**Profumo Francesco**

In Italy, we have a historical background that is quite different from the Anglo-Saxon countries in general. First of all, because most of the higher education is still public. We have around 80 universities and most are state universities. Also, the number of business schools in Italy is very small. And we don't have a strong history related to this. There is an open field. And this is the reason of the success of ESCP. Italy is an interesting country and represents an opportunity. An increasing number of students apply to business schools like ESCP, and not only Italian students. I have the feeling that Italy could be a good place for a new model of education. In my long experience in education, I always say that when Erasmus students come to Italy, they are good. But not as good as the Italian students. When Italian students go abroad, they are generally good students or excellent students. I have the feeling that Italy could be a good country where to invest for education, also, from a non Italian university.



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## **“Spanish business schools are a gateway for students from Hispano America”**

Domingo San Felipe,  
Chairman of the Madrid Campus board of ESCP BS,  
Former CEO of energy companies  
Former Chairman of Chambers of Commerce

### **Abstract**

**“The main role of business schools is to be facilitators for an open mind”**, reports Domingo San Felipe, Chairman of the Madrid Campus of ESCP Business School in a conversation with Regis Coeurderoy, Associate Dean for Research at ESCP, and Valérie Moatti, Professor and former Dean of Faculty and Board member at ESCP, about the leadership of business schools in Europe with a Spanish lens. Domingo was the CEO of oil and gas companies like Gulf, Petrofina, Elf and Total in Spain and Portugal as well as Matrix General Manager in diverse sectors such as aviation, gas, bitumen... His experience spans more than 60 companies in 3 continents. He has also been the Chairman of several chambers of commerce for a decade, including the French chamber of commerce.

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## **“Spanish business schools are a gateway for students from Hispano America”**

### **Valérie Moatti**

Based on your broader business experience and as the current Chairman of the Madrid campus of ESCP, how do you define a leading business school today?

### **Domingo San Felipe**

First, we only have one planet (and so must look after it). The role of a leading business school is to be a facilitator for an open mind. This means providing students not only with the highest level of education in the sense of academic knowledge, but also teaching them a broad approach to personal and social matters.

Another strong asset of business schools is in enabling the development of a network.

To become true global citizens, the students must be based in a multilingual and a multicultural environment. Nowadays, we cannot consider someone is prepared enough if he or she doesn't speak at least three languages. These three languages should include English and Spanish, which are the two main languages in the world, (except for Mandarin Chinese, more and more necessary). French, German, Portuguese, Italian and other languages are of course very welcome.

Also, I think that we must work to help our students to become leaders. Knowledge won't matter without the right personal attitude. Leaders work for a better world. We are committed to making the young people studying at ESCP to become real, genuine and better persons. Jack Welch, the worldwide-famous Chairman of General Electric, once said that leaders must try to make their actions inspire others, to dream more, to learn more, to make more and to be better.

We should never forget that companies have a role in helping the world become better. Companies have a series of objectives, including the need to earn money. But companies also need to make the people working for them happier and ready to build a responsible environment and a true ESG compromise.

### **Régis Coeurderoy**

On which basis would you consider a specific business school being more competitive than another?

### **Domingo San Felipe**

Business school education is an alternative or a complement to university education. Universities, historically, focus on humanistic, technical or scientific knowledge. Business schools are a combination of all that, with much tighter connection to business and society's "real life." I think that European business schools are probably in a much better position than others.

American business schools are very focused on objectives.

Chinese ones are copying American schools with a clear focus on the Chinese economy.

Indian business schools too draw inspiration from the American model, but they are based in their national strengths, i.e. technical, scientific, digital.

In the rest of the world, except Europe, business schools have a very specific approach.

In Europe because of the number of countries with similar ways of life, common objectives, common institutions, business schools are a strong group with strong links, but at the same time, with strong differences. This is probably why European business schools have a multi-cultural approach and blend different skills and attitudes, leveraging strengths from different countries.

Overall, European business schools are based on 3 aspects: academic knowledge and learning in skills and in attitude; practical application; and international exposure and experience.

*Academic knowledge, practical applications and behaviours including international experience are the 3 pillars of leading business schools.*

### **Valérie Moatti**

What makes a leading business school in general versus those who are lagging behind?

### **Domingo San Felipe**

Leading business schools are those who are able to combine these different dimensions, i.e. a perfect education, the ability to develop the professional and practical experience and personal skills and attitude. It is aimed at professional and personal life.

### **Valérie Moatti**

All business schools want to have an impact today. So, from your point of view, what does it mean for a business school to have an impact ?

### **Régis Coeurderoy**

EFMD and lots of accreditators say it's good to have teaching, it's good to have research but what matters is not only to produce knowledge but also to be sure that there is an impact on the school's stakeholders. So, there is a debate on how we can achieve this. What are the best channels? What does creating an impact mean? How can we be more than a simple teaching organization? How to be more influential regarding stakeholders?

### **Domingo San Felipe**

Returning to my first message, it is absolutely necessary to have a series of different kinds of knowledge. But for me the most important is how to apply these types of knowledge and understand others. For that purpose, we need a multi-country approach and not a single country approach.

To achieve this, it is good to live at least in two or three countries, to mix with a tremendous number of nationalities. This forces people to understand different points of view, and to be much more open.

## **Madrid: a major hub in business education**

### **Valérie Moatti**

So let's move to the local level, i.e. Spain in your case. Can you see any specificities of the Spanish business school environment? And what does Spain bring to business schools in Europe, or more broadly?

### **Domingo San Felipe**

Spain and specifically Madrid, have reached a key position in the international business school landscape. Madrid and Boston are the two cities in the world with the highest number of highly ranked international business schools. Madrid is a major hub in higher education, not only by number but also by quality and agreements with other international business schools.

In Spain, there are 160 accredited institutions with business schools. Half of them, i.e. 80, are universities with business school degrees and 17 of them are in Madrid. The other half are business schools. Among these 80 business schools in Spain, Madrid counts 50, including leading international business schools such as Instituto de Empresa (IE), IESE,...

Also, the sector has been growing by 36% for the past 5 years. Madrid has a tremendous concentration of good, important business schools.

More and more people consider that Madrid is becoming the New Miami. The city attracts many people from around the world including people from the U.S., from Mexico, from everywhere. Real estate prices are up and are becoming very close to those of Paris or London. Madrid offers a full and rich cultural life.

### **Valérie Moatti**

Do other reasons explain Spain's and Madrid's leadership in business schools education?

### **Domingo San Felipe**

Yes, there is another major reason. It is about what we name Latin America but is really Hispano America. Madrid is the natural entry port for people from this region to come to Europe. Spain has now close to 50 million inhabitants. Out of these 50 million inhabitants, there are close to 10 million who were originally born elsewhere and have recently become Spaniards.

But only Hispano America counts more than 1 billion inhabitants of which 340 million live in the USA (with Spanish as a 2<sup>nd</sup> language), and 430 million in Central and South America. All of them are preparing their professional life probably in the easiest and more secure way: not going directly to London, Paris or Berlin, but passing through Spain. This is an advantage for Spanish business schools which are the natural gateway to the European world.

*Spain is leading the international business schools landscape because of the attractiveness of the country, its cultural dynamism and historical and cultural ties with Latin America.*

## **[ Future-oriented analyses, learning from the GAFA and creating global bridges**

Myriam von Straelen,  
Chairwoman of the Berlin Campus board of ESCP BS,  
Partner at international strategy consulting firm Roland Berger

### **Abstract**

**“The education system, and especially business schools, have a crucial role in bringing together cultures to help us communicate and understand each other better. Ideally, this will facilitate bridging gaps, reducing barriers, and avoiding conflict in the world going forward”**, reports Miriam von Straelen, Chairwoman of the Berlin Campus of ESCP Business School. In a conversation with Regis Coeurderoy, Associate Dean for Research at ESCP, Frank Jacob, Dean of the Berlin campus, and Valérie Moatti, Professor and former Dean of Faculty and Board member at ESCP, she discusses the leadership of business schools in Europe with a German lens. An accomplished leader, Miriam von Straelen is a partner at international strategy consulting firm Roland Berger. She is an expert in building sustainable business models and products focusing on growth through digital transformation and innovation.

## **Future-oriented analyses, learning from the GAFA and creating global bridges**

### **A leading business school is about developing networks and bridging cultures**

#### **Valérie Moatti**

What do you consider the characteristics of a leading business school?

#### **Miriam Van Straelen**

The content, obviously, is key. You have to deliver the students and executive education participants cutting-edge and academic backgrounds which they might not get in their day-to-day pragmatic business lives. What I think is equally important is the life-long network the students can build. The university is a type of ecosystem and platform, somewhere people don't just come to for several years, but somewhere they actually feel attached to and return to because they find they can continuously get value and receive more inputs. And whilst students may initially be "takers", in the network they become "takers and givers". That is what makes networks grow and thrive.

#### **Valérie Moatti**

Do you see any evolution in the future?

#### **Miriam Van Straelen**

Education is key for any kind of growth, innovation, development of companies, individuals, whole nations. The evolution of humanity is based on being educated and being informed. Exchange, knowledge and education need to be exercised on a more global level these days, and the education system, and especially business schools, have a crucial role in bringing together cultures to help us communicate and understand each other. And maybe, this will allow bridging gaps and avoiding conflict in the world going forward. It's a long-term play. We may not see it within the first 3, 5, 10 years, but if it's orchestrated well, I think business schools can have a major impact in global understanding and communication.

### **Researching ideas for which the return on investment is not immediately apparent**

#### **Régis Coeurderoy**

How do you see the connection between content production and diffusion on the one hand, and being a leading business school on the other hand?

#### **Miriam Van Straelen**

I think there's a general base of knowledge that every person should know at a minimum, and that's probably nothing that ESCP would be inventing. It's the basics around business that should set the scene. Then there are two further areas that business schools can and should expand on: One of them is developing cutting-edge research on ideas that corporations often do not have the focus on or do not see the immediate return on investment. There, I see one of the sweet spots for universities: Diving into more explorative

topics, where the return on investment may not be apparent. I imagine that this type of research and future-oriented analyses and exploration is what professors and their students love doing.

And then, on the other hand, making sure that you take real business problems from the industry, from companies jointly working together with researchers to find solutions with a different angle to approaching real-life problems. Helping companies view their issues from different angles and perspectives - too often businesses can't see the forest for the trees.

**Frank Jacob**

This means being too focussed on details and not being able to see the big picture.

**Miriam Van Straelen**

Like consultants, universities can have the same effect of knowing about and being connected with different players in the ecosystem, and then having the overarching view, which can be very helpful.

## **Europe, a “mirror” of real-life needs, fears and necessities**

**Valérie Moatti**

What are the specificities of European business schools? Is there a European way of educating?

**Miriam Van Straelen**

My earlier comment around bridging global gaps is also applicable on a European level. But within Europe, we have a lot of homework to do. I see myself as a European citizen. I love the concept of Europe. I was devastated when Brexit happened. I'm proud of Europe even more so than being proud of being German. Europe is a wonderful concept, but too often, it is only a concept. It is not yet being fully lived, and I think there's so much more potential if we in Europe decide to pull together and to join forces. I think, specifically leaving politics aside, education and sport are the two main levers. Teams can be created and true common goals can be achieved. It's an idealistic approach but strengthening Europe via the concept that the ESCP embodies, is a very, very valuable tool.

Europe is predestined because of its multitude of cultures. It is a mirror of what real life looks like also in the industry with different needs, different fears, different necessities. And having this European cultural mindset allows us to open up to be more receptive, to be more mindful and empathetic towards differences, different languages, different cultures, different backgrounds. I think Europe is probably the geographical region in the world best suited to embody this type of diversity.

**Frank Jacob**

In the past, studying at business schools was a lot about learning frameworks. I am wondering if the future will not be so much about frameworks anymore but instead about methodology. What is your perspective on that?

**Miriam Van Straelen**

I think going forward, everything will be a lot more fluid and intuitive versus strict frameworks, and maybe even a methodology might already be too constricting. I think, going forward, there will be a lot of value in supporting students, business leaders, politicians, etc., in helping them be more creative. I think creativity plays a crucial role when it comes to innovation and fluid thinking. I think the frameworks that we were taught when

I went to business school are like learning Latin. No one speaks Latin anymore, but it gives you a base of understanding how things can work. But I think we need to enable people to think out of the box and be more creative - reality is too diverse for a framework to give answers.

I'm a very intuitive person and often I do not refer to a framework. But it is often very difficult to convince clients or colleagues based on intuition only. Frameworks give stability and secure feeling of structure. Intuition feels more like a gamble - but I think people are opening up to relying more and more on their intuition and creativity. For the time being, I ensure that I manage to build a framework or methodology based on my intuition and everyone is satisfied and we achieve results.

### **Valérie Moatti**

What are the specificities of the German business school education landscape? What is Germany's contribution to the European business education system?

### **Miriam Van Straelen**

Firstly, it is about time that the German education system becomes more visible on the international stage. In the past it was the US and the UK have dominated with Cambridge, Oxford, MIT, Harvard, Stanford, etc. These names have been widely known over centuries.

Second, if we look at the state Germany is currently in, I am hoping that through a consistent, better forward-looking, right mindset type of education, we will be able to generate or grow leaders for our economy and maybe even politics.

## **What business schools can learn from the GAFA**

### **Régis Coeurderoy**

If we look at the future of education, do you see any threats from newcomers including, but not limited to the GAFA (i.e. Google, Amazon, Facebook, Apple)? Do you think these kinds of new players in the knowledge field need to be taken seriously? How do you see this evolution and possible threats for incumbents from the digital players in particular?

### **Miriam Van Straelen**

Digital players focus on solving a concrete user problem in a very convenient way. As opposed to a business school where you're thinking, do I participate in a 6 months, one year, 2-year program that will cost me €50,000? Or do I continuously consume snackable content in a very convenient way through an app? There is a subscription model where I am fed with education on a continuous daily, weekly, monthly basis, or a pay as you go type of business model. Barriers are very low.

I have continuous touch points with my audience and my target group. That's what the GAFA do very well. I don't know about the educational angle - but if they do go that direction, I'm assuming it will be successful because of their strong focus on convenience.

That's something that incumbent business schools tend not to focus on so much. They mainly look at content and the overall student experience whilst at university. But when it comes to enhancing every person's life with education, snackable content and inputs - the GAFAs will probably have a competitive advantage due to their reach and focus on convenience. Content is maybe not top of their priority list. It's rather generating more users increasing the loyalty of these users - which they call "sticky users". And I think sticky users is something that business schools would also benefit from, circling back to what we said

earlier of having a lifelong learning ecosystem where people come back and use a network. So maybe it's about business schools leveraging technology to help build these types of learning platforms / learning ecosystems.



## **[ Key Challenges for business education in a rapidly changing world**

Béatrice Collin\*

ESCP Business School

### **Abstract**

Students are looking for tailored, flexible learning paths, moving away from traditional lecture-based teaching. The digital revolution, including AI and virtual reality, presents opportunities for individualized learning experiences. Programs may now combine asynchronous online, synchronous online, and experiential learning. Courses are becoming more mobile and flexible, ensuring access to cutting-edge knowledge and inclusion. Faculty plays a central role in these transformations, requiring training to integrate new technologies effectively. These changes, while challenging, offer significant opportunities for business education to provide high-quality training, prepare students for the future, and support them in a rapidly evolving society.

Keywords: Business education; new learning patterns and paces; digital transformation.

\*Professor, ESCP Business School

## **Key Challenges for business education in a rapidly changing world**

Transformations in the world of higher education, and more specifically in business education, are highly driven by the major, systemic transformations we are experiencing, whether digital, environmental, geopolitical, demographic or societal. They impact the way we relate to knowledge and the way we teach; they structure and disrupt the way we learn and the way we relate to work; and they lead us to revisit the balance between personal and professional life.

If these changes are to be embraced and integrated, our schools must do so combining a dual perspective: on the one hand, the quest for excellence and the enhancement of our know-how; on the other, our ability to seize opportunities to update, develop and transform our courses and programs to ensure that they are in line with the societal transformations that are shaping our future.

### **The transformations shaping business education**

Business education, like any other activity, must take into account the key challenges raised by today's changing society. The digital revolution and social and environmental responsibility issues are both the driving force and the visible face of the profound transformations that are shaping our future (Kaplan, 2022).

#### *The evolution of students' expectations, attitudes, and cognitive patterns*

We are witnessing far-reaching changes in the way our degree and executive education students approach their studies, driven by a strong emphasis on individualized learning and the implementation of new teaching approaches.

We can identify four major trends structuring these significant changes:

- Firstly, the need for customized learning paths. Students are looking for paths that are less linear and can unfold at different paces and in different places. This is where nomadism comes in. Our students are genuinely looking for longer, more diverse experiences in a wider mix of geographical and cultural environments. And we're all happy about that.
- The second trend, which is linked to the first, is the search for more flexible training paths that will make it possible to integrate a professional dimension. Today, the acquisition of experience throughout the learning process is widely appreciated by both companies and students. However, there is one essential issue: work experience must be coordinated and interlocked with the learning dynamic. The company and the school are not two parallel worlds; on the contrary, they are two worlds that must exchange and interact in a co-construction process of training.
- It's also worth noting that this flexibility opens attractive possibilities for students wishing to pursue either artistic or high-level sporting activities.
- The third trend is the need for real social and international inclusion. To achieve this, training and teaching must be adapted to students with increasingly diverse profiles. This diversity is expressed in terms of their previous training, their cognitive patterns and, of course, their cultural background. The diversity of our students is an incredible asset, but to make it a real asset, we need to be able to integrate and offer each of them the means to develop and fulfil their potential.

- Finally, the fourth trend is the demand for new ways of learning. To oversimplify things a little, we could say that students no longer come to class to listen to a lecturer, but to live an experience. This does not mean that there is no knowledge to be acquired, but that the process of assimilating and accommodating knowledge must take place on a much broader scale, through what we call "active learning" and "experiential learning".

The classic triptych "assimilation/accommodation/retention", too often still considered in a sequential manner, needs to be rethought, and pedagogical approaches should better integrate both the diversity of learning styles and the plurality of theoretical, cognitive, and linguistic backgrounds.

### ***The key, structuring role of the digital revolution***

New technologies are both the cause and consequence of the transformations in learning patterns now emerging. The digital revolution and new technologies (AI, VR, metaverse...) are making it possible, in a very tangible and stimulating way, to adapt, enrich and develop training paths and teaching. This revolution represents a major challenge for education (Bobula, 2024).

Digital technology is currently generating numerous experiments and developments. Here are just three examples, among many:

- Let's start with Artificial Intelligence, and one of its applications: the ability to design customized training paths. We all know that each of us has his or her own pace and learning style. Quite simply, some of us have more of a visual memory, while others have more of an oral memory; or we may prefer a more sequential approach to learning, while others need a more holistic approach.
- In a more advanced way, of course, and using neuroscience, we can now use AI to analyze learners' learning patterns and individual aptitudes. The result is a teaching approach and materials tailored to everyone's pace and needs. Such approaches have developed rapidly in language teaching and are now being extended to a wide range of subjects.
- What's more, it offers new possibilities for the inclusion of students with all kinds of visible and invisible disabilities. It provides them with an educational pathway where they can truly and fully develop their talents. For example - and this is just one example of course - our students with "DYS" disorders such as dyslexia, dysphasia or dyspraxia come to mind.
- - Virtual Reality, VR, is another technology. We previously discussed the need to develop "active" and "experiential" learning processes. Thanks to virtual reality, students immerse themselves in a world - the meta-verse, for example - where they have to make decisions and act, using their knowledge and skills. This is the same kind of experience we have with business games, but on a completely different scale. Today, what we're discovering, and which for the time being is mainly the work of engineering schools, is absolutely fascinating. What's more, they enable both individual and group learning processes. I'd also like to point out that this learning approach is also a way of promoting inclusion. Indeed, by choosing a representation, an avatar, everyone can break free from certain stereotypes or from belonging to a specific social or international group.
- - And of course, we can't avoid talking about Chat GPT and generative AI more generally. Chat GPT exists, and it would be unrealistic and, first and foremost, senseless to expect students not to use this new tool. On the contrary, we need to make it a learning enhancement tool, and that starts with training students to use it! On the teaching side, Chat GPT makes it possible to create new pedagogical tools in optimum

time, thus enriching lessons quickly and easily. On the student side, Chat GPT can provide greater autonomy and reinforce learning: it can be used to create worksheets, summaries, self-assessment quizzes... The key here, as elsewhere, is to master its use and be aware of its limits (Memarian & Tenzin, 2023).

There are many examples of innovations in education resulting from the digital revolution. Some are now well in place, others are being implemented, and many will appear in the future. So, considering these key issues, what to make of them?

## **Opportunities and developments for business education**

We are living an era of transformations, in which the digital phenomenon is too often considered in isolation, whereas it is now necessary to adopt a systemic approach that integrates all dimensions of our rapidly changing world. As outlined above, this implies embracing new ways of learning and creating learning paths designed to address the key evolutionary trends in students' expectations, attitudes and cognitive patterns (Selingo & Clark, 2021).

Assuming as an absolute principle that the digital aspect must be combined with the human one, the transformations we just described imply major evolutions within our schools.

First and foremost, it involves the use and widespread mastery of digital tools by academic institutions and students (distance learning, platforms, etc.). This involves our schools offering an advanced, flawless technical architecture, and enabling all the organization's players to fully master its use.

Once this requirement is met, new approaches are expected from our schools, concerning not only programs and courses, but also the place and role of the Faculty, at the heart of these ongoing transformations.

### ***Programs***

Programs are now expected to combine asynchronous online, synchronous online and experiential learning, and to be organized around blocks that allow for flexible training times and rhythms. This development opens interesting perspectives:

- Strengthening the global reach of our student cohorts by limiting long or short-term physical presence in a given location, which generate costs, constraints, and a carbon footprint.
- Integrating new target groups in a more inclusive way, enabling a better balance between professional life, personal life, and training (parenthood, social activities, sporting activities, etc.).
- And to meet these objectives, from now on, it is key to be able to:
- Design a well-balanced combination of asynchronous online, synchronous online and face-to-face/experiential activities. It's a complex issue that requires skills and know-how.
- And to implement new pedagogical designs. For asynchronous online, this will require: the design of appropriate support materials (texts, video, etc.) and an autonomous learning path that is appropriately structured and monitored; and for synchronous online, scenario planning for sessions to enable maximum interaction (live sessions, group activities, etc.).

While these programs require investment in terms of time and resources at the initial stages, when they reach cruising speed, they can gather a larger number of participants and lower the cost of training, while maintaining a high level of excellence. It will also make available a library of digital content, which like a Lego set, enables the creation of innovative and tailor-made programs.

This brings us to the issue of courses and their future development.

### *Courses*

As discussed above, digital innovation and new technologies make it possible to:

- Meet students' need for mobility and flexibility, by offering them the opportunity to take courses off-campus.
- Bring cutting-edge knowledge and expertise to all students, regardless of where they are studying.
- Enable Faculty members to teach a larger number of students in good learning conditions.
- Enrich and increase the "active" and "experiential" learning sequences.

As with programs, careful attention must be paid to the right mix of asynchronous online, synchronous online and face-to-face courses, and to ensuring that the right expertise is available to design, build (or acquire) solutions integrating VR and the metaverse.

But none of this can be achieved simply by waving a magic wand. We need to be able to mobilize pedagogical thinking that goes beyond the sometimes too conventional framework to create courses integrating all the opportunities offered by digital technology, while avoiding any potential pitfalls. This requires a clear vision and the appropriate resources to achieve it.

### *The core place and role of the Faculty*

All these developments cannot be carried out without the involvement and participation of Faculty members, who have the academic and teaching expertise to fuel and irrigate these developments.

Thus, it will be important to:

- Promote pedagogical innovation by permanent Faculty and reach an optimal balance between teaching and research, their two main missions.
- Train and support Faculty members to keep pace with the latest developments in their profession: mastering tools, designing, and scripting hybrid modules, instructional design, etc.
- Help Faculty integrate new technologies. While Chat GPT, for example leads to changes in assessment methods, it can also be used to create new teaching tools and optimize lecturers' time (course material preparation, assessment design and grading, etc.).

Engaging all Faculty members in the evolution of their profession is essential. From now on, it is becoming more obvious how the art of teaching will be embodied in innovative frameworks and systems. And, as with any innovation process, everyone must be given the opportunity to use his or her skills and know-how to embrace and deploy such new approaches.

## Conclusion

The rapid changes our society is undergoing today are undoubtedly challenging, but most of all they provide real opportunities for business education.

Our schools have many times been pioneers on the education scene, integrating new ways of learning and training to cope with economic and social changes over the years. Today, we're entering a disruptive phase, a revolution in the way our students learn and the way we teach.

It is therefore crucial to grasp and address these changes, so that we can continue to provide our students with the best possible training, prepare them for the issues they face now and will face in the future, and support them in their diversity.

And this is at the very heart of our mission: educating tomorrow's leaders, who will find and develop with us new ways of embodying, enriching, and expressing themselves in our rapidly changing society.

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## **Towards sustainability transformation education: A mindset course for decision-makers – Developed by ESCP’s STAR Centre**

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### **Abstract**

New ways of thinking and acting are required to push for the great sustainability transformation of business and society. To contribute to this shift, ESCP Business School's new STAR Centre is developing a novel mindset-oriented course for professionals. It aims to support executives and other decision-makers in their journeys towards contributing to truly sustainable value creation. In this Impact Paper, we reflect on the outline of this new course format, and show its relevance for and contribution to future-oriented sustainability education at business schools.

Keywords: Sustainability transformation; mindset course; STAR Centre; radical sustainability education; executive education

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# **Towards sustainability transformation education: A mindset course for decision-makers – Developed by ESCP's STAR Centre**

## **Introduction**

In current times of climate change, loss in biodiversity, societal inequalities, and other sustainability-related issues, business schools are facing the major challenge of providing a meaningful, fact-based, accessible, and future-oriented sustainability education. An increasing number of business schools are therefore offering education, training, and coaching in the field of sustainable business (Jack, 2024). Typical offerings cover the basics of corporate sustainability management, sustainability reporting frameworks and tools, current developments in sustainability policies and regulations. Course designs vary significantly, ranging from full degree programmes (typically 1-2 years) to single modules in high-priced executive education programmes with varying timeframes as well as standalone workshops developed by universities, business schools, consultancies, and many other players to foster experiential and immersive learning (Christensen et al., 2007). In addition, various free and charged MOOCs are available ('massive open online courses' offered on digital platforms) with the intention of boosting cognitive, affective, and behavioural learning outcomes in the area of sustainability (Zint et al., 2022).

However, many business schools see the meaningful integration of sustainability into their curricula as a significant challenge due to a disputed legitimacy of the topic in business schools (Hommel and Thomas 2014), misunderstandings and underappreciation of educators (Jamali and Abdallah 2015), as well as missing guidelines for the design and implementation of sustainability education, despite its growing relevance in accreditation processes (Rasche and Gilbert 2015). As a result, sustainability education in business schools oftentimes only scratches the surface of sustainability, providing superficial information on niche topics, rather than increasing an overall sustainability literacy and developing students' mindsets in a way that allows them to face and deal with complex ecological and social issues. Hence, more radical approaches to sustainability education are needed. These include, for example, new areas of training, a focus on performative politics, anti-paradigmatic thinking, and civil disobedience as a source of inspiration (Laasch, 2024).

## **ESCP's STAR Centre**

Academic sustainability centres, like ESCP's new Centre for Sustainability Transformation & Applied Research (STAR Centre), can help business schools deal with the aforementioned challenges of injecting sustainability into their teaching. Such centres, if designed well and not used as a sustainability fig leaf, can improve the legitimacy and validation of sustainability education and lead to an integration of sustainability into the curriculum, thus responding to the changing demands of students, accreditation agencies, and other important stakeholders (Christensen et al., 2007; Slager et al, 2020). By setting up centres and other new institutional settings, often called hubs, labs, or even whole departments, business schools can experiment with new ways of curating sustainability education and research, and also with new ways of positioning themselves on the educational market.

ESCP has set up a dedicated sustainability department with 25+ professors (as of 2024), which serves as a federal structure within which administrative and institutional-political issues are dealt with, and joint educational and research initiatives are launched and



coordinated across ESCP's six campuses.<sup>1</sup> ESCP's STAR Centre, launched in 2023, is a new platform within this department. It is developed along three main activity areas: research-practice transfer, new educational formats, and community building. The STAR Centre is meant to offer a 'lab' where professors, academic staff, and practitioners can experiment with alternative approaches to making research insights practically useful, offering inspiring and maybe even unorthodox educational formats, and building a lively community of people dedicated to the great sustainability transformation of the economy and society.<sup>2</sup>

In essence, the ambition is to create new bridges between academia and business, deliberately working in the often difficult-to-grasp grey area between science and practice, which often requires merging non-profit and mission-driven approaches with market-oriented and even profit-seeking activities. ESCP's STAR Centre has just been created, but it has already made various contributions to campus life and the business community with new communication and networking formats such as the 'STARbowl,' activities such as the 'Christmas Brunch' and the 'Catalyst for Sustainability' events, an essay competition for students, executive offerings together with HR experts, and much more.

By introducing a new course dedicated to mindset development, the STAR Centre seeks to push the boundaries of sustainability education in both the format in which the program is offered as well as the content that is covered by focusing on challenging individual mindsets towards sustainability and being the enablers of mindset transformations. In the following, we will explain the goals, target group, and design of the STAR Mindset Development Course and embed it into ESCP's sustainability curriculum. This new pedagogical format is currently being developed (as of May 2024) and will be introduced module-by-module, between 2024 and 2026.

## **The STAR Mindset Development Course: goals, target group, and design**

The STAR Mindset Development Course is meant to help learners acquire a broader set of hard skills, such as specific knowledge about complex and natural systems, as well as soft skills related to their personal development, such as being able to identify and reflect on sustainability-related values and attitudes. The basic structure of the course, which will be outlined below, supports this educational goal, inter alia, by highlighting three distinct learning levels (personal, organisational, and systems level) and three pillars offering different types of skills and knowledge (from basic and factual to applied).

Although the course does not directly build on the European Commission's "Sustainability Competence Framework", it is reasonable to assume that the STAR Mindset Development Course contributes to developing the competencies outlined by the Commission in terms of embodying sustainability values, embracing complexity, envisioning sustainable futures, and acting for sustainability (see Bianchi et al., 2022).

### ***'It Starts with Myself'***

The aim of the Mindset Development Course is to inspire and educate decision-makers in the area of societal and organisational sustainability transformation. Through a pedagogical approach that starts with oneself, the course will help participants confront challenging and self-reflective questions about their own values, attitudes, and ways of working, before

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<sup>1</sup> See <https://escp.eu/ethics-responsibility-sustainability-for-an-overview-of-escp's-initiatives-related-to-ethics-responsibility-and-sustainability>.

<sup>2</sup> See <https://escp.eu/faculty-research/research-centres/escpstar> for further details.

moving to their role as members of social groups and organisations in which they serve as decision-makers. With 'decision-maker' we refer to any kind of person who has the possibility to take decisions about the developmental direction of an organisation (more details below). This does explicitly not just include C-level executives or heads of large departments. Potential participants could simply ask themselves: Do my daily decisions influence whether or not my organisation becomes more or less sustainable?

By starting from individual values, attitudes, and ways of working, the goal is to create an impact on the very individual level through personal growth and to provide the key skills and knowledge to become more self-aware, self-reflective, and self-accepting. The guiding principles of this approach are: 'it starts with myself', 'travelling with others', and 'developing myself and us'. Our pedagogical idea is that the initial educational offerings and interventions should create a solid foundation to help decision-makers connect their individual values and attitudes to their professional behaviour and impact on the organisational and societal level. Interestingly, this kind of self-development is hardly included in business schools' sustainability education. It lays the foundation for further educational offerings and interventions on two more levels - the organisation and the system - which will be further discussed below.

To get a better understanding of decision-makers current needs and demands for sustainability education, we conducted a market research survey with 81 participants and did additional in-depth interviews with 23 professionals. Moreover, we conducted three focus group discussions of around 120 minutes each, for which we used a semi-structured discussion guide.

Our research aimed at understanding the participants' perspectives on three major aspects. First, we wanted to understand which goals the new course should focus on in order to best respond to current challenges and demands. Second, we wanted to get a better idea of the potential target groups who would benefit most from the course. And third, we wanted to understand the optimal course design that would help decision-makers to commit to the course and to working on tasks beyond the face-to-face coursework, such as testing the new skills they learn and initiating real projects in their organisations as an additional outcome of the course.

## *Goals*

According to the focus group discussions, the course needs to advance the participants' sustainability literacy as well as transforming their mindsets by targeting a development of the participants' skills and characteristics. This resulted in five overarching goals of the course:

- As the first and most prominent goal, the assumption emerged that **confidence** plays a key role in sustainability transformations. While the technical and operational aspects of sustainable business (e.g., product development, production processes, reporting, dealing with legislation, etc.) are typically handled by domain experts, the (un-)ability to take decisions beyond today's norms is a key driver and barrier to sustainability transformations. Taking such decisions requires confidence, a personal trait the Mindset Development Course should support.
- As a second suggestion, focus groups members argued that it is necessary to expand personal mindsets and individual **conscientiousness** in order to observe and embrace the complexity that comes with sustainability transformations. One of the participants stated that "humankind has to up their game, we have to become more complex thinkers". Therefore, the Mindset Development Course should support the ability of

sensing, accepting, and eventually dealing with complexity, for example by learning about systems thinking.

- As third goal, participants suggested that the course should provide a **toolbox** (e.g., practically useful frameworks, methods, and tools, also including case studies, scorecards, games, etc.) with applications that can be adapted to different contexts and thus help decision-makers to translate the content of the course directly into their daily businesses. Hence, the Mindset Development Course should provide practically useful and adaptable tools that complement the general skills taught in relation to confidence and conscientiousness.
- As fourth goal, participants suggested that the course should provide a **language** that is easily understood by the participants' surroundings (i.e., business partners, employees, investors, etc.), which helps to counter scepticism through facts and logic (rational level) as well as convincing stories (emotional level). This also includes the necessity to ensure up-to-date and positively provocative contents in the coursework. The Mindset Development Course should therefore offer factual knowledge but also emotional approaches to counter sustainability scepticism.
- As the fifth goal, the course should be *created by a community*, and should support the *development of a community*, to create legitimacy, authenticity, a shared identity and feeling of belongingness. A shared identity and feeling of belongingness can help participants to change their behaviours and avoid cognitive dissonance on the individual level, and also to enhance legitimacy and visibility for positive sustainability transformations. The participants also agreed that this community should be inclusive rather than exclusive so that it can attract a broad range of decision-makers. Hence, the Mindset Development Course should result from a community effort, while at the same it should help build a community of current and past participants, respectively alumni.
- With these five main goals, the Mindset Development Course aims at overcoming the sometimes rigid templates and processes of traditional education, such as fixed 1- or 2-year programmes, the need to obtain a certain amount of credit points, lack of experimental and transfer-oriented features, etc. By combining fact-based education on sustainability (i.e., sustainability literacy) with a development in the participants' values, attitudes, and behaviours towards sustainability (i.e., mindset transformation), we ensure that the course is unique and distinct from other sustainability courses already taught at ESCP and other business schools. This further allows us to position the STAR Centre as a platform and lab that supports the sustainability transformation of economy and society through innovative and high-quality transfer formats.

### ***Target group***

So, who should take a mindset course? The first answer of the focus groups was: 'everyone.' Upon further discussion, however, it became clear that the target group of the Mindset Development Course should be individuals who have the potential for a wider impact in their organisations and, by extension, on society. Hence, 'decision-makers' emerged as the most appropriate term for a target group. This includes individuals in leadership positions as well as those people who give shape to organisations, decide about future orientations and pathways of their organisations, across industries, the nonprofit sector as well as the political and public sector. More concretely, 'decision-makers' can include:

- C-level executives and top management teams that are challenged by increasing demands for sustainable business practices,
- individual managers and entrepreneurs aiming for sustainability-related certifications like B-Corp, and
- leaders and entrepreneurs seeking to integrate sustainability into their business models.

Hence, our understanding of decision-makers is much wider than C-level managers or heads of larger teams or business units. It can be a CEO as much as a person giving shape to a socially oriented non-profit organisation. Additionally, a team enrolment should be possible for corporations and small and medium-sized firms to foster collaboration and accountability within their organisation.

### *Design of the course*

The course design is another novelty. It comprises mixed learning approaches that will maximise impact by increasing flexibility in terms of time, location and pedagogical innovations, blending in-person, on-campus, off-campus, online, offline, hybrid and potentially even virtual reality experiences. Beyond this, we aim to push participants in and out of their comfort zones through experiential and experimental learning as well as activities showing the good and the dark sides of sustainability, empowering participants to use their influential roles and positions to instigate and manage sustainability transitions in their organisations and beyond.

However, we also acknowledge that to accomplish these ambitious goals, the programme itself will require participants who commit to their development through daily mindset challenges, designed for the busy schedules of the movers and shakers of the industry. Time taken with fellow participants would hence focus on interpersonal interactions and development, and be set in diverse learning environments (not just in the lecture hall). Embracing ‘nugget learning,’ the participants can also choose models on the go, explaining different areas of sustainability and their application to the business world. They will need to be fine with being uncomfortable and being challenged through provoked discussions.

One of the main goals of the Mindset Development Course is to sensitise for, make transparent, and advance individual thinking patterns, which prepares the ground for change on the organisational and systemic levels. A special feature of the Mindset Development Course is this ambition to connect the very personal ‘nano level’ with the intermediate organisational ‘micro’ and ‘meso’ levels and eventually with the planetary ‘macro’ level of wider ecological and social systems. Our pedagogical assumption, and more or less explicit ‘theory of change,’ is that solving macro-level problems of unsustainability - such as the ways in which we produce and consume - have their roots in the individual. ‘It Starts with Myself’ is hence more than just an emotional claim. It is a conviction that we will turn into a new course design and pedagogical conception. The course format will therefore include a multi-level structure, including interventions on the individual, organisational, and systems levels:

1. **Personal level** interventions are necessary as some of the key drivers and barriers of sustainability transformations have their roots in the mindsets of people. While sustainability transformations involve policies, infrastructures, and many other material and institutional aspects, these all are driven or blocked by the ways in which we conceptualise and perceive ‘reality,’ i.e. the paradigms, worldviews, assumptions, emotions, etc. that frame the decisions and behaviours of people.
2. **Organisational level** interventions are essential to reflect the reality of the participants as decision-makers in organisations and businesses. Given that these individuals lead, motivate, and inspire people within their own organisations and beyond, and that they shape organisational routines and practices and decide about future pathways of their organisations, the coursework needs to enable transferability between the individual mindset and the organisational reality.

3. **Systems level** interventions are important as individual mindsets and resulting decisions and behaviours, including organisational practices, are subject to diverse contexts and environments (e.g., private life, business life, cultures, social groups) and diverse systems (e.g., economy, society, industry, natural ecosystems). Hence, the systems level must be considered at the same time and in direct connection to the individual and organisational levels.

Another main goal of the Mindset Development Course is to provide accessible and up-to-date contents that help practitioners learn easily. To support this goal, every module will consist of a limited number of basic inputs in form of self-paced learning exercises like video lectures and study materials, combined with live sessions with the respective module teacher(s). The time required to complete one module is approximately 4 to 6 hours, split between video lectures, individual tasks, applied case studies and live sessions. Additional course work may be allocated depending on the content of the module. The total duration of the course will depend a lot on the amount of additional activities, respectively projects and challenges, that teachers will offer and participants will be willing to commit to.

As we want to be mindful of the participants' time and commitment, we decided to organise the different modules into three pillars, which build on one another. The first pillar aims to offer a basic learning opportunity that is accessible for everyone (free of charge, for example as an open MOOC format) to allow a broad audience to consume fundamental sustainability knowledge on all three levels (e.g., basic inputs on self-development, main organisational paradigms, and system-level frameworks such as 'Planetary Boundaries'). For more committed participants, we additionally offer a more comprehensive version of the course, beyond its basic contents, i.e., a premium version for which participants will have to pay (e.g., including synchronous sessions on campus, field trips, or company visits).

To continue the learning process, participants of the second and third pillar will learn about advanced methods and tools that help to translate their new knowledge and skills into practicable outcomes (e.g., how to align inner work and outer work, multi-stakeholder collaborations, and more advanced systems theories). This will include the possibility for participants to make real experiences, to get feedback from their peers (co-students, co-workers), and to reflect on their experiences and feedback based on trying to apply certain tools in their daily work (e.g., tools to improve collaboration at work or to develop new business models together with innovation teams).

We will structure all three pillars as a 'journey' of approximately six to nine months, based on participant-specific projects (e.g., a challenge they face in their organisation), which will include regular reflection meetings with participants where they can share what they have learnt, how they transferred it into their daily business, what challenges they faced, etc. This will be supported by moderated group discussions, peer coaching, and – upon request – one-to-one meetings.

In summary, the Mindset Development Course will encompass three levels: the mind, the organisation, and the system; and three cross-cutting pillars: basic, advanced, and tool-focused learning. The following figure displays the content matrix of the course that reflects the horizontal levels and vertical pillars of the course design. With this structure we ensure that each single module offers meaningful and consistent learning experiences within the broader context of the full course.

	<b>Basics</b> (free)	<b>Advanced concepts</b> (premium)	<b>Tools and practices</b> (premium)
<i>Personal Level (Mind)</i>	<b><i>It Starts with Myself</i></b> <i>Goal: Understand the importance of inner work and self-development</i>	<b><i>Travelling with Others</i></b> <i>Goal: Understand the importance of outer work and joint development</i>	<b><i>Developing Myself and Us</i></b> <i>Goal: Learn about tools for inner and outer work</i>
<i>Organisational Level</i>	<b><i>New Types of Organising and Organisation</i></b> <i>Goal: Learn about alternatives to traditional organisational paradigms</i>	<b><i>The Power of Networks</i></b> <i>Goal: Reflect on the value of multi-stakeholder collaboration</i>	<b><i>Developing New Business Models</i></b> <i>Goal: Learn about tools and skills to develop alternative value creation logics</i>
<i>Systems Level</i>	<b><i>Living on a Finite Planet</i></b> <i>Goal: Embrace and accept the absolute limits of our systems of survival</i>	<b><i>Complex Systems Thinking</i></b> <i>Goal: Reflect on the conditions, consequences, and change of absolutely limited systems</i>	<b><i>Dealing with Complex Systems</i></b> <i>Goal: Learn about tools and skills to navigate and design complex systems</i>

**Contributions to sustainability education at ESCP**

ESCP already offers a broad range of full sustainability programmes, including the Specialised Master of Science Programmes on ‘International Sustainability Management’ and ‘Sustainability Entrepreneurship & Innovation,’ as well as CSR-, ethics-, and sustainability-related core courses and electives in most programmes on Bachelor, Master, and Executive level. The proposed Mindset Development Course complements these offerings with its focus on professionals, respectively decision-makers, and its ambitious integration of mindset-, organisation-, and systems-level development components.

The structure of the course with its three learning dimensions and three pillars will help to position STAR as a unique platform that supports the sustainability transformation of economy and society through innovative and high-quality transfer formats and learning experiences. Furthermore, we hope to make the following contributions to ESCP’s sustainability education:

- Developing values, attitudes, and behaviours that support responsible management and entrepreneurship and empower decision-makers to thrust their organisations and industries forward.
- Challenging and transforming decision-makers in key areas such as setting goals for their organisations, managing natural resources, dealing with social issues including social wellbeing and social justice, and many more.

- Revisiting the concept of time and the challenge of short-term vs. long-term orientation.
- Understanding systems thinking and focusing on collaboration and engagement to understand the power of collective action, community engagement, and interdisciplinary or intersectoral approaches to solving sustainability-related issues on local and global scales.
- In the era of ‘cancel culture’, short attention spans, and instant gratification, contributing to developing awareness, empathy, resilience, and adaptability.
- Offering decision-makers practical tools to navigate uncertainties and challenges that emerge with complex, multi-faceted, and often insoluble challenges of sustainability transformations.
- Boosting the confidence in decision-makers to tackle challenges that are completely new to them and for which they will need the support from co-workers, business partners, customers, and society, while knowing that the desired outcomes are highly uncertain.

## Conclusion

With the multi-level and multi-pillar approach to sustainability education described in this paper, the ESCP STAR centre aims at going beyond ‘typical’ sustainability education for executives by increasing an overall sustainability literacy and developing participants’ mindsets in a way that allows them to face key future challenges through their business models. This also aligns with more radical approaches to sustainability education (Laasch, 2024), as it allows for and encourages anti-paradigmatic thinking (e.g., through fundamentally scrutinising the structure of existing economic systems, the role of businesses on our way to more a more sustainable world, as well as the responsibility of decision-makers to lead towards the required transformations), even if this means challenging the status quo of our individual mindsets, the structure and governance of our organisations, the set of established industries, and the cultural tissue of society.

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ESCP Impact Paper No.2024-09-EN

**[ Responsibly Educating Leaders for the World**  
***Acceptance speech for the Doctoral Honoris Causa at ESCP BS***

Pr Eric Cornuel

CEO and President of the European Foundation for Management Development (EFMD)

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## **Responsibly Educating Leaders for the World**

### **Acceptance speech for the Doctoral Honoris Causa at ESCP BS**

*ESCP BS awarded the title of Doctor Honoris Causa (DHC) to Professor Eric Cornuel on 29 April 2024.*

*According to Professor Leon Laulusa, Dean of ESCP BS, “through his tireless commitment to higher education, Prof. Eric Cornuel has contributed to the promotion of values of excellence and humanism in the world of management education. His journey is a source of inspiration and a role model”.*

*Eric Cornuel has a long and diversified professional background. Eric Cornuel has taught for over 20 years at various management schools in Europe and Asia. In the meantime, he has published numerous articles in the most prestigious academic journals, written book chapters, co-edited several books, and published in 2022 a new book on Business School Leadership and Crisis Exit Planning at Cambridge University Press. Based on the decade-long experience, he has also given over 100 speeches across the globe on the topics of business & management education and development, strategic management, internationalisation, research impact & relevance, accreditation, and European & international business, among others.*

*Prof. Eric Cornuel became CEO and President of the European Foundation for Management Development (EFMD) in 2000. Founded in 1972, EFMD is a global, non-profit, membership-driven organisation dedicated to management development. Prof. Leon Laulusa insists on the importance of the role of EFMD for European business schools and beyond. EFMD enables business schools to improve the programs between peers*

*For Professor Leon Laulusa, “Professor Eric Cornuel’s vision and dedication highlight the transformative power of management education in enabling individuals to pursue their dreams and aspirations. His achievements underscore the significance of ‘the European way’, as exemplified by the creation of the EFMD Quality Improvement System (EQUIS)”.*

Good evening, distinguished guests, friends, and members of the ESCP community.

It’s with great honour and heartfelt gratitude that I accept the Doctor Honoris Causa degree from ESCP Business School, the oldest and one of the most esteemed business schools globally with a rich history of academic excellence and leadership in business education.

To be recognised by a school that has educated generations of business leaders and innovators is truly a privilege, and this award humbles me.

I would like to extend my sincere gratitude to the faculty, the board, my dear friend Léon, and the entire ESCP community for this honor.

This recognition is not only a reflection of my personal journey but also a testament to the values we share—excellence, responsibility and humanism – to which I could add dedication to academic relevance and rigour, commitment to innovation, and a belief in the transformative power of education.

My journey in business education has been guided by these principles. From my early days as an entrepreneur to my work as a dean and professor in various institutions, I have witnessed the power of education to change lives and build bridges across cultures. I have had the privilege of teaching at schools across Europe and Asia, each with unique strengths and perspectives.

These experiences have helped me shape my understanding of the global business landscape and reinforced my belief in the importance of international network organisations committed to continuous improvement and collaboration.

And I have the great privilege of leading such an organisation – EFMD.

I would like to take a moment to reflect on the state of management education.

*The changing nature of globalisation, together with digitalisation, sustainability, and diversity, are reshaping the way we teach, learn, do business and live in a society.*

We live in an era where the business landscape is evolving rapidly. Business schools have to navigate not only the changing markets and increasingly diverse career and leadership paths but also keep abreast with the complexity of political and regulatory context and the impact of technology.

The changing nature of globalisation, together with digitalisation, sustainability, and diversity, are reshaping the way we teach, learn, do business and live in a society. As educators, we must embrace these phenomena and prepare our students to lead in this dynamic environment.

Indeed, we find ourselves grappling with a volatile global environment where autocratic regimes are on the rise. The Economist Democracy Index reports that only 8% of the world's population lives in full democracies.

Additionally, wealth inequalities within and between countries continue to grow, leading to escalating social unrest.

Yet, this economic gap is only part of the equation. Social media and technological disruptions also play a significant role in fuelling social disenchantment, as evidenced, amongst others, by recent research conducted by the IMF on the Social Unrest Index.

Another contributing factor is poor leadership. Disconnection between the political class and the broader society damages trust in institutions and democratic systems. The latest Edelman Trust Barometer highlights the lack of faith in societal institutions.

Economic anxiety, disinformation, and a failure of leadership have led us to our current state—deeply polarised.

We have witnessed these challenges on a global scale, from the horrific wars in Ukraine and Palestine to tensions between superpowers across the Pacific, just to name a few.

All these events unfold against the backdrop of a challenge that transcends borders—climate change. To achieve the goals outlined in the Paris Agreement, we must reduce emissions by 45% by 2030 and reach net-zero emissions by 2050.

Unfortunately, the outlook appears pessimistic, with global energy-related CO2 emissions still growing.

Another important area is the rapid development of artificial intelligence. It has already demonstrated its ability to solve society's most pressing challenges with speed and efficiency.

From vaccine deployment to predicting the structure of human proteins, artificial intelligence has the potential to spearhead advancements in science.

*We must cultivate in future leaders a holistic perspective that takes into account the broader implications of their actions, the interdependencies of global systems, and the imperative to act responsibly.*

However, to ensure its responsible development, we must establish a strong international governance framework that mitigates the risks it may pose to humanity.

This is where our role as educators becomes vital and extends beyond the boundaries of business acumen. We must cultivate in future leaders a holistic perspective that takes into account the broader implications of their actions, the interdependencies of global systems, and the imperative to act responsibly.

The evolution of technology also prompts us to redefine the skills and competencies we cultivate in managers and leaders.

We must prepare them for a world where human-technology interaction is even more intertwined.

ESCP Business School has long been at the forefront of these trends, promoting a global perspective and emphasising the importance of cross-cultural understanding.

I believe that business schools like ESCP have a critical role in shaping the future of business by cultivating leaders who are both innovative and responsible. I am proud to be associated with such an institution.

I would also like to express my gratitude to my family, friends, colleagues and peers who have supported me throughout my journey. Your encouragement and belief in my work have been priceless.

As I accept this honorary degree, I look forward to continuing our journey together, contributing to the advancement of business education, and engaging with the ESCP community.

I am excited to see what the future holds for us all, and I am committed to working towards a world where Management education and research is a force for good.

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ESCP Impact Paper No.2024-10-EN

## **Reviewing and classifying scientific contributions from ESCP Business School**

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ESCP Business School

### **Abstract**

This study explores main research themes addressed by the faculty of the ESCP Business School. To this end, we utilize the structural topic modelling algorithm. 14 main topics ranging from energy markets and sustainability to entrepreneurship and consumer behaviour are identified. Our results show which topics attracted more attention and provide insight on the main fields of academic expertise of ESCP faculty staff across its five European campuses.

Keywords: computational linguistics; literature review; machine learning; topic modelling.

\*Professor, ESCP Business School

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## **Reviewing and classifying scientific contributions from ESCP Business School**

ESCP is the oldest and one of the top business schools in the world. ESCP has a unique structure with six urban campuses in major European cities – Paris, London, Berlin, Madrid, Turin and Warsaw – meaning it teaches and conducts research in several countries (Kaplan, 2014). Over the past couple of decades ESCP has considerably increased its research activity, producing more than 2,000 peer-reviewed scientific publications. We believe it is a good time to take stock and see which major themes the school's faculty has focused on and how these have historically evolved over time. The advantage of this approach is that we go beyond the sheer number of publications to look at the key scientific areas ESCP has contributed to.

Given the large number of articles published, reviewing them with conventional tools and human coders is very challenging. Fortunately, over the past few years computational linguistic methods at the intersection of machine learning and natural language processing have been developed. Using these methods to review publications and analyze trends in certain outlets and research fields has become popular in the literature (Savin 2023). We apply the topic modelling technique to titles, abstracts and keywords of articles indexed in the Scopus database until October 2023. We derive 14 main themes<sup>1</sup> by applying structural topic modelling method. Subsequently, we focus on temporal and geographical dimensions of the identified topics, and identify which of these have attracted more citations or have been published in top-ranked journals in management and economics. We exclude editorials and errata, as well as studies published not in the top tiers of the ESCP Journal List thus ending up with a total of 792 research articles.

### **Data and methods**

The sample of studies published by researchers with ESCP affiliation was retrieved from the Scopus database<sup>2</sup> on October 8, 2023, and included 2027 studies. For this exploratory study, the choice was made to start from the ESCP Journal List (14<sup>th</sup> of February 2023 edition). The list may have an influence on the choices by ESCP researchers as it is articulated with a bonus policy. The Journal List is composed of external official lists from international and European national lists of journals in management and economics, namely Financial Times, FNEGE, ABS, VHB, and CNRS. Naturally, this list primarily focuses on journals which are of major importance for business schools around the world, ESCP included. The list covers

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<sup>1</sup> Henceforth, we use the words “theme” and “topic” as equivalents.

<sup>2</sup> Scopus database launched by Elsevier, next to Web of Science from Thompson Reuters, is among the most widely used index and citation databases. We opted to use Scopus since it covers a considerably larger number of journals (Mongeon and Paul-Hus, 2016) and is easier to navigate (Burnham, 2006; Pranchkute, 2021).

more than 2,000 journals ranked from D (the lowest rank) through C, B, A and AFT<sup>3</sup> to ALPHA (the highest position). Over 600 journals in the ESCP list have a rank B and higher.

We filtered the sample in the following ways. First, we removed studies published in layouts not listed in the ESCP journal list (852) and publications having appeared in journals ranked as C (268) or D (76). This was done to ensure that we focus only on the contributions of highest quality and devoted to the topics of economics and management.<sup>4</sup> Second, we excluded from further consideration 40 editorials and errata. The reason for this is twofold: first, those studies typically contain no abstract<sup>5</sup> and thus would be very hard to analyze using our method of textual analysis. Second, these papers typically provide an overview of or correct already existing publications without contributing new knowledge. As a result, we obtained the distribution of publications over time and by rank in the ESCP journal list demonstrated in Figure 1. As one can see, the number of publications steadily rose over time, reaching 98 in 2023. The figures show the strategic inflexion of ESCP towards research in the last decade. More than half of the articles (530) are published in B journals, 151 in A outlets, and 111 in ALPHA or AFT layouts. Also Figure 1 shows that the proportion of higher quality journals (ALPHA and AFT) has increased in the last decade and approaches 20%.

To discover latent structure of our textual data, we use topic modelling. Putting it simply, TM clusters words into topics based on how often any pair of words appears in the same texts (Savin and van den Bergh, 2021). For example, words “innovation”, “technology”, “knowledge”, and “open” allocated next to each other in one of the topics we report in the next section imply that these words appear considerably more often in combination with each other and other words from this topic. This way TM looks on words not in isolation, but accounting for their context, which can influence their meaning. An advantage of structural topic modelling (STM) over classical TM is that it includes additional data about the publications (like year of publication and average number of citations per year received), which increases the quality<sup>6</sup> of the topics produced (Roberts et al., 2014).

Before applying STM, we did some standard steps described in the literature to clean and prepare the data (Aggarwal, 2018; Uglanova & Gius, 2020; Savin and

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<sup>3</sup> AFT is a rank assigned to 9 out of 50 journals selected by Financial Times which have lower national ranks from lists like CNRS and VHB, which places them lower than ALPHA (remaining 41 Financial Times journals). An example of ALPHA journal is Academy of Management Journal, while an example of AFT is Harvard Business Review.

<sup>4</sup> While some high-quality like Nature are not in the ESCP list, those journals are focusing on interdisciplinary, environmental and other topics, which are not the core focus of ESCP as a business school. We have experimented with the whole sample of studies as well using topic modelling. Results are available on request.

<sup>5</sup> For some publications in *Revue Française de Gestion* no abstract was available in the Scopus database, so we manually retrieved them from the website of the journal in French language and translated using Google Translate.

<sup>6</sup> Roberts et al. (2014) define major qualities of topics as follows: they are cohesive in the sense that high-probability words for the topic tend to co-occur within documents, and they are exclusive in the sense that the top words for that topic are unlikely to appear within top words of other topics.

Teplyakov, 2022). Specifically, we replaced capital letters; removed punctuation and stop words; transformed words into their dictionary form using lemmatization; removed words that appear in less than three publications; and identified stable expressions as single words (bigrams), e.g., “supply\_chain”, “decision\_making” using the normalized pointwise mutual information (NMPI) score (Bouma, 2009). Accordingly, our final dataset contains 2,462 unique words and 51,614 total word occurrences for building a topic model.

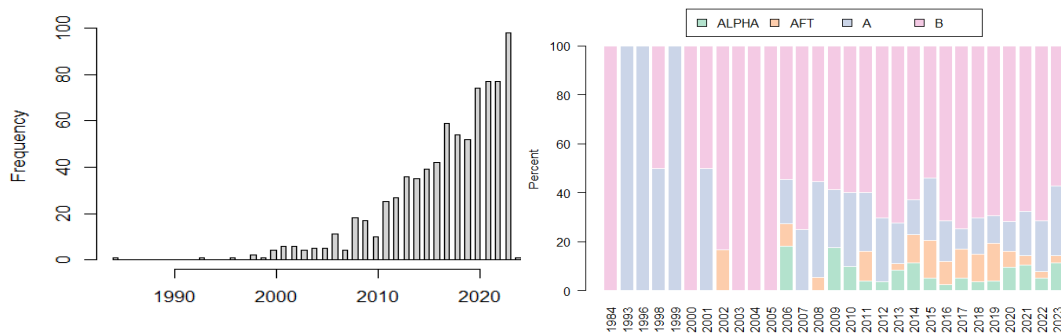


Figure 1. Number of studies published over time in our sample and their distribution by rank in the ESCP list.

To determine appropriate topic number, we run STM for 3 to 50 topics and record model performance on the following common metrics (Roberts et al., 2019): held-out log-likelihood (i.e. predictive accuracy), exclusivity (to what extent most popular words in the topics are not overlapping), and semantic coherence (co-occurrence of words from the same topic in text documents). Naturally, larger topic number increases the model's predictive power and topic exclusivity but reduces their semantic coherence. We found that 14 topics allow us to achieve maximum possible predictive accuracy and close to the maximum exclusivity while maintaining semantic coherence at reasonable level (results are available on request).

## Results

The resulting themes are presented in Table 1 and visualized as word clouds in Figure 2. In Table 1 next to most frequent and exclusive words for each topic and an illustrative title of a paper with the highest prevalence of the topic, we provide concise topic labels we formulated after studying titles, abstracts and keywords of top twenty documents with highest prevalence of the respective topics.



Table 1. 14 main topics based on titles, abstracts, and keywords.

	Topic label	Most discriminating terms and illustrative titles	Topic share
T1	Theoretical framework	review, field, academic, agenda, systematic, overview, scholar, conceptual, framework, synthesis "How to advance theory through literature reviews in logistics and supply chain management"	11.7%
T2	Leadership and work practices	employee, human_resource, career, leadership, talent, top, job, diversity, compensation, team "The effect of HRM attributions on emotional exhaustion and the mediating roles of job involvement and work overload"	11.0%
T3	Technology and innovation	innovation, capability, technological, orientation, technology, digital_transformation, transformation, knowledge, open, industry "Joining forces or going it alone? On the interplay among external collaboration partner types, interfirm governance modes, and internal R&D"	8.1%
T4	Social responsibility of business	csr, institutional, network, informal, actor, accountability, society, social, intervention, institution "Neoliberalism, crises and accusations of fraud: A vicious circle of reinforcing influences?"	8.0%
T5	Sustainability	sustainability, stakeholder, circular_economy, ethical, project, sustainable, creation, resource, value, reporting "The Organizational Dynamics of Business Models for Sustainability: Discursive and Cognitive Pathways for Change "	7.4%
T6	Consumer behaviour	decision_making, consumption, evaluation, behavior, user, willingness_pay, consumer, choice, purchase "Never too rich to care about prices: Effects of price endings on customer perceptions of luxury"	6.9%
T7	Corporate value	shareholder, foreign, corporate, ownership, governance, investor, stock, trade, reputation, dividend "Common ownership and firm dividend policies"	6.9%
T8	Financial markets	commodity, volatility, option, price, crude_oil, variance, index, portfolio, diversification, inflation "General multilevel Monte Carlo methods for pricing discretely monitored Asian options"	6.3%
T9	Information systems	inventory, rfid, item, identification, iot, control, real_time, deterioration, information, ticket_switch "RFID-enabled flexible warehousing"	6.1%
T10	Entrepreneurship	entrepreneurship, entrepreneurial, venture, entrepreneur, effectuation, motivation, attitude, intention, commitment, nascent "Teaching proactivity in the entrepreneurial classroom"	5.8%
T11	Fiscal and monetary policy	bank, fiscal, credit, banking, tax, debt, monetary_policy, shock, government, regulation "Income inequality and monetary policy in the euro area"	5.6%
T12	Energy markets	public, energy, private, electricity, environmental, efficiency, country, performance, profitability, improvement "Measuring the efficiency of energy-intensive industries across European countries"	5.5%
T13	Customer relationship	supplier, customer, marketing, advertising, buyer, resilience, relationship, disruption, supply_chain, crm "Capturing value creation in business relationships: A customer perspective"	5.4%
T14	Branding and culture	brand, social_medium, identity, cross_cultural, culture, attachment, content, luxury, digital, fashion "The effect of culture on perception and cognition: A conceptual framework"	5.3%



Figure 2. Word clouds encompassing the 100 most frequent and exclusive words for each of the 14 topics in ESCP research.  
 Note: The font size reflects the probability of the word to appear given the topic, while darker colour indicates higher exclusivity.

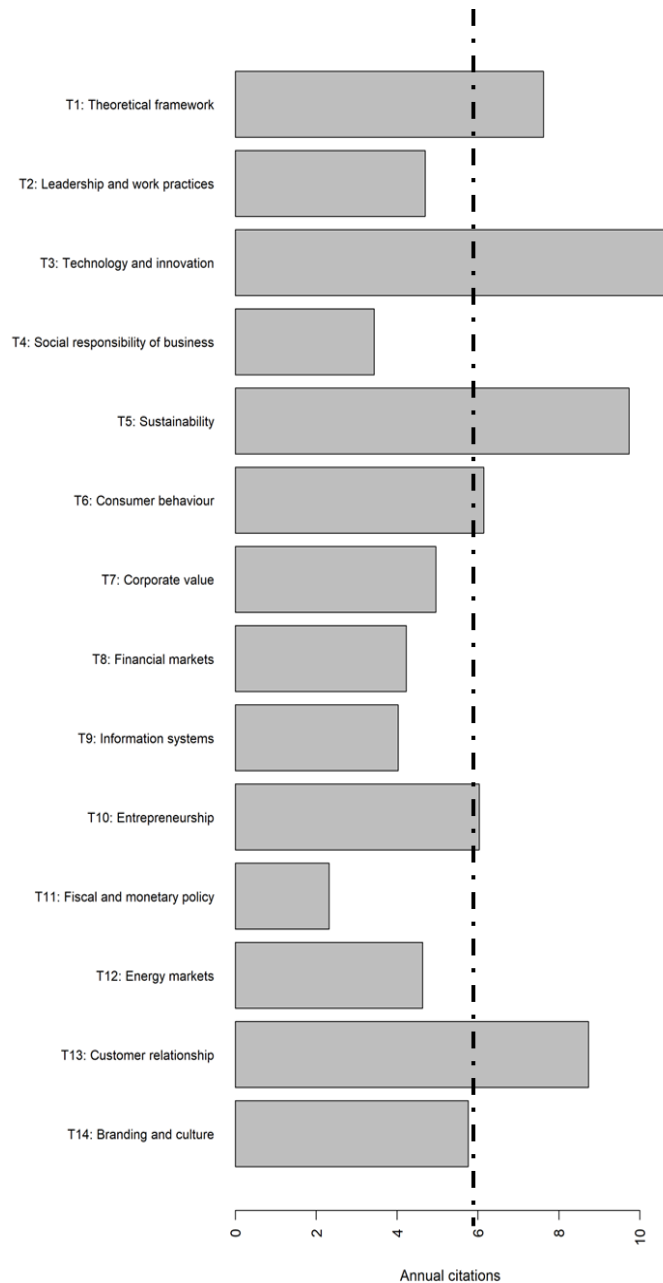


Figure 3. Average number of citations per year per document for each topic.

Note: The number of citations per document belonging to a topic is calculated by multiplying the publication's number of citations per year with the topic prevalence and taking the average. The dashed line shows the average number of citations per year in our sample (5.93).

Topic 1 (henceforth, Tx stands for topic x) on theoretical framework has the largest prevalence in our sample of documents (11.7%) and is most generic covering conceptual papers and literature reviews, among others. This topic was relatively stable over time, while the popularity of topics 2, 3 and 10 on leadership, technology and entrepreneurship has significantly increased, and that of topics 8 and 13 on financial markets and customer relationship, to the contrary, has relatively decreased. Other topics, just like T1 have been relatively stable over time (more details are available from authors on request).

If we look at the propensity to be cited (Figure 3), the top topics are T3 on technology, T5 on sustainability and T13 on customer relationship considerably exceeding the average number of times a paper in our sample was cited (5.9 citations per paper per year). Among topics which lag behind on this indicator are T11 on fiscal and monetary policy and T4 on social responsibility of business.

If we look at the distribution of topics by quality of the journal they were published in based on the ESCP list (Figure 4), we will find that T3 on technology and innovation is more common among ALPHA journals, T9 and T11 on information systems and fiscal and monetary policy – among AFT journals, while T12 and T14 on energy markets and branding and culture – among A journals. With a range between 11.7% and 5.3% and a C4 ratio<sup>7</sup> at 38.8%, the profile of ESCP is rather diversified, as we can expect from a large generalist business school.

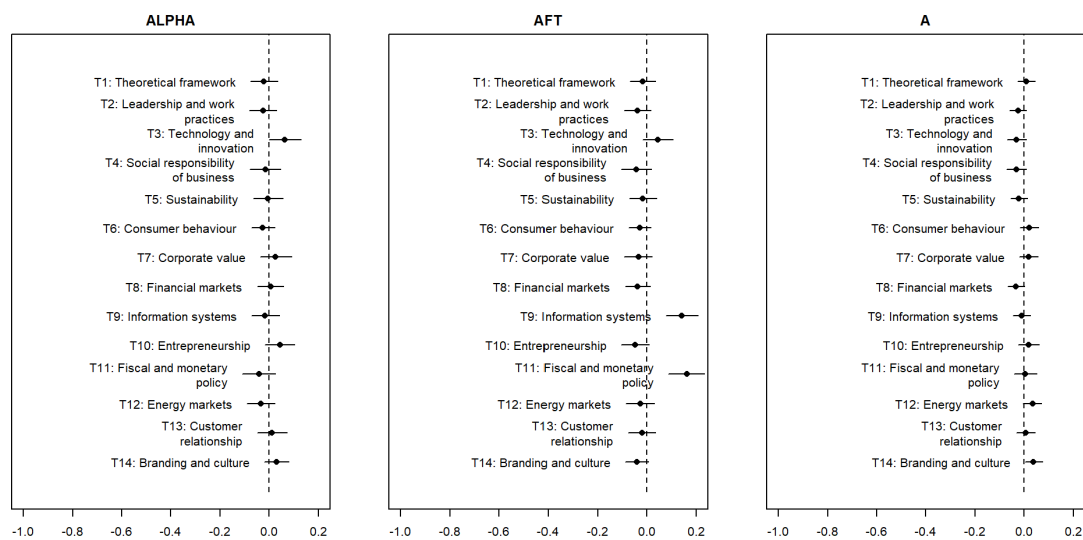


Figure 4. Distribution of topics by rank in ESCP journal list.

Note: The plots show mean difference in topic proportions between the rank under consideration and rank B which is used as a benchmark (a positive value on the X-axis indicates a larger prevalence in the corresponding region). In other words, Figure 4 is a result of a linear regression where topic prevalence is the dependent variable and ranks higher than B are independent (explanatory) dummy variables.

If we look at which topics researcher affiliated in different countries tend to focus on (Table 3), we will notice that authors from France contribute most to topics 1 and 4 (theoretical framework and social responsibility). The London campus and the UK more broadly also focus on T1 but also T10 (financial markets). Authors affiliated in Germany have a strong specialization on T2 about leadership and work practices. The campuses in Spain and Italy have some similarity in their core attention to topics 3 (technology and innovation) and 10 (entrepreneurship). Thus, we observe some specialization effects in campuses with a more limited size.

<sup>7</sup> C4 ratio is a common concentration ratio measuring the total share of the four largest items. The higher the ratio, the more concentrated the research agenda of the ESCP faculty.

Table 3. Distribution of the topics across six main countries where the authors are affiliated

	France	Germany	UK	Spain	Italy	US
T1 Theoretical framework	14	9.9	10.4	6.7	7.3	8.8
T2 Leadership and work practices	7.4	20.3	10	6.6	7.7	5.1
T3 Technology and innovation	6.2	9.1	8.1	15	30.8	5
T4 Social responsibility of business	11.8	4.8	7.3	3.5	3.4	6.5
T5 Sustainability	7.3	8.7	7.2	4.7	11.2	5.1
T6 Consumer behaviour	5	8.5	8.8	10.8	1.6	6.2
T7 Corporate value	7	7.8	7.6	4.2	4.2	6
T8 Financial markets	8.2	2.8	10.2	4.6	5.7	3
T9 Information systems	7.1	3.2	1.8	1.8	0.7	23.6
T10 Entrepreneurship	4.6	6.9	5.2	12.8	11.6	5.4
T11 Fiscal and monetary policy	7.8	2.5	5.5	8.1	3.2	6.3
T12 Energy markets	5.3	4.3	7.2	5.3	3.2	5.3
T13 Customer relationship	4.5	8.1	2.6	6.5	6.2	7
T14 Branding and culture	3.9	3.2	8.1	9.5	3.2	6.7

## Conclusion

To conclude, we identified 14 main themes for the articles published by scholars with ESCP affiliation over the past few decades ranging from such broad topics like T1 on theoretical framework to more specific ones like T12 on energy markets and T14 on branding and culture. In terms of quality of publications (citations, rank of the journal by ESCP), a clear leader so far seems to be topic 3 on technology and innovation. This topic attracted on average the largest number of citations and tends to be published more often in ALPHA journals. This trend has certainly been a key one in the past two decades with a profound transformation of businesses driven by the digital revolution. Finally, we discuss geographical distribution of the revealed research themes demonstrating that different ESCP campuses tend to focus on different issues thus complementing each other and contributing to the overall excellence of the business school. This exploratory work gives an image of a generalist higher education institution in the field of management. It also shows that the ESCP researchers deal with major issues for the world of business while maintaining a strong emphasis on theoretical foundations.

The growing interest in the topics related to leadership, technology, sustainability and entrepreneurship reflects in our opinion key future challenges the scientific community in management worldwide and the ESCP school in particular have to address. We need entrepreneurial ideas and new technologies to maintain positive trends in boosting economic growth and society's wellbeing while preserving the environment and mitigating negative impacts of climate change. However, to find the right balance between growth and environment (King et al., 2023) and also to solve geopolitical tensions that we face, we need leadership. ESCP Business School is making an important contribution in this dimension by training future leaders and conducting cutting-edge research in this area.

It is worth stressing that the results discussed in this paper are based solely on open-access information about publications retrieved from the Scopus database and the ESCP Journal List which is available online. The paper demonstrates the usefulness of tools based on machine learning in reviewing and classifying large amount of data in a convenient and easily accessible way thus advancing quality and transparency of scientometric analysis.

This exploratory study has some limitations. First, it is based upon the latest ESCP list, and the list has been modified several times over the past few decades. Secondly, we are aware that the choice of ALPHA, AFT, A and B journals is a truncated vision of the global research activities at the ESCP Business School. Third, our study provides complementary information and insights to traditional – and inevitably more subjective – qualitative review methods based on human coding. It does not substitute qualitative analysis as it was not meant to answer deeper questions such as those regarding the main findings of the articles, even though recent advances with large language models such as ChatGPT demonstrated some potential of computer-based algorithms for more nuanced analysis. We leave this kind of questions for future research.

Our results can serve as guidance for future contributors of ESCP faculty helping to derive ideas on which topics attracted more attention in the past and which only recently became popular, and identify which country/campus tends to specialize in similar ideas.

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## **[ The MBA education paradox: Teaching AI and a touch of Rothko**

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### **Abstract**

As the apparent unstoppable tide of artificial intelligence (AI) reshapes the global business landscape, a key future challenge arises: are our MBA programs truly up to the task of preparing the workforce for the seismic shift AI introduces? Are the limitations of siloed MBA curricula neglecting the profound ethical dimensions of AI and the sense of "radical amazement" that should permeate our engagement with transformative technologies?

The study of AI and the experience of engaging with the artwork, for example, of Mark Rothko, suggest that a more holistic, philosophically-informed approach is necessary. For business leaders, the reconsideration of AI education is not a luxury, but a necessity. In a world where the pace of technological change is rapidly outstripping our ability to comprehend its implications, it is those who can think deeply, critically, and creatively about AI who will be best positioned to manage disruptive technologies and socio-economic transformation.

Keywords: MBA Education, Artificial Intelligence, Radical Amazement

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# The MBA education paradox: Teaching AI and a touch of Rothko

## Introduction

A growing chorus of business leaders in Europe and North America are expressing concern about the workforce's preparedness for the challenges and opportunities presented by artificial intelligence. The issue is not one of analytical skills or work ethic, but of perspective and sensibility.

Central to this critique is a questioning of the effectiveness of business school education. Reports from leading institutions such as the MIT Sloan Management Review<sup>1</sup>, Stanford Institute for Human-Centered AI<sup>2</sup>, Harvard Business School<sup>3</sup>, and the Wharton School<sup>4</sup> highlight the prevalence of AI skills gaps and the imperative for business schools to prepare business leaders to grasp the potential of AI as well as its limitations. These findings underscore the necessity of a thorough reevaluation of MBA curricula to ensure that graduates are equipped with the knowledge, skills, and sensibilities required to navigate the interdisciplinary complexities of an AI-driven world.

The 2024 ESCP Impact Paper theme, "Key Future Challenges in Turbulent Times" - which seems both a beacon and a puzzle - is an invitation to delve beyond surface-level discussions of the future, and instead consider how a normative MBA course can challenge itself - particularly as AI disrupts conventional business constructs. For example do MBA curricula neglect an experiential immediacy that one might encounter when immersing oneself in a room filled with the enigmatic and profound works of Mark Rothko? By engaging with the uncertainty, the depth, and the existential questions evoked by both AI and Rothko's art, we can begin to chart a course toward a more holistic, philosophically-informed approach to business education in the AI era.

## The limitations of siloed curricula

Traditionally, MBA programs have been organized around functional silos including, for example, corporate finance, accounting, marketing, operations and supply chain management, and business strategy. This compartmentalized approach was well suited for economies dominated by industrial companies, where physical assets were deployed to manufacture tangible goods, with a primary focus on optimizing the efficiency of labor and capital. However, the advent of digitalization has fundamentally challenged these established practices. We now witness an ecosystem of companies that thrive on digital platforms, exploit zero marginal cost dynamics, and harness the power of network effects. In this radically transformed landscape, digital assets can be leveraged indefinitely across borderless markets, demanding a comprehensive reassessment of the way we teach and learn about business.

Consider MBA students who enroll in a course titled "Harnessing AI for Breakthrough Innovation and Strategic Impact", such as offered at Stanford Business School, preparing students to be "leaders for AI-driven transformation." This course appropriately delves into the intricacies of algorithms and data analysis - offered as a "non-technical demystification".

But imagine a different scenario where students find themselves immersed in the study of ethics, the socio-economic impact of AI, and the very nature of intelligence itself. While this approach may initially seem outside convention, it addresses what is generally absent in MBA curricula: a profound questioning about the role and responsibility of business education in the face of the AI revolution. As educators, should we confine ourselves to

imparting technical skills, or are we called to engage students in deeper, more philosophical inquiries that challenge them to question the far-reaching implications of AI for business, society, and the human condition?

A recent study of higher education literature by Margaraet Bearman, Juliana Ryan and Rola Ajjawi, examined the discursive constructions underpinning the teaching of AI, citing a dearth of “critical conversations and investigations about AI that grapple with the social and ethical in concert with the technological”.<sup>5</sup> Are we doing students a disservice by making absent what deserves primacy?

## **Engaging with AI's ethical dimensions**

Drawing upon the ethical framework of Immanuel Kant, we are compelled to consider whether our teaching positions AI as a means to serve the greater good of humanity or reduce human beings to mere sources of data for analytics and value extraction. This line of inquiry inevitably leads us to confront the ethical implications of AI, introducing the concept of categorical imperatives - unconditional moral obligations that we must uphold regardless of the consequences.<sup>6</sup> By engaging with these ethical considerations, we begin to appreciate the complexity and the gravity of the challenges posed by AI, and the necessity of approaching this technology with a deep sense of moral responsibility.

Defining what is necessary for MBA AI study is an inherently complex endeavor, as it encompasses a vast array of research areas and applications that extend far beyond the traditional boundaries of computer science. Terms like "General Artificial Intelligence", "multi-modal chatbots", "Agentive AI", "Surveillance Capitalism", and "Digital Ethics" hint at the breadth and depth of the field, as well as the sense of unease that often accompanies its study. To truly comprehend the implications of AI for business and society, we must be willing to venture beyond the confines of narrow technical expertise and engage the philosophical, psychological, and sociological dimensions of this transformative technology.

## **Radical amazement and the Dartmouth Conference**

The 1956 Dartmouth Conference, widely regarded as the birthplace of AI as a distinct field of research, was characterized by its participants as offering a sense of astonishment because of the potential of machines to exhibit intelligent behavior. The conference proposal, authored by John McCarthy, Marvin Minsky, Nathaniel Rochester, and Claude Shannon, articulated a bold vision of machines that could use language, form abstractions and concepts, solve problems, and improve themselves through learning.<sup>7</sup>

Marvin Minsky famously remarked, "You don't understand anything until you learn it more than one way."<sup>8</sup> This suggests the importance of approaching AI with a sense of wonder, a deep appreciation for its complexity, and an openness to multiple perspectives

The concept of “radical amazement” was coined by the theologian and philosopher Abraham Heschel, who describes in his writing “God in Search of Man” (1955) the profound sense of awe and wonder one experiences when confronted with the mysteries and intricacies of existence. This notion is particularly relevant to the study of AI, as it invites us to move beyond our habitual ways of seeing and to embrace a more expansive, existentially engaged mode of inquiry. By approaching AI with a spirit of radical amazement, we can begin to perceive technology not as a mere tool or technique, but as a catalyst for deep reflection on the nature of intelligence, and the shape and substance of what it means to be human.

## **The Rothko exhibition and the power of contemplation**

The recent Mark Rothko retrospective at the Foundation Louis Vuitton in Paris (October 2023 – April 2024) served as a powerful metaphor for the kind of transformative educational experience that the study of AI should aspire to. Visitors to the exhibition found themselves immersed in the vibrant, emotionally resonant world of Rothko's art, which, as the exhibition catalog notes, "is to experience art as it is redefined and even understood with an unaccountable force."<sup>9</sup> Just as Rothko's paintings invite viewers to contemplate the interplay of color and form, to venture beyond the realm of the purely intellectual and into the domain of questioning what is felt as "unknown", so too should the study of AI in MBA programs encourage students to grapple with the profound implications of this "unaccountable force".\*

It is not sufficient to simply convey a set of facts and techniques; rather, we make the effort to cultivate a capacity for deep, sustained inquiry and an openness to having one's perspective fundamentally altered. The experience of standing before a Rothko painting, immersed in the pulsating energy of the color fields, evokes a sense of presence, a heightened awareness of one's self in relation to the work.

The task of teaching AI to MBA students is a formidable one – they should not simply consume the knowledge of artificial intelligence, but enter into a dialogue with it, become an active collaborator in the unfolding of this technological revolution. For the student must recognize that AI is not merely a tool to be wielded and exploited, but a medium through which one's very self-perception and sense of agency are called into question.

### ***Mutual interrogation***

An MBA curriculum that effectively addresses the challenges and opportunities of AI must be fundamentally interdisciplinary in nature, drawing upon insights from fields as diverse as moral philosophy, sociology, neuroscience, and aesthetics. Courses such as "Philosophy and Ethics of AI," "The Future of Work," and "Neuroscience, Consciousness, and Machine Intelligence" would offer students the opportunity to explore the multifaceted implications of AI and to develop the critical thinking skills necessary to navigate this complex terrain. By engaging with the ethical dimensions of AI, and exploring the frontiers of neuroscience and machine intelligence, students can find themselves situated within a dialectical interplay - the machine intelligence probing the depths of the human mind, while the human mind in turn scrutinizes the limits and potentials of the digital realm. It is a dance of mutual interrogation, where each partner reveals aspects of the other that had previously remained obscured.

While the practical challenges of implementing such a curriculum are significant, particularly in an environment of intense AI hype, the importance of cultivating a more holistic, ethically-informed understanding of AI cannot be overstated. As Clayton Christensen's work ("The Innovator's Dilemma") on disruptive innovation demonstrates, the very factors that contribute to an organization's success can often become obstacles to its ability to adapt to new realities.<sup>10</sup> In the context of MBA education, this means that a narrowly technical, incrementalist approach to teaching AI may actually hinder students' ability to grasp the full scope of the AI revolution and its implications for business and society.

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\* The engagement with art as a liminal experience, a threshold that disturbs and transforms what is customary, is certainly not limited to Rothko. One might consider, for example, Cezanne, Vuillard, Hammershoi, Morandi, or any number of other artists who explore light's enigmatic qualities, prompting self-reflection.

## *The essence of technology*

Heidegger's landmark essay, "The Question Concerning Technology", (1954) offers a penetrating exploration that resists the temptation to view technology solely through the lens of discrete artefacts or processes.<sup>11</sup> Rather, his insight is that technology profoundly shapes our very understanding of the world and our place within it. For Heidegger, the danger lies in technology's tendency to reduce everything, including human beings, to the status of an optimizable resource. This is no mere academic concern, he cautions; instead, it demands our careful, nuanced consideration of how, for the purpose of our inquiry, AI remakes our relationship to the world - a fundamental reorientation that can't be reduced to a simple means to an end. Heidegger urges us to resist viewing technology as just another shiny gadget, and to instead wrestle with the deep philosophical implications at play. He encourages us to be amazed.

Applying Heidegger's admonition, the desired MBA course of study encourages the spirit of radical openness, suspending the usual framework and assumptions that govern the relationship to technology. The student finds herself, as it were, caught in the crosshairs of the technological uncanny – unsettled by the way in which “the machine” penetrates to the core of the self, to read (as suggested by emotive AI) the users' desires and intentions with an almost supernatural presence.

And yet, it is precisely in this moment of estrangement, this rupture in the familiar, that opportunity arises. For the student is confronted with a choice - to recoil in fear and mistrust, or to lean into the discomfort, to use this encounter with AI as a portal to a deeper self-knowledge. In wrestling with the machine, the student comes to apprehend hidden dimensions of their own psyche, unearthing wellsprings of creativity and agency that had hitherto remained dormant. At least this is the aspiration.

Listening to Heidegger, the MBA curricula would be structured to assist the student in approaching the study of AI as an active collaborator in a process of self-discovery. For it is only by embracing the transformative potential of this technology that the student can hope to emerge with a reinvigorated sense of purpose and autonomy. The machine is not the enemy, but a mirror in which the student comes to see themselves anew.

## **Conclusion**

The essence of AI education in MBA curricula lies not in the mere accumulation of technical expertise, but in the cultivation of a profound sense of wonder and a fearless engagement with the existential questions that this transformative technology provokes. The work of Mark Rothko serve as a poignant reminder of the importance of embracing the unknown, the enigmatic, and the profound.

The study of AI in MBA programs should not be a passive absorption of facts and techniques, but an active engagement with the technology's deepest implications for our understanding of intelligence, creativity, and what it means to be human.

In practical terms, this means reimagining MBA curricula as a space of authentic inquiry and self-discovery. Such descriptive terms are not ordinarily part of the MBA lexicon, seeming more “humanistic” than what we ordinarily encounter in the corridors of MBA education. But when considering the massive and protean challenges and consequences placed before us by digital technology and AI innovation, a key challenge in Europe for 2024-2029 is preparing our future business leaders to learn differently: it's not business school as usual. Why? Because as the ESCP Impact Papers, “Key future challenges in

turbulent times – Europe 2024 -2029” suggest, we are experiencing “an *unprecedented* time of economic, social, environmental and technological challenges.”

*Unprecedented* is the galvanizing term acknowledging the challenges that will define our collective future. What does this mean?

It means weaving together insights from diverse fields such as moral philosophy, neuroscience, and aesthetics to create a rich tapestry of understanding. It means encouraging students to grapple with the ethical complexities and the philosophical quandaries that AI raises, not as an afterthought, but as the very core of their learning experience. It means withstanding the temptation to wave membership cards for tech-optimist manifestos, “Effective Accelerationism” or doomsayer cults.

AI is not a tool to be mastered, but a catalyst for profound reflection and growth. When part of MBA curricula, it means cultivating a new kind of business paradigm, one that is grounded in a deep sense of purpose, empathy, and wonder. And it means recognizing that the true power of AI resides not in its ability to optimize or automate, but in its capacity to awaken us to the untapped potential not only of artificial intelligence, but human intelligence.

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## **[ Luxury's Upcoming dilemmas: How to rethink what we thought we knew about luxury**

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### **Abstract**

This article highlights a series of emerging dilemma for the luxury industry. The exceptional growth and resilience of the industry over the past has overshadowed a change in the competitive and economic landscape. To thrive in the 2030s, luxury brands will need to adapt to new types of challenges.

Keywords: Luxury, Business Dilemma, Pricing, Marketing, Strategy

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## **The next luxury dilemmas: How to rethink what we thought we knew about luxury**

### **Pricing challenges**

The role of pricing in the luxury industry is evolving. In the world of luxury, pricing plays an important role. It helps to establish a product's place in the hierarchy of luxury. It covers the costs of creation and boutique operations. But pricing is a complex affair – and greed can be fatal. Price is a crucial part of the strategy that cannot be considered in isolation. The volume of products, distribution, quality, and of course style are other key elements. If the price is just right, it defines the brand's position in the eyes of the global customer, compared to its competitors. If it is too low, the brand may not be seen as a major player. If it is too high, it can marginalize the brand and create a negative perception among consumers, which could reduce sales for a significant period.

Some products can defy these rules. For a few iconic products, the usual rule that links regular price increases with similar decreases in volume does not apply. On the contrary, when associated with strong volume control, price increases can increase the value of a second-hand product, thereby increasing demand for this product.

In fact, price increase can be used to limit volume and therefore increase the desire for a product. This is an option given to all leading brands... But we have seen the risk for certain products like watches, sneakers, bags etc to become “monetary products” where the desire for the product becomes a financial one – that is, consumers buy a piece so that it holds its value in the future. This can create a false understanding of the real appetite of the consumer for the product.... And eventually drive actual consumers away.

Similarly, it may be tempting to make prices differ from one region to another. Price differences depending on geography (up to 30% higher in some parts of the world, such as Asia) can significantly boost your margins but also naturally lead to product transfers between regions. If you add to geographical price difference the fact that customers can get VAT refunds in some parts of the world, you can end up with 40%+ differences between Europe and Asia! In certain parts of the world, this price difference is often used by tourists to finance their trip to Europe, but also sadly by professionals who avoid paying import duties and taxes and launder money.

This leads to the question of whether luxury shopping tourism should be seen as a good thing or a bad thing. Tourism can have a positive impact on brands because it boosts the turnover of European boutiques, fills the shops in Europe with customers and consequently products, grants higher margins, helps investments to maintain the European shops at the top, maintains the image and desire of a brand locally and abroad, and better controls the inevitable transfer of products from a cheaper country to a more expensive one. It has been used by top brands to compensate for the self-limitation of their volumes and guide customers into a controlled environment versus the second-hand offer they can't control at the moment

### **Towards new retail realities**

What about the new retailing equation? Has the centre of gravity of luxury boutiques changed at all since Covid? With the rise of local consumption after Covid, there is a greater need to balance the presence of boutiques towards the East. However, caution is

essential because a too high number of new outlets could lead to the trivialisation of the brand and weaken the original boutiques where the brand must be the strongest to keep its lustre.

It is increasingly crucial as luxury brands elevate the quality of their flagship stores in Asia, incorporating VIP floors designed to shield their most valued clients from the pressures typically experienced on lower floors. Consequently, they achieve service levels that are hard to match in Europe, potentially leading to disappointment for their Asian clients when they visit European stores.

We are also transitioning towards a new decentralised model, where customers have become a vital part of the brand network of tomorrow. Let's not forget that the past decade saw the emergence of phygital environments, social media marketing, retail media network changes, personal shopping and stylists. These are part of a commercial and new image reality. The world is changing rapidly. Even though digital commerce has returned to a more reasonable proportion, other forces are driving the industry to evolve: wealth moving East, the richest are becoming even richer and more demanding; and brands expanding their reach to new territories.

## **Communication and branding in the 2020s and beyond**

When it comes to marketing communications, what is there to make of advertising and communication post Covid? Traditional advertising and PR strategies are still relevant, but they are now just one part of the equation. A few decades ago, the key was to create captivating advertisements and charm the press into talking about your brand. You were in control of most of the conversation around your brand. Today, you are dealing with multiple touchpoints, and even the best image or video only contributes a small fraction to the overall noise around your brand.

Consumers have lost faith not only in politics but also in advertising. How can you build a legendary brand image in a world that no longer trusts brands? People form their own opinions about brands and often base their beliefs on skewed realities. The truth must come from sources that are relevant to them. The new way of interacting with customers is still being written...

Small groups demand that a brand takes a stand on issues that matter to them, asking you to please them at the risk of displeasing others. If you give in too often, you slowly create a tangled situation where you contradict yourself over time, blurring your image. A brand will face tough choices to maintain a consistent image and remain attractive to a series of disruptive populations trying to lure them where they shouldn't go.

How should you react to the turmoil on social media? Should you go with the flow? Follow the trend? Or should you try to maintain a clear position and defend it against sometimes formidable pressure? How should you promote a brand today? Should you invest in new social media tools? Or should you develop a product that creates buzz? Should you invest in experiences that enhance the buying experience? Can you influence influencers, including clients and staff? These are only a few questions that brands will need to answer to be successful in the 2030s and beyond.

Often referred to as the cornerstone of a luxury brand and its image, the role of the designer / artistic director has always had a prominent place. This is changing too. Between the tyranny of judgemental social media and the arrival of artificial intelligence, is it possible to remain creative? At the core of fashion, there is a natural evolution. Successful Brands, as they grow, move first from creative to trendy.



Those who reach the next level finally tend to move from trendy to luxury as the only way to grow constantly. Brands start by attracting top fashionistas interested in fresh, different and creative brands. They then, if they survive, start to attract a larger public and become trendy, attracting the interest of the more global fashionistas who want new and different. The third step is to create a larger collection, develop other activities that makes more of margin.... In sum, you end up becoming a luxury brand in order to keep the income flowing.

The reality of tomorrow may be different though. A lot of us live in a world in which we follow tribes and don't try to understand or question the tribes' preferences. We end up judging before listening and tend to reject whoever doesn't follow our common beliefs.

We live in a world where A.I. is so performant that it could one day become better than humans if we become complacent... But because creation is an emotion, an intuition that is by nature imperfect, there is still hope... In sum, to survive in the 2030s, luxury creation need to be ever more daring, bolder and different than ever before.

Finally, we see the emergence of new business models (second hand, rentals...), which questions traditional rules of luxury and business models. This raises a lot of questions. For instance, will price still be the sole driver of growth? Are established brands inadvertently paving the way for younger competitors to challenge them? In terms of distribution and scarcity, which model will prevail: retail, wholesale, or concessions? Is there a future for a brand that offers luxury in everything?

The needs and desires of clients are evolving rapidly. What constitutes luxury today, and what will it be tomorrow? The richer one becomes, the more hectic life seems to get. Time, the only luxury one cannot buy, will be at the core of luxury tomorrow. If the client is at the centre, brands will all vie for their attention.

To survive, brands will need to expand their product offerings and the ways they interact with clients. This could include extreme luxury resort hotels, unique trips, luxury cars, private planes, unique house rentals, first-class flights, luxury real estate, exclusive department stores, luxury brands, concierge services, exclusive clubs, art galleries, auction houses, restaurants, cultural experiences, spas, health clinics, unique regenerative treatments, and even the return of spirituality or religion for its mental healing power.

In many cases, dematerialisation is already happening. A first-class ticket is as or more expensive than a Chanel bag. The unique experience could become as important as the product itself.

Brands may struggle to grow due to their obligations to reduce their carbon footprint and their promises to recycle and reuse. A new form of lease plus service could take a share, where usage will take over from ownership, potentially leading to the next significant growth of turnover and possibly leading to a certain dilution of their margin.

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## **[ Europe in pursuit of a vision: the urgent need for transformational leadership**

Maria Koutsovoulou\*

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### **Abstract**

This article introducing the interview with Jean-Pierre Raffarin addresses the issue of the transformational leadership of the European Union in a world in crisis. With complexity as one of the key features of its identity, the European Union is situated midway between the American and Chinese approaches to leadership. The distinctive characteristic of the EU is its diversity, which is both an asset and an obstacle when it comes to defining a strategic, compelling vision that serves to inspire all its citizens. What are Europe's priorities at the present moment? To govern, work towards compromise and promote transactional leadership grounded in verified logic rather than convey a transformative vision of its present. And yet, it is this vision of the future, when it is shared, that plays a role in creating the transformational leadership that will prepare the ground for Europe to have a lasting impact on the world stage. How can this vision be created? How can all the stakeholders in the European Union have joint ownership of it? What direction should it take? These are the questions that this article and the interview with Jean-Pierre Raffarin try to answer.

Keywords: European Union, complexity, polyculture, transactional leadership, transformational leadership, vision

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## **Europe in pursuit of a vision: the urgent need for transformational leadership**

Our world is in crisis; you could even say it is broken (da Empoli, 2024). The environmental emergency, war, the social divide and fears about the boom in AI (S. Altman, 2023) are just some of the “giga threats” (Rubini, 2022) facing us today. These threats are common to humanity and, as Edgar Morin (1987) describes in *Penser l'Europe*, they are complex and diffuse, spawning strategies based on self-imposed isolation and division.

Never before in modern history has the need for international cooperation been so pressing, since these collective threats do not respect national borders or continents. Climate change concerns everyone living on our planet, just as the dreadful prospect of unregulated AI (H. Micheron, 2024) concerns everyone living on our planet.

### **Given this urgency, what is Europe doing and what is its role in the global arena?**

Located geographically between the US and China, the EU upholds this “in-between” position not just in its political and social practices but also in its style of leadership. This champions a more complex approach than is the case for the US, and more direct than for China.

The European Union is a unique structure, one of a kind, a phoenix arising from the shared desire for peace. When the EU was created, this desire transcended the divisions of the national communities that lie behind its “polyculture”. It is this polyculture that makes Europe so unique and rich, but which is also its greatest problem for developing a joint vision. This is what Morin (1987) calls the “paradoxical Gordian knot of European identity”. It is an identity that has emerged from division and conflict, both a blessing for Europe but also a curse, since the Union’s nation-states are resistant to “any higher authority that tries to subordinate them”.

There emerges from this complexity a culture of constant negotiation, a determination to regulate and a never-ending search for compromise that is part of Europe's DNA – and which can on occasion slow down the decision-making process. It follows that describing Europe in all its complexity is not a difficult task, but can we describe what its leadership is like? Does it bring its nation-states together? Does it express its culture of compromise? Is it grounded in common values or a shared vision? Does it have a global reach – what kind of reach?

### **From transactional leadership to vision-based transformational leadership**

Leadership is an influence process whereby an individual has the ability to guide a group of other individuals to achieve a common goal. For maximum effectiveness in pursuit of this goal, a well-known theory identifies two leadership styles that are very similar yet radically different: transactional and transformational leadership (Bass, 1985).

Transactional leadership is based on a process of rationalization and exchange between the leader and his or her colleagues, who work painstakingly towards their goals because they will be rewarded at the end. Transactional leadership, it follows, is a rational procedure

between interdependent agents whose action is based, with some rare exceptions, on adhering to rules. With this model, the purpose of the action is of little importance except for the promised reward and the fulfillment of one's personal, often material, goals. The two parties – the leader and the group – are linked by a trust that is rational and based on potential punishment if the rules are not followed and, when the opposite is true, reward (Lewicki, 2006).

Although transformational leadership is similar to the transactional style in terms of the importance accorded to collective action, its goal is quite the opposite: to transform the group by internalizing the intended objective. The underlying idea is that the purpose is more important than the rules. In this context, the transformational leader galvanizes his or her colleagues through his or her acknowledged legitimacy and vision (Rafferty & Griffin, 2004). This leader transforms their attitudes on a long-term basis, infusing a motivation that transcends simple respect for the rules. This is achieved by means of an ambitious, stimulating and higher goal together with due consideration for each colleague as an individual.

If we apply this frame of reference to European leadership, we soon realize that the structure of the EU is predisposed to transactional rather than transformational leadership.

Europe is complex and diverse, built on a set of rules and a culture of compromise. It views its nation-states as rational agents that know the rules to follow, rules that they have helped formulate during sometimes lengthy and complicated negotiations. However, this rationality-based leadership that unites the nation-states cannot deliver a common identity, a European desire-to-live and desire-to-be (Morin, 1987), that would transform their attitudes towards the challenges facing the world, and which would lead them to rise above their temptations to withdraw into nationalist ideas of identity and take up the cause of Europe.

A recent study by Dupont & Oberthür (2016) supports this observation, highlighting the difficulty Europe has in defining and delivering a common vision. The two researchers analyzed how European leadership has shifted in terms of international climate change regulations (COP 21). The authors reached the conclusion that, in spite of the European Council's determination to exercise transformational leadership, this approach was compromised by the difficulties nation-states have transcending their differences and reaching agreement. Is it because the perceived threat is of minor importance compared to national issues? Or because the promised reward matters less than the fear of regulations that are excessively restrictive?

Be that as it may, this raises the question about our future, this shared destiny that will result in a European desire-to-live and desire-to-be that will be the lifeblood of Europe and its ethos based on humanist values.

European leadership can only be transformational and long-lasting for it to exist. To achieve this, we will need to identify a vision that will galvanize Europe's members to transform their societies (Godelier, 2019), and will help them tackle today's global challenges.

This vision will develop out of a common emergency, such as climate change, a common destiny that is recognized as such. It will not be the result of regulation or negotiation even though its translation into concrete actions will have to factor in everyone's culture and specific local conditions. Glossing over our differences will not be an option. Quite the opposite, in fact: we will have to accept the individual symbolism and truth of each of the nation-states so that Europe's leadership goes further than a simple statement of intent.

As you will have realized, amidst the current global turmoil, our European leaders are duty bound to set aside their distinctive identities and national preferences in favor of a European, federal and transformational leadership based on a distinctive priority vision. This will be the only way to lend weight and meaning to Europe's actions and build the trust and support of all its stakeholders.

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**[ “Europe’s purpose is to be a role model for climate change”**

Jean-Pierre Raffarin  
Former Prime Minister and Senator,  
Special Representative of the Ministry of Foreign Affairs in China

**Abstract**

Jean-Pierre Raffarin is also an alumnus of ESCP, where he played a major role in the life of the business school. Mr. Raffarin talked about personal and European leadership, highlighting the kind of vision needed to unite people around a common purpose.

## “Europe’s purpose is to be a role model for climate change”

### **Maria Koutsovoulou**

You are a leader who is recognized the world over; how did you get there? How, in your opinion, does someone become a leader?

### **Jean Pierre Raffarin**

I believe **that a leader experiences something at a given moment that makes them think they can be a leader.** It's an experience that can happen at any time in life, and it happened to me when I was at one of the world's top business schools, ESCP. I had set up the ESCP Tribunes student association and, just like a mountain guide who escorts their group to their destination, it dawned on me that we led this group of young students together – students who wanted oral communication and interpretation, who wanted to exchange ideas, and we did what we had set out to do. Leadership is this ability to achieve a goal. I define leadership as **“a driving force that embodies a compatibility between the purpose and the path taken to get there”.** You can't be a leader if you don't have a vision! And you can't be a leader if you can't find the right road that leads to the right destination! There comes a time when you say to yourself: “Ah! People are listening to me!”, “Ah! I identified what is important!”, “Ah! At long last I know how to inspire them”, or “Ah! At long last I have some of what it takes to be a leader!” So, it's this inner awareness that means that at some point you say to yourself: “Let's give it a go!”

### **Régis Coeurderoy**

Afterwards, in your professional life, are there certain key moments when you were able to resolve tensions by exercising leadership, move things forward and push ahead with the strategy?

### **Jean Pierre Raffarin**

**I've been extremely lucky in my life. I've had good bosses, bosses who were leaders, people who helped me grow!** In my professional life, I've met people who have really touched me. Lionel Stoleru was a great mathematician, an école polytechnique graduate as well as a poet, writer and musician, and he was very active in politics. He understood I could help him, and so I made the most of his genius. My other bosses have included international figures, such as Abdou Diouf, president of Senegal, who post-Senghor achieved a state of profound wisdom. He was someone who never failed to master the here and now – that was his area of expertise, he could take a step back, he was never rushed by the present moment. He always had this in-depth analytical ability that meant he could unlock the door to make his next move.

**When there's conflict, leadership is naturally an important ability since it is a strength. But be warned:** this strength mustn't be violent or arrogant. When a leader sits down at the table, you see they're a leader. By definition, they're seen as such by others, so they have to know how to handle discretion. It's about getting the combination right and also probably a question of thinking about other people. Is charisma born or bred, and is it something you can learn? It's very complex. Personally, I think everyone can cultivate their charisma. There are two crucial ways of behaving, and the first is self-confidence! When you take to the floor, it's because you have something to say, because people believe what you say, because you can embody what you're saying. So the leader's message conveys confidence. **But you need confidence in tandem with concern for other people, which is very important.** Young people today say: “It's like I don't exist”, but you have to take notice of others!



## **Maria Koutsovoulou**

Do you think there's a particular style of European leadership, and what are its key characteristics?

## **Jean Pierre Raffarin**

I think there are certain leadership characteristics that could be described as European. **There are European leaders who have things in common.** Let's take a look first at the three continents that have vast experience in this area: the Americas, China and Europe. On the **American continent**, primarily in the United States, if you go to the major schools or big universities, you'll find thousands of books on leadership because leadership is something that can be learned! When Mr. Obama walks into a room, he doesn't do what you often see in France, greeting everybody with a general wave. No, Obama greets each person by pointing towards them individually. It's a technique he learned, and he prepared a lot in advance for carrying out his responsibilities. You can learn everything in the United States: you learn how to conduct a meeting, how to make people laugh, how to form relationships. And it's open to every social category, and likewise in the newspapers you see adverts for training courses: "Learn public speaking", "Learn how to sell", "Learn how to do this or that". So, **in the United States acquired learning is very important.**

In **Europe**, things are more complicated. **General de Gaulle summed up his work on leadership superbly in *The Edge of the Sword*.** In this book he showed that a true leader needs a natural gift shaped by exercising his craft, so he needs a gift you're born with, but which is shaped by the craft, the craft that is something you learn. So, that's a little like Europe. Even if this natural gift includes what we call charisma, and as I see it charisma is something you can work on, you also need know-how, the craft of the craftsman, cultivating ideas so that your actions are effective.

**In Europe, then, I'd say there is this twin-track approach, which makes me think that the best word to describe this state of affairs is complexity.** This complexity means that leadership isn't a value in itself; it can be a high-performance tool or a tool that can get dangerously out of hand, but not a value. For anyone who knows how to make their final destination and the path taken compatible, it's a type of technology that gets things done. But for that to happen, leadership can't be a kind of oversimplification, a kind of abbreviated thinking. Leadership is an approach that requires great thought; it's not an approach you can just make up on the spot, it is painstaking work. And so in Europe, if you take a Helmut Kohl, a Mrs. Merkel, a Nicolas Sarkozy, a Draghi, an Aznar, or today of course an Emmanuel Macron, you see that the leadership of all these democratically-elected leaders is based on two cornerstones that the Chinese would call yin and yang. They say to themselves: "Watch out: it's positive but there are certain limits", which means: "Watch out! I have to lead but I have to think about other people; to motivate them, they need to trust me, and I want to trust them". They are always looking for this complexity, which means factoring in the environment, what is peripheral to the decision and the action. European thinking considers the environment of the project as much as the project itself. Edgar Morin, a great thinker about complexity, always says that: "**When you act, you need to think about the consequence of the action**". His commitment to the environment is based on this idea, that the post-action process is as important as the action process. So, European leadership factors in the complexity of the decision.

Since I'm talking about yin and yang, we could look at Chinese and Asian leadership styles. China's Xi Jinping doesn't conform entirely to the view a Confucius might have about exercising power, which should be discreet or even secret. **China today is looking to develop a power strategy based on a direction that is consistent with the world right now.** In the past, throughout China's history, the leader has been secretive, with the

emperor in the Forbidden City, nobody seeing him, he isn't on the television, he doesn't write books, he gets others to do the work, he organizes the work of everyone in his team who is there to protect the leader, and the leader is not on display. With us, the leader is on display, they're in front of a group of people, while in China the leader is in the group, he organizes the group, he makes the group work but the leader isn't necessarily center stage. When you host a Chinese delegation, the first person who shakes your hand isn't the leader. He's in the group but doesn't introduce himself as the leader. If you have a bit of experience, you'll spot him because you'll notice that when they talk, they'll watch to see how the leader reacts. Although the leader is there, the others protect the leader. I've often said to Nicolas Sarkozy and president Macron: "Be careful: French institutions are institutions that protect the president". A prime minister is needed to protect the president: when things go wrong, you change the prime minister and keep the president. In this country we're both sovereignist, with a man handling the most important issues, and regicidal: we want to cut off his head and, if possible, his wife's head too. So, we've found the institutions that protect the president, since in keeping with the way things are done in Europe, we put our leader in public much more than the Chinese do in a traditional way. **In the history of the world, leadership is different in Europe because we are a democratic culture, and leaders are naturally always tethered to their legitimacy, which comes from being elected.** Of course, they gain their power from these elections so they can then shape this legitimacy and gain even more power, get smarter, get stronger, gain responsibility.

Compared to changes in the US style, which is shifting a little more towards greater simplicity or even simplism, and compared to a Xi, who by and large keeps the secret of power close to his chest, I think European leadership is complex, a leadership where you have to try to limit the exposure of the leaders a bit. In fact, today's leaders in general terms are increasingly taking the lead as extraordinarily powerful figures. And yet, in a world shaped by the media, power is sometimes the prelude to frailty.

### **Maria Koutsovoulou**

You mentioned that complexity is THE chief characteristic of European leadership when you talked about the relationship between action and effect. What challenges is European leadership facing? Does this complexity also mean it can be somewhat slow to act? Or, to put it another way: How is European leadership positioned today when it comes to global issues?

### **Jean Pierre Raffarin**

**European leadership needs to find its identity.** Although it can be characterized by its complexity, this complexity is about its own identity and not its purpose. What is the purpose of European leadership? The obvious initial purpose was to build peace. As the years passed, this mobilization in favor of peace, this cause, this vision, this project, has trailed off since peace essentially appeared to be guaranteed for eternity. But today war is back. And so we now can see how naive we were to believe that peace would last forever. Public opinion today is used to thinking that peace is something normal, and that peace can't be our overriding ambition. Yes, peace is our oxygen but our goal isn't simply to be able to breathe. What do we do? What is our cause?

To begin with, we chose our cause based on the economic strategy of building a market together. We built the world's first market that had rules so that it is as open as possible. And, at the same time, so that it is regulated to avoid having people come and upset the balance of this market, hence the policy of competition. **In a world where regulation was the mainstream way of thinking,** we didn't just have the UN but also other regulatory tools: we set up the WTO, the FAO, WHO, UNESCO and a number of multilateral tools. We were

living in a world where universalism was about agreeing to regulate, and we created regulatory bodies. Even China ended up joining the WTO.

Nowadays, there's competition between states: we're going back, in other words, to a situation where there are countries that are great powers: "We are China!", "We are Russia!", "We are Iran!", "We are Saudi Arabia!", "We are Turkey!", "We are the US!"... Everyone publicly declares how strong they are, creates networks – the BRICS on the one hand, the G7 on the other – with a hard dialectic. Now we're no longer about regulation but are concerned with domination through power relationships. In this environment, our market isn't really a power. Fortunately, our market still has its strength, which is its economic capacity, but it doesn't give us power over others. In my opinion, we need a cause, we need a vision of the future. Think of young people in China, young Africans: What is the purpose of Europe?

I think that the problem in Europe today is its cause, its purpose; **Europe has a leadership problem.** It has a leadership problem in terms of its ideas; there's no idea that dominates enough. Admittedly, there is the idea of democracy but we don't work properly on making it better. Democracy has its weak points, and authoritarian regimes exploit them. For instance, in 50 years of political life, I've never seen a meeting where the Germans, Israelis, Brazilians and Indians talk about democracy, asking: "How could we make our democracies better?"

Europe's citizens ultimately aren't very happy with democracies: they don't really go to vote, the voting rate is too low. **And that means a democracy that is made for citizens, but which citizens don't take part in, is a fragile democracy,** and we're not working on a collective, international reinforcement of democracies. So, we need to find something so we can say: *really, this is unique to Europe!*

I think it's important that the decisive COP for climate change was held in France, in Europe in other words. We ought to be the continent that thinks as much as we can about safeguarding the planet. The world nowadays is split everywhere but there is one point that young people agree on: defending and protecting the planet. **Our generation had the common vision of protecting humanity through a framework of broad cooperation; young people today want to protect humanity by protecting the planet. Maybe it's a new humanism.** We wanted to protect humanity by protecting the individual, while the young say: "We have to protect humanity by protecting the planet first". And what's very interesting is that this way of thinking among the young is the same in Singapore, Shanghai, Bangalore, San Francisco and Poitou. What may save Europe is that at some point these young people, when they get to positions of responsibility, will put forward a major idea. What Europe doesn't have at the moment is leadership that focuses on its priority, its vision of the future, the answer to the question: What is Europe for? Well, let's be *the* place in the whole world that leads from the front in the struggle against climate change!

For me, our purpose is to be a role model globally for climate change. Let's make sure we're respected from this point of view. There's no such thing as a leader who isn't respected. Young people in China, Africa, the US and young people elsewhere, they have to respect us.

### **Régis Coeurderoy**

We've talked about leaders in Europe France, Germany, and so on. From this perspective, is it really possible to imagine European leaders who speak to Europe as a whole? Or is there just too much fragmentation?

### **Jean Pierre Raffarin**

I think that there is a lot of fragmentation, and that it's useful in that it's part of our identity. We shouldn't dream of a single European boss – that would be a dictator. We have to take

the idea of complexity on board, as well as negotiation, compromise, debate, sitting around the same table. Complexity means that leaders have to demonstrate they have the ability to put together an approach that will protect us!

**For climate change, I think we need a leader who would step forward to rally the whole of Europe, who would give the young across Europe the right to speak, this freedom of speech.** People would listen to someone like that, and they'd have the opportunity to show the way. One cause is emerging, and that's the consensus on climate change, the consensus about the environment, and politics needs consensus. We have to make sure we have the determination to go in the same direction together: "Love does not consist in gazing at each other, but in looking together in the same direction", as Saint Exupéry once wrote. That's why the situation isn't hopeless, although it would be if there was no consensus, if we were only divided. But let's have faith in civil society, let's look at the riches that are not used today. For instance, I see that when there is conflict, women play a very small role in negotiations or mediation. And yet, they are often the people best suited to mediation and conflict resolution. We still have a long way to go because there is a desire for consensus. Nowadays you can see that young people in the US and China are in agreement about the planet! Children come first! It's the same idea in Washington, Beijing and elsewhere, and it's the main policy lever of the future! This is where leadership is all-important, but it's leadership that has a vision of the future, that has a path to follow. At one point in our history in Europe, we showed our capacity for leadership in negotiations, including international cooperation and multilateralism, and we showed the way forward as one. Just now we can see clearly that this approach based on getting *everyone around the table* is facing huge difficulties in terms of the means, the lack of a purpose, the lack of a vision. Let's look at the problem again from the beginning, define the purpose, and then make our way forward. That's what makes a leader.

#### **Maria Koutsovoulou**

And so, the optimistic message is about the young people who will be the future citizens of the world

#### **Jean Pierre Raffarin**

It's a consensus that needs to be crystallized, to be brought out into the open. We need to rally a group of young people around this need to protect the planet because they are the ones who are at greatest risk. And, when it comes down to it, they have to be aware of all this, and I think they are. We must show how important global thinking is in this area. But when you listen to Xi Jinping's speech when he signed the Paris Agreement, and you see Biden rejoining the Paris Agreement after Trump dropped it, it shows there are areas that we can agree on. It goes without saying that we need nations, a willingness, languages, and cultures; but we also need visions of the future that transcend national boundaries. This outlook for the future, in my opinion, centers on the role of humanity in this cosmic space. This affects young people since it affects their lives. So, we really shouldn't be too despondent about political life. We shouldn't despair because today's politics doesn't live up to our expectations. In any case, politics is the only way to respond to violence. We were in politics so that people wouldn't fight each other. The moment people start fighting, we have to rethink our politics, so **things are opening up today for a new way of thinking about politics.**

#### **Maria Koutsovoulou /Régis Coeurderoy**

Thank you very much, Prime Minister.

## **[ Business elites in Europe: Have top managers' career paths in France, Germany and the UK become alike?**

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### **Abstract**

While European countries have made much progress in terms of cooperation and integration since the 1950s, the European project and the European Union were never intended to lead to a full harmonization and standardization of values, beliefs, attitudes or practices across Europe. In this paper, I ask whether career paths of managers have become more similar across Europe over the past years or national differences still persist. I focus on the career paths of those managers who constitute the business elite in three major European countries, i.e. France, Germany and the UK. I show that, while there are some signs of globalization, evidence also exists for country-specific elements in top managers' careers. I conclude with an outlook of what may change in the years to come.

Keywords: business elites, diversity, Europe, top managers, upper echelons

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# **Business elites in Europe: Have top managers' career paths in France, Germany and the UK become alike?**

## **Introduction**

Previous studies on top managers' careers have already revealed that career paths are not identical across countries (Mayer & Whittington, 1999; Hartmann, 2000; Schmid, Wurster & Dauth, 2015). With a new study, we wanted to follow up on prior debates and investigate whether national career models still exist or whether, over time, trends of further harmonization can be observed. To analyze top managers and their careers, we collected data on the biographies of executive committee members in office. We drew information from corporate documents, including websites and reports; in addition, we took information from top managers' LinkedIn pages. Our sample covers nearly 950 top managers in French CAC-40 firms, German DAX-30 firms and British FT-100 firms (see Davoine & Schmid, 2022). To identify changes over time, we compared the new data with data from an earlier study (see Davoine & Ravasi, 2013).

## **Top managers and their career paths**

Which are the most important findings of our study? We will differentiate between (1) the education of top managers, (2) the work experience of top managers and (3) socio-demographic characteristics of top managers.

### ***(1) Education of top managers***

On the one hand, the results of our study show that some elements of top managers' career paths are still country-specific. For instance, in Germany around one third of all top managers have a doctorate or PhD degree – a characteristic which is nearly irrelevant in France or Great-Britain (Schmid, Altfeld & Dauth, 2017). Also, among top managers in French and British firms, there is a higher concentration of degrees from select, elitist educational institutions (such as Grandes Ecoles like ENA or Polytechnique in France or Oxford and Cambridge in the UK). In contrast, German firms, when hiring (top) managers, place much less emphasis on the type of institution; instead Germany is known for a much more egalitarian education system with top managers having education from an extremely broad range of different institutions, including universities of applied science or cooperative state universities.

On the other hand our data reveal some signs of globalization. A first example is the rise of MBA degrees in upper echelons. While originally often considered an important degree in the Anglo-Saxon world, the (Executive) MBA degree has now also made its way into French and German firms (and their top management teams). A second example is the increasing tendency of managers to have both a national and an international degree. While formerly many top managers had an education from their own country, we now see a rising number of individuals combining one degree in the home country with another degree from abroad.

### ***(2) Work experience of top managers***

With respect to work experience, national peculiarities still exist. For instance, top managers in French firms usually have more cross-industry, cross-firm and cross-functional mobility than top managers in German firms. In Germany, in-house careers, while slightly less

frequent than decades ago, are still more common than in French or in British firms. A striking phenomenon of France is that many top managers of CAC-40 firms have worked in the public sector or in ministries before – a phenomenon which is completely unusual in Germany. According to our data, 25% of all CAC-40 CEOs have some previous experience in the public sector.

Still, there are also common tendencies in Europe. In all three countries studied, i.e. France, Germany and Great Britain, there is a growing number of top managers who have worked abroad. When analyzing the countries where top managers gained experience, the US is by far the most relevant country – and this applies to top managers in French, German and British firms alike. Another common trend in all three countries is the rising number of top managers with a prior career in audit and consulting firms (such as EY, KPMG, McKinsey or BCG).

### *(3) Socio-demographic characteristics of top managers*

While in all three countries of our study, the number of female top managers is increasing, there is still a considerably lower percentage of women in C-suites of German firms. In Germany only approx. 15% of all top managers are female, whereas this figure amounts to 20% in France and 25% in Great Britain. In a similar vein, top managers of foreign nationality are to be found in all countries; in this case, France (with 30% of non-French top managers) is slightly behind Germany (with 36% of non-German top managers).

## **Conclusion and outlook**

Despite some global trends, such as the rise of women in top management positions, the growing importance of (E)MBA degrees for careers, or the increasing number of top managers with a prior career in consulting and auditing, there is still no uniform landscape in Europe when it comes to those who are at the apex of German, French and British firms. Hence, like in other areas, Europe is characterized by diversity (Kaplan, 2014). Country-specific traditions and institutions as well as country-specific national business systems still persist, while at the same time international education and international experience help (future) top managers to be better prepared for the challenges of their firms in a complex, volatile world. Which are some trends for business elites in Europe for the years to come?

First, there are signs of increasing variety in the career paths of top managers in each country. Or to put it differently: Even when specifically examining individual countries, there is no single career model. Several career models co-exist in parallel, as we were also able to show in an analysis investigating in detail top managers in German DAX-30 firms (Schmid & Mitterreiter, 2021). It is highly likely that this trend will continue, also accelerated by the fact that European firms are heterogeneous in their culture, strategy and structure and also have some heterogeneity in their requirements for top management positions.

Second, careers at the top without any international experience will be nearly non-existent in the future. Those individuals who aspire to reach the C-suite decide to have experience from other countries and cultures early on – during their education and during early stages of their careers. While, in the past, top managers in European firms had experience from other European countries or the US (and to a lesser extent also in additional countries, such as China or Singapore), in the future, we will see even more international experience and a higher diversity of experiences from a broader set of countries. This will be the case despite some de-globalization trends in the world economy (Witt, 2019).

Third, we can expect to see more managers with a higher career variety. For instance, the proportion of managers who have spent their entire career in one firm before being appointed to a C-suite position (such as Christian Klein in Germany's SAP) will decrease. Although there are good reasons for firms to select individuals with a mountain-climber or chimney career, general tendencies in society will incite many individuals to make more frequent career transitions, and this applies also to those individuals who ascend to the top.

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## **How to use learnings from behavioral finance theory to lead change and improve democracy in future turbulent times in Spain and in the European Union**

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### **Abstract**

Traditional finance theory has had a big impact in modern societies, helping to understand and deal with uncertainty. However, new behavioral finance theory, built upon irrational players, is changing the way we should look at risk in finance. Can we make an analogy from these ideas to better understand the new leadership styles needed in countries like Spain to face the coming turbulent democratic challenges in the European Union?

Keywords: Behavioral Science, Finance, Leadership, Democracy, European Union.

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# How to use learnings from behavioral finance theory to lead change and improve democracy in future turbulent times in Spain and the European Union

## Impact of behavioral science in finance

Jonathan Berk and Peter DeMarzo, from Stanford University, explain in detail in their book “Corporate Finance” how modern traditional finance was built using the concepts of efficient market hypothesis and rational investors that take decisions to maximize reward and minimize risk. All these ideas were developed using deterministic mathematics that come from theoretical physics. It has been a very powerful tool that has guided the growth of financial markets and modern capitalism, and that focuses on maximizing shareholders’ value of corporations. Also, it created interesting models to differentiate between systematic and firm specific risks, introducing the concept of investments diversification, which has been key for average investor prosperity and for society in general.

However, as Frederic S. Mishkin, from Columbia University, explains in his book “Financial Markets and Institutions”, after the 1987 stock market crash, economists like Robert Shiller developed a new field called behavioral finance. It incorporated concepts from other social sciences like psychology and from prospect theory ideas written by Kahneman and Tversky in 1979. In their famous paper they demonstrated that humans are not as rational when taking decisions as it was traditionally thought. In finance, all this had an important impact summarized by Mishkin:

- People are subject to loss aversion versus risk aversion. They are unhappier when they suffer losses than they are happy when making gains. For this reason, very little short-selling actually takes place, reducing the pressure to decrease the price of stocks when they are too high. So, stocks are on some occasions irrationally overvalued.
- People tend to be overconfident in their own judgments. This explains why securities markets have so much trading volume, higher than what rationale behavior could explain.
- Overconfidence and social contagion explain stock market bubbles. Positive feedback loops in which prices continue to rise, produce a speculative bubble, which finally crashes. In the end, many innocent investors buy the stocks when prices are high and sell them when prices are low.

Behavioral finance is young, but it seems it will be able to explain and correct behaviors that are not well understood using the traditional rational investors and efficient market hypotheses.

Andrew Lo, from MIT, in his book “Adaptive Markets” tries to reconcile theories based on the efficient market hypothesis with behavioral economics by applying the principles and the math of evolution to financial interactions versus the traditional financial deterministic math from theoretical physics.

## Impact of behavioral science on democratic rules

In the previous section we showed the transformation and challenges that prospect theory, with the ideas of irrational human decision making, is bringing into finance. The question now is simple. Is it possible to make an analogy of this reasoning regarding the rules of democracy? In other words, we, as citizens, as individual voters, tend to assume that we are

rational voters. So, democracy works properly because if a leader takes bad decisions, voters will punish him. But what happens if we consider, like in finance, that voters are not so rational? How do we reduce the risk that politicians take advantage of this voter's irrationality using messages to provoke certain behaviors?

These look like important questions because, like in finance, if we understand better the irrationality of the voters and how to combat it, we should be able to create stronger democracies, which are key for the progress of business and society. Accepting that democracy is fragile, and that we should care about it and protect it from human irrationality, is the first step to start thinking about possible solutions. Also, it serves as a good starting therapy for average voters who do not understand how narcissistic psychopaths, and liars are able to succeed and win elections. The same that accepting that investors are not rational is the first step to understanding that financial bubbles do exist.

Paul Collier, from Oxford University, in his book "The Future of Capitalism: Facing the New Anxieties", makes some interesting analysis and gives us some clues to answer these questions. He explains that:

- The catastrophes in the 20th century were provoked by political leaders who either had embraced ideologies with passion or had disseminated populism. Successful leaders were pragmatic. They shunned ideologies and focused on solutions. They founded their action on moral values, without ideology.
- The reasons must be founded on values, not the opposite. As Hume and Adam Smith said, "the reason is slave of the passions." From here, the philosophy of pragmatism defended the interrelation between common moral values and practical reasoning. We should use practical reasoning to deduct the correct course of action. Pragmatism asks continuously: "What, here and now, is it most likely to work?"
- Stories are very powerful. George Akerloff and Robert Shiller wrote, "stories do not only explain the facts, but they are also the facts." What is true for financial crisis, is thus also applicable to the outbreak of mass violence. The best way to predict these outbreaks it is to observe the stories that are circulating in the mass media.
- Commitments are very important. We need the "Technology of Commitments" to solve the "Problem of Temporal Inconsistency."

In the same way that finance is being reinvented because of behavioral science to protect investors, analogously, it looks interesting to try to identify ideas that can help protect democracy from the irrationality of voters, which populist leaders could try to use for their advantage.

## **Ideas to improve democracy and to deal with turbulent challenges in Spain and the European Union**

Let's start by focusing on Spain. In *The Economist* dated April 25<sup>th</sup>, 2024, in the politics section appears a news item with the title, "Drama king: Will Spain's prime minister suddenly quit? Pedro Sánchez stunned Spain with a promise to announce plans on April 29<sup>th</sup>". The article starts with the sentence: "Pedro Sánchez knows drama." In relation to what it has been mentioned in the previous section: is it Mr. Sánchez, with his "rickety majority", an example of playing with stories to dramatize a populist plebiscite? The reality is that with this letter he has got the attention of Spanish population, people against or in favor of him, during the five days he has taken for personal reflection, unexpectedly. As the article says at the end: "Only the dramatic Mr. Sánchez knows."

Is this action an egocentric way of understanding democracy and taking advantage of the irrationality of voters who accept populist measures? Adam Grant in his book, "Givers and Takers: Why Helping Others Drive Our Success", explain very well how to discover very easily this type of narcissistic and egocentric leaders whose actions usually result in tremendous catastrophes, like what Paul Collier described in his book.

Let's move to the broader context of the European Union (EU). Can the EU help to reduce these risks for societies and democracies like Spain? What role could the EU play to protect member countries like Spain against irrational voting? And to offer protection against populism and ideologies?

The first idea that looks important is the role of the EU defending strong and independent institutions in all dimensions of society (monetary, legal, media, social, economic, accounting...). We know that strong institutions are key to protect democracy against populism and human irrationality. They bring objective and independent analysis and conclusions from different competence areas, offering higher levels of reasoning and reducing populism.

The role of the EU in protecting institutions is important and challenging. Understanding that institutions are the first barrier against irrational voters and populist politicians, helps to focus on the task and helps to overcome the difficulties. On some occasions, we focus too much on all the problems of the EU, blaming it as a huge bureaucracy, but it seems very important to emphasize that the role of the EU is very important to protect institutions. The coming European elections will be a very important moment for all Europeans to talk and reflect altogether about all these issues.

Making an analogy, we mentioned that in finance, once we know investors are not totally rational, we need new methods coming from behavioral science and evolutionary math, explained for example in the book of Adaptive Markets. In a similar reasoning, to protect democracies like Spain from irrational voting and populist leaders, it seems that the construction of the EU and its institutions is very important.

Once the importance of reinforcing institutions has been emphasized, the second idea should be to analyze what can be done with the people who constitute these institutions, mainly politicians. For this purpose, I am going to talk about Total Leadership, a methodology developed by Professor Friedman, from The Wharton School, that has been extensively used in the corporate world to "Be a Better Leader, Have a Richer Life." In the corporate world this has helped tens of thousands of people to develop healthy leadership human values by learning in community to: "Be Real, Act with Authenticity; Be Whole, Act with Integrity; Be Innovative, Act with creativity". Carlos Casanueva, from ESCP Business School, describes this extensively in his paper, "Leadership and Human Values to Make the Change in the Right Direction in the Modern Service Oriented Society."

Total Leadership works for people with different ideologies because it focusses on universal humanistic values, and proposes actions and solutions for oneself and for others. It emphasizes storytelling and peer-to-peer coaching thus creating connections, growing empathy, and improving personal life, in turn creating a big opportunity cost against corruption. It seems it should be mandatory for all politicians to be trained periodically in this methodology, or something similar, to foster healthier leadership and reduce the risks of populisms and passionate adherence to ideologies. A small improvement in the quality of the leadership of politicians would have a huge impact on society, due to the tremendous power that politicians accumulate.

The third idea relates to the voters. It is obvious that increasing the education and training of the population is an excellent way to reduce their irrationality and protect them against dangerous populism. In this light, the role of educational institutions like ESCP becomes crucial.

## **Conclusion**

Democracy is not as solid as we would like it to be. The irrationality of voters, described by behavioral science, makes it possible for inappropriate leaders to grab power with tricky games. To protect society from these undesirable, less-than-democratic situations, actions should be taken, and we need all of us to think about this. The three actions proposed in this paper should be considered as food for thought: protect institutions, train politicians with appropriate leadership methods that enhance human values, and educate voters.

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## **Incremental reform or drastic disruption? A view of the global economy from across the impact investing landscape**

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### **Abstract**

Our dominant global economic model is based on a wasteful linear use of resources and a pollutive reliance on fossil fuels. This same model, however, has raised living standards in a way that has made sustaining economic growth the central organizing principle of democratic politics. So how can leaders in democracies either reform or re-imagine this model while still maintaining majority support? Impact investors—lenders, VCs, and fund managers who seek to do well while doing good—offer an interesting perspective on how to manage this change. We asked a group of them from around the world this question: Does our economy need incremental reform or drastic disruption?

Keywords: impact investing, sustainability, paradox studies, politics

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## **Incremental reform or drastic disruption? A view of the global economy from across the impact investing landscape**

### **Incremental reform or drastic disruption?**

The scientific community continues to set a tone of urgency in its assessments of the climate emergency (IPCC, 2023). On both sides of the Atlantic, corporations and governments are building momentum in the transition to a low-carbon economy.

Meanwhile, the inconveniences caused by (and caricatures made of) the transition have the potential to cause a political backlash (White, 2024). Therefore, as planet earth spins through the busiest election year ever (Standage, 2023), a question looms. Can politicians get our economies moving at the speed required while keeping their grip on the levers of power?

Within the world's democracies, this debate has always been messy. Nihilism and denialism are real. But they persist among only a shrill minority. Even among the realistic majority, however, there is disagreement. Groups variously favor a rainbow of managerial, technological and societal transformations (Hoffman and Devereaux-Jennings, 2018).

For the past year, I have been working with a collaborator at a university in the US to understand this phenomenon. As part of an ongoing study, we have tried to boil this disagreement down to one simple question.

Does our economy need incremental reform or drastic disruption?

### **One trillion dollars, 30 conversations, 3 points of view**

My collaborator Justin Catanoso (journalism professor at Wake Forest University) and I posed this question to a group of business leaders who play a key role in this transition: impact investors. What they told us has the potential to shed light on the path forward for managers, policy makers and politicians.

Impact investors seek to balance financial return on investment with the advancement of specific social agendas (Roundy, Holzhauser and Dai, 2017). They work in a variety of asset classes (private equity, fund management, lending) toward a variety of goals (emissions reductions, indigenous rights, regenerative agriculture). As of last year, impact investing was a \$1 trillion industry (GIIN, 2024). A mainstream investor focuses primarily on financial ROI. An impact investor seeks to do well by doing good.

As part of a larger research project on their perceptions of the ecological transition, we asked impact investors on both sides of the Atlantic whether our economy needs incremental reform or drastic disruption. Our interviewees were private equity executives, fund managers, bankers, consultants and the heads of family offices. Their responses fell into three categories: "incremental," "drastic" and "nuanced answer."

### **Thoughts from Team Incremental**

Members of this group approached the question with a posture of detachment. Even though they are deeply engaged with the ecological transition in their work, this question caused them to sit back and observe the issue as social commentators. There was a

consensus that, based on the science, drastic change was required. But based on the politics, it would be more effective to take incremental steps.

“I would argue that the incremental change is probably more valuable because then it builds support as it progresses along,” said a fund manager. “And it doesn't risk being taken apart by another macro-level kind of change.”

The head of a family office put it more bluntly: “It needs drastic disruption. We are not going to get it. So, it needs the fastest incremental reform that we can credibly push.”

A social impact bond specialist described incremental change as a covert means of enacting drastic change within more conservative organizations: “You can get things done incrementally in a way that folks who wouldn't take the big step—are too afraid or concerned. So, you can get their buy-in on shorter term intermediate sorts of changes without having to take them all the way to where you're heading ultimately.”

A third interviewee eschewed this political perspective and told us we needed a reality check. It is up to governments to enact big changes. Even at scale, investors are simply a means to an end.

“We're not going to be the ones that bring about the change,” this fund manager said. “We alone can't solve these problems. I agree that the problems exist. And we take them really seriously. We're very motivated to do what we can within our arsenal, within our slice of the world to be helpful. But I don't think we've ever taken on the responsibility of solving them.”

## **The view from Camp Disruption**

This group leaned into the question with a posture of engagement. Even for interviewees sitting on relatively small asset bases, these conversations were infused with a sense that investors had both the capacity and the obligation to change the world.

Some of them believe that technological advancements will bring drastic disruptions without changing the fundamental power dynamics in society.

“I think larger companies aren't inclined to fix what's not broken,” said one impact analyst. “So they'll be pushed to change by new entrants into their sectors. And new technologies developed into their cycles.”

After espousing a similar opinion, a family office head hastened to add, “I'm not advocating revolution.”

A surprising number of interviewees, however, argued that the level of innovation required will only be possible in a broader context of radical social change.

“It's not going to change without drastic disruption,” said an advisor to family offices. “Our economic activity has continued to concentrate wealth and power in a monolithic frame. And rather than try to create a monolith that goes head-to-head with that, we need a more distributed framework...more distributed energy...more distributed wealth creation and value creation opportunities.”

When we think of how capital markets and social movements interact, we tend to assume there is a push-pull relationship. Social movements want society to change quickly and capital markets seek to slow that change. Not so for one private investor: “I actually anticipate more aggression in our approaches over the next few decades. I just do. I would



love for it to be able to be peaceful and negotiating diplomatically. I just don't believe that's how it's going to work.”

Some investors favored drastic disruption as a conscious break with past incremental strategies. “I think we've been trying for incremental reform for the last 60 years and it hasn't worked,” said a venture capital investor. “Now what I think is needed is drastic disruption.”

## **NA stands for Nuanced Answer**

In the process of analyzing responses to this question, it was easy to label respondents who clearly favored incremental or drastic change. Some respondents, however, declined to clearly take a side. At first, we set these responses aside as “not applicable” or “NA.” But upon further analysis, we realized these responses were not useless non-answers but windows into complex thinking about a complex problem: nuanced answers.

One private investor used the example of US legislation to argue that private incentives could help individual companies and households move incrementally toward large-scale change: “Something in the middle. I think the Inflation Reduction Act really has made large strides, but it's within an incremental context.”

“Basically, I think that the system is broken, and that we need to fix the system. But you do that both from within and without,” said an advisor to high net-worth investors. “And so ultimately that's a radical shift in terms of our mentality and how we think. But we have to do it using the existing institutions that we have.”

Another individual investor took the focus off institutions and placed it on perceptions. Adopting a commentator’s posture similar to that of incrementalist respondents, they said this: “I think incremental reform is the way that you bring more people along, and has kind of a longer, sustainable outcome. But we're not going to get there fast enough without some significant disruption and some significant change. That's what the planet needs and ultimately what the people need. But the people are going to be harder to get on board if everything in their life feels constantly disrupted and changed.”

## **Learning, belonging and integration**

Policy makers and impact investors face a similar challenge. Both must allocate scarce financial resources to create sustainable outcomes. They must do so in ways that are politically acceptable to the ones writing the cheques—be they investors or taxpayers.

Among the wide diversity of opinion, all 30 interviewees perceived the question as containing a fundamental tension: we must address a *drastic* problem within democratic systems that are designed to favor *incremental* change.

Managers in the public and private sectors constantly face tensions between conflicting and competing demands. Rather than make binary choices and live with the resulting trade-offs, many of those managers struggle to balance these competing interests. Management scholars refer to this as the paradox perspective.

A paradox exists when tension between “elements that seem logical individually but inconsistent and even absurd when juxtaposed” is sustained over time. “Paradox studies adopt an alternative approach to tensions, exploring how organizations can attend to competing demands simultaneously. Although choosing among competing tensions might aid short-term performance, a paradox perspective argues that long-term

sustainability requires continuous efforts to meet multiple, divergent demands (Smith & Lewis, 2011).”

According to Smith and Lewis, the tensions faced by our impact investor interviewees are tensions of learning and belonging: “Conflicts between the need for adaptation and change and the desire to retain an ordered sense of self and purpose (Smith & Lewis, 2011).”

In order to view the world from a paradox perspective, a leader must acknowledge the tension they face. Categorizing the type of tension faced is a key first step. In the private sector, sometimes this acknowledgement need only take place among leaders themselves. For politicians and policy makers, however, this acknowledgement must be clearly articulated to the public for the resulting strategy to be seen as legitimate. Once this acknowledgement and articulation have taken place, there are strategies to choose from.

According to the integrative view of paradoxes, leaders have three paths available to them: opposition, separation and synthesis (Hahn, Pinkse, Preuss & Figge, 2015).

Opposition is a strategy of acceptance. Don't try to resolve the tension. Live in it. Keep the opposing poles of the paradox separate and use improvisation to work toward the opposing goals. This would be the strategy of the fund manager who said investors “can't solve these problems” and should only try to do what is possible “within our slice of the world.”

Separation and synthesis, by contrast, are strategies aimed at resolving tensions.

Separation is about separating the opposing poles in space and time and then directly addressing both. This sounds like the advisor who talked about reforming institutions from “both within and without.”

The goal of synthesis is to use the common elements of the opposing poles as the ingredients of an entirely new strategy. This sounds like the “fastest incremental reform that we can credibly push,” in the words of that individual investor.

## **What will we tell our kids?**

The integrative view does not present opposition, separation and synthesis as a hierarchy of strategies. No one approach is inherently better than the others. The strategies need to be suited to the people involved and the culture of the organization.

What does this look like in the context of politics?

The approach of center-right parties to the ecological transition seems to most closely mirror a strategy of opposition. There is an acknowledgement that the economy must transition. But it is rooted in the idea that a society must have economic growth first in order to underwrite the technological advancements needed for that transition. This creates policy that is sensitive to the interests that must be balanced. It responds to competing interests in society but risks being insufficient to address the problem itself. Leaders who employ this strategy may benefit from explicitly demonstrating their understanding of the underlying science. This could address concerns that their approaches favor political viability at the expense of real-world impact.

The center left's strategy sounds like separation. Whereas the center right seems to favor a dynamic competition within civil society between environmental and industrial interests, center-left governments intervene more directly in the debate. More directly managing the negotiations between the opposing stakeholders has the potential to lead to policies that are more internally coherent and more effective. Whether they can withstand political

challenges is an open question. Leaders who employ this strategy may benefit from addressing the issue of centralization of power. Interventions that are seen as coming from a centralized and remote authority are likely to draw political attacks. Policies that are seen as rooted in that country's political culture and can be implemented in a de-centralized way may be more politically successful.

What would an approach of synthesis look like in the context of European politics? The scale of the challenge and the dwindling time available would indicate that we need new coalitions and grand bargains. After all, our research project is investigating investor perceptions because the UN tells us annual clean technology investment must triple to meet the Paris goals (Climate Champions, 2021). Some of our interviewees cautioned, however, against such grand ambitions. "If we go too fast, too quickly, that could have other negative consequences," said one fund manager.

Ultimately, this is a challenge that we all face on a personal level. As one fund manager succinctly put it: "I think it has to come from all levers, you know. It has to be policy. It has to be private sector. It has to be NGOs. This is like the full court press of my generation...I just don't want to tell my kids I didn't do anything."

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## **Europe as a “Tech laggard” in the face of waves of technological change: Will European leaders carry on or break away?**

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### **Abstract**

Europe has been characterized as a “Tech Laggard” even though European leaders dedicated their attention and effort to new waves of technological change. The consensus or operating practice of European leaders is that it is up to firms to make investments; their role, i.e. the role of European leaders, is to provide the *Rahmenbedingungen* or the institutional environments. Firms compete in business ecosystems or communities of organizations, institutions, and individuals that impact firm success. This ESCP Impact Paper suggests that it is not that the institutional environment does not matter; it matters. It proposes that only focusing on enhancing the institutional environment does not solve the problem. Consequently, it suggest a break away from the operating practice that characterizes the conduct of European leaders.

Keywords: Technological Change, Business Ecosystem, Technology Management

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## **Europe as a “Tech laggard” in the face of waves of technological change: Will European leaders carry on or break away?**

### **Breaking away from current operating practices?**

It cannot be stated that European leaders do not see the future in technological change unfolding. A quick search for new waves of technological change such as solar panels, electric vehicles, and artificial intelligence clearly indicates the attention and effort of the European Parliament and the European Commission.

How come then that Europe has been characterized as a “Tech laggard” even though European leaders dedicated their attention and effort to new waves of technological change? Could it be that the approach taken by European leaders might be ideologically convincing, but practically inadequate? Is it that European leaders are required to break away from the established way of going about their business?

### **Technological discontinuity and market disruption**

Management scholars investigate why firms fail in the face of alien technologies invading their business and which firms might come out on top to obtain market leadership. The core framework guiding the thinking of management scholars is the study of technological trajectories (Utterback, 1994). An existing technological trajectory might be superseded by a new technological trajectory, which is based on new scientific principles and a new kind of engineering expertise. For example, the emergence of digital imaging in the photography industry entailed a shift from the chemistry-based technology trajectory underpinning silver-halide film to an electronics-based digital technology trajectory underpinning digital cameras. In the early phase of its evolution, the new technology underperforms the existing technology. In the early days, digital cameras did not match the image quality of film. Investments are required to improve performance of the new technological trajectory.

Unless firms undertake the required investments, the new technology will not improve to become good enough to supplant the existing technology.

Firm success as a result of the investments in the new technology is shaped by demand trajectories (Christensen and Bower, 1996), innovation ecosystems (Adner and Kapoor, 2016), platform ecosystems or the presence of network effects (Katz and Shapiro, 1986), and business ecosystems (Iansiti and Levien, 2004; Teece, 2007; Zacharakis et al., 2003).

### **The perceived role of European leaders in the face of waves of technological change**

The consensus or operating practice of European leaders is that it is up to the firms to make investments whereas their own role is to provide the *Rahmenbedingungen* or the institutional environments (Williamson, 2000). The institutional environment refers to the design of executive, legislative, judicial, and bureaucratic functions of government. Firms compete in business ecosystems or communities of organizations, institutions, and individuals (Teece, 2007) that impact firm success.

The operating practice is that European leaders are set to provide an institutional environment and contribute to the business ecosystem; it is up to the companies to make the strategic choices and to invest. It is the European way of adhering to and internalizing the prescriptions of the so-called “Washington Consensus” policies. It basically implies that European leaders focus on fighting inflation, keeping public finances under control, opening trade, ensuring free financial flows and limit to the extent it is achievable any industrial, competition and trade policy that does not follow this logic.

The question is not whether it is ideologically convincing. The question is whether it is practically adequate in the current context.

## **Waves of technological change in Europe: the case of solar panels**

A quick search online on “European Commission Solar Panels” and “European Parliament Solar Panels” reveals that the European Commission has an EU Solar Energy Strategy. It states that “solar is the fastest growing energy source in the EU.” and it notes that “solar energy has a potential to become part of the mainstream energy system by providing power and heat to households and industry.”<sup>1</sup>

The EU Solar Energy Strategy states that “initiatives will introduce a legally binding EU solar rooftop obligation to ensure accelerated installation of solar panels on buildings, help create a skilled workforce necessary to produce, install and maintain solar panels, and support the EU industry in expanding the domestic production of photovoltaic panels.”<sup>2</sup>

An executive of a German solar panel installer noted that “Europe lacked a “long-term industrial strategy” for renewable power manufacturers of the kind implemented by countries such as China and India.” While Europe produces fewer than three percent of the solar panels needed to meet its own 2030 solar power targets,<sup>3</sup> Chinese exports far exceed installation capacities in EU and other countries.<sup>4</sup> It is not that the European companies were not able to make a foray into the production of solar panels. Fifteen years ago, Europe was the world’s largest solar power manufacturer.

By 2022, China’s production of solar panels exceeds that of all other countries combined.<sup>5</sup> In April 2024, the EU, under its recently adopted foreign subsidies law, initiated investigations into Chinese solar panel manufacturers regarding market-distorting subsidies.<sup>6</sup> In fact, Chinese dominance is an outcome of deliberate activity.

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<sup>1</sup> EU commission: Topics: Renewable Energy: solar energy; [https://energy.ec.europa.eu/topics/renewable-energy/solar-energy\\_en](https://energy.ec.europa.eu/topics/renewable-energy/solar-energy_en) ; accessed May 2, 2024

European Parliament 2024. Legislative Train Schedule: *EU Solar Energy Strategy in a “A European Green deal”*, April 20; source: <https://www.europarl.europa.eu/legislative-train/package-repowereu-plan/file-eu-solar-strategy>

<sup>2</sup> European Commission 2022. *EU Solar Energy Strategy*, May 18; source: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2022%3A221%3AFIN&qid=1653034500503>

European Parliament 2024, op. cit.

<sup>3</sup> Andy Bounds and Alice Hancock 2024. Brussels considers support for solar panel makers as Chinese imports flood market. *Financial Times*, January 27; source: <https://www.ft.com/content/39af71b4-36dc-4bb9-a181-3710fdb7ac2>

<sup>4</sup> Alice Hancock and Edward White 2024. EU launches 2 probes into China solar manufacturers. *Financial Times*, April 3; source <https://www.ft.com/content/5e677032-82c6-4761-9053-a441ef1a71c4>

<sup>5</sup> Yuan Yang, Alice Hancock and Laura Pitel 2023. Solar power: Europe attempts to get out of China’s shadow. *Financial Times*, March 23; source: <https://www.ft.com/content/009d8434-9c12-48fd-8c93-d06d0b86779e>

<sup>6</sup>Alice Hancock and Edward White 2024. EU launches 2 probes into China solar manufacturers. *Financial Times*, April 3; source <https://www.ft.com/content/5e677032-82c6-4761-9053-a441ef1a71c4>

Already a decade ago, EU officials noted that Chinese producers sell their solar panels at a discount of 88% compared to their own production costs.<sup>7</sup> In the fall of 2023, observers signalled that the price of Chinese solar panels had decreased by 25 percent in the previous few months<sup>8</sup> and that around €7bn worth of Chinese solar panels were sitting in European warehouses in the fall of 2023.<sup>9</sup> Government policies in China, and in particular city-level solar supply subsidies (both of production and innovation), shaped demand and, in turn, supply and prices of solar panels with repercussions around the globe.<sup>10</sup> Industry observers recently noted that Chinese manufacturers received over the years subsidies to the tune of €170bn.<sup>11</sup>

The current Chinese dominance did not happen by chance; it happened by design. In 2004, there was near-zero production capacity in China and there were a few hundred patents compared to over ten thousand by 2020.<sup>12</sup> Chinese share of production in polysilicon, silicon wafers, photovoltaic cells, photovoltaic modules for solar panels had expanded from zero a share of around or more than 80% in those four domains by 2022. In that year, over 95% of solar panel imports in the EU came from China.<sup>13</sup> In 2021, solar panel exportation contributed more than \$30bn to the Chinese trade surplus.<sup>14</sup>

Of course, it is the role of European leaders to provide an institutional environment and contribute to the business ecosystem for solar panels (e.g., grid connection capacity, permitting issues, approval process for renewable energy subsidies), but is it enough?

A typical argument put forward by an academic representing the institutional environment thinking is that Chinese production capacity is already in place and therefore it is more “convenient” to buy<sup>15</sup> rather than, as EU Solar Energy Strategy states, to “support the EU industry in expanding the domestic production of photovoltaic panels.” It might even be an argument worth considering if the market were mature; yet, it is not.

European and global demand is on the rise. The International Energy Agency (IEA) estimated that \$120bn worth of investments are required as global production capacity for polysilicon, wafers, cells and modules would need to more than double within less than a decade to meet the goals set in its roadmap to Net Zero Emissions by 2050.<sup>16</sup> The

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<sup>7</sup> Beda Romano 2013. Mini-dazi Ue sui pannelli cinesi. *IlSole24Ore*, June 5; source :

<https://st.ilsole24ore.com/art/notizie/2013-06-05/minidazi-pannelli-cinesi-064049.shtml?uuid=Abbw9D2H>

<sup>8</sup> Dario Prestigiaco 2023. Invasione dei pannelli solare cinesi a prezzi bassi. *EuropaToday.it*, September, 12  
<https://europa.today.it/economia/invasione-pannelli-solari-cina-prezzi-bassi.html>

<sup>9</sup> Edward White 2023. How China cornered the market for clean tech. *Financial Times*, August 9; source:  
<https://www.ft.com/content/6d2ed4d3-c6d3-4dbd-8566-3b0df9e9c5c6>

<sup>10</sup> Ignacio Banares-Sanchez, Robin Burgess, David Laszlo, Pol Simpson, John Van Reenen, and Yifan Wang 2024. *Chinese Innovation, Green Industrial Policy, and the Rise of Solar Energy*. LSE working paper, March 18

<sup>11</sup> Pietro Bardocci 2024. Pannelli fotovoltaici, tutti i numeri del dominio cinese. *Il Corriere della Sera*, March 3; source: [https://www.corriere.it/economia/energie/24\\_marzo\\_03/pannelli-fotovoltaici-tutti-i-numeri-del-dominio-cinese-la-transizione-green-passa-solo-da-pechino-a749c2ef-1b7a-460a-a93e-23bc949caxlk.shtml](https://www.corriere.it/economia/energie/24_marzo_03/pannelli-fotovoltaici-tutti-i-numeri-del-dominio-cinese-la-transizione-green-passa-solo-da-pechino-a749c2ef-1b7a-460a-a93e-23bc949caxlk.shtml)

<sup>12</sup> Ignacio Banares-Sanchez et al. 2024, op. cit

<sup>13</sup> Eurostat 2023. International trade in products related to green energy. *Eurostat Statistics Explained*, ISSN 2443-8219, November, 8; source : [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=International\\_trade\\_in\\_products\\_related\\_to\\_green\\_energy&oldid=579764#Wind\\_turbines:\\_China\\_largest\\_import\\_partner.2C\\_United\\_Kingdom\\_largest\\_export\\_partnerhttps://ec.europa.eu/eurostat/statistics-explained/index.php?title=International\\_trade\\_in\\_products\\_related\\_to\\_green\\_energy&oldid=579764#Wind\\_turbines:\\_China\\_largest\\_import\\_partner.2C\\_United\\_Kingdom\\_largest\\_export\\_partner](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=International_trade_in_products_related_to_green_energy&oldid=579764#Wind_turbines:_China_largest_import_partner.2C_United_Kingdom_largest_export_partnerhttps://ec.europa.eu/eurostat/statistics-explained/index.php?title=International_trade_in_products_related_to_green_energy&oldid=579764#Wind_turbines:_China_largest_import_partner.2C_United_Kingdom_largest_export_partner)

<sup>14</sup> International Energy Agency 2022. *Special Report on Solar PV Global Supply Chains*; source:  
<https://iea.blob.core.windows.net/assets/d2ee601d-6b1a-4cd2-a0e8-db02dc64332c/SpecialReportonSolarPVGlobalSupplyChains.pdfhttps://iea.blob.core.windows.net/assets/d2ee601d-6b1a-4cd2-a0e8-db02dc64332c/SpecialReportonSolarPVGlobalSupplyChains.pdf>

<sup>15</sup> Marco Ottaviano 2024. Transizione verde UE: importare conviene. *ISPI*, March 24; source:  
<https://www.ispionline.it/it/pubblicazione/transizione-verde-ue-importare-conviene-165915>

<sup>16</sup> International Energy Agency 2022, op. cit.

competition and innovation dynamics are far from being established and the market is far from being mature.

Two decades ago, those dynamics were, of course, even further away from being mature and established. If the Chinese leaders had put forward a thinking of “more convenient to buy” when in 2004 they started to build their domestic production of photovoltaic panels, Europe’s Green transition and its future solar panel installations would not depend today on Chinese products. Europe would not be transferring this amount of wealth to China.

Decarbonisation *could* be achieved by relying on Chinese solar photovoltaic production. EU decarbonisation will rely on deployment and most jobs will be created in deployment; solar photovoltaic is one of the most employment-intensive sectors of all renewable and fossil fuel energy technologies. European leaders can, if they want, declare that the race is lost and they do not see value in European companies riding this wave of technological change. Chinese leaders did not do so two decades ago and did not implement Washington Consensus policies; Chinese firms have since created substantial trade surpluses and wealth transfer to China.

Chinese leaders, it seems, have a certain understanding of their role when it comes to supporting the Chinese industry in expanding the domestic production of photovoltaic panels and, in turn, employment and trade surplus. The approach taken by European leaders fortifying the institutional environments might be ideologically convincing, but is it practically adequate?

## **Waves of technological change in Europe: the case of batteries for electric vehicles**

A quick search online on “European Commission Electric Vehicles” and “European Parliament Electric Vehicles” reveals that “Electrification of transport (electro mobility) is a priority in the Community Research Programme”<sup>17</sup> and that “Europe is the global frontrunner in the adoption of electric vehicles”.<sup>18</sup>

In October 2022, The European Commission welcomed “the agreement reached last night by the European Parliament and Council ensuring all new cars and vans registered in Europe will be zero-emission by 2035.”<sup>19</sup>

Not even a year later, the European Commission “formally launched an anti-subsidy investigation into the imports of battery electric vehicles (BEV) from China.”<sup>20</sup> In 2023, the top two electric vehicle battery manufacturers, both Chinese, reach a market share of over 50 percent<sup>21</sup> and more than 60 percent of the European market.<sup>22</sup> By spring 2024, as with

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<sup>17</sup> European Commission: Mobility and Transport: Transport Themes: Clean Transport: Clean and energy efficient vehicles: Green propulsion in transport: Electric vehicles; source: [https://transport.ec.europa.eu/transport-themes/clean-transport/clean-and-energy-efficient-vehicles/green-propulsion-transport/electric-vehicles\\_en?prefLang=cs](https://transport.ec.europa.eu/transport-themes/clean-transport/clean-and-energy-efficient-vehicles/green-propulsion-transport/electric-vehicles_en?prefLang=cs); accessed May 2, 2024

<sup>18</sup> European Environment Agency: Topics: *Electric Vehicles: Key facts*; source: <https://www.eea.europa.eu/en/topics/in-depth/electric-vehicles>; accessed May 2, 2024

<sup>19</sup> European Commission, 2022. Zero emission vehicles: first ‘Fit for 55’ deal will end the sale of new CO2 emitting cars in Europe by 2035. *Press release*, October 22; source: [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_22\\_6462](https://ec.europa.eu/commission/presscorner/detail/en/ip_22_6462); accessed May 2, 2024

<sup>20</sup> European Commission, 2023. Commission launches investigation on subsidised electric cars from China, *Press release*, October 4; source: [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_23\\_4752](https://ec.europa.eu/commission/presscorner/detail/en/ip_23_4752); accessed May 2, 2024

<sup>21</sup> Harry Dempsey and Gloria Li 2023. Chinese battery makers strengthen grip on global supply. *Financial Times*, January 4; source: <https://www.ft.com/content/0d2553ad-e512-4979-af1b-39d08397de82>



solar panels, Chinese electric vehicles are piling up at European ports, turning them into “car parks”.<sup>23</sup>

The current Chinese dominance did not happen by chance; it happened by design. Across many of the key materials used in producing electric vehicles batteries, the cars’ most expensive part, China has a more than impressive market share by 2024. For many components, it has an 80 percent market share; for others, it has more than 60 percent market share. Only for lithium, nickel and cobalt mining does China have a share lower than 20 percent.<sup>24</sup> Then again, Chinese companies have significant stakes in lithium production outside the country. It has been observed that by 2024, Chinese interests will control more of lithium mining than the country needs for domestic purposes.<sup>25</sup>

In fact, Chinese dominance is an outcome of deliberate activity. The country’s most important battery manufacturer was set up in 2011 only. A decade later, the company’s scale makes it difficult for rivals to compete. The average size of a battery factory is doubling every four or five years. There are not too many, if any, European manufactures that can double their factory size at the same rate. While the cost of building China’s factories is forecast to shrink to by about 15-20 percent in the coming years, the cost of new European battery plants is double that of Chinese compared to output.<sup>26</sup> Chinese domestic industry was prioritised with heavy local requirements, and from 2016 South Korea’s leading battery makers were cut off from accessing subsidies, thus launching a boom in battery production of Chinese manufacturers. Beijing’s cumulative state spending on the electric vehicle sector has been estimated to be more than \$125bn between 2009 to 2021.<sup>27</sup>

In the meantime, the April 2024 report produced by former Italian prime minister Enrico Letta ‘to empower the Single Market to deliver a sustainable future for all EU citizen’ and entitled “much more than a market” mentions electric vehicles twice. The report is the outcome of visits to 65 European cities and more than 400 meetings with trade unions, employers’ organisations, third sector and civil society groups and debates held in universities or within think tanks. The report, the outcome of European leaders’ thinking, notes that “public charging infrastructure for electric vehicles is developing” and that “EU should enable seamless travel between all European capitals for electric vehicles by ensuring a comprehensive charging infrastructure along connecting routes”.<sup>28</sup> It certainly reflects the current posture of European leaders. Does it present a path for the future to cope with technological change in mobility?

It is not to say that the suggestions of the Letta report to reform the EU financial, energy and telecommunications markets are not relevant; it is to suggest that European leaders should think again if they think their responsibility in the current context is confined to

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<sup>22</sup> Edward White, Cheng Leng and Claire Bushey 2023. China’s ‘battery king’ faces scrutiny over EV market dominance. *Financial Times*, April 4; source: <https://www.ft.com/content/9f411244-eb72-493f-86d2-e7bf77de757e>

<sup>23</sup> Arjun Neil Alim, Robert Wright, Peter Campbell and Gloria Li 2024. European ports turned into ‘car parks’ as vehicle imports pile up. *Financial Times*, April 9; source: <https://www.ft.com/content/496f3bfa-9f0c-4145-9024-188572a280fd>

<sup>24</sup> Wang Xueqiao, Edward White and Gloria Li 2023. Foreign carmakers confront ‘moment of truth’ in China. *Financial Times*, April 11; source: <https://www.ft.com/content/42b0b526-c094-4ed1-9f25-19075e06305b>

<sup>25</sup> Edward White 2023. How China cornered the market for clean tech. *Financial Times*, August 9; source: <https://www.ft.com/content/6d2ed4d3-c6d3-4dbd-8566-3b0df9e9c5c6>

<sup>26</sup> Edward White, Cheng Leng and Claire Bushey 2023, op. cit.

<sup>27</sup> Edward White 2023, op. cit.

<sup>28</sup> Enrico Letta 2024. *Much more than a market – Speed, Security, Solidarity. Empowering the Single Market to deliver a sustainable future and prosperity for all EU Citizens*, April 18; source: <https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf>

reforming the market and modifying the institutional environments in which companies compete.

It is perplexing that European leaders do not hesitate to pass legislation to enforce new car and van registrations in the EU to exhibit zero emissions by 2035 without addressing the electric vehicle and battery production within Europe in the next decade(s).

The main Chinese battery manufacturer for electric vehicles was set up in 2011 and twelve years later, it has become a multi-billion dollar company. Much can be achieved in the next twelve years. In early 2023, industry observers even predicted that the EU could end its reliance on China for lithium-ion battery cells by 2027 and that China's dominance of battery components could also be cut by two-thirds if only European leaders were to make decisions akin to the ones taken by the US and other governments.<sup>29</sup>

Different European countries offer different kinds of incentives for electric vehicles (tax benefits, purchase subsidies, charging infrastructure incentives, discounts for parking or free parking, etc.).<sup>30</sup> Then again, it requires on behalf of the European leaders another kind of attitude than confining their role to providing institutional environment for electric vehicles in general, and battery production in particular.

Chinese leaders, it seems, have a certain understanding of their role when it comes to supporting the Chinese industry in expanding the domestic production of batteries for electric vehicles; it does not follow Washington Consensus policies. Which approach will European leaders take?

## **Waves of technological change in Europe: the case of artificial intelligence (AI)**

It seems that leadership in AI is essential to future prosperity. We are at an inflection point for our societies. According to a computer scientist, “what we have seen is genuine breakthroughs in the sense of a step change in capability of AI in the last few years. ...” and we now have tools that “didn’t even exist a decade ago. ... [and what] was just pure speculation and philosophy ten years ago, now we can actually just try out and it’s transforming AI into a kind of new science.”<sup>31</sup> According to a highly recognized academic in economics, it is a “genuine breakthrough” and “will double the rate of productivity growth”.<sup>32</sup> A quick search online on “European Commission artificial intelligence” and “European Parliament artificial intelligence” reveals that European leaders have been active in this domain. The European Parliament approved an Artificial Intelligence Act. It is not that this effort is not adequate. Mustafa Suleyman, a co-founder of one of the world’s leading Artificial Intelligence (AI) companies, states that it is “very sensible.”<sup>33</sup> Regulations are essential. In fact, in March 2024 Western and Chinese artificial intelligence scientists issued a stark warning and identified “red lines” on the development of AI, including the

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<sup>29</sup> Transport & Environment 2023. *Europe could end reliance on Chinese Li-ion battery cells by 2027 – forecast*. Press release, January 24; source <https://www.transportenvironment.org/articles/europe-could-end-reliance-on-chinese-li-ion-battery-cells-by-2027-forecast>

<sup>30</sup> European Alternative Fuels Observatory ; source: <https://alternative-fuels-observatory.ec.europa.eu/>

<sup>31</sup> Mike Wooldridge 2023. What is Artificial Intelligence? *Royal Institution*, December 23, min 01:45-01:52 and 09:27-09:47; source: <https://www.youtube.com/watch?v=D2JY38VShxI>

<sup>32</sup> John Thornhill. 2024. The great American innovation engine is firing again. *Financial Times*, Opinion piece, May 9; source: <https://www.ft.com/content/0d39e8f0-38ba-40aa-8ec8-d04e82afb690>

<sup>33</sup> What does the AI revolution mean for our future? Mustafa Suleyman and Yuval Noah Harari debate with The Economist Editor-in-Chief Zanny Minton-Beddoes; source: <https://www.youtube.com/watch?v=7JkPWHR7sTY;> minute 38:33; accessed May 12, 2024

manufacture of bioweapons and cyber attacks.<sup>34</sup> Still, there is an understanding that there is “not a lot” of hope to include China in AI safety and regulation.<sup>35</sup>

Regulations contribute to creating the institutional environment. AI infrastructure and applications, which are introduced and commercialized by firms, require substantial investments.

The algorithms of AI large language models like ChatGPT are trained on massive data sets, which require thousands of expensive advanced semiconductor chips and impressive amounts of electricity. There are world leading EU-based microprocessor companies. In fact, the EU offered since 2020 eight production-related investments with government support incentives of \$47bn; it compares well to the US with twenty-six investments and support of \$39bn (even though this figure only considers US incentives at the federal level and not the ones offered by different states). Then again, China with up to thirty investments offered incentives to the tune of \$142bn.<sup>36</sup> Hopefully, the same pattern will not play out again, namely the pattern of leadership of European (and American) firms (in solar panel production or similar) to be a decade later outmanoeuvred by Chinese companies.

Investment in AI is about fifty times higher in the US than in Europe. Global investment in AI infrastructure is forecasted to reach around \$150bn in 2024, primarily driven by the US and China.<sup>37</sup> It is not that European leaders do not know it. A publication of the European Parliament notes that the US is leading private investment in AI (€62.5bn) in 2023, followed by China (€7.3bn) and the EU (€5.5bn). Investments in AI in Europe made by companies and governments are nowhere near the kind of investments that their counterparts in the US and China are undertaking. There is a target across the different EU programmes to fund AI to the tune of €8.5bn over several years, mostly over 2021-2027.<sup>38</sup> <sup>39</sup> The federal government and different states in the US announced projects spending to the tune of \$500bn.<sup>40</sup>

ChatGPT and other AI applications like Character.ai are unavailable in China. US counterparts outrank Chinese generative AI start-ups in terms of technological development and total fundraising. As of May 2024 there are 262 start-ups competing to

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<sup>34</sup> Cristina Criddle and Eleanor Olcott 2024. Chinese and western scientists identify 'red lines' on AI risks.

*Financial Times*, March 18; source: <https://www.ft.com/content/375f4e2d-1f72-49c8-b212-0ab2a173b8cb>

<sup>35</sup> Yifan Yu, Sayumi Take, Peter Campbell, Tim Bradshaw, David Keohane and Lien Hoang 2024. Grading the Chips Act and the other costs of AI. *Financial Times*, May 9; source: <https://www.ft.com/content/2ab03776-fa1a-407a-861f-e47016157b0a>

<sup>36</sup> Yifan Yu, Sayumi Take, Peter Campbell, Tim Bradshaw, David Keohane and Lien Hoang 2024, op. cit.

<sup>37</sup> John Thornhill. 2024, op. cit.

<sup>38</sup> European Parliament 2024. AI investment: EU and global indicators. At a glance: Digital issues in focus, March ; source: [https://www.europarl.europa.eu/RegData/etudes/ATAG/2024/760392/EPRS\\_ATA\(2024\)760392\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/ATAG/2024/760392/EPRS_ATA(2024)760392_EN.pdf)

<sup>39</sup> It not be noted, though, that the relevant budget composed of the different EU funding instruments target amounts of €165bn, including funding concerning digital skills, digital infrastructure, digital transformation, and digitalisation of public services (Papazoglou, M., Torrecillas Jodar, J., Cardona, M., Calza, E., Vazquez-Prada Baillet, M. and Righi, R., Mapping EU level funding instruments to Digital Decade targets, Lopez Cobo, M. and De Prato, G. editor(s), Publications Office of the European Union, Luxembourg, 2023). There's the Recovery and Resilience Facility of the NextGenerationEU recovery plan ([https://next-generation-eu.europa.eu/index\\_en](https://next-generation-eu.europa.eu/index_en)) ; the EU's Digital Decade targets of the Connecting Europe Facility 2 (<https://digital-strategy.ec.europa.eu/en/activities/cef-digital>); Digital Europe funding programme ([https://commission.europa.eu/funding-tenders/find-funding/eu-funding-programmes/digital-europe-programme\\_en](https://commission.europa.eu/funding-tenders/find-funding/eu-funding-programmes/digital-europe-programme_en)); there are investments related to digital in the context of the current Horizon Europe Research and innovation funding programme, in place until 2027 ([https://research-and-innovation.ec.europa.eu/funding/funding-opportunities/funding-programmes-and-open-calls/horizon-europe\\_en](https://research-and-innovation.ec.europa.eu/funding/funding-opportunities/funding-programmes-and-open-calls/horizon-europe_en)), of the Cohesion Policy 2021-2027 ([https://ec.europa.eu/regional\\_policy/2021-2027\\_en#:~:text=EU%20Cohesion%20Policy%20contributes%20to](https://ec.europa.eu/regional_policy/2021-2027_en#:~:text=EU%20Cohesion%20Policy%20contributes%20to)), and of the European Structural and Investment Funds (<https://cohesiondata.ec.europa.eu/>).

<sup>40</sup> John Thornhill 2024, op. cit.

bring out home-grown, Chinese alternatives<sup>41</sup> Most European start-ups find themselves that they cannot play in the some league of their American (and Chinese counterparts), unless they seek US-based investors. Chinese leaders make US-originated AI applications unavailable and act.

Analysts estimate that AI-related investments will be twice as high in terms of percentage of GDP in the US compared to other economies<sup>42</sup> and the US economy being larger in size, the total amount and the differential that the US invests compared to the EU and other countries is even more impressive. It has been affirmed that “market forces [in the EU or EU countries] alone are proving an inadequate guarantee of true political independence.”<sup>43</sup> A report to the European Parliament on “Artificial Intelligence Diplomacy” noted that the EU has approached “AI primarily from ... regulatory angle”<sup>44</sup> Again, the EU seems to follow Washington Consensus policies.

There are structural problems in artificial intelligence in the imbalance between those who develop AI models and control them and those who are affected by them.<sup>45</sup> There are furthermore structural problems in AI investment for EU countries and the EU compared to the US and China. Reports issued by French institutions have been warning for a decade that France and the EU can be regarded as “cyber colonies” in many aspects.<sup>46</sup>

What plan do European leaders have not to lose control over talent, data, and computing power for AI models? What do European leaders expect if they are not willing to undertake the investments that others are making? What do European leaders see as their responsibility if not ensuring prosperity to future generations?

## **Europe as “tech laggard” and the role of the institutional environment**

In a recent piece in the *Financial Times*, Yann Coatanlem, a serial entrepreneur and investor, specialized in sustainable luxury yacht hospitality, among others, offered an opinion on why Europe is a laggard in tech.<sup>47</sup> Once more, the main culprit is the institutional environment. According to the opinion piece, the “recent wave of tech lay-offs offers insights into some of the key structural weaknesses of the European model.” Lay-offs are much simpler, speedier, and less costly in the US compared to Europe; this is the

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<sup>41</sup> Eleanor Olcott 2024. Four start-ups lead China's race to match OpenAI's ChatGPT. *Financial Times*, May 3; source: <https://www.ft.com/content/4e6676c8-eaf9-4d4a-a3dc-71a09b220bf8>

<sup>42</sup> John Thornhill 2024, op. cit.

<sup>43</sup> Cédric Villani, op. cit.

<sup>44</sup> Ulrike Frank, op. cit.

<sup>45</sup> S. Costanza-Chock 2020. *Design Justice: Community-Led Practices to Build the Worlds We Need*. MIT Press, Cambridge; MA.

<sup>46</sup> Ulrike Franke 2021. *Artificial Intelligence diplomacy: Artificial Intelligence governance as a new European Union external policy tool*. Study requested by the AIDA committee, European Parliament. Publications Office of the EU; source: <https://op.europa.eu/fr/publication-detail/-/publication/flab0057-d55e-11eb-895a-01aa75ed71a1> It references : Communiqué: Publication du rapport du ministère des Armées sur l'intelligence artificielle », September 2019, [https://www.defense.gouv.fr/english/salle-de-presse/communiqués/communiqué\\_publication-du-rapport-du-ministere-des-armees-sur-l-intelligence-artificielle](https://www.defense.gouv.fr/english/salle-de-presse/communiqués/communiqué_publication-du-rapport-du-ministere-des-armees-sur-l-intelligence-artificielle).

It is to be noted that a search for “cyber” or “colo” in the “Rapport de la Task Force IA” does not yield any result.

Then again, the expression has already been used in other French publications, namely in a document of the French Senate and in one of a French parliamentary mission: Catherine Morin-Desailly 2013. *L'Union européenne, colonie du monde numérique? Rapport d'information n° 443 (2012-2013)*, March 20 ; source:

<https://www.senat.fr/rap/r12-443/r12-443.html>; Cédric Villani 2018. *For a meaningful Artificial Intelligence : Towards a French and European Strategy*. A parliamentary mission: source:

[https://www.jaist.ac.jp/~bao/AI/OtherAIstrategies/MissionVillani\\_Report\\_ENG-VF.pdf](https://www.jaist.ac.jp/~bao/AI/OtherAIstrategies/MissionVillani_Report_ENG-VF.pdf)

<sup>47</sup> Yann Coatanlem 2024. Why Europe is a laggard in tech. *Financial Times*, February 26; source: <https://www.ft.com/content/d4fda2ec-91cd-4a13-a058-e6718ec38dd1>

impediment, according to the author, to investment in AI in Europe. He writes, “Meta paused its efforts on the metaverse, laid off 20.000 employees within a few months and boosted its investments in AI.” On the other hand, “SAP, Europe’s software leader ... can only invest in AI at a rate of €500mn a year, compared with the tens of billions being invested by each of the [US Big Tech companies].”<sup>48 49</sup>

It might be that Meta was able to lay off 20,000 employees within a few months whereas it will take Nokia, SAP, and Ericsson years to implement their restructuring plans for their European operations. Then again, Meta would most probably not have not boosted its investments in AI if it could not have laid off 20,000 employees within a few months. Even if the severance costs had been higher than the reported 4.2 months of median pay, Meta would most probably have boosted its investments in AI.

The gap in financing of innovation between the EU and China and the US is a structural problem as “some €300bn flows abroad every year, from European private investors.”<sup>50</sup> It cannot be solved by individual entrepreneurs or managers whether in charge of a start-up, a big multinational corporation or active as a venture capitalist. The structural problem has to be addressed by policy makers. The institutional environment certainly has to be modified; then again, the gap can hardly be closed in the required time frame by modifying the institutional environment alone.

It is not to say that the institutional environment does not matter; it matters. It is to say that only focusing on enhancing the institutional environment does not solve the problem. If other actors in the global marketplace, such as the leaders in China and the leaders in the US, do not confine their role to providing the correct *Rahmenbedingungen* or the institutional environment, then European leaders will, this article proposes, not have done their job even if they enhance the institutional environment.

### ***European policy: a radical change?***

The aspiration of the Chinese leadership are expressed in the following statement: “After basically realizing modernization, we will continue to work hard and build China into a great modern socialist country that *leads the world* in terms of composite national strength and international influence by the middle of the century.”<sup>51</sup> China seeks international power through trade. China goes even further. China banned the export of technology to make rare earth magnets and has a ban on technology to extract and separate the rare earth materials.<sup>52</sup> The very same Chinese leader stated that “[a]dvanced technology is the sharp weapon of the modern state.”<sup>53</sup>

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<sup>48</sup> Yann Coatanlem 2024, op. cit.

<sup>49</sup> In specific, he refers to: Apple; Alphabet/Google; Amazon; Meta/Facebook, Microsoft, Nvidia; and Tesla

<sup>50</sup> Ursula van der Leyen 2024. *Speech by President von der Leyen on the occasion of the opening ceremony of the Hannover Messe*. April 21; source: [https://ec.europa.eu/commission/presscorner/detail/en/speech\\_24\\_2201](https://ec.europa.eu/commission/presscorner/detail/en/speech_24_2201)  
François Villeroy de Galhau 2024. *France and Europe: from crisis management to a longer-term ambition*. Letter submitted to the President of the French Republic, the President of the Senate and the President of the National Assembly, April 21, page 19; source: <https://www.banque-france.fr/en/publications-and-statistics/publications/letter-president-republic-2024>

<sup>51</sup> Xi, J. (2022) Hold high the great banner of socialism with Chinese characteristics and strive in unity to build a modern socialist country in all respects. Report to the 20th National Congress of the Communist Party of China, October 16, 2022. Available from: [https://www.fmprc.gov.cn/eng/wjdt\\_665385/zyjh\\_665391/202210/t20221025\\_10791908.html](https://www.fmprc.gov.cn/eng/wjdt_665385/zyjh_665391/202210/t20221025_10791908.html)

<sup>52</sup> Siyi Liu and Dominique Patton 2023. China bans export of rare earths processing tech over national security. *Reuters*, December 22; source: <https://www.reuters.com/markets/commodities/china-bans-export-rare-earths-processing-technologies-2023-12-21/>

<sup>53</sup> Chris Buckley and Paul Mozur 2018. What Keeps Xi Jinping Awake at Night. *The New York Times*, May 11; source: <https://www.nytimes.com/2018/05/11/world/asia/xi-jinping-china-national-security.html>

The EU commission's 'Fit for 55' package<sup>54</sup> is set to ensure a level-playing field within the EU and will “create a massive market for GreenTech, green products and green solutions”<sup>55</sup> The European leaders currently provide the institutional environment; do they at the same time ensure that European companies will succeed within this institutional environment? China is doing the investments in IA and China enabled and made the investments in solar panels (€170bn) and batteries for electric vehicles (\$125bn) that allowed Chinese manufacturers to obtain a leadership position Edward Luttwak pointed to ‘the logic of war in the grammar of commerce’<sup>56</sup> Albert Hirschman, reflecting on national power and trade, wrote in his book on the topic that: “Foreign trade has two main effects upon the power position of a country. The first effect is certain to be positive. ... foreign trade enhances the potential military force of a country. The second effect of foreign trade from the power standpoint is that it may become a direct source of power. ... a method of coercion of its own ... economic pressure can take the place of bombardments, economic pressure that of saber rattling. ... relationship of dependence... ”<sup>57</sup> China, and the US aim to exert international power through trade to degrees that European leaders are currently not pursuing.

Of course, European leaders can decide that solar panels, batteries for electric vehicles, and artificial intelligence are not the wave of technological change they want European companies to dominate. They might have other technological waves in mind. If so, it would be beneficial if they were to clarify which ones these are and what plans they aim to put in place to have European companies dominate them. European leaders could explain to what degree they are willing to approve wealth transfer (in solar panels, batteries for electric vehicles, and artificial intelligence) from Europe to China and the US. At the same time, European leaders could explain to what degree they are willing to have the European industrial structure (in solar panels, batteries for electric vehicles, and artificial intelligence) shaped by the industrial policies of China and the US.

## Conclusion

Management scholars investigate the success of firms in the face of alien, novel technologies invading their business. The success of firms is not confined to the ability of individual managers or the decision-making processes and operating routines of the company leaders. Firm success in innovation is shaped by the regulatory environment, too (Coeurderoy and Murray, 2008; Durisin, Calabretta, and Parmeggiani, 2010). A firm with superior management, but competing in a less adequate or ‘wrong’ business ecosystem will not achieve the success of firms with similar or even inferior management, but which are supported by another kind of business ecosystem.

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<sup>54</sup> European Commission 2023. *Commission reports on EU policy initiatives to promote investments in clean technologies*. Press release, October, 24; source:

[https://ec.europa.eu/commission/presscorner/detail/en/ip\\_23\\_5245](https://ec.europa.eu/commission/presscorner/detail/en/ip_23_5245)

European Commission. *Fit for 55: Delivering on the Proposal*. source: [https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal/delivering-european-green-deal/fit-55-delivering-proposals\\_en](https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal/delivering-european-green-deal/fit-55-delivering-proposals_en); accessed on May 22, 2024

<sup>55</sup> Kurt Vandenberghe, Director-General DG CLIMA, European Commission at the “Ideas Lab 2024 - Morning plenary: What future for EU industrial policy?” organized by the CEPS Think Tank; source:

<https://www.youtube.com/watch?v=hK3IQORsUEk>; min 1:09:48-1:09:52; accessed May 22, 2024.

<sup>56</sup> Luttwak EN 1990. From geopolitics to geo-economics: Logic of conflict, grammar of commerce. *The National Interest*, 20, 17–23.

Luttwak EN 1998. *Turbo-capitalism: Winners and losers in the global economy*. Weidenfeld & Nicholson, London, UK;

<sup>57</sup> Hirschmann AO 1945. *National power and the structure of foreign trade*. University of California Press, Berkeley, CA.

One can understand and even empathize with the current attitude of European leaders who confine their role to providing the institutional environments, convinced as they are that it is up to managers to make the required investments in novel technologies to outmanoeuvre competition through innovation. It is certainly ideologically appealing; Washington Consensus policies represented the 'Zeitgeist' of the global order that emerged after the Second World War and that dominated European or Western policy thinking for decades.

Yet, the approach might turn out to be practically failing and it might not allow European firms to compete in the marketplace. A break away from the current practices of operating has to be done on a European level; no EU country has the market size that enables a firm to make the kind of investments to compete with US or Chinese firms. The future prosperity of Europe's societies and citizens is contingent on both the institutional environment and on investments in new technology. If European leaders do not provide an adequate business ecosystem and do not ensure that the required investments in new technology are made through the different means (of industrial, competition and trade policy) available to them, then they – and not managers or entrepreneurs – will confine Europe to a the status of "Tech laggard" If conditions change, the current operating practices might no longer be the adequate path forward. It might be difficult, but it might be required to break away from them in order to provide a future for Europe as a "global industrial powerhouse"<sup>58</sup> and a future for the next generations of European citizens.

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<sup>58</sup> Ursula van der Leyen 2024, op. cit.

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## **Regaining control in troubled times: Art Thinking as a method in a PUCA world**

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### **Abstract**

In the late 1980s, the US military introduced the VUCA framework to define the challenges of a post-Cold-War era characterized by Volatility, Uncertainty, Complexity, and Ambiguity. Over time, this concept transcended military strategy, influencing management paradigms as businesses adapted to a VUCA environment. However, according to many scientific models, our world is marked by a probable dystopian future due to numerous ecological challenges. We propose to characterize this world with a new acronym, PUCA, that is Probable, Unacceptable, Correlated, and Anticipated. In this PUCA paradigm, the imperative lies in addressing probable yet undesirable futures, such as climate change, with imaginative and strategic vigour. Art Thinking offers a complementary method for navigating this landscape. Drawing from the practices of artists, Art Thinking encourages embracing vulnerability and fostering creative transformation to envision and realize improbable solutions when the probable becomes unacceptable.

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## **Regaining control in troubled times: Art Thinking as a method in a PUCA world**

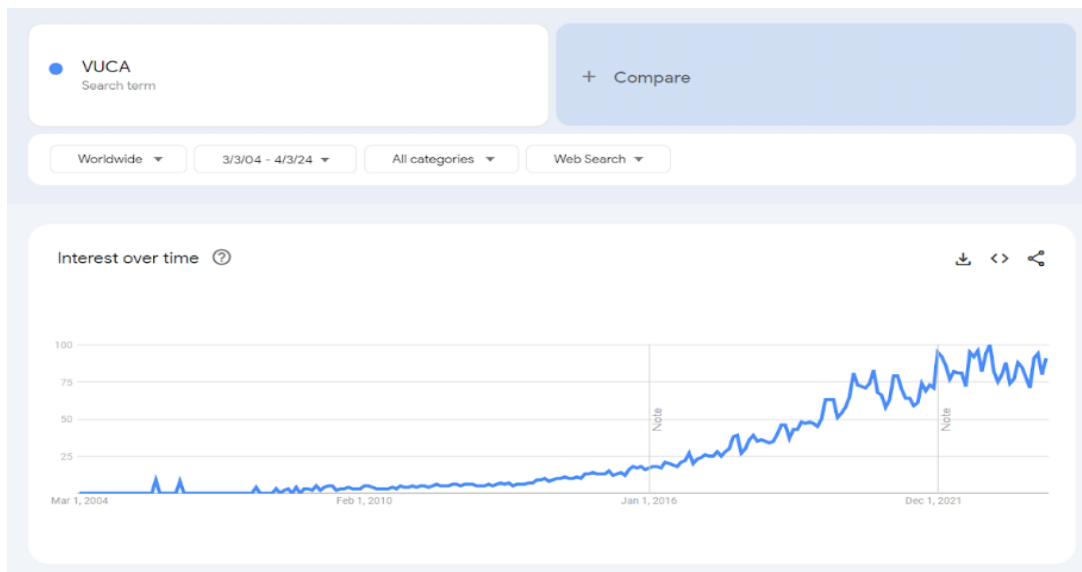
### **Introduction**

VUCA was coined at the U.S. Army War College in 1987, distilling ideas from Warren Bennis and Burt Nanus' 1985 book *Leaders: The Strategies for Taking Charge* into the VUCA acronym. Then in 1991, Herbert Barber shared the term VUCA outside the military in a conference presentation that was published the following year (Barber 1992). A decade later, this framework was adapted to address management problems, and business strategies adapted to a VUCA world. As Bennett and Lemoine (2014) wrote in the *Harvard Business Review*, a VUCA world felt like "Hey, it's crazy out there!" But that environment could be navigated to return to less complex, and less uncertain, positive outcomes.

Now, we face that same feeling of "it's crazy out there!" but the diagnosis of a VUCA world no longer holds. Instead, we are in what we term a PUCA world. The PUCA world is a dystopian future that is Probable, Unacceptable, Correlated, Anticipated. We are no longer navigating uncertainty in order to snap the future back to an ordered world. Instead, we are encountering frontiers like climate change that are both probable and deeply undesirable. In this PUCA paradox, enormous imaginative and strategic energy is required to preserve the world and to protect the status quo from these undesirable futures. A new strategic framework of Art Thinking can help us navigate this PUCA paradox. Learning from the methods of artists can contribute to find improbable solutions that avert these dystopian futures and redirect our course when we want to continue to build optimistic futures but also must work imaginatively to protect what we might take for granted.

### **From the 20th to the 21st century: From a VUCA environment to a PUCA world**

VUCA strategy offered an appealing return to confidence in leading through challenges that lacked the us-vs.-them clarity of the Cold War era. *Volatility* spoke to how quickly everything could change and thus was difficult even to define. *Uncertainty* accounted for both the known and the unknown unknowns and the shrinking extent to which past data could offer insights into the future. *Complexity* spoke to the difficulty of establishing causal relationships due to numerous interconnected variables. *Ambiguity* referred to a difficulty in perceiving and interpreting the complexity of conditions and the lack of agreement about the basic rules of the game. In a VUCA world, it is hard to know the problem, but once the problem is identified, we can reach identifiable solutions. In the business world, VUCA has been used to describe market disruptions brought on by technology, market collapse brought on by economic crises, and societal upheaval such as that brought about by the coronavirus pandemic. It is perhaps not surprising that VUCA has trended. The graph below shows the increase and then volatility in Google search queries for VUCA between 01/01/2004 and 01/01/2024.



While we do not question the continued relevance and usefulness of VUCA, we do question the increasing mechanization in many academic and economic spheres, and the rigidity that has been confused with rigor in navigating VUCA circumstances. We propose a complementary perspective of PUCA (for Probable, Unacceptable, Correlated, Anticipated) that takes into account the vulnerability of VUCA itself: the promise of an ability to solve the world by returning it to its past order. In ecologically challenging times, we need tools to address strategic problems that we might not know how to solve. PUCA helps us avoid the trap of thinking we are simply maintaining a world instead of being asked to engage imaginatively in navigating a potentially dystopian future.

In the PUCA paradox, P stands for probable because we actually *can* model the probability of some phenomena; we just do not like what those models predict. Chief among these is the issue of climate change and biodiversity. Scientific publications as early as the 1990s discussed the gradual decline of snow cover in the Alps (Bultot et al., 1994). This trajectory doesn't align with VUCA. Where VUCA would suggest we navigate through this ambiguity to return to the prior world, instead we must respond to the probability by accepting that the future is moving in a direction that does not look like the past, and that cannot be returned to the past without effort. Many other reports have suggested these unsatisfactory and dangerous ecological futures with reasonable probability. The continued collection of empirical data (Turner 2014) has supported the 1972 so-called Meadows report suggesting ecological decline. This idea of probability based on years of accumulated empirical data applies to the phenomenon of obesity as well. While there can be a variety of healthy body sizes, for years, scientists have been pointing out trajectories of increasing obesity rates in the population correlated with increasingly fatty and sugary diets and sedentary lifestyles, particularly associated with the growing use of digital technology (Manson et al., 2004). It is not that we are dealing with improbable times. It is that probabilities point to trajectories we do not like and have not encountered before. The future has proven probable, but in ways that are likely unacceptable.

Faced with these probable dynamics modeled by scientists, and widely agreed upon in the academic community, economic and political decision-makers must ask whether these trends are acceptable or not. Taking the example of snow cover, it was desirable to develop a long-term strategy aimed at investing in a transition away from skiing as the economic base of affected territories, or to address the root causes of the warming phenomenon. Many possible pathways emerge but all of them require avoiding a stance of denial or defeatism to engage with probabilities that are not acceptable.

We now turn to the C and the A of PUCA: Correlated and Anticipated. As complexity has made it harder to map causal links, forms of analysis rooted in simple correlations have been gaining momentum for several years. This approach is fueled by two very distinct phenomena. Firstly, there has been a rising awareness of what some have called "wicked problems," i.e., problems that can't be solved through a simple and unilateral measure and where solutions are often interdependent on numerous dimensions (social, economic, political, ecological, etc.). Second, there has been a proliferation of technologies that enable the production of ever more data. Together, this approach brings us understanding of correlated or clustered futures and a reliance on computational technologies – and in particular the large language learning models of artificial intelligence. Where in a VUCA paradigm, we might have trusted computers to crunch the numbers and to simplify issues for us, in a PUCA world there is an enormous risk of overly trusting computational tools that build models from past data. If we optimize computational solutions without necessarily understanding the underlying mechanisms, we risk the possibility of systems failures we cannot yet map. And we lose our greatest resources to avert the probable and dystopian future: our collective capacity to navigate un-templated futures with the human capacities for imagination in the face of the unknown.

Artificial intelligence, although potent and transformative in various beneficial aspects, amplifies these risks of over-reliance on intricate calculation and underestimation of changing circumstances. We can depend too much on analytical tools and too little on important questions (Akerlof 2020). Data analysis is an important guide for, but cannot replace, leaders making decisions. Difficulty arises as our calculative tools increasingly forecast catastrophic futures while our strategic frameworks contain unacknowledged assumptions of a reversion to the mean of optimistic trajectories toward progress. Confronted with the magnitude of these problems, recognizing a PUCA world tends to produce two effects: anxiety and inaction. This psychological state speaks to the A of anticipated— anxiety and a psychological state of expectant dread. Anticipation hinders the requisite process of creating new solutions. Here, we share a path to address these challenges.

**Table 1: Two complementary visions of the organizational environment**

	VUCA	PUCA
<b>Dimensions</b>	Volatile, Uncertain, Complex, Ambiguous	Probable, Unacceptable, Correlated, Anticipated
<b>Example</b>		
<b>- Healthcare</b>	COVID-19 pandemic: Difficulty in navigating a sudden and global health crisis and the need to adapt, to enact emergency health protocols, and to stabilize the situation.	Rise in early-onset cancers: A significant trend impacting numerous health conditions and treatments without understanding why or being able reliably to return to the prior state of affairs.
<b>- Tourism</b>	Rapid spread of platforms like Airbnb creates a major strategic challenge for traditional incumbent players who adjust to a new business-strategy landscape.	Closure of ski resorts due to declining snowfall and existential shift in the natural ecosystem affecting all organizations and community members
<b>- Insurance</b>	Disruption of insurance markets or suspension of insurance access due to armed conflicts (e.g., war in Ukraine, or conflicts with the Houthis in Yemen).	Withdrawal of insurers from markets overly exposed to climate risks (e.g., coastal cities in particular).

## Business strategy in a PUCA world: Art Thinking as a method

If we face undesirable circumstances with some probability, if these challenges contain correlated risks, and if we have outsourced the analysis of these risks to complex computer models, how do we proceed in leading organizations through these circumstances? The PUCA environment still offers us many alternatives but accessing these pathways to progress requires more than the strategies of the VUCA world to restore order. Navigating a PUCA world requires agility as well determination. We need to lead from questions without visibility on known solutions. We need methods that allow us to decide based on values, not just intended outcomes. The purpose is not to eliminate vulnerability but to lean into it. The method is to take risks, as artists have, to create the world we wish to live in. As the French sociologist Edgar Morin wrote, the possible is not the certain, and each individual, with their modest strengths, can create the improbable.

Indeed, artists who have left their mark on history—from the Impressionists to Pablo Picasso to Banksy—have all created the improbable. They have risked engaging in a process not of going from a known point A to a known point B but inventing point B. In art, and in our world to date, that point B world can signify progress. The point B world can be a new normal, destination that was neither planned or expected (Whitaker, 2016) but that improves the world. But what do we do when the world is evolving ecologically and the pillars of democracy are fragile enough that a point B world could be the probable dystopian future? What do we do when the maintenance and repair of the world requires a kind of imagination that we associate with excessive risk?

After several years of scientific research, we have formalized a method of Art Thinking in which teams engage in a social process of creation to realize the improbable with certainty. This method follows an agile approach without being centered on clients or users (Bureau, 2022). The goal is not to respond to what already exists or to what can be modeled. The challenge is rather to create that which specifically does not yet exist. By engaging in the methods of artists, teams can manage the paradoxes of the PUCA world and escape from probable trends that seem unacceptable. This method is based on 6 practices: donate, deviate, destroy, drift, dialogue, and display. Each practice has a conceptual foundation and empirical evidence drawn from the history of creation as a process not only in art, but also in science and the business world. This method has been taught in a workshop called "[The Improbable Seminar](#)." Designed and conceived at ESCP Business School in collaboration with the visual artist Pierre Tectin, the format improved over the span of more than ten years as dozens of facilitators and hundreds of participants from leading companies and MBA programs have been involved in it.

**Table 2: How Art Thinking addresses the challenges of a PUCA world**

PUCA World	KPI of the Art Thinking Method
<b>Probable</b> (based on scientific models)	<b>Improbable:</b> The outcome is always improbable and this openness allows for new perspectives that broaden horizons beyond the probable trajectory.
<b>Unacceptable</b> (based on values)	<b>Embedded:</b> The outcome is linked to the values and aspirations of the creators; it is up to them to determine what they find unacceptable.
<b>Correlated</b> (based on algorithms)	<b>Subversive:</b> The outcome transforms existing conventions and allows for altering correlations.
<b>Anticipated</b> (based on psychological perception)	<b>Resourceful:</b> The outcome requires very few resources; it can be developed rapidly and by anyone from a psychological standpoint of creation, not dread.

Art Thinking differs from being an artist in a number of ways. First, there is a myth of the lone artistic genius and the idea of invention as a singular pursuit, but in Art Thinking creation is social. It is a team pursuit. Navigating a PUCA world requires all of us and benefits from the wisdom of the team. Second, while being a professional artist may feel like an avocation or a profound life risk that requires its own dignity, thinking like an artist is open to anyone, even those who are highly skeptical of contemporary art. These mindsets can be learned. They can be enacted as a structured set of steps and processes, or accessed as a form of mental plasticity—as a boost of agility and lateral strength in the midst of challenging circumstances.

During the Improbable seminar, the executives taking the workshop learn to create artworks. In this process, they learn tools to combat the PUCA world: how to design the improbable, to question certainty, and to be efficient with the resources they have. Across the ten years of the Improbable Workshop—collaborating with cultural institutions such as Centre Pompidou, Louvre Museum, and Lafayette Anticipation, with students in over thirteen countries, and with over a hundred schools, universities, and companies—the result is always the same: the new imaginaries created help participants to see and act differently. Beyond making artworks that reframe each team’s core concerns in a new light, participants learn a method that can be reused in their professional context. The way to address disagreeable and probable futures is to imagine improbable ones intentionally, and then to cultivate a method that can create the improbable with certainty. In the process, we might think about art—and entrepreneurship—differently as a process not of becoming a super genius but of engaging together in the profoundly artistic pursuit of trying to change the future.

Our understanding of the world cannot be confined to the narrow lens of VUCA alone. Indeed, as many significant trends can be analyzed through scientific and predictive models, the emergence of the PUCA paradigm necessitates fresh logics and perspectives to guide our actions. In this era in which we confront the specter of global crises and the prospect of an increasingly automated world, the Art Thinking methodology offers a valuable tool. Redefining AI as the "social algorithm" of artistic intelligence, Art Thinking provides a framework for creating the improbable when the probable becomes unacceptable. By embracing the principles of artists and learning the social processes of creation, we equip ourselves with the means to transcend the limitations of traditional approaches and chart a course towards a more sustainable and desirable future. It is by risking creation that we are most able to recreate and preserve the world we want to live in.

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## **Leading successful transformation: How to design a corporate transformation portfolio**

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### **Abstract**

Corporate leaders recognize the imperative of transforming their firms; nevertheless, achieving successful corporate transformation presents significant challenges. In this impact paper, we introduce the Four-I-Framework of corporate transformation and elucidate how corporate leaders can design an effective Corporate Transformation Portfolio. This paper provides guidance for leaders in leading corporate transformation successfully.

Keywords: Corporate transformation, Four-I-Framework, Corporate Transformation Portfolio

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## **Leading successful transformation: How to design a corporate transformation portfolio**

***“You cannot overtake fifteen cars when it's sunny weather, but you can when it is raining.”  
(Ayrton Senna)***

In conferences, a familiar statistic echoes: 80% of corporations established before 1980 have disappeared, with an additional 17% facing uncertain futures within the next five years. While debates persist regarding the precision of these numbers, they underscore a reality that corporate leaders cannot afford to ignore. Corporations must navigate a swiftly evolving landscape, characterized by the rapid emergence of transformative technologies (e.g., AI, robotics, biotech) and shifting consumer preferences (e.g., sustainability, evolving lifestyles). Failure to adapt can result in a fate akin to that of Kodak, Nokia, and Polaroid—once titans of industry that eventually became laggards (Seckler, 2019).

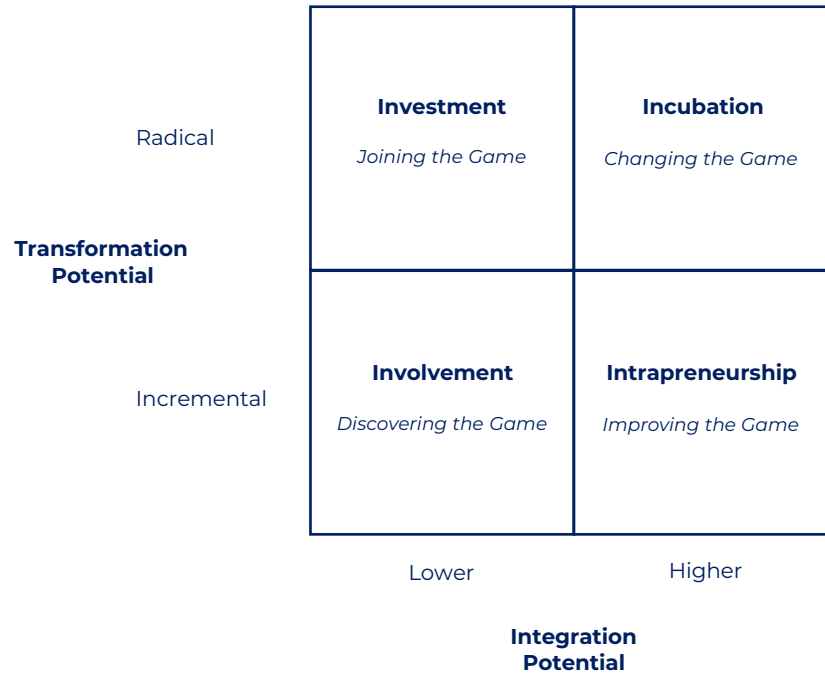
The intriguing insight garnered from years of scrutinizing corporate failures is that the leadership teams at Kodak, Nokia, Polaroid, and others recognized the imperative for transformation (Habersang, Küberling-Jost, Reihlen, & Seckler, 2019). The crux of their eventual downfall lay in their inability to adapt their established business models, which had hitherto underpinned their success. Hence, the key question confronting corporate leaders is not whether to embark on transformation, but rather how to assess and design it effectively!

The objective of this impact paper is to delineate a framework that empowers leaders to identify the initiatives at their disposal for driving corporate transformation and to design a corporate transformation portfolio. By corporate transformation, we refer to corporate activities of sensing and seizing novel opportunities and to transform the firm (e.g., digitalization initiatives, sustainability initiatives). We present four foundational corporate transformation strategies, within the Four-I-Framework of Corporate Transformation. Building upon this framework, we provide a systematic approach for designing a corporate transformation portfolio that lets corporates thrive into the future.

### **The arrows in the quiver: the Four-I-Framework of corporate transformation**

Corporate leaders possess four arrows in their quiver when it comes to corporate transformation. We term them as: Incubation, Intrapreneurship, Investments, and Involvement (see *Figure 1*, see also Borchers, 2024). All four strategies have the potential for corporates to sense and seize business opportunities and to transform the firm, irrespective of the transformation area (e.g., digitalization, sustainability). They differ along two critical axes. First, they vary in terms of transformation potential, ranging from radical to incremental. Second, they differ in their integration potential, referring to the ease of integrating the initiative into the corporation, which ranges from lower to higher potential. Let us take a closer look at the four arrows.

**Figure 1: The Four-I-Framework of corporate transformation**



## **Incubation – Changing the game**

### *What it is?*

Incubation, here, denotes Corporate Venture Building (CVB) initiatives designed to nurture promising new business areas from the ground up. These activities have the potential to change the game of the industry. Through incubation, corporations proactively seek to explore new means-end relationships that may have radical transformation potential. As resulting businesses are incubated by the corporation, we consider the integration potential of these ventures to be relatively high. Examples of incubation programs include Bosch GROW Platform, Lufthansa Innovation Hub, DB Schenker Venture Studio, and Körber Digital.

### *When to use it?*

Incubation offers distinct advantages when corporates aim to delve into entirely novel business concepts leveraging corporate assets. It represents a high-risk, high-reward strategy for corporate transformation, necessitating a sustained commitment from corporate leaders. Due to the requirement for domain expertise in unfamiliar domains and entrepreneurial skills often absent in established firms, external support from specialized service providers or independent entrepreneurs is frequently sought (Borchers, 2024).

### *How to do it?*

To increase the probability of success, corporate ventures are frequently freed from certain bureaucratic constraints of the parent company. The aim is to replicate the entrepreneurial atmosphere of a startup as much as feasible. As a result, corporate ventures are often set up as independent limited liability companies, although they are primarily owned by the parent company. External entrepreneurs engaged in these ventures may be offered a share of profits, including potential equity, to motivate their dedication (Borchers, 2024).

## **Intrapreneurship – Improving the game**

### *What it is?*

Intrapreneurship encompasses all efforts aimed at fostering innovation within a corporate entity (Seckler & Borchers, 2021). The integration potential of intrapreneurship initiatives is high, as they are typically explored and implemented by corporate employees. In terms of transformation potential, intrapreneurship activities are especially valuable for promoting continuous improvements. For instance, Siemens collaborated with ESCP Business School to foster an entrepreneurial mindset within the Finance function through the implementation of a market-of-makers format (Braun & Mauer, 2022). Similarly, SwissLife Asset Managers Germany developed an “Innovation Network” comprising multiple initiatives, such as inspiration talks over lunch, providing educational content, and implementing tailor-made intrapreneurship events.

### *When to do it?*

Intrapreneurship initiatives can be used to consistently enhance corporate processes, product, and service offerings, and to empower corporate employees. While the idea of intrapreneurship for improving products and processes is somewhat intuitive, its significance in empowering employees is frequently underestimated. However, this is a misconception. There is growing recognition that intrapreneurship initiatives improve employees' ability to identify business opportunities, develop business ideas, and effectively network within the organization (Stumpf, Seckler, & Borchers, 2021).

### *How to do it?*

While there are numerous approaches to conducting intrapreneurship activities, one particularly effective method is the market-of-makers. This field-tested format harnesses employees' intrinsic motivation to drive change. Through an assessment of employees' resources (asking: who they are, whom they know, what they have) and the challenges they encounter in their daily work, intrapreneurship activities, known as speedboats, are created. These speedboats are then launched within the corporate environment and their impact unfolds over subsequent months, a process referred to as the speedboat regatta (von Delius & Mauer, 2021).

## **Investments – Joining the game**

### *What it is?*

Discussing investments, we are specifically referring to corporate venture capital (CVC) activities. Through CVC, the corporation becomes actively involved in the investment game. CVC enables corporations to respond to emerging technologies in the market, thereby transforming the firm. A critical consideration for CVC investments is whether a startup that has come up with a promising innovation startup can be effectively integrated into the corporation, given its status as an external entity with different systems, cultures, etc. Many corporations have established CVC arms, such as Deutsche Bahn Digital Ventures (DB DV) and Robert Bosch Venture Capital.

### *When to use it?*

CVC is an excellent means to incorporate transformative businesses into the corporate portfolio. It can be seen as a way to manage existing opportunities and risks. It becomes relevant when promising startups have gained traction in the market, and their growth has the potential to significantly impact the corporation's business in the medium term, whether positively or negatively (Borchers, 2024).

### *How to do it?*

Corporate investors usually acquire a minority stake in a growing company, often in the single-digit or lower double-digit percentage range. The aim is to obtain valuable insights into the company's growth trajectory and the pertinent market or technology landscape. At the same time, investors may explore the opportunity to increase their ownership in the startup if it aligns strategically or if there's potential for significant value appreciation, for example through an IPO. However, these startups may have processes and business models that are either too small or incompatible with the corporation's own, rendering short-term partnerships impractical (Borchers, 2024).

## **Involvement – Discovering the game**

### *What it is?*

With involvement activities, corporations can explore novel trends within the markets. Involvement is about discovering the game. It encompasses activities commonly known as venture scouting, corporate venture collaboration, corporate startup partnering, or venture clienting. Initially, involvement is likely to result in more incremental innovations by inspiring novel ways of doing. As involvement is a more collaborative approach, the initial potential for integration into the corporate is lower. Examples of corporates with strong involvement activities include Bosch Siemens Hausgeräte and BMW with its BMW Startup Garage.

### *When to do it?*

Involvement serves as an excellent starting point for companies looking to collaborate with startups, tapping into their innovative capabilities and market insights. Partnering with startups through corporate startup clienting offers a quick and cost-effective initiation, often producing tangible results early in the collaboration. Involvement proves advantageous when processes, business models, and cultures align with or complement each other, alongside the availability of necessary technology in the market (Borchers, 2024).

### *How to do it?*

Involvement can take various forms, from employees attending events or the company sponsoring startup activities, to more intensive engagement such as active collaboration between startups and corporations, as seen in corporate venturing clienting. Creating a successful partnering unit necessitates establishing an effective interface between internal and external operations. This enables corporate units to accurately identify innovation opportunities, facilitates seamless connections with suitable startups by the partnering unit, and ensures smooth and efficient collaboration processes (Borchers, 2024).

## Hitting the bullseye: how to design a corporate transformation portfolio

Understanding the arrows in the quiver is only half the battle to hit the bullseye. The crucial question is how to orchestrate the Four-Is effectively. In other words: How do leaders design an effective corporate transformation portfolio that enables their corporation to thrive in the future? To leverage the Four-Is, leaders need to address three core questions (see *Figure 2*): 1. What is the north star for corporate transformation? 2. What does the current transformation initiative portfolio look like? 3. How to design it for the future? Let us guide you through these three phases step by step.

**Figure 2: How to design a corporate transformation portfolio**



### 1. What is the north star for corporate transformation?

***"If you do not know which port you are sailing to, no wind is favorable."***  
**Seneca**

A north star is a mental representation of where the corporation is heading in the future. While they are often seen in the corporate world as mental representations of what the corporation will be like at a future point in time, our experience shows that more effective north stars focus not on the corporation itself but on the environment in which it operates. You may wonder what exactly the difference is. Whereas a self-centered vision for a corporation might be 'We want to be number one by 2030,' an environment-centered vision could be 'We have spearheaded mobility transformation in Europe by 2030.' The latter is often perceived as more inspiring.

The reason a north star for transformation is so important is because transformation requires lots of energy and resources. Effective corporate leaders dedicate extensive time and energy to delve into, mold, and align on a shared goal that resonates with members both collectively and personally. True north stars ignite the drive of corporations to achieve it and provide an orientation to choose among the many means available.

Identifying such a goal, of course, is neither automatic nor easy. Yet, research has shown the characteristics of north stars that leaders need to know to recognize effective ones. Effective north stars capture deep inner commitment because they are tied to something about which people at the corporation care deeply. Achieving the north star requires supreme effort and a passionate commitment. North stars depend on complete honesty and authenticity, as achieving them cannot be accomplished by being artificial or false. And north stars enhance positive human relationships, as achieving them alone is impossible; they require support and interdependence with others (Whetten & Cameron, 2011).

As a thought experiment, the leadership team may consider what newspaper headline they would like to see about their corporation a decade from now. Simply discussing this question within the leadership team can provide valuable insights into the team's aspirations. By identifying commonalities and reconciling conflicting ideas, leaders can create a foundation for developing an inspiring and shared north star.

## ***2. What does the corporate transformation portfolio look like?***

To evaluate the current transformation initiatives, we recommend using a portfolio approach. Portfolio approaches to strategy making involve analyzing and designing a portfolio of strategic initiatives. Utilizing a portfolio approach to transformation initiatives is particularly beneficial as it offers a systematic overview of existing initiatives and provides guidance on how to shape them for the future.

Using the Four-I-Framework, which outlines four general transformation strategies (that is, incubation, intrapreneurship, involvement, and investment), leaders need to identify the transformation initiatives in which their corporation is currently investing. These initiatives may include various endeavors such as incubation initiatives across the global organization, significant intrapreneurial efforts, major corporate startup clienting initiatives, or corporate venture capital investment activities.

Subsequently, leaders need to evaluate each of these initiatives regarding three aspects: investment level, their importance, and their satisfaction with them. Begin by reviewing the past year and assessing the investment made into each initiative (e.g., financial investments, human resources, time). Next, rate all transformation initiatives on a scale from 0 (very low) to 10 (very high) based on their importance for reaching the north star. Next, rate the satisfaction with the performance of each initiative, using the same scale (Strack, Dyrchs, Bailey, 2024).

Finally, create a corporate transformation portfolio, which is a two-by-two matrix depicting all transformation initiatives. On the y-axis, indicate the importance of each transformation initiative, and on the x-axis, denote how satisfactory the initiative works. Plot each initiative with a bubble, sizing the bubble proportional to the percentage of yearly investment into it. This will give leaders a comprehensive, yet concise, overview of their corporate transformation portfolio (Strack, Dyrchs, Bailey, 2024).

## ***3. How to design the corporate transformation portfolio for the future?***

Armed with a corporate transformation north star and corporate transformation portfolio, leaders are now prepared to design their corporate transformation portfolio strategy.

First, leaders can enhance their existing corporate transformation portfolio by improving it. A good starting point for enhancing existing transformation initiatives is to begin with those in the top-left corner. These initiatives are very important, yet they may not receive enough focus to fully capitalize on them. Initiatives in the top-right quadrant, which are important and well-performing, also warrant attention: leaders want to continue dedicating considerable time and energy to their most crucial and best-working initiatives while investing less in those that are less important (bottom left and right) (Strack, Dyrchs, Bailey, 2024).

Next, leaders should consider the entire portfolio and ask: Does the current transformation initiative portfolio align with the transformation north star? Does it move the corporation closer to achieving the goal to which it is committed? If not, leaders may need to eliminate, complement, or replace transformation initiatives. Ideas for transformation initiatives can be created from within the firm, or they can stem from benchmarking analysis to glean insights from other companies (Strack, Dyrchs, Bailey, 2024).

Yet, merely analyzing and designing the transformation portfolio will not bring about change. From the extensive list of potential changes and actions to the corporate

transformation portfolio select several that will most effectively propel the corporation toward a successful transformation and commit to them.

## Conclusion

No corporate leader desires to be responsible for corporate failure. However, as the examples of Kodak, Nokia, and Polaroid illustrate, effectively transforming corporations is notoriously challenging. We hope that the Four-I-Framework, along with the step-by-step process to analyze, design and implement a corporate transformation portfolio, proves helpful in successfully leading corporate transformation. And circling back to the initial quote – now in times of multiple crises – it may just be the right moment to overtake fifteen

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## **[ Bridging the fundraising gender gap in Europe: Why can't women entrepreneurs find investors?**

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### **Abstract**

This paper investigates the persistent fundraising gender gap in European startup ecosystems despite efforts to promote diversity and inclusion. Drawing on recent research and 35 interviews with women entrepreneurs, we highlight unconscious biases and gender stereotypes as key factors hindering funding for women-led startups. The study underscores the need for diversifying the investor ecosystem through institutional interventions as well as designing initiatives to empower women investors. By raising awareness and fostering inclusivity, the paper calls for collective action to address this systematic challenge and unlock the full potential of Europe's entrepreneurial landscape.

Keywords: Female entrepreneurship, investment, startup ecosystems, inclusion, European policymaking

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## Bridging the fundraising gender gap in Europe: Why can't women entrepreneurs find investors?

***Gender equality in startups isn't just about fairness;  
it's about unlocking the full potential of our economy and society.***  
Sheryl Sandberg

Less than a year ago, the French NGO SISTA<sup>1</sup> released the results of its annual study aimed at measuring the extent of the fundraising gap between male and female entrepreneurs. Unlike previous reports, the current study expanded its scope beyond the domestic context of France – where discriminations have been addressed for decades now – to several European countries including the UK, Sweden, Germany, and Spain, with the hope of identifying a gender parity champion that could inspire other ecosystems. As it turned out, in spite of the countries' different public policies, initiatives, and efforts, the evidence leads to the same conclusions: Women entrepreneurs in European startup ecosystems continue to encounter unwelcoming conditions.

Overall, in 2022, women-only startups accounted for merely 2% of the total amount of funds raised. Women-only teams raised on average 4 times less than men-only teams and only 2 women-founded startups succeeded in raising more than 50 million euros versus the 215 startups founded by men. And those figures are becoming more concerning year after year, as studies in France showed that women-led startups funded between 2008 and 2019 were 2.4 times less funded than men-led startups at the time, as opposed to the current “4 times less” figure (SISTA, 2022)<sup>2</sup>. As the European startup ecosystem grapples with one of the worst economic crises in recent history, women find themselves disproportionately impacted and are thus, unfortunately the first to bear the downturn. Why is this concerning discrimination phenomenon persisting, and even *accentuating* over time?

This question becomes even more pertinent as this phenomenon seems particularly counterintuitive, especially considering the numerous benefits we would collectively gain if there were more substantial investments in startups led by women. Women make up 50% of the population and therefore, have the right to shape the future through startups. Excluding women from obtaining funds is equivalent to preventing them from becoming an active part of our economy. Accessing funding is a critical determinant of startup success (Cassar, 2004). According to Cassion et al. (2021), “the allocation of venture capital is one of the primary factors determining who takes products to market, which startups succeed or fail, and as such who gets to participate in the shaping of our collective economy”. This also implies that products and services are currently only designed by men and consequently also *for* men, which only fuels underrepresentation and exacerbates the lack of inclusiveness in solutions on the market. Ensuring a balanced representation of industries is crucial for the functioning of an entrepreneurial ecosystem (Roundy, Brockman, & Bradshaw, 2017). Moreover, in one of the recent ethnographies at an Investment Fund that one of the authors of this paper conducted, she found that women entrepreneurs are typically more motivated by societal impact and sustainability than their male counterparts (Gerges-Yamine, 2024). Thus, funding women entrepreneurs could also mean funding more high-impact startups that are motivated by metrics of success (i.e., social, environmental) other than traditional measures of success such as growth and exit. While traditional measures are not flawed per se, taking into account alternative measures could

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<sup>1</sup> <https://wearesista.com/>

<sup>2</sup> The study indicates that in 2022, 26% of fundraising efforts involved founding teams with at least one woman (7% women only / 19% mixed-gender team). Thus, while 7% of the applying firms were carried out by women-founded team, they received only 2% of total amount of funding.

enable investors to rethink their ways of evaluating success, and encourage investors to support impact startups.

Beyond the type of products and services designed, research indicates a strong positive connection between diversity within co-founding teams and the startup's financial performance (Ko, Wiklund & Pollack, 2021). Therefore, diversity of gender is indeed beneficial for the startup success. Finally, despite receiving considerably less funding, women-led startups still yield over twice the revenue per dollar invested compared to those led by men (BGC, 2018). Therefore, women entrepreneurs do perform exceptionally well when they receive funding. Thus, the question arises: Why are investors hesitant to fund women-lead startups?

## **Investors do not fund women**

For years, research on women entrepreneurship highlighted several explanations to justify the lack of investment. For instance, studies have argued that women fail to obtain investment because they display less confidence, are less prone to take risk and are more likely to attend to personal obligations such as childcare (DiBenigno & Kellogg, 2014), all these factors potentially marginalizing them from the startup ecosystem. Other explanations have suggested that women may be less inclined to establish startups in high-tech – a sector that predominantly relies on venture capital funding (Snellman & Solal, 2023). While these explanations may carry some truth to them, they remain insufficient in explaining the magnitude of the alarming funding gap, particularly for women-led startups *actually* seeking funding.

Therefore, recent research that has focused on providing an answer to this particularly puzzling question pointed towards the same direction: negative stereotypes and gender biases are at the core of the problem (e.g., Kanze, Huang, Conley, & Higgins, 2018).

In some instances, without even realizing it, investors are biased by their own preconceived ideas on what an entrepreneur should look like, how he or she should behave, and what qualities he or she should display. Women often do not conform to these stereotypes. Let's try this exercise. Picture an entrepreneur or try to name one. You'll probably think of a thirty-something ambitious white man who desires wealth and works hard to attain it. The archetype may resemble figures such as Jordan Belfort in *The Wolf of Wall Street* (2013), or Adam Neumann in the recent *WeCrashed* series maybe (2022). Studies have revealed that even women entrepreneurs tend to picture their male counterparts in a similar light, describing them as "ambitious", "authoritarian", "strategic", "self-confident", and "powerful" (Women Initiative Foundation and BNP Paribas, 2018). Yet however caricatural and unrealistic this entrepreneur stereotype may seem, it remains a powerful, deeply rooted representation laden with specific expectations. Women often fall short of meeting these expectations.

Recent research, such as "the role of incongruity theory" (Eagly & Karau, 2002) and "the lack of fit theory" (Heilman, 2001) suggests that women face discrimination due to societal gender role expectations conflict with stereotypes of leadership roles. In essence, women are deemed unsuitable for entrepreneurship, thus explaining investors' struggles in considering them as potentially successful startup founder's worth of financial support.

Moreover, women entrepreneurs suffer from another unconscious bias – homophily – defined as an individual's tendency to associate with his or her peers, namely other individuals sharing the same sociological characteristics. Entrepreneurship research showed that investors tend to fund founders who look like them (Snellman & Solal, 2023).

Investment remains a male-dominated occupation where women tend to be often underrepresented (Snellman & Solal, 2023). The share of women investing partners in the top 100 VC firms was recently estimated at 7% (Teare & Desmond, 2016a), another concerning figure highlighting the lack of diversity in investment funds. Therefore, given that investors are primarily men, it is only natural that they unconsciously favor male-led startups as they may feel more involved in their startups.

Given the underlying mechanism of unconscious biases in explaining the funding gap, it felt urgent for us in this paper to raise awareness on how those pernicious mechanisms worked during the fundraising process and how they could be better addressed by investors and entrepreneurs.

## **The role of gender biases: how do they manifest?**

When assessing a startup's potential and investment opportunity, investors typically take into account a series of factors. They consider the market potential for growth, benchmark with key competitors, and study first leads and tractions. Yet their primary focus, especially at early stages, is on founders' background and previous experience – for instance, whether they attended top universities, worked at prestigious organizations, already ran a successful business, or exited.

Throughout the investment evaluation process, investors inevitably take note of the gender of the founders. However, what they often fail to recognize is that contrary to being a trivial consideration, gender is indeed a determining factor in securing funding (Cassion et al., 2021). Irrespective of the founders' qualifications or the potential of the startup, the gender of the founder is one of the decisive factors in determining whether the venture will receive investment. Furthermore, recent research has pointed that not only do ventures led by women receive less funding compared to those led by men, but also mixed-gender teams where a woman holds the CEO position face similar disparities (e.g., Snellman & Solal, 2023).

Such discrimination occurs unconsciously during the whole fundraising process, but it becomes particularly striking when founders pitch their startup to investors. During this face-to-face ritual, where the founder's identity is exposed, investors' decisions have proven to be particularly biased by gender stereotypes. For instance, it was demonstrated that investors show less interest in pitches narrated by a female voice compared to the same pitch narrated by a male voice that they tend to find more persuasive, logical, and factual (Brooks et al., 2014; Malmstrom et al., 2017). Similarly, the same qualities observed in a founder pitch are perceived differently whether the person behind the pitch is a man or a woman. Thus “young” individual will be considered by investors as “promising” if they are a man but rather “unexperienced” if they are a woman, leading to unfortunate impacts on the amount raised by founders, with women raising around 25% of the applied-for amount and men about 52%.

Even more surprising, research found that investors tend to bias the fundraising process themselves as they ask founders different questions depending on whether they are male or female, thus, although indirectly, still influencing the amount of investment received by the startup (Kanze et al., 2018). For instance, research has indicated that men are often asked promotion-focused questions, to which they respond with promotion-focused answers, whereas women are asked prevention-focused questions to which they respond with matching prevention-focused answers. Consequently, while men's Q&A only help them build their case and as a result, leave a positive impression on investors, women's answers focus much more on risk management or problem-solving topics, that only reinforce investors' confirmation bias that these founders do not fit the position.

Moreover, some studies have tried to explain the gender funding gap in relation to industry – investors simply display preferences towards certain industries that are naturally overrepresented by men entrepreneurs. For instance, according to the SISTA study mentioned at the beginning of the paper, women are inclined to create startups in consumer industries such as fashion, wellness, lifestyle, and healthcare, all industries that are less attractive to investors, as opposed to other highly attractive industries such as Fintech. To illustrate – in France in 2022, FinTech received 1.77 billion euros of investment as opposed to FashionTech that counted as one of the least funded industries with 74 million euros of investment. While these studies could lead us to believe that the funding gap is primarily linked to the type of industries that are attractive to investors, we believe that these numbers still point towards inherent structural inequalities. On the one hand, given the low representation of women investors, it is only expected that male investors will have a preference to invest in traditionally more “masculine industries” such as Fintech. On the other hand, the SISTA study finds that even within industries dominated by women (i.e., Fashion, Lifestyle, Wellness, and Healthcare), women-led startups still raise significantly less than their male counterparts.

This shows just how decisive gender bias is in investors’ decision-making, and therefore, in determining a startup’s future. The ability to secure funding is not only determined by an entrepreneur’s qualities, exceptional track record, or the brilliance of their idea, but it is also largely influenced by one’s gender.

This naturally leads us to ask this question: Are women entrepreneurs aware that gender could penalize them in their career? And if so, what can be done about it?

## **Raising awareness in the ecosystem**

In an attempt to explore gender biases in relation to the fundraising process, we conducted a study where we interviewed 35 women entrepreneurs operating in multiple European countries and the UK. The vast majority spontaneously mentioned gender stereotypes and biases as a source of funding inequalities. Thus, even when not prompted to speak about inequality, it emerged as one of the biggest challenges they faced. We were surprised to hear one interviewee explain:

*“Entrepreneurship is associated with risk-taking, with men, with technology, with developers. So, it’s a surprise [for investors] to meet women. There’s always this stereotype that this world is not a place where women are supposed to be the best. People are influenced by those stereotypes, they have biases, and I think we need to bring all that to light.”*

The striking majority of the women we interviewed encountered sexism from investors, at times bordering on harassment. For instance, many of them endured ignorance, remarks undermining their capabilities as CEOs, and even instances of mockery. Women in mixed-gender teams, in particular, noted disparate treatment from investors compared to their male counterparts, leading them to realize that such behavior could only stem from their gender.

However, perhaps due to the difficulty in identifying gender biases, only a minority of the women we spoke with considered it as the primary factor explaining funding inequalities. Surprisingly, the vast majority of the entrepreneurs we interviewed attributed the main cause of discrimination to *themselves* – that is, to characteristics that are rather unrelated to their gender. For example, multiple women in our sample blamed their own lack of self-confidence, poor posture in front of investors, ineffective presentation style, weak business

models, and industries' choices on the negative investment outcomes. One of our interviewees explained:

*"I always had a little voice in me saying, 'He'd be crazy to invest in my company'. Frankly, I don't know if it's going to work. Maybe it's going to fall apart."*

We found these findings disheartening as they revealed that mere awareness was insufficient to bring swift and lasting change in the ecosystem. Consequently, we sought to elicit women's perspectives on the most effective solutions to narrow the funding gap and mitigate inequalities. In essence, what do they believe is necessary?

## **Potential solutions: How can we put an end to this status quo?**

### **A diversified venture capital ecosystem**

While the majority of studies address women entrepreneurs directly by emphasizing particular behaviors that predict investment outcome, we argue that we need to direct our attention to investors themselves. As mentioned at the beginning of this paper, investors are mostly men. In the European Union, women represent between 5% and 15% of venture capital workforce only, and occupy mainly junior, non-decision-making positions, where there is very little opportunity for advancement. When women entrepreneurs meet investors, they typically encounter men who may harbor various biases against them. Thus, one of the most effective and tangible solutions to combat gender biases among investors would be to diversify the venture capital ecosystem. By having more women entrepreneurs involved, akin to their male counterparts, they could leverage the homophily factor to enhance their likelihood of securing funding. Research has indeed shown that venture firms with female founders and a notably high proportion of female partners exhibit high levels of investment in women entrepreneurs (Teare & Desmond, 2016).

To achieve this objective, the majority of the women interviewed advocated for institutional intervention (i.e., policy) and the implementation of quotas in investment funds. Although this measure is controversial, it has proven to be the most effective, at least in the short term. More than ten years after the Copé-Zimmermann law, which mandated a minimum quota of 40% women on listed company boards in 2011, France ranked first globally in terms of gender parity in corporate governance, with over 46% of women (Sénat, 2021). The recent Rixain law further strengthened this framework by extending the requirement to all companies with over 1,000 employees. All of our interviewees welcomed these measures, hoping for institutional pressure to shift the narrative of discrimination within the startup ecosystem as well.

Yet, investor representation may not be enough. In a recent ethnography at an angel investment fund conducted by one of the authors, initial results point to "invisible" power dynamics that emerge between men and women investors. Therefore, although representation and quotes are important in driving this change, policymakers should also empower women investors to have a voice, especially when they represent a minority.

Raising awareness amongst both men and women investors would be the first step in allowing for a better overall performance of angel investment collectives. Furthermore, mentoring women investors may be essential to equip them with the tools needed to navigate emotional stress they might face, while also reducing tensions amongst genders and enabling them to forge healthy connections with their male counterparts.

## Conclusion

The persistent gender gap in startup funding across Europe presents a multifaceted challenge that requires urgent attention. Despite efforts to promote diversity and inclusion, women entrepreneurs continue to face significant barriers to accessing funding as evidenced by the stark disparities in fundraising outcomes. The root causes are complex, ranging from unconscious biases and gender stereotypes among investors, to structural inequalities within the investor ecosystem. Addressing these challenges requires a comprehensive approach that involves raising awareness, promoting diversity among investors, and implementing institutional interventions. By diversifying the investors ecosystem and empowering women investors, we can create a more inclusive environment that impacts eventual investment outcome. Additionally, fostering mentorship and support networks for female investors can mitigate the effects of bias and discrimination in the startup ecosystem. Ultimately, closing the funding gender gap is not only a question of fairness, but also a strategic imperative for unlocking the full potential of our economy and society. By working collectively to challenge stereotypes, dismantle barriers, and foster a culture of inclusivity, we can create a future where all members of society have equal opportunity to shine.

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## **[ Cultured cuisine: The business of food from the lab**

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### **Abstract**

Emerging cultured food technologies hold immense potential to revolutionize the food industry, offering sustainable and ethical solutions to feed a growing population. This paper provides an overview of cultured food (from meat to coffee), briefly describing some different technologies, examining 3 cases and highlighting both the exciting opportunities and the significant challenges that need to be addressed for widespread adoption in the near future.

Keywords: cell-based food, cultured meat, cellular agriculture, agrifood systems, lab-grown food

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# Cultured cuisine: The business of food from the lab

## Introduction

The world population is rapidly and continuously growing. It reached 8.0 billion in mid-November 2022 and, according to the UN, it is expected to increase to 9.7 billion in 2050, with a possible peak at nearly 10.4 billion in the mid-2080s. This phenomenon, combined with the wealth of economies and the diet shifts toward higher energy density foods, will result in a growing global demand for food. The demand for food in the world is therefore predicted to double by 2050, and most of this demand will come from developing countries, mainly in Asia and Africa.

Trends in developing economies usually show a shift over time toward a diet with higher percentages of added fat and sugar, more saturated fat intake (mostly from animal sources), and reduced fruit and vegetables consumption (Pullman and Wu, 2021).

According to the WHO, in 2030 the food consumption in terms of Kcal per capita per day will be 30% higher than in 1965 (see table 1).

**Table 1 - Global Food Consumption in terms of Kcal per capita per day**

Region	1964/1966	2015	2030
World	2,358	2,940	3,050
Developing Countries	2,054	2,850	2,980
Industrialized Countries	2,947	3,440	3,500

(Source: WHO)

The continuous growth of the demand for agricultural products is accompanied by a drop in the production capacity, partially also because of the decreasing amount of productive land still available. Table 2 presents the decline in the global production of major crops from 2010 to 2030, which ranges on average between 10% and 20%.

**Table 2 - Decline in the global production of crops from 2010 to 2030 (%)**

Rice	Corn	Wheat	Other Crops
-23%	-12%	-13%	-8%

(Source: Farming First - <https://farmingfirst.org/>)

According to Farming First<sup>1</sup>, by 2050 agricultural yields across the world will decrease on average by more than 10% due to climate change. This, and several other factors, poses a significant threat to the sustainability of our current agrifood systems.

In “The State of Food and Agriculture 2023”, the FAO explicitly stated that “The unsustainability and lack of resilience of agrifood systems are major concerns, exacerbated by market, institutional and policy failures that generate losses to society and inhibit much-needed transformation towards sustainability” (FAO, 2023)

The sustainability of global food systems is being challenged by a number of issues, in addition to climate change: old and new pandemic and diseases (related to the increasing urbanization of several countries, with higher population density and leading people closer to wild species, combined with the parallel increase in globalization, fast travel, and global

<sup>1</sup> <https://farmingfirst.org/>

fast transportation), loss of biodiversity, labour and social evolutions, lifestyles, and public health.

Several emerging technologies (from big data analytics to blockchain, from gene modifications to automation, from robotics to cultured food) may potentially help to solve the issues of current global food systems.

One of the key areas of innovation and research driving the development of more sustainable technologies is the search for alternative proteins with desirable nutritional profiles (Wood and Tavan, 2022). Currently, the main options for producing alternative protein sources involve finding a balance between the nutritional needs of these new food products and their ability to improve the sustainability of our food systems. These options include, among others, plant-based products, fermented and cell-cultured products, precision fermentation, insect proteins, and microalgal-based products (Wood and Tavan, 2022).

At the moment, most of these protein products go into pet food or animal feed, but we are already witnessing several cases of products for human consumption that have already been authorized, marketed, and are currently being sold in some countries.

In the following paragraphs, after a brief overview of cultured food, we will detail three cases of different companies already producing different categories of cultured food: meat, milk, and coffee.

## **Cultured food: an overview**

Cell-based. Cultivated food. Lab-Grown. Cultured food. In vitro. Sometimes, improperly and incorrectly, even “artificial food”, “synthetic food” or “clean food”<sup>2</sup>. These are all nearly synonymous terms, some more accurate than others, indicating a set of technologies shaping the future of food.

Even within the scientific community, there is no consensus regarding terminology, and a broad range of different terms are currently used. Most of them reflect their first use and the choice reflects the way mass-media presented these technologies at the beginning. For example, in 2013, one of the first products was described as a “lab-grown” beef burger at a press conference in London and then popularized by BBC News (FAO & WHO, 2023). More recently, in December 2020, chicken nuggets (actually resulting from a blend of cultured chicken and plant-based ingredients) represented the first product of this kind launched on the market after the official approval in Singapore. The media reporting this event called this innovative product as “No-kill, lab-grown meat” and “cultured meat” (Carrington, 2020).

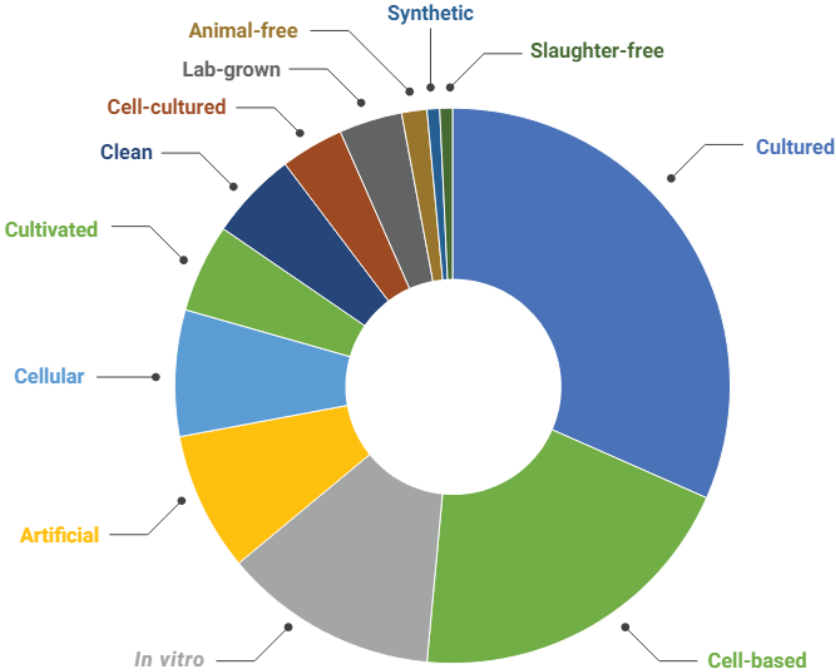
The FAO and WHO report (FAO & WHO, 2023), concluded that ““cell-based”, “cultivated” and “cultured” are the three major terminologies used or preferred by consumers, industry and the authorities. These terms are also commonly used in scientific publications, but a broader range of terms can also be found in many cases in science, including the terms “in vitro”, “artificial” and “clean” that were used more frequently in the early days of the technology developments. However, industry actors prefer to use “cultured”, “cultivated” or cell-based”, while the media use a more diverse array of terms including, but not limited to, “cultured”, “lab-grown”, “fake”, “clean”, “cultivated”, or “cell-based” (FAO & WHO, 2023).

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<sup>2</sup> For a broader discussion over the different terminology, see FAO & WHO, 2023.

In this paper we will therefore privilege “cultured food”, which is the most common terminology in scientific publications (see figure 1), but also largely adopted by consumers, industries, and authorities.

**Figure 1 - Relative share of the synonyms of “cell-based” food in the scientific literature**



(Source: FAO & WHO, 2023)

As the food of the future, of course, also reliably contributing to crafting a better food system, cultured food perfectly aligns with the goals of Agenda 2030. This agenda 2030 emphasizes reducing reliance on water and land usage, as well as animal exploitation. Technologies will definitely play an ever-more central and important role in achieving these goals, and cellular agriculture can be considered the perfect synthesis of all that.

Sinke et al. (2023) showed that the use of renewable energy to produce cell-based meat could reduce carbon emissions by 93%, soil usage by 95%, and water usage by 78%.

The anticipated arrival of this disruptive technology has predictably triggered a tangle of contrasting reactions, with a clear division between proponents and opponents. Among the latter are several farmers' associations around the world, particularly in Italy, France, and the US (Florida), as well as more conservative areas, that see laboratory food as a severe danger to tradition and even a potential threat in terms of health security. In some cases, such as in Italy ("Il Bel Paese"), a law was even passed to ban any business related to lab-grown food, even if this law has been severely questioned by the European Union in terms of legitimacy. On the opposite side, a large part of the global foodtech ecosystem, startups, researchers worldwide, and many governments have instead embraced the rise of this technology. Currently, countries like Singapore, the USA, and Israel have already authorized some companies to sell cellular agricultural products. The major reasons provided by those who support these technologies are related to the sustainability impact (in terms of use of natural resources such as land, feeds, water, land, impact on the environment, wastes, pollution, biodiversity, etc...), but also animal well-being, and higher safety for human consumption (for example, these products will be free from hormones, antibiotics, pesticides, etc...).

It's important to remember that cultured food represents a category of the so-called "novel food" and therefore it is subject to specific regulatory approval from each country's relevant authorities (such as the EFSA in Europe, the FDA in the US, etc...). The first cell-based products were approved in Singapore in 2020 when Eat Just started selling cultured chicken nuggets in a single restaurant (Wood and Tavan, 2022). Actually, the first cell-culture-based beef burger was produced a long time before, in 2013, by a Dutch scientist, Mark Post, at the cost of \$330,000 (Post, 2014).

Despite the complicated road to market, investments haven't stopped. According to the Good Food Institute, in the past 10 years, cell-based startups have collectively raised more than 3 billion dollars. Notably, some of these investors are even meat industry giants.

## **How is cultured food produced?**

In the production of cultured food we can identify three main elements:

- The cells
- The growth media
- The bioreactor
- The cells can be considered the "starting point." The technology requires stem cells that can be obtained from two primary sources:
- Directly from the food to be replicated, such as beef tissue, duck liver, a fish fillet, or a coffee bean. This method is completely safe for the animals and does not create any damage to them.
- Secondary sources, such as cryopreserved cell cultures.

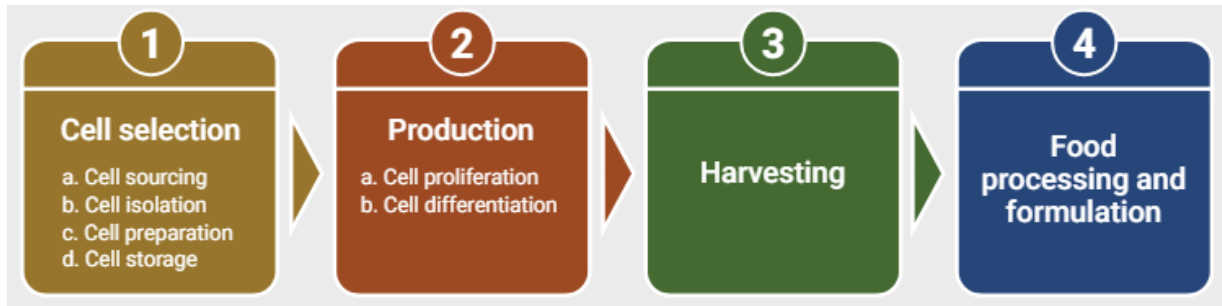
Cells are then inserted into a growth medium, in a sterile environment. The growth medium is probably the most controversial aspect of cell-based food, still subject to smear campaigns by various farmers' associations. We must consider that in the first lab-grown meat prototypes and experiments, fetal bovine serum (FBS), a by-product of the meat industry, was used as the growth medium. However, FBS has been progressively abandoned due to ethical, sustainability, and economic concerns. The cellular agriculture industry is now transitioning to FBS-free alternatives.

The growth medium with the cells is then placed in a bioreactor, where the cells multiply through a process similar to tissue engineering (fermentation process). The output of this process can be a beef steak, a pork chop, a fish fillet, a glass of milk, or a coffee or cocoa bean or powder.

In synthesis, cell-based food production's four main phases could be described as follows (FAO & WHO, 2023):

1. cell selection;
2. cell growth and production;
3. cell harvesting;
4. food processing.

**Figure 2 - A generic overview of the cell-based food production process**



(Source: FAO, 2022, Thinking about the future of food safety - A foresight report, Rome - [www.fao.org/3/cb8667en/cb8667en.pdf](http://www.fao.org/3/cb8667en/cb8667en.pdf))

Undoubtedly, such a complex technology presents many critical points, the first and most obvious being scalability, which justifies the huge amount of money invested to date. Other challenges, now almost solved, are represented by the “mouthfeel” and “texture” of the product (for example of a beef steak), which is not only a group of cells, but also needs to have a specific structure and texture.

Two specific aspects, among several, are usually presented as the major challenges in this field: consumer acceptance (from different perspectives, from the taste and organoleptic features to the psychological barriers) and the potential issues in terms of food safety and security.

Regarding the taste and organoleptic features of cultured food, the most recent techniques have improved a lot and are now able to replicate quite well not only the cells (which are identical to the “natural” ones), but also the texture, mouthfeel, firmness, and smoothness.

Regarding safety and food security, the FAO and WHO report<sup>3</sup> examined case studies (mainly from Israel, Qatar, and Singapore) and their respective regulatory frameworks. The document covers all aspects related to cultured food, from production techniques to terminology, stating that “*currently a limited amount of information and data on the food safety aspects of cell-based foods to support regulators in making informed decisions*”. The report highlighted that “*experts agreed that while many hazards are already well known and existing equally as well in conventionally produced food, the focus may need to be put on the specific materials, inputs, ingredients (including potential allergens), and equipment that are more unique to cell-based food production. While the list of hazards identified forms a strong basis for the next steps, more data generation and sharing at the global level are essential to create an atmosphere of openness and trust that will enable the positive engagement of all stakeholders*” (FAO & WHO, 2023).

## Cases

The number of startups and research groups that are successfully developing, implementing, and improving the technologies to produce cell-based food (not only meat, but also fish, vegetables, and other products such as milk or oil) is literally booming.

As soon as the first governmental authorization appeared, the run to be “the first in the market” began. Cell-Based, a division of FoodBev.com, has created an international award. On November 9th, 2023, the first edition of the World Cell-based Innovation Awards took

<sup>3</sup> FAO & WHO, (2023) available at (last accessed May 2024): <https://openknowledge.fao.org/server/api/core/bitstreams/4594c44d-213d-48e9-83b2-a2cd8a37ed92/content>

place and the winners of the 2023 competition, divided by category, are presented in table 3. It can easily be seen that cultured food technologies are now being applied successfully to several different categories of food. While originally and still today largely associated with meat production, cellular agriculture now covers a broad range of food products: meat, fish, vegetables, and more.

**Table 3 - Winners of the 2023 World Cell-based Innovation Awards**

<b>Category</b>	<b>Company</b>	<b>Product / Area</b>
Cell-based Drink	Senara	Milk
Cultivated Meat	TissenBioFarm	Whole-cut cultivated beef with marbling
Cultivated Dairy Product	BIOMILQ	Cell-cultured human milk
Cell-based Seafood	Umami Bioworks	Cultivated grouper fillet
Cell-based Ingredient	C16 Biosciences	Palmless palm oil
Technology Innovation	The Cultivated B	AUXO V bioreactors
Cell-based Business	BioBetter	BioBov

(Source: <https://www.thecellbase.com/posts/winners-announced-world-cell-based-innovation-awards> - Last accessed April 2024)

All these categories and these examples represent the variety, the dynamic growth, and the success of research and development in cultured food technologies. In the following paragraphs 3 cases are briefly presented. They cover three different products: meat, milk, and coffee. They represent examples of applications of these technologies to different categories of food, contrasting with the widespread public opinion that mainly associates cultured food with meat production only, and provide deeper evidence of different techniques in the field.

***1/ Mosa Meat: producing cell-cultured meat***

Mosa Meat is a food company, founded in 2016 and currently headquartered in Maastricht, Netherlands, producing cultured meat.

Among many, one definition of “cultured meat” could be the following, synthesizing all its major characteristics: “cultured meat is meat grown from animal muscle cells in isolation without the need to raise animals” (Wilks and Phillips, 2017).

The story of Mosa Meat started in 2006 when the scientist Mark Post and the food technician Peter Verstrate met for the first time, thanks to a government-funded program for exploring the opportunities of cultured meat. After the program ended, Mark and Peter continued their research activity until 2013 when they unveiled the world’s first cultured beef burger at a packed press conference in London. This first burger required several years of research and cost almost €250,000 to make. Following these initial successes, in 2016 Mosa Meat was incorporated and the team of scientists and engineers started to grow. Crucial technical milestones were reached, like adding fat, removing animal components from the production process, and reducing the cost.

On April 16th, 2024 Mosa Meat announced that it has successfully collected €40M in new capital to finance their next phases: further scale up the production processes, drive down the cost of production, and prepare for market entry. This capital increase was led by big investors such as Lowercarbon Capital, M Ventures, Invest-NL (the Dutch state-owned impact investor, partly with coverage by InvestEU, the European Commission program supporting initiatives that align with EU policy priorities).

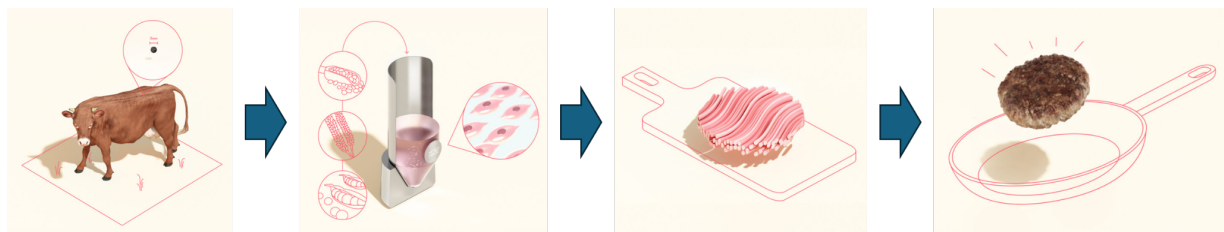
Their activity, mission and values are described on their website as follow <sup>4</sup> :  
*“We’re making the beef burgers of the future. They don’t taste ‘just like’ meat. They are real meat. Real beef that oozes and sizzles with real fats and juices. We’re making these burgers so people can make a positive impact on the planet, simply by swapping delicious beef... with delicious beef.*

*We want to serve you a burger that’s just like a regular burger. Mouth-wateringly moist and packed full of flavour, and that looks, smells, and tastes just as good — with the big difference, that no animals were harmed in the making.*

The four main phases of the production process are described by Mosa Meat as follows<sup>5</sup>:

1. Just like a farmer chooses the best steers for the butcher, the healthiest cows and the best cells are selected to grow the meat. Instead of being butchered and sent to the, the cows are free to roam the fields once the sample of cells is collected. The sample is the size of a peppercorn: 0,5 gr. sample taken under anesthesia with a standardized veterinary procedure. The sample leads to the selection of 33.000 myosatellite cells, to produce 80,000 burgers from one sample.
2. In the lab, the cells collected from the sample are “nurtured” with nutrients, vitamins, a comfy climate and fresh air, replicating a natural environment. In this way they “proliferate”, multiplying into trillions of cells. In the lab the production takes place in an oxygen-rich environment with controlled temperature. This phase of cell growth is completely free of any animal components
3. By allowing nature to take its course, the cells become fully fledged muscle and fat, just like they would inside a cow. Muscle cells merge naturally and 0.3mm long primitive fibers form (myotubes), placed in a gel that is 99% water. Fibers from one sample grow to 800 million strands of tissue.
4. Muscle tissue reaches maturity and, in combination with fat tissue, they could be prepared for cooking

**Figure 3 - Schematic representation of the production of cultivated meat**



(Source: Mosa Meat - <https://mosameat.com/> - last accessed April 2024)

<sup>4</sup> <https://mosameat.com/> - last accessed April 2024

<sup>5</sup> <https://mosameat.com/> - last accessed April 2024

On its website, Mosa Meat clearly stated what they think are the major benefit and opportunities of their business activity:

1. being kinder to consumers, as the product (the burger) is “cleaner” and the company is fully accountable for “every cell” produced, which makes the product safer and better for human health (free from any type of “contamination”).
2. being kinder to society worldwide, as the product could be easily accessible to everyone in the world, everyone should have the right to eat good quality, nutritious food.
3. being kinder to cows and other animals, because to make ten thousands burgers only a small cell sample from a single cow is needed. Cows are not killed, they do not suffer, no slaughter is required and much fewer cows are needed. By reducing the number of cows needed for meat production, there is less need of space and no need to take away any other animals from their own habitats.
4. being kinder to the planet, as these techniques require much less water; less land (and therefore less deforestation to create pasture and animal feed), less chemicals and a similar amount of energy.

## ***2/ Remilk: precision fermentation for milk and dairy products***

Remilk is an Israeli startup founded in 2019 by Aviv Wolff, an experienced entrepreneur, and Ori Cohavi, PhD in biochemistry, who has worked in R&D for different biotech firms. This startup has revolutionized the dairy industry with an innovative approach to producing lab-grown milk using precision fermentation (PF) technology. This sophisticated technique leverages the power of microorganisms, such as yeast, to produce proteins identical to those found in cow's milk. This process involves inserting genes encoding the desired milk proteins into the microorganisms, which then produce these proteins during fermentation. Regarding funding, Remilk completed an \$11.3 million dollars Series A at a \$30 million valuation in December 2020, followed in 2022 by a \$120 million dollars Series B, led by NY-based Hanaco Ventures together with a lot of other big international investment funds<sup>6</sup>.

Additionally, in June 2023, Remilk announced that three top managers from world-renowned food & beverage companies were appointed to the Board of Directors: Alicia Enciso (recent CMO of Nestle USA), Floris Wesseling (recent President of Danone Europe) and Pedro Padierna (former CEO and Chairman of PepsiCo Mexico)<sup>7</sup>.

Remilk's commitment to bringing its products to consumers worldwide is evident in its strategic market expansion efforts. In early 2024, Remilk received a "No Questions Letter" from Health Canada, the governmental department in charge of food safety. This opens the North American market not only to their milk but also to all their synthetic dairy products made using the beta-lactoglobulin protein (Blg), produced through precision fermentation without animals but entirely equivalent to its bovine counterpart. Their product range also includes lactose-free, cholesterol-free, and growth hormone-free ice cream, yogurt, and cream cheese.

This is the fourth market outside the European Union to open up to synthetic milk. In February 2023, Remilk received the “green light” from the US Food and Drug Administration

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<sup>6</sup><https://www.calcalistech.com/ctech/articles/0,7340,L-3926451,00.html> - last access: April 2024; and <https://www.remilk.com/newsroom/remilk-tm-raises-120-million-in-series-b-funding-signaling-animal-free-dairy-at-scale-is-closer-than-ever> - last accessed: April 2024

<sup>7</sup> <https://www.dairyreporter.com/Article/2023/06/22/Remilk-attracts-former-Nestle-Danone-and-PepsiCo-execs-to-Board-of-Directors> and <https://www.remilk.com/newsroom/remilk-attracts-top-food-beverage-execs-from-danone-pepsico-and-nestle-to-board-of-directors> - Last accessed: April 2024













(FDA), a recognition of their product's safety for human consumption and legal entry into the US market. This was followed by approval from the Singapore Food Agency and, shortly after, also from Israel, with Prime Minister Benjamin Netanyahu himself visiting their facility and commenting on the country's leading role in food-tech research and development. Remilk also signed a major commercial agreement in 2023 with Central Bottling Company (CBC Group), the exclusive Israeli affiliate of Coca-Cola, to launch a range of milk-based beverages, cheeses, and yogurts made with their proteins upon receiving the necessary approvals.

Although nearly identical in its structure and ingredients, milk varies dramatically between mammals in its composition<sup>8</sup>, see Figure 4.

**Figure 4 - Major Constituents of Milk from Different Species (% values)**

**Major Constituents of Milk from Different Species**  
(Values expressed in %)

Habitat		The Arctic		Desert & dry conditions		Domestic Herbivores		Domestic Predators	Savanna Herbivores	
Species										
Water	<b>87.8</b>	49.2	30.8	90.8	86.1	82.5	87.4	76.2-78.8	81.1	77.4
Fat	<b>3.8</b>	35.1	53.2	0.6	4.5	7.4	3.7	8.3	9.3	12.5
Lactose	<b>7.0</b>	3.9	5.5	6.1	5.0	5.5	4.8	4.1	3.7	3.4
Proteins	<b>1.2</b>	10.6	9.7	2.1	3.7	3.8	3.4	7.5-10.1	5.1	5.8
Ash (minerals)	<b>0.2</b>	1.2	0.86	0.4	0.7	0.8	0.7	1.3	0.73	0.9

(Source: Elemental Composition Of Human And Animal Milk, A Review by G.V. Iyengar. A report prepared under the auspices of the IAEA in collaboration with the World Health Organization, Vienna, 1982 - [www.remilk.com](http://www.remilk.com))

Among all these differences in milk, Remilk products are declared to be “identical to the perfectly balanced cow-milk protein<sup>9</sup>”. Even the name “Remilk” is the acronym of “real milk” (their slogan is “Real Milk/Dairy, no cows”).

These synthetic dairy products are made by inserting genes for the desired protein molecules into yeast, which then produces them during fermentation in an incubator. Once the protein solution is obtained, it undergoes dehydration to create a highly versatile powder. Remilk's milk proteins are produced through a fermentation process using engineered yeast, making them "chemically identical" to those of cow's milk. According to the company, the resulting product is indistinguishable from "traditional" milk in terms of taste and functionality, "but with the advantage of being free of lactose, cholesterol, antibiotics, and growth hormones." The startup guarantees a 100% resemblance to "real" milk and declares its products "indistinguishable from old-fashioned dairy"<sup>10</sup>.

According to what they declare, these technologies require only 1% of the land, 4% of the feedstock, and 10% of the water to produce comparable products in traditional dairy

<sup>8</sup> <https://www.remilk.com/newsroom/how-we-turned-milk-into-a-better-version-of-itself> - last accessed: April 2024

<sup>9</sup> <https://www.remilk.com/newsroom/how-we-turned-milk-into-a-better-version-of-itself> - last accessed: April 2024

<sup>10</sup> <https://www.remilk.com> - last accessed: April 2024

systems. Overall, they declare to consume only 5% of the resources needed for traditional dairy production and to produce only 1% of waste<sup>11</sup>.

A report by Research and Markets predicts that the dairy alternatives market will grow to \$21.34 billion in 2028 at a compound annual growth rate of 8.8% (up from around \$13 billion in 2023)<sup>12</sup>. Remilk positions itself as an alternative to plant-based products, but distinguishes itself by using precision fermentation to replicate cow milk proteins at the molecular level, making them chemically identical to those in "original" milk. Remilk estimates that its sales will reach \$600 million USD by 2026<sup>13</sup>.

Remilk's entry into the Canadian market clearly presents a challenge to the traditional dairy industry. While the company's carbon footprint needs further clarification and careful evaluation, it aims to capture significant market share with innovative products that could forever change how we consume milk and its derivatives. Precision fermentation-based dairy products offer several advantages over traditional dairy, including being lactose-free, cholesterol-free, and free of antibiotics and growth hormones.

Remilk is not the only startup of this kind, especially in Israel, where the government declared FoodTech as one of five new national investment priorities for the next five years. The Israel Innovation Authority (IAA) announced in 2023 the allocation of 50 million shekels (equivalent to 12.5 million Euro) to build a research and development center focused on advanced fermentation of microorganisms like yeast or fungi to produce alternative proteins on a large scale and maintain Israel's advantage in this sector. Over the past decade, the IAA has allocated 230 million shekels in subsidies to FoodTech, with over 140 million shekels dedicated solely to alternative proteins.

Numerous other companies are already operating in the field of alternative dairy proteins using similar technologies, such as the Israeli startup Imagindairy, which produces whey proteins and casein that they declare to be completely identical (at least from a purely "chemical" point of view) to animal-based products, likely for use in other dairy products.

### ***3/ Stem: coffee powder from the lab***

STEM is a Paris-based startup, founded in 2022 by Tom Clark (a specialist coffee roaster and wholesaler), Henri Kunz (biotech IP specialist), and Chahan Yeretian (analytical chemist). STEM has developed a cellular agriculture solution to produce coffee from Arabica coffee plant cells.

The production process begins with undifferentiated coffee cell materials from selected varieties. These are propagated in a liquid suspension using a plant growth medium before being upscaled in a bioreactor through a fermentation process<sup>14</sup>.

STEM has also developed an innovative and specific natural flavor engineering technique sourced exclusively from coffee by-products. This technology can enhance the sensory experience by extracting various precursors from different parts of the coffee cherry, leaves, green coffee beans, and spent grounds. The process is very similar to the one for lab-grown meat, except that here the process is obviously entirely plant-based, with no animals involved.

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<sup>11</sup> <https://startupitalia.eu/startup/non-solo-carne-remilk-e-la-startup-del-latte-sintetico> - last accessed: April 2024 and <https://www.calcalistech.com/ctech/articles/0,7340,L-3926451,00.html> - last accessed: April 2024

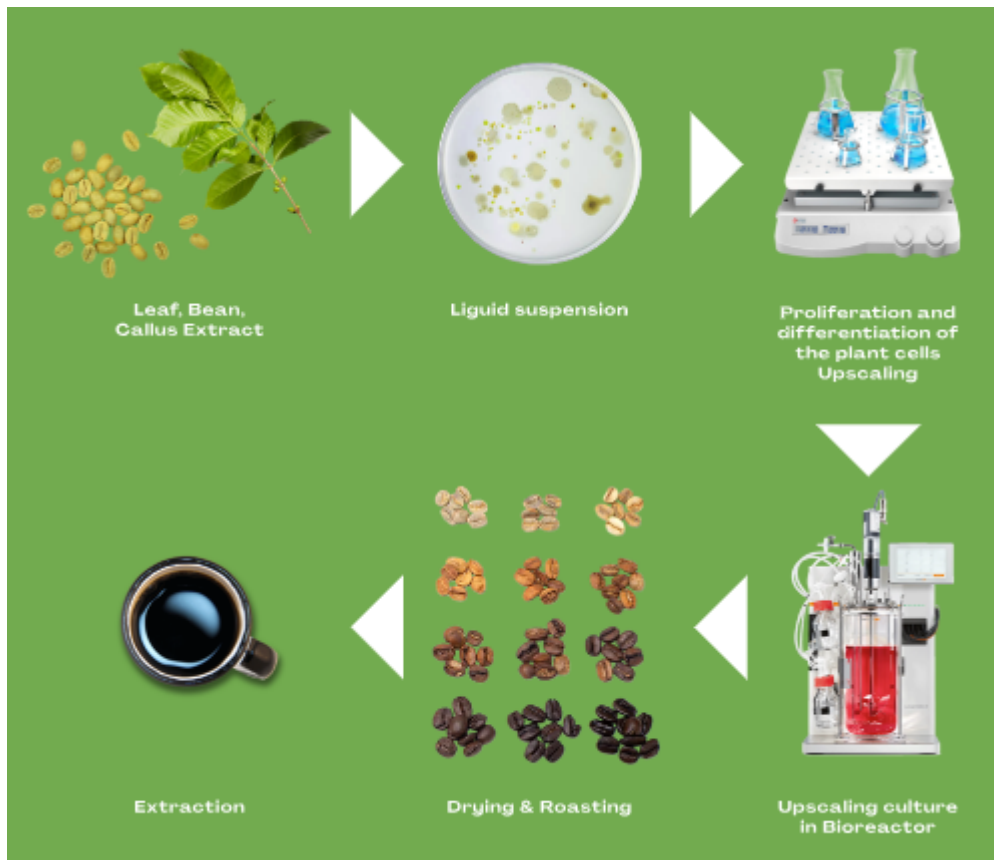
<sup>12</sup> Research and Markets, Dairy Alternatives Global Market Report 2024

<sup>13</sup> <https://www.calcalistech.com/ctech/articles/0,7340,L-3926451,00.html> - last accessed: April 2024

<sup>14</sup> <https://s-tem.fr/#technology> - Last accessed: April 2024, <https://s-tem.eu/>

The product is a green coffee powder and not beans, because it would require extra energy, efforts, processes and would not add much value. This powder is then dried and roasted just like regular coffee beans. The roasted coffee powder is then ready for extraction using various popular methods. Once roasted, the granular size of this powder is very close to what you want for filter coffee without grinding. Initially, the STEM product is suitable for brewing as filter coffee. In a second step, they will also target the espresso market.

**Figure 5 - The production process of coffee with STEM technology**



(Source: STEM® - <https://s-tem.fr/#technology> – last accessed April 2024)

Of the two coffee varieties, Arabica and Robusta, Stem is targeting Arabica because Robusta is much more prolific, stronger, and more resistant, while Arabica is more sensitive and therefore its future is more uncertain.

Also in the case of coffee, climate change represents a significant threat to the future of the coffee market, for several reasons. The amount of land suitable for growing coffee, particularly the well-known and most popular Arabica variety, is shrinking. Arabica is very fragile as it is very sensitive both to temperature and to diseases. In fact, Arabica variety thrives in specific temperature ranges, which are shifting upwards due to global warming. Additionally, its genetics makes it highly susceptible to pests and diseases, a weakness exacerbated even more by climate change.

By 2050, projections indicate a 50% reduction in land suitable for Arabica cultivation. While moving coffee plants to higher altitudes is a potential solution, it comes with the unfortunate consequences of increasing deforestation, declining crop yields (soils at higher altitude are usually less productive and more costly), and with negative impacts on various environmental aspects like biodiversity.

On the other hand, global coffee demand continues to rise. Coffee is the third most consumed beverage in the world, after water and tea. Some studies predict that coffee consumption might triple by 2050. China and India, two of the world's most populous nations, are experiencing a significant increase in coffee consumption. This surge in demand from such massive populations fundamentally alters the landscape of coffee production and necessitates innovative solutions.

Additionally, in this landscape of divergence between the natural production capacity and the global demand, alternative solutions should take into account that coffee consumers are particularly sensitive to the quality, taste, aroma, and all the organoleptic characteristics of the product.

The development of techniques such as the one implemented by STEM could contribute to mitigate this divergence, by preserving the taste and the aroma, and potentially controlling also other elements, such as the level of caffeine. Clearly it will never be a complete replacement for agriculture coffee and especially for premium quality coffee, but it should probably be seen as a good complement for the production.

## Looking ahead

From a business perspective, two main trends will shape the near future of cultured food:

1. Market consolidation: We will likely see a significant consolidation within the industry, with many startups and companies shutting down, primarily due to the scalability challenges mentioned earlier.
2. Expansion of the Pro-Nations: More countries are expected to follow the lead of Singapore, the USA, and Israel and approve the sale of cellular agricultural products. As of today, potential candidates include Switzerland, the UK, and Canada.

In the medium to long term, surviving companies will likely engage in extensive marketing efforts to raise public awareness and stimulate debate. This is crucial to create a market that currently remains largely nonexistent.

On May 15, 2024 Good Meat announced that its cultured chicken was now sold by a retailer in Singapore and was priced at 7.20 SGD (around 5 Euro) for a 120 g. package<sup>15</sup>. This is the first time that cultured chicken meat is sold at retailers allowing customers to buy it and cook at home.

The combined effect of the aforementioned challenges and the absence of a fully established market makes reliable predictions difficult. Therefore, forecasts from general market research companies should be viewed with caution.

A valuable resource to understand better possible future trends is the report "Food for Thought: The Protein Transformation," published in March 2021 by the Boston Consulting Group (BCG) and alternative protein investor Blue Horizon<sup>16</sup>. This report, considered a benchmark within the food technology sector, estimates that cell-based proteins could achieve cost parity by 2032. Additionally, this report also demonstrates how in the next decade cell-based protein production will register a higher growth rate (CAGR) compared to other alternative protein sources (plant-based and microorganisms-based).

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<sup>15</sup> <https://www.goodmeat.co/all-news/good-meat-begins-the-worlds-first-retail-sales-of-cultivated-chicken> (last accessed: May 20, 2024)

<sup>16</sup> <https://bluehorizon.com/insight/food-for-thought-the-protein-transformation/>

## Conclusions

Looking at the market data and some successful stories, we could definitely state that we are witnessing the rise of something with a positive impact that could change our lives, impacting the food on our tables, and the environment. However, the path is still long, with several challenges still unsolved, clear evidence on several aspects still required, and therefore we will probably need a couple of generations, or maybe more, for a full acceptance and a significant market presence of these products.

Furthermore, a significant amount of scientific research still needs to be done. Many challenges in terms of techniques, data analysis, differences in the quality of proteins, etc. are still open and need to be addressed with more consistent data and research. However, the sector is definitely promising, and the trajectory seems to be quite clear.

Another interesting question would be to see if the introduction of these new products and techniques will significantly impact consumers' behaviours (for example, in terms of lower meat consumption). Even if there is not clear evidence, probably consumers will slowly adapt their habits to the new products offered in the market, even if consumer acceptance cannot be taken for granted (Rosenfeld and Tomiyama, 2022). Disgust toward cultured food is still a strong potential barrier to consumer acceptance, mainly due to its perceived unnaturalness (Rosenfeld and Tomiyama, 2022).

These new processes deeply impact the “emotional side” of food consumption, which is an “experience” that strongly affects the emotional (and the unconscious/irrational side) of human beings. This will imply a significant increase in consumer knowledge, more awareness, and education about these new products and techniques, with a collaborative mindset, free of ideological prejudices. This means that cultured food and traditional food could not be presented as opponents, but as valuable allies for better human nutrition and a more sustainable planet.

The traditional meat industry's large investment in alternative protein producers is a clear sign of the potential for synergies and alliances between the two. On the other hand, caution is inevitable as evidenced by the case of plant-based alternatives such as Beyond Meat and Oatly having lost over 60% of their market value in the last year when they failed to meet the financial market expectations.

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## **[ Romantic relationships: Future challenges in the era of dating apps**

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### **Abstract**

It has been over a decade since dating applications arrived in Europe from the United States, significantly impacting European practices and beliefs regarding romantic relationships. In this article, we look back at the adoption of dating apps in Europe, focusing both on the ideological shifts and resistance among European users, and we draw forecasts for the coming years.

Keywords: Dating apps; Consumerism; Societal Change; Consumer Ideologies

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## Romantic relationships: Future challenges in the era of dating apps

Dating apps were born in the United States, with Tinder in 2012, and have quickly invaded the European market ever since, contributing to a deep societal change in romantic relationships. In Europe, online dating services have now recruited around 77 million users (88 million expected by 2028) and generated 624 million USD in 2023 with no signs of slowing down (Statista 2023a, 2023b).

At first, dating apps had a sulphurous reputation for corrupting morals (or at least transforming societal norms), as illustrated by this *Guardian* article in 2014, in which a Tinder user explained: “How Tinder took me from serial monogamy to casual sex” (Moore 2014). Interestingly, over the years dating apps have successfully transformed their reputation, transitioning from a service seen as only facilitating casual encounters to a mainstream platform also promising access to love or serious relationships. It is now common to come across an article listing the best applications to ‘find love’, and today ten percent of serious relationships or marriages started on a dating site or app (Sales 2023). Dating apps have therefore become complex service providers that promise to satisfy a wide variety of consumers’ needs, ranging from one-night stands to marriage with kids.

Dating apps therefore appear as interesting consumption contexts where conflicting aspirations and beliefs co-exist. Sociologists established that consumers can uphold two conflicting ideologies on these apps (Illouz 2021). On one hand, individuals may embrace a romanticized view of love, rooted in the pursuit of a unique and enduring connection with a life partner (i.e., pre-modern view). On the other hand, they may adopt a consumerist ideology, which emphasizes maximum personal freedom, for instance by multiplying sexual partners and experiences (i.e., post-modern view).

Building on this first observation, we study how consumers react to the coexistence of antagonistic visions, goals, and practices.

We have noticed a phenomenon of cyclical dissatisfaction and resistance to the apps. The usage cycles include a conversion phase as consumers embrace the consumerist ideology even if it sometimes diverges from their personal ideological view on love. As they change their own dating practices to match the ones promoted by the consumerist ideology (e.g., polygamous dating), they experience ideological conflict which eventually reaches a climax before leading to a second phase of ideological resistance and the abandonment of dating apps. Yet, consumers go back to dating apps after temporary breaks, once again seduced by their promises.

In this short article, we rely on media data to study (i) how dating apps have been presented in France over the past eight years; and (ii) how app resistance has gained importance, (iii) to later forecast how the dating apps market may evolve in the coming years.

### Media listening analysis

For this analysis, we extracted the 565 press articles published about dating apps in France between 2015 and 2023 using Bilbio Euro Press database. We limited our extraction to the ten most read outlets in this country (e.g., *Le Monde*, *Le Figaro*, *Le Parisien*) and ran the search with the six most common terms for dating apps in French as keywords (i.e., “applications de rencontre,” “application de rencontre,” “app de rencontre,” “apps de rencontre,” “applis de rencontre,” “appli de rencontre”).



We reviewed the existing literature on dating apps to identify key drivers of their socio-cultural acceptance/rejection. This helped us identify three themes (i.e., romantic love, consumerism, and app resistance) that shape structural discourses on dating apps. Next, we screened the abstracts of each media article and listed the words related to these pre-identified themes in order of occurrence.

For each theme, we kept the ten most frequently mentioned words and asked a research assistant to compute frequencies for each of them (including word stems, e.g., “finding love,” “to find love,” and “finds love” were all counted under the word “finding love”) in the whole dataset. We studied the **frequency ratio**, by dividing the number of keyword occurrences by the number of pages of articles. Based on this analysis and our grounding in the academic literature, we explore how the perception of dating apps in France has evolved over the past decade.

**Three dominant themes**

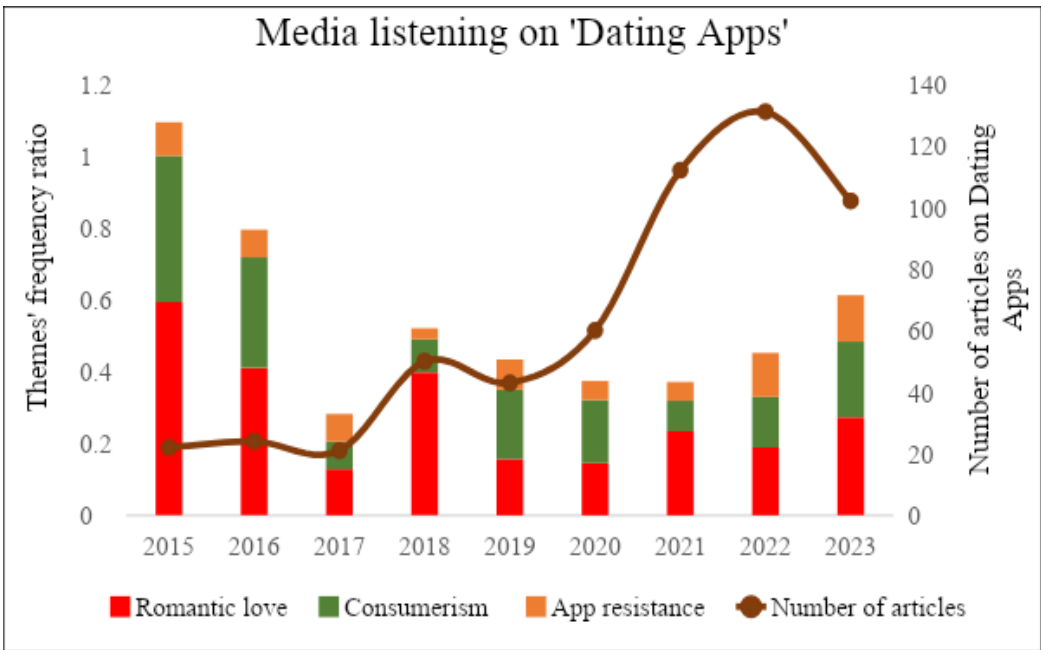
We studied the three following themes, each captured in ten focal keywords.

**Romantic love.** The media nurture the idea that dating apps can be used to ‘find love’. In this theme we counted the mentions of keywords such as “finding love;” “looking for love;” “love at first sight;” “marriage;” “commitment;” and “soulmate.”

**Consumerism.** The media also present dating apps as a ‘market’ (mainly for sexual encounters). In this theme, we included keywords such as “supermarket;” “Uber for sex;” “one-night stand;” and “dehumanization.”

**App resistance.** Importantly, we noticed that dating apps are also associated with what Judith Duportail labeled ‘dating fatigue’ (Duportail 2021). The app resistance is characterized by keywords such as “dating fatigue;” “unsubscribe;” “disillusion;” “disenchanted;” and “rejection” (of the apps).

Figure 1. Analysis of press articles on dating apps (in France, between 2015 and 2023).



We derive three main takeaways from this media listening analysis (cf. Figure 1):

- The attention to the dating app phenomenon during the **pandemic**
- The **defeat of the romantic vision** of dating apps
- The rise of some **societal resistance**

## **2015-2023 trends**

**The attention to the dating app phenomenon.** In 2022, dating apps were referenced in six times more articles than in 2015 (before recording a slowdown in 2023). This confirms that European societies have undergone significant shifts in their dating practices, garnering heightened media attention. We also observed a peak during the pandemic when social isolation and loneliness were intensified by the lockdown conditions and app-based communication reached an all-high across social domains. However, the coverage of the dating app topic has evolved over time.

**The defeat of the romantic vision.** In 2015, the frequency ratio of references to 'romantic love' approximated 60%, but fell below 20% in 2017, 2019, and 2022. This means that while 'romantic love' used to be the predominant association with dating apps in the media, it has now become of secondary importance. In 2019 and 2020, terms related to 'consumerism' even gained more presence than terms related to 'romantic love' in the articles we analyzed. The takeaway is twofold. First, as dating apps became a more mainstream phenomenon, the media increasingly gave attention to a variety of issues (such as fear of scams on these apps) beyond what was assumed to be their first purpose (i.e., romantic love). Second, society has accepted that dating apps could promote other types of practices and relationships, without necessarily leading to love and commitment (e.g., polyamory).

**Societal resistance.** The press has documented the dangers or limits of dating apps, such as the emergence of dehumanized behaviors (e.g., ghosting), leading to users' depression or 'dating fatigue' (Nicolle and Guelmami 2022). In our ongoing study, we realized that dating app users are reluctant to fully embrace a consumerist vision of relationships. On the contrary, their usage of the apps is tenuous: it starts with a high degree of uncertainty, continues with an ego boost, which encourages a more intense usage of the app, until this ego is threatened by other users' misbehaviors, leading to disengagement with the app. App users can endure several cycles before giving up the apps completely.

## **Latest evolutions that should continue in the next decade**

### *The end of excitement and the normalization*

The usage of dating apps has become increasingly normalized in Europe. The recent decrease in media coverage of this topic reveals the increasing legitimacy (Humphreys 2010) of dating apps. What was once considered a relatively niche or stigmatized way of meeting potential partners has now become a mainstream method of dating for many people. We, for instance, noted in our ongoing study that young adults no longer hide this practice from their parents. Overall, while the normalization of dating apps has democratized the dating process and provided new opportunities for connection, it also comes with challenges and potential drawbacks. While dating apps are still recruiting new users, the period of abundance may be over as consumers tried dating apps for the novelty. The market has reached maturity. If this excitement phase is over, the dating app market

will become even more competitive. The current increase in market fragmentation seems to suggest that competition will keep increasing in this market.

### *The fragmentation of the dating app market*

The dating app market is becoming increasingly fragmented. Initially dominated by a few major players like Tinder, Bumble, and Happn, the market has seen a proliferation of niche dating apps catering to specific demographics, interests, and preferences, such as religious affiliation, ethnicity, age group, sexual orientation, or even hobbies like fitness or music. These apps offer a more tailored experience for users seeking partners who share their values or interests. Further, as societal attitudes toward dating and relationships evolve, so do the needs and preferences of users. The fragmentation of the dating app market reflects the maturity of the market but also the diverse ways in which people seek companionship and connection in the digital age. Moreover, in reaction to the market resistance, we may see appearing specific apps for each need. For example, apps offering romantic love could become separated from those offering sexual encounters (or friendship). While this would allow clearer matching of consumers' expectations, the risk for stigma associated with the more casual platforms is great. In terms of business models, we could see the emergence of more premium options for serious and qualitative relationships.

### *The slow dating trend*

App resistance discourses and criticisms of app-based consumerism have led to the emergence of a new practice: slow dating. Slow dating is about being intentional, patient, and mindful in the dating process, with the goal of forming meaningful connections that have the potential to grow into fulfilling relationships over time. Unlike the current view of app-based dating where people may seek to accumulate matches and quickly move from one love prospect to the next, slow dating encourages a more mindful approach. Slow dating has gained traction in response to the fast-paced nature of modern dating culture, which often involves swiping through profiles rapidly and engaging in casual hookups. While slow dating often involves stepping back from the rapid-fire swiping and messaging common on dating apps, technology may still play a role in facilitating meaningful connections. Future dating apps may incorporate features that support slow dating, such as curated matches based on compatibility and shared interests as well as features that support mindfulness and mental health in dating. Specialized apps targeting this trend are also emerging (e.g., Once, Timeleft) and may gain in popularity.

## **Conclusion**

Overall, this media listening analysis is rich in insights about the trends of the dating app market. In an ongoing project, we will complement the media data with interviews and extended diaries of app users. While this market has become mature in Europe in the past decade, we do not expect this phenomenon to fade away but rather to gain complexity and nuances.

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## **Beyond entrepreneurial chaos: Establishing company principles through the plasticity method**

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### **Abstract**

To avoid chaos, lack of efficiency, or the rapid obsolescence of their strategy, fast-growing ventures need to ensure effective organizational processes. This capacity is often a challenge for European start-ups and large corporations, which typically struggle to scale their innovative projects. Consequently, these organizations may face significant economic, social, and ecological setbacks, as they fail to implement new business models or scale their organizations. To navigate this turbulent world, several authors underline the value of implementing company principles to steer change at individual and collective levels. However, the design and implementation of this organizational practice remain a very difficult point. In this impact paper, we describe a new method that we label the *plasticity method*. Based on multiple research projects and hands-on experience, we detail how this participatory strategy-making approach can support the design and implementation of company principles. Central to this approach is the concept of plasticity, an existing brain mechanism that we adopt and apply in our research to define the malleability of the principles to fit multiple contexts. In doing so, this method facilitates the transition from a chaotic entrepreneurial project to a sustainable organization, avoiding the pitfalls of excessive bureaucratization.

Keywords: entrepreneurship, strategy, company principles, decision-making.

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## **Beyond entrepreneurial chaos: Establishing company principles through the plasticity method**

For emerging entrepreneurial ventures going through rapid development stages and experiencing high turnover rates, there is an increased risk of quickly losing internal stakeholders' adherence to rules and processes. This challenge is further complicated by substantial pressure from investors and the market to achieve profitability within novel shorter timeframes, which in turn undermines the scalability and long-term sustainability of rapidly expanding ventures. Compressed timeframes undermine the ability to reinforce these processes.

One solution to tackle these issues is the implementation of company principles. Fuchs, Sandell, and Shanker define company principles as a guide for decision-making that assists companies in clarifying their choices to key stakeholders (2023). While inspired by company values or mission statements, company principles are distinct from them: they are clear and instructive, aiding companies in making better choices amidst complexity. They operationalize the values, mission and vision of the company into actionable principles and behaviors for every employee of the company.

However, designing and putting them into tangible action isn't simple. In this paper, we propose a new approach to answer this challenge: the *plasticity method*. It is a way to make organizational practices malleable to fit changing situations. Inspired by neuroplasticity, or brain plasticity, that characterizes the ability of neural networks in the brain to change through growth and reorganization, this method can help create and implement company principles. Entrepreneurs don't just need to come up with new business models; they also need to learn how to design, and especially redesign, their organization as it grows.

### **Organizing: critical work for entrepreneurs**

#### *Company principles as a way to design a new organizing logic*

As companies grow, the personal charisma of entrepreneurs becomes more diffuse, formalization processes emerge, and internal organizing tasks require entrepreneurs to delegate power to employees. Entrepreneurs encounter the challenge of transitioning from a personalized approach of their businesses' internal organization to a more collective approach of managing affairs (Champenois, Devigne, Anderson, 2021). Moving from individual entrepreneurship (vision, mission, values) to collective efforts (behaviors, actions, rules), it becomes crucial to adopt a new organizing logic. Company principles offer a solution to this challenge.

Many organizations define values, a vision, and a mission statement for themselves. While values express aspirations, and mission statements help create company culture, they both lack practical guidance for strategy implementation at all levels of the company. Principles, on the other hand, offer a clear and instructive framework for how an organization should pursue its strategy (Fuchs et al., 2023). They translate company mission and values into well-articulated and actionable behaviors and practices that can be used everyday within the organization.

According to strategy and dynamic capabilities literature (Eisenhardt, Furr, and Bingham, 2010), company principles are based on the idea that simple rules can be highly effective in fast-paced environments (Ott & Eisenhardt, 2020). They provide tailored guidelines that balance clear direction with the freedom to use judgment and latitude to exercise

discretion (Eisenhardt & Sull, 2015). In essence, company principles are a heuristics-based strategy: by simplifying behaviors through a handful of rules, mental shortcuts ease the cognitive load of making a decision. These principles enable a straightforward, speedy, and effective decision-making process. Moreover, they are collectively agreed upon and can be applied across various situations within an organization.

### *Company principles: some illustrations*

"Disagree and commit" is a classic example of a company principle. It originated at Sun Microsystems and gained popularity when Amazon adopted it. How does this principle aid growing ventures in making better decisions? Firstly, it encourages individuals to voice their opinions, even if they disagree with top management, during important discussions. However, once a decision is made, everyone must commit to implementing it, regardless of their disagreement. This fosters an action-oriented culture that avoids indecision, promotes collective goal achievement and speeds up decision-making.

"Think big and bold" is another instructive principle used by fast-growing companies to strengthen decision-making in uncertain or transitional times. In opposition to thinking small, this principle provides guidance on how leaders should dare think out of the box and take bold decisions accordingly. Inspiring ambitious results, this principle requires individuals to develop a broad-minded attitude to look around corners for novel solutions. This encourages an innovative culture that avoids the consensus trap and develops unique positioning externally and internally.

Principles enable individuals to act independently while adhering to a common framework, aiding management in communicating decision rationales and activating the company's strategy. To implement such practices effectively, understanding how to design and implement company principles is essential.

## **The plasticity method: a participatory process to design and implement company principles**

### *The legitimization of company principles: a necessary condition*

If stakeholders don't see principles as relevant or fitting for their situation, they won't use them, or they'll use them poorly. To gain widespread acceptance, two main challenges need to be addressed: making the principles understandable and practical. Firstly, the principles must be easy to grasp. This isn't always simple because new principles often challenge previously accepted norms. Implementing company principles doesn't happen in isolation. Employees need to rethink their understanding of the company's practices and question what they used to consider normal. The first aim is to gain this cognitive legitimacy so these new principles make sense to the most important audience—employees understand what they mean and how they could improve the current situation.

However, understanding isn't enough; company principles also need to be accepted by those who will put them into action. Employees and managers need to see tangible benefits and how these principles will improve their work and performance. This pragmatic legitimacy is crucial for the successful adoption of company principles.

In the next section, we'll explain how the plasticity method helps legitimize company principles by ensuring they're understood (cognitive legitimacy) and seen as useful (pragmatic legitimacy). In other words, people need to believe in and see the value of

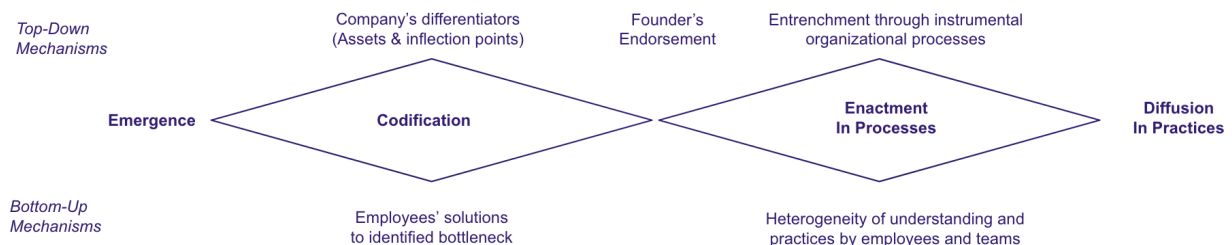
principles before they'll use them. Principles need not only to be effective, but also attractive. Allowing customization of the principles at the individual and team levels is crucial in this acceptance process, which we call plasticity.

***The plasticity method: a participatory process in four main stages***

The plasticity method requires that principles work much like the human brain, which can change through two important mechanisms. First, the brain isn't fixed from birth; your parents' DNA doesn't determine everything, the environment will also have a key impact. Second, the brain's neural system can change its activity in response to internal or external stimuli by reorganizing its structure, functions, or connections to adapt to new situations, especially after a trauma. Similarly, company principles shouldn't be set in stone by the company founders. They should also be malleable, meaning they can be interpreted and used in different ways.

However, for this flexibility in decision-making to be effective and spread throughout the entire organization, a rigorous orchestration process is required. Building on successful previous work with scale-ups, we've developed a formalized process. This process is inclusive and open, combining the best of both worlds: on one side, the founder(s) maintain a high level of authority, embodying the culture and values of the company; on the other side, a collective of employees is inspired and motivated to take part in the innovative initiative of creating new organizing principles.

**Figure 1: Model of the plasticity method to establish company principles**



**Stage 1 – Emergence:** Understand the problem you face. Simply put, emergence characterizes the moment when a difficult situation occurs, requiring your company to operate differently. This turning point often kicks off a transition time between an actual complicated stage A and a desired stage B. This inflection point is key in the history of a company: it opens the possibility of rewiring the strategy and its enablers, such as the principles, as much as it signals to stakeholders the reflexivity that founders and entrepreneurs are capable of for the pursuit of their business.

**Stage 2 - Codification:** Bring together employees, executives, and founders to develop and refine principles. This involves a two-fold approach: bottom-up and top-down.

- Start with a bottom-up approach: engage with a representative working group of employees to identify bottlenecks and challenges they face in their daily work. Close to the facts on the ground, consider your employees as the primary source for identifying any internal or external issues your company needs to address. Use this information to develop important categories for principles development.
- Concurrently, discuss with founders and top executives what sets your company apart from competitors. These distinguishing factors are crucial for determining the company's competitive advantage. Additionally, reflect on key turning points and



difficult decisions throughout the company's history. These insights will help identify what is distinctive about the company's culture, which can then be translated into principles guiding daily practices.

This process of formalizing principles is meaningful when it allows for a diverse range of voices to be heard. In other words, encourage inputs from employees of different ages, genders, hierarchy levels and expertise to ensure a variety of perspectives are considered and shared.

**Stage 3 - Enactment:** Embedding plasticity in various company processes (e.g., integrating new principles into procedures like annual performance assessments or new employee recruitment) is crucial. However, formalizing this step doesn't imply identical implementation across the board. It's essential to maintain a high level of flexibility. In other words, some principles may be less utilized in certain entities because they're not as central, or their interpretation may vary among business units. These variations aren't negative; they actually contribute to the legitimization process. Principles become meaningful and practical when they align with people's understanding and are relevant to their daily practices.

**Stage 4 - Diffusion:** By deliberately allowing organizational members the freedom to develop different interpretations or question official ones, the company establishes a mechanism that legitimizes the new strategy. This ongoing process of legitimization within the organization, facilitated by plasticity, aligns with the micro-foundations approach (Bitektine & Haack, 2015; Jacqueminet & Durand, 2020): macro changes can only occur alongside micro-level practices emerging from individuals. However, this flexibility can sometimes result in increasing misunderstandings and contradictions across the organization. To prevent significant disparities and growing divisions, it's crucial to organize regular discussions throughout the organization, such as annual events, management gatherings, and all-hands meetings to ensure that company principles remain relevant and understood.

## **Conclusion**

Often initiated by the founder(s) themselves, the creation of company principles serves the vital structuring needs of a growing venture while remaining agile and flexible. This poses a significant challenge for entrepreneurs as they transition from individual perspectives of their own beliefs and values to a broader and more diffuse entity. In contrast to prevailing managerial and decision-making practices, new company principles will play a crucial role in enabling the company to collectively meet its strategy's objectives with success.

Despite the apparent uniformity of company principles across the organization, the diversity in understanding and practices underscores the importance of plasticity in successfully implementing a new organizing logic. Effective company principles require a subtle, everyday adaptability: new approaches and organizational forms emerge from actors in their daily routines, reinforcing the legitimacy of these rules as they are lived out on the ground. Just like your brain, your organization needs plasticity to learn. Leverage company principles by keeping them malleable!

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## **European strategic autonomy : A decisive response to geopolitical shifts**

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### **Abstract**

The announcement of a ‘geopolitical Commission’ by Ursula von der Leyen in 2019 has met unexpected results. The war in Ukraine, the rising tensions with China, the geo-economic fragmentation have put geopolitical factors at the centre of economic policies and business activities. The ‘European sovereignty’ promoted by President Macron since 2017, also mistaken with the objective of ‘strategic autonomy’, has taken shape first and foremost in the economic dimension. The EU is far from becoming a genuine and united geopolitical actor comparable with great powers like the US, China, Russia or India, but the shift taken is probably permanent.

Keywords: Europe, Geopolitics, Globalization, International Relations, Sovereignty

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## **European strategic autonomy : A decisive response to geopolitical shifts**

In 2019, in her speech to the European Parliament preceding her confirmation as President of the European Commission, Ursula von der Leyen emphasized a 'geopolitical Commission' preferably to the thematic of 'European Sovereignty' as promoted by the French President Emmanuel Macron since 2017. This was a double break with the previous years. Firstly, the European Commission assumed fully the transformation from a technical body dedicated to economy and trade into a political authority confronted with world politics. Secondly, the word 'geopolitics' (which has long been a taboo in a German mouth, due to the legacy of Nazism) became part of European language and policy. As the High Representative Josep Borrell also put it at the same time, 'Europe should speak the language of power'.

Five years later, and waiting for Ursula von der Leyen's possible second term, the debates on geopolitics and European sovereignty have come together. The war in Ukraine, in particular, forced the European Union to develop a new geopolitical approach about the European continent but also the broader world, and to increase its strategic autonomy including in the field of defence. This has also impacted profoundly the evolution of the European economy and conditions for European business.

### **What kind of geopolitics for the European Union?**

Geopolitically speaking, the war in Ukraine has produced a new approach on the organization of the European continent. Russia's aggression against Ukraine has dispelled for the time being all hopes of a European security architecture built on common OSCE<sup>1</sup> principles developed since 1990. Russia has been excluded from the Council of Europe. A new political organization, gathering the 46 Member States of the Council of Europe plus Kosovo, was launched in 2022: the European political Community, which is an informal forum fostering practical cooperations with the European Union at its heart. NATO has been confirmed as the key organization for the defence of its members, and it now includes 32 members following the admission of Finland and Sweden. The EU has also given new membership perspectives to Ukraine, Moldova and Georgia, which could lead to an organization encompassing 36 members (including 6 new Western Balkan countries). No matter how many new countries will effectively join the EU during the next legislative period (2024-2029), the EU will have to prepare without delay to become able to sustain an enlarged organization politically, institutionally and financially.

The EU, along with the US and other Western partners, has decided harsh sanctions against Russia. Aligning itself with the US policy on China, it has also acted more and more decisively towards this country, calling it a 'systemic rival' (2019) and engaging in a strategy of 'derisking' without 'decoupling' (a strategy proposed by Mrs von der Leyen in 2023). The EU has undertaken these moves while the polarization between the West under US leadership on one side, and a new Russian-Chinese axis on the other, is shaping the new international order more and more. There may be some nuances or differences between the two sides of the Atlantic, but the trend is clear.

The big question of 2024 is not to know what kind of European Parliament and of European leadership will emerge after the European elections in June. It is to know what will be the leadership of the US power. A second Trump administration could be more nationalistic, more unilateral, less aligned with its Western allies. It is possible that the

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<sup>1</sup> Organization for the Security and Cooperation in Europe

hardening of positions towards China will continue whatever the next administration is. It is possible that a Trump administration would be more aligned with Israel and less inclined to restart a peace process for Palestine. It is possible that it would encourage some diplomatic 'deals' ignoring European positions and interests, for example between Russia and Ukraine. All of these issues could create severe challenges for the EU in a time as unpredictable as the years following the Brexit and Trump's first election (2016).

Another issue is the political and economic fragmentation of the world. Only Western countries have adopted sanctions against Russia. Other countries have condemned Russia's aggression without imposing sanctions, or preferred to remain neutral (which has been the case of India and South Africa). The fragmentation of the world order, mixed with a possible weakening of the transatlantic bond, will lead to a rethinking of the past models of international relations. The EU will have to define and defend its own interests, to ensure its own security, but also to reshape its relations with the 'global South' consisting of heterogeneous countries.

### **Strategic autonomy or European sovereignty?**

Both wordings have emerged in the European debate. For example, the European strategic agenda defined by the European Council (the heads of state or government) in June 2019, before Mrs von der Leyen was even appointed, stated: 'We need to ensure that Europe is digitally sovereign.' The concept of 'strategic autonomy' has long been favoured in the context of the 'Common security and defence policy' (CSDP) – see the first mentions in the European Council conclusions of December 2013 and the EU Global Strategy of 2016. It was the prolongation of the European ambition – initially pushed by the French in cooperation with the British (Saint-Malo Declaration of 1998, bilateral Lancaster Treaty of 2010) – to develop an autonomous capacity of military action in the outside world. On this basis, the EU has launched more than 40 military and / or civilian CSDP operations in the world since 2003 (half of them are still in place at the moment). This is not an insignificant record although the EU is still far from the most ambitious military actions such as the ones undertaken by NATO in the Balkans, in Afghanistan, in Libya or in protecting the European Eastern flank against Russia.

The concept of strategic autonomy gained a new economic significance in the context of the COVID pandemic in 2020. Again it was pushed by the French but accepted by France's partners. This has to do with many evolutions such as the new China/US rivalry (the 'Thucydides' trap), the growing tensions with Russia in Eastern Europe, numerous conflicts fostered by growing nationalistic tendencies all around the world, the fragility of supply chains as exemplified during and after the pandemic, and the necessary transition towards a climate-neutral economy. The concept of 'open strategic autonomy' ('open' meaning that it's not autarky nor protectionism, so as to satisfy the pro-free trade countries of Northern Europe) has been endorsed in Council conclusions of 2020 with a list of concrete economic sectors: defence, space, health, energy, digital, raw materials. In the meanwhile, the list has been enriched with other economic sectors such as agriculture and microelectronics.

The practical scope of these policies is the development of an ambitious industrial policy combining national state aids and European subsidies. This orientation, which is a U-turn compared with the neoliberal logic prevailing since the 1980s, dates back already to the 2014 communication of the Commission about an 'industrial Renaissance.' Several European industrial projects<sup>2</sup> have been launched since then in the domains of batteries,

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<sup>2</sup> IPCEI (Important Projects of Common European Interest)

semiconductors, hydrogen, and digital cloud. In the domain of space, a combination of EU and national funding has allowed the development of key common projects such as Copernicus (for earth observation) and Galileo (navigation satellite system), and a third satellite constellation (ISIR<sup>2</sup>) is under development for secured communications. On defence, a European Defence Fund has been created in 2021 to support the development of armament cooperation projects, and major strategic projects such as the future battle tank and the future combat aircraft are under development on the basis of French-German cooperation. On energy, the support to renewable (and also to nuclear) energy is part of the 'green deal' of the past legislative period and helps reduce the dependency on fossil fuels and on outside suppliers such as Russia, Gulf States or the USA. The EU has also developed (since 2011 already) a common strategy has to secure the supply of critical raw materials and is displaying its normative power by regulating the main actors of the digital economy and the use of artificial intelligence.

All these projects and developments are decreasing European strategic dependencies and increasing EU strategic autonomy in both the security and the economic dimensions. They are also reinforcing the EU's sovereignty, not in the sense of a federal state centralizing more and more competences, but in the sense of a growing cooperation to develop common endeavours increasing European independence (or at least autonomy) in a more and more geopolitically fragmented world. Unity makes strength – this was always a key motor of European integration. There is no contradiction between strategic autonomy and European sovereignty, but rather an overlap. And that's why the wording of European sovereignty in a broad sense (not only limited to digital or energy sovereignty) has also been endorsed by the European Council, from the 'Versailles agenda' (adopted by the heads of state or government meeting in Versailles during the French EU Presidency in 2022) onwards (see lastly the European Council conclusions of 17-18 April 2024 - § 11 – underlining the 'strategic sovereignty', a concept that pushed by the European Council on Foreign Relations since a long time ago).

## **Conclusion**

When he first outlined his conception of 'European sovereignty' in 2017, President Macron listed several competences at the heart of national sovereignties (defence, foreign policy, control of borders) and insisted on sustainable development and on digital transition. He mentioned economy, industry and the European currency as a final catchall point, although the EU has primarily exclusive (i.e. almost federal) competences in these fields (trade policy, monetary policy, competition law for the single market). Whereas NATO remains the main organization for the defence of Europe and Member States hardly overcome their divisions on diplomatic issues, the concepts of European sovereignty and strategic autonomy have taken shape in a more economic sense. It remains to be seen if this will be sufficient to bring about a genuine 'geopolitical Europe' in the future.

For business actors the shift towards a more geopolitical Europe creates risks and opportunities at the same time. Risks arise when trade and supply chains are affected more and more by geopolitical troubles (see for example the war in Ukraine, the problems around the Red Sea, the tensions in the Gulf region or the growing problems between China and Western countries). But opportunities can also emerge with more public support for business activities at home and with the reorientation of trade towards friendly countries. And that's where European businesses have to become geopolitical as well as political actors.

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## **[ Strategic autonomy – a promising concept?**

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### **Abstract**

“Strategic autonomy“ has become the magic word when addressing the European dependence in key areas of our economy – from sensitive goods to trade, energy or future technologies – and security policy. “Strategic autonomy“ together with “European sovereignty“ have entered our European political terminology without having been clearly defined. What does this mean, on concrete terms, for the above mentioned areas? Should this mean emancipation or even autarky with regard to China and the United States? Or at least the necessity of diversifying our sources for sensitive goods? In reality we are in the first phase of a deep change in the orientation of key policies; first steps have been initiated, other, even more difficult ones, will have to follow.

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## **Strategic autonomy – a promising concept?**

Is “strategic autonomy” a panacea to solve at once our problems of economic, scientific, technological, or military dependence? Or the magic word allowing us to concentrate on the essential, a new European political objective? “Strategic autonomy” and, expressed in another, more solemn way, “European sovereignty” have gradually entered our French, German or European political terminology over the past few years.

Should Europe develop its "sovereignty," advocate "strategic autonomy" emancipating itself from the United States, particularly in defense matters, but also better protect its economy and sensitive areas, as Emmanuel Macron and others emphasize — or isn't it an illusion in particular because we live in a globalized, interdependent world?

Josep Borrell, the EU High Representative, defending Europe's progress, emphasizes in a remarkable blog post ('Why European strategic autonomy matters') that the fundamentals of strategic autonomy have been firmly rooted in European policy over the past years. In his view, it is an accepted concept, but it is a fact that the EU uses the two terms without explaining what it concretely means for the concerned areas.

The consequences are misunderstandings, divergences and traditional national reflexes and a not negligible amount of mistrust among Europeans. When the Germans hear the word “strategic autonomy”, their first suspicion is that it is sidguised French protectionism.

Are we again before "an agreement to disagree" between Brussels and the member states or is it simply one of the typical European developments – in transition towards new and adapted policy goals?

And this happens in an existential phase of European integration in which it must be acknowledged that Europe has still not managed to emerge really from its profound crisis and to agree on the cornerstones of its self-assertion and of its future.

In the light of the growing and accelerating worldwide crises, in particular the war led by Russia against Ukraine, the renewed fighting in the Middle East, the trade war between the US and China or the uncertainty arising from future US-policies, everyone agrees that Europe should take on a broader responsibility, a greater weight on the international scale and better protect its natural interests.

The observation and the consequences to be drawn from this critical situation imply, despite first positive signals and steps, some inconvenient truths not only for Berlin and Paris, but for the EU as a whole.

### **What is strategic autonomy about?**

What do the terms “strategic autonomy” and/or “European sovereignty” really mean? Could it mean “autarky” of Europe? Does it signify reducing dependence on other competitors and rivals? And to which degree could the dependence on non-EU-countries, on competitors be acceptable? A different degree could be tolerated with regard to allies compared to rivals? Or simply it depends – on the concrete area and product we are talking about!

The French President and other European politicians seem to use these terms in a political sense, close to words like “independence,” “autonomy,” or “capacity for European action,”

hence the two most commonly used terms in the debate, 'strategic autonomy' and 'European sovereignty'.

Even the Germans are beginning to use these terms despite their reflex which is often much more legal, even constitutional. Therefore members of the Bundestag, following the French President's repeated public communication, do not hide their concern: They fear that the judges of the German Constitutional Court, already very cautious about Europe, will critically analyse any new integration – and the abandonment of national sovereignty within the framework of Article 23 of the German Constitution.

Take, for example, the term “autonomy” in security and defence matters. If pronounced by a French person, many Germans think that France seeks to separate Europe from the United States. In my opinion, wrongly so. But the negative perception remains!

As for “internal security,” especially when discussing Schengen, it is easier to explain to specialists that the current weak state of control applied by the EU-member states actually means that states have lost their sovereignty in the areas of immigration, cross-border crime, or terrorism for years. Consequently, they can only win back their sovereignty through more intense cooperation with other states, hence the absolute need to deepen permanent cooperation in these areas.

## **The scope of strategic autonomy**

In this sense, it seems that there are indeed areas where closer alignment of positions and a common positioning appear perfectly possible following genuine European debates. “Strategic autonomy” seems of particular importance for key technologies, energy, sensitive areas such as pharmaceuticals or telecom, and defence.

The objective of strategic autonomy seems to meet with agreement, even underlining a necessity in the economic area in order to reduce dependence and vulnerability of the European economy, in particular with regard to China.

Progress has been reached under the guidance of, or with the assistance of, the European Commission, the concrete orientation being different with regard to the area concerned.

A good example constitutes the EU Critical Raw Materials Act and its major goals – the first and initial idea was/is the reduction of dependence on China, and from Russia too since 2022 – and to cooperate more with other countries and partners worldwide.

Another good example is lithium, needed for batteries, for which the diversification of sources seems slowly to advance. Or take uranium, till now imported from Russia, and for which Europeans are rediscovering Canada as a supplier.

The pharmaceutical sector is another example. The Europeans discovered during the COVID-crisis their large dependence on drugs produced in India or China, therefore have made efforts to relocate production of sensitive drugs to Europe or to diversify production.

International trade is directly linked to the subject. “Strategic autonomy” has much to do with conditions of trade. The extraterritoriality of US commercial and legal measures regularly causes deep irritation in Europe. When will the EU dispose of similar means? Similarly, how can Chinese (or American) companies buy sensitive technology companies in Europe, but not Europeans in China (or the United States)? Therefore, the EU's top priority should be to protect sensitive industries not by unilateral protectionism, but in

particular first through ensuring reciprocity in commercial actions or measures, both towards the United States and China, before taking unilateral steps.

“Strategic autonomy” is particularly important when looking at sensitive goods or at the risks of the international “supply chain,” another magic word in today's globalized world.

The accident of a huge container-ship in the Suez-Canal in March 2021 or the Houthi-led attacks against ships in the Red Sea have underlined the importance and the sensitivity of the international supply chain for our economies. But this vulnerability does not concern supply chains alone. Should the diversification of origin not be the first goal in order to avoid or at least reduce potential problems?

Since a few years back we can observe a growing debate about ensuring through trade and investment not only the defence of European interests and values, asserting them against international competitors, but ultimately about achieving a defence capability of these interests on equal terms. Remember either the debates around the treatment of the Uigours in Western China or the debate about the working conditions in low-cost countries through the most recent and contested EU-directive on supply chains.

Attention should also be paid, finally, to monetary and economic coordination issues, which are of extreme political sensitivity. What is the future of our European common financial and monetary field? Does the Franco-German agreement of May 18, 2020, which ultimately enabled the European recovery plan of 750 billion euros, called "next Generation EU", approved at the end of 2020 and financed by borrowing, represent a first step towards a new conception of common debt? Given Germany's particular sensitivity to financial matters the subject remains explosive! But even there, EU needs a certain “strategic autonomy” in order to be able to defend the interests of the European economy and of the European financial market at the international level.

The report Enrico Letta presented in April 2024 to the European Council indicates new paths to follow, to integrate the urgencies the EU is confronted with, and not only with regard to the accomplishment of a real European financial market.

The measures taken in the past few years are in my eyes by far not yet perfect, but the EU seems to be somehow on track, learning by doing – the aim being to develop a common conviction and system for different areas without harming European internal cohesion or the EU's ability to act in concert with partners in a globalized world.

## **Security and defence**

The most complex and challenging domain remains that of security and defence. In this field divergences among European nations, not only on nuclear defence, remain.

Four years ago an indirect debate between the French President and the German Minister of Defence created a crisis of confidence. Her provocative statement was clear: “The illusion of European strategic autonomy must come to an end. Europeans will not be able to replace the crucial role the United States plays as guarantors of their security.”

Emmanuel Macron's response in his interview with 'Le Grand Continent' was no less severe. He emphasized his “profound disagreement” with the German Minister, adding that her view was a “misunderstanding of history.”

The German Minister's detailed reply did not find its way into the French media, as that did not consider it useful to reproduce the nine pages (!) of her speech at the Bundeswehr

University. The interested French reader might have better understood the essence of the majority of Germans' thinking, which is partly – but only partly – different from the French doctrine! In reality, Annegret Kramp-Karrenbauer had not directed her criticism at Europeans, or even the French, but her statement was primarily intended as a message of loyalty to the future American democrat administration.

And in the Germans' opinion, it was particularly clumsy of France to reignite the political debate publicly by launching a frontal attack on NATO – which certainly needs deep modernization, but labeling it “brain dead” seemed excessive. Certainly, it was a provocative statement, but it must be understood that, for a German, NATO and the United States have been the guarantors of Germany's territorial integrity and freedom for over 70 years.

Emmanuel Macron's words even seemed to have questioned France's place within NATO. They make one wonder about France's true objective. A rupture with the United States? Certainly not. A rebalancing of forces in the medium term? Or simply a strong joke provoked by NATO's attitude towards the Turkish position in the Eastern Mediterranean? Or isn't the objective simply for the EU to become a genuine European pillar, partly or entirely autonomous within NATO?

This debate is by no means new, but has become urgent in Europe. I have always advocated a “European caucus” and a European pillar within NATO, a perspective that our American friends never liked. For some of our European partners, this idea also serves as a red rag!

It is little known and perhaps strange enough that France and Germany developed a “common security and defense concept” as early as 1996, which not only contains a common agenda for gradual rapprochement but also a common definition for key areas, particularly for nuclear, the most sensitive matter.

I quote this text, which could now form the basis for bilateral, or even European, discussions: “Collective defense is based on a combination of conventional forces and nuclear forces adapted to the new strategic landscape. The supreme guarantee of the Allies' security is ensured by the strategic nuclear forces of the Alliance, especially those of the United States; the independent nuclear forces of the United Kingdom and France, which play their own deterrence role, contribute too to the deterrence and overall security of the Allies. Our countries are ready to engage in a dialogue regarding the role of nuclear deterrence in the context of European defense policy.”

In the light of Russia's invasion of Ukraine in February 2022 and the risks of development on the US side the time seems finally ripe to seriously discuss this pillar and a European defence, separable from NATO but not separate.

Germany, for too long a time on a “pacifistic way, now seems on track with the “Zeitenwende” (changing era), but not yet in a sustainable way. Nevertheless, it is evident that today's Germany, more than in the past, struggles to adhere to the fundamentals of its partners, especially France, not only in nuclear matters but also on security policy.

These are a series of fundamental questions that require a genuine debate, first within political parties, then within parliaments, and ultimately with the aim to achieve a minimum societal consensus! How to break through this real impasse? This will be impossible – and ill-advised – without a thorough debate, followed by a work plan, an intense agenda for the next five years.

Regarding foreign policy and the analysis of its real degree of cooperation, it is urgent to redesign European foreign policy in order to reach progress towards a strategic autonomy of Europe, such as:

Focus more on our vital interests and clear political priorities,

Change methods and ways of working: instead of blaming Brussels or the capitals, let's combine forces in the most effective way. This may result in entrusting the "lead" of subjects or projects to a member state or a group or to the Commission.

Reflect on decision-making and rapid response methods, including considering a European Security Council to steer foreign policy, as relying on qualified majority voting is an illusion.

Fundamental revision of development policy: a common policy, or at least coordinated policy, listening first to the other side rather than implementing our own ideas. This applies in particular to Africa.

A shock start, a departure from the habits of a largely ineffective international presence by daily declarations is necessary. It's never too late to do the right thing – but a redesign of foreign and security policy is urgent. It's not a question of the right community, federal, or intergovernmental approach; it's a question of effectiveness! We just need to want it! Otherwise, we risk losing all influence on issues vital to us. This is obviously a contentious issue. Even setting aside the debate with the United States, it is urgent for Europeans to accept the need to strengthen their defence efforts while simultaneously aiming to establish a true partnership within Europe, as a way of accepting our responsibility and expressing a certain autonomy from the United States.

It is imperative to launch a genuine European program aimed at achieving effective and coordinated spending and, above all, at bringing our cultures closer together. The essential elements are well known: training, information, education, joint armament, a real common market of defence and a coordinated export policy among European arms-exporting countries.

The recent Franco-German agreement, extended to Spain, constitutes an enormous step forward. There have been numerous initiatives in this regard, and progress has been made in these areas, but they nevertheless remain limited and, above all, fragile.

This particularly concerns prestigious Franco-German projects aimed at developing together the future combat aircraft (FCAS) and the future armored vehicle (MGCS) – these projects still suffer from strong political mistrust between Berlin and Paris.

The EU's "strategic compass" (2022) is undoubtedly not a panacea for putting a real European defence on track, but it should be a necessary political signal for substantial medium-term development.

One of the first steps should be – to begin with in a core group – an unvarnished inventory of armament and state of the European armies. In parallel we should fix the basics of a European armament market which cannot be a copy of the EU internal market. It should be based on the real necessities in this field and be done under the control of the member states. From this assessment, we could develop step by step a "European preference" and a "strategic autonomy." This does not mean excluding the US from the European market, their arms sales are part of the burden sharing.

## **Let's not forget solidarity**

Sovereignty is one of the basic constituting principles of the state. Using this term to emphasize the need for a European policy creates the risk, particularly, of further fueling a debate that has been animated for several years by a number of governments and parties wishing to regain their national sovereignty. "Take back control" was not only the slogan of the Brexiters but also of other nationalist and/or populist forces on the continent.

The term "strategic autonomy" defined according to the relevant domain seems much more appropriate to express the desired objectives either in the field of the economy or in security matters.

To add to this is "solidarity," which is the expression of living together within a community: We help those who are in a difficult situation. In this sense, solidarity is not decreed; it develops, is practiced, and presupposes a kind of mutual trust.

In this sense, sovereignty and solidarity are two fundamental elements that address different situations or domains of life within a community, where individuals depend on each other much more than they realize. And these elements are complementary.

European integration has been, from the outset, an expression of increasing solidarity among states. One of the strongest signals of this was the creation of the European Structural Funds. For this reason, my initial reflection at the very beginning of the Covid crisis and of the urgent need of more expenditure in defence was on extending the structural funds by creating two new funds: one for defence, and the other for post-Covid recovery.

At the same time, a more flexible application for these funds was needed. In addition a certain percentage of the investment of the EIB and the comparable national institutions could be dedicated to defence and climate change as the major subjects of a necessary deep change of key politics. These approaches and methods are certainly less revolutionary than the Franco-German initiative of May 18, 2020, but they are less complex to manage.

## **Conclusion**

All these reservations or obstacles, misunderstandings or divergences – induced by our very different traditions and political systems – should not prevent us from engaging in a profound debate on the decisive strengthening of the EU's action, capabilities and its "strategic autonomy" so that our political, economic, and social model can survive and play a more determining role on the world stage.

Over the past two decades, we have sought solutions and reconciliation between our nations, especially through a pragmatic approach, often avoiding the questions that form the core of our divergences. Today, due to internal and international constraints and developments, we have entered a phase of European construction in which ensuring the survival of our European political, economic, and social model requires us to define our compass and objectives more clearly, to lay our cards on the table regarding what we want to do together at the European level.

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## **[ European sovereignty: clarifying the goals<sup>1</sup>**

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### **Abstract**

It is important to clarify the issue of the European Union's borders, its areas of jurisdiction, and its decision-making system before we talk more formally about European sovereignty. And yet, these matters are still lacking in clarity. Against this background, the goal of European sovereignty needs to be understood today first and foremost in a material sense, which is a necessity in an ever more fragile and fragmented world – a world where Europe is more independent geopolitically, economically and on a technological level.

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## European sovereignty: clarifying the goals

Talking about European sovereignty is to talk about a paradox. As Jean Bodin defined it, sovereignty is a power that is only “bound” by itself. This would imply that the European Union could at long last answer three fundamental questions: Who? What? How?

Who belongs to it? What are the EU's definitive borders? Which of the following should be the key focus: an expanded geographical vision, a perspective based on values and principles (democracy and the rule of law), or agreeing to a federal discipline in the way power is structured? The European Union is a school of thought based on discipline and rigor, and the likely answer will be a combination of the three approaches. But for as long as this question – which draws a distinction between inside and outside – is left hanging, an identification vital for European citizens will be lacking.

What should the Union's areas of jurisdiction be? These were enlarged according to a somewhat irrational approach that aimed to reflect the principle of subsidiarity (decision-making at its maximum efficiency), but which skirted around the self-interest of the states. The outcome is a lack of clarity. It should be possible to say that we need to do as one what individual states cannot do alone, while giving them the freedom to pursue the policies they want when they do not agree among themselves (on energy, for example, when deciding on nuclear power).

How should decisions be taken? While the European Union is not a federal state with, as the Germans put it, “competence-competence”, it does take its decisions in line with a federal, supranational and democratic approach. It has a Commission that performs the role of a government, a Council of States that generally votes by a qualified majority (i.e. an inclusive majority, whereas a simple majority divides), a transnational European Parliament that represents European citizens, a Court of Justice that ensures respect for the law (the law not just of the treaties but also the secondary legislation produced by the institutions), and a European Central Bank that manages the single currency. It is important to systematize this decision-making method for bringing the Union and the states together in a federal structure of sovereign states.

If we are truly to achieve the goal of “European sovereignty”, as championed by president Emmanuel Macron since 2017, we first need to find answers to these three questions. In the current system, however, this idea has a political rather than legal scope. Sovereign Europe, which has finally made its mark in the language at European level, is in truth closer to the concept of an independent Europe advocated by General de Gaulle in his time. A Europe, that is, that does not submit to the law of others, and aspires to secure its geopolitical independence from external threats together with its economic and technological independence.

This is a fundamental objective in the context of the threat posed by Islam and Russia, and the erosion of democratic values. The vision of a Europe that does not turn its back on the universalism of its principles, on openness and on peace, but that embraces its values with their deep roots in its lands, can now be seen in new terms.

## **Conclusion**

The challenge facing us today is to arrest geopolitical fragmentation and the erosion in freedom to ensure that one of the finest chapters in Europe's history does not come to a close.

In the words of Pericles, as reported by Thucydides: "Happiness is the fruit of freedom, and freedom of valor". And this is why we must fight for sovereignty.

## **[ The Future of the US-China-Europe relation**

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### **Abstract**

This work seeks to propose scenarios, based on an in-depth analysis of the literature, on the future relations between the United States of America, China and Europe from a primarily economic but also geopolitical perspective. In both the academic and policy realms, the question of what the future holds for economic relations between the United States of America, China, and Europe is one that is regularly discussed. The research done on this subject focuses on a variety of different variables that are projected to alter the ties between these three main economic powers. These drivers include economic growth, technological advancements, geopolitical conflicts, and shifting power patterns.

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## The future of the US-China-Europe relation Introduction

This article addresses two primary inquiries: (i) the historical interactions among the United States of America, China, and Europe, three major economic powers, and (ii) the potential shifts in their connections, impacting the international landscape across various dimensions, including cultural and political disparities. Recognizing that economic factors alone cannot fully explain the complex phenomena driving national actions, the research delves into diverse aspects to unveil the nature of current relations and potential future trajectories. These encompass economic interdependence, the ascent of the Chinese economy, geopolitical tensions, and concerns regarding environmental sustainability. Understanding the present and forecasting the future requires a thorough examination of historical developments. Therefore the paper scrutinizes the evolution of these interactions since the second half of the 20th century and their implications for shaping the emerging global order. Presently, the relationship is characterized by both cooperative efforts and significant tensions, particularly evident in the dynamic between the US and China, which, according to the Second Cold War theory, are poised to lead two distinct civilizations. Moreover, the article offers policy recommendations aimed at informing future regulatory frameworks and long-term political strategies crucial for shaping the global equilibrium in the coming decades.

The relationship dynamics among the United States, China, and Europe are pivotal, given the constant flux in the balance of power. A comprehensive understanding of this interplay necessitates an extensive literature review drawing from diverse sources. Methodologically, this paper relies on data sourced from various global institutions, including the World Bank, with a focus on indicators such as growth rates, trade volumes, and other key variables. Numerous scholarly articles contribute to this discourse; notable examples include András Inotai (2013) who elucidates the evolving dynamics of the European-Chinese relationship over recent decades. Additionally, the OECD's publication "China's Belt and Road Initiative in the Global Trade, Investment, and Finance Landscape" is instrumental in comprehending China's BRI initiative and its implications for international trade relations. Furthermore, Susanne Dröge (2021) offers nuanced insights into the complexities arising from differences in climate policies between China and Europe, necessitating enhanced cooperation to establish mutually accepted standards.

### Economic Interdependence

#### *Trade relations*

In 1990, China, the US, and Europe collectively contributed to 57% of global GDP. By 2018, this proportion remained largely unchanged at 58%. However, China's share surged from a mere 1.6% to a significant 16%, providing Beijing with ample resources to narrow the gap with more advanced economies in crucial sectors like artificial intelligence, military capabilities, and energy. This transformation has conferred upon the Chinese government a substantial and decisive influence within the international arena. Notably, the volume of exports and imports between these three regions is paramount. According to the World Bank, they collectively represent approximately 33% of global exports and 40% of global imports. Over the past three decades, the Chinese economy has experienced substantial growth, with its share of global exports rising from 11% to 14%, and imports climbing from 7% to 10%. Additionally, direct trade relations between these economic powerhouses are robust. Historically, around 30% of China's trade has been with the EU and the US individually. Moreover, China's trade with the EU accounts for 30% of the latter's total trade

volume, while transactions with both the EU and China combined represent up to 35% of total US trade. This article mostly focuses on the relationship between Western countries and China i.e the EU and China as well as the US and China but not the EU and the US.

### *Europe and China*

Andràs Inotai (2013) provides a detailed depiction of how economic ties have grown over the years with China being the EU's second biggest partner. Inotai draws attention to an additional essential fact. To date, the features of the commercial ties between the EU and China reflect those of ties between highly industrialized nations. This is in stark contrast to the reputation of the Chinese economy only being able to compete minimally and only for cheap products. When the structure of trade is broken down, it emerges that almost two thirds of European exports to China consist of high-tech items such as machinery and automated equipment.

### *The USA and China*

According to the BBC, the value of goods imported into the US from China is close to \$536.8 bn while exports to China are \$153.8bn and it appears that these values are on the rise. According to Xavier Jaravel and Erick Sager (2019) the benefits from the exchange of goods and services have been so significant that it has contributed to an increase of the average American family's annual purchasing power by about \$1,500 in the early 2000s. Moreover, exports are found to have a direct impact on the US socio-economic condition as shown by the US-China Business Council (2017), according to which exports financially support around 2 million jobs. The American economist Arthur Laffer states that "Without China there is no Wal-Mart and without Wal-Mart there is no middle-class and lower-class prosperity in the United States". According to David Autor, David Dorn and Gordon Hanson, the "China Shock" (sum of costs incurred by the US economy as a result of increased Chinese imports) was the most significant compared to other trading partners. This happened for three main reasons. First, the fast pace at which trade increased, second, the enormous size of the Chinese labour force and its low cost and finally, the number of sectors that faced a major disruption. Moreover, the rise of Chinese know-how in technology is a major concern for the government in Washington, as Chinese companies are often accused of exploiting their relations with the US to steal the most advanced American technologies to achieve opportunistic goals. The future of the economic interdependence between the two countries is extremely controversial and difficult to predict. The forces driving China and the US are both similar and conflicting, creating strong political issues that are at the centre of international debate.

## **The rise of the Chinese economy**

### *Economic reforms*

The Chinese economic revolution was triggered by two main reforms: the agricultural laws and the establishment of the Special Economic Zones (SEZs). The agricultural laws (1978) broke down the socialist principle whereby farmers couldn't produce more than strictly necessary, boosting Chinese agricultural production and output which according to Lin and Justin Yifu (1992) increased by 48.21% in 9 years. In the early 1980s, SEZs were introduced. For the first time Beijing allowed strategic regions to establish restricted zones where the laws of free market and capitalism were in force. By doing so, China attracted foreign investment in the country and guaranteed important fiscal advantages. According to Douglas Zhihua Zheng (2012), SEZs generated direct and indirect benefits for the

Chinese economy. The direct benefits were a strong increase in government revenues, employment rates and exports, while the indirect benefits consisted in a general growth of Chinese industrial know-how, technology transfer and greater diversification of exported products and services. According to the World Bank, SEZs have contributed to an increase of 22% of China's GDP, 45% of total national foreign direct investment, and 60% of exports.

### ***The Belt and Road Initiative***

Currently, the largest project set up by China to increase its economic weight is the Belt and Road Initiative (BRI). The programme consists of the largest infrastructure plan of modern era, involving approximately 150 countries and aiming to connect China with the rest of the world to foster its trade partnerships. The desire to build infrastructure was prompted by the Asian Development Bank's estimate that Asia's current inadequate infrastructure costs an estimated \$900bn annually. Moreover, the BRI could give the Chinese a chance to escape the so-called middle-income trap. The latter is a phenomenon theorised by economists Indermit Gill and Homi Kharas (2007), according to which emerging countries gradually lose competitive advantage by remaining stuck at an average GDP per capita estimated to be between \$4,000 and \$20,000. The related report published by the OECD (2018) states that the BRI will greatly expand the basin of consumers which Chinese companies can service. Considering China's total exports in 2000, only 19% were accounted for by BRI member countries, whereas today this figure has already reached 34% and according to OECD data it will continue to grow proportionally as connectivity increases. A further factor that can catalyse future trading is the creation of trading blocs. The latter could allow China to increase trade volumes with other large blocs such as the EU and NAFTA.

It is often debated whether the existence of a trade bloc produces extra-bloc benefits. The outcomes of OECD tests are shown below.

- The regional membership is statistically significant and beneficial for the associations (ASEAN+1 and the BA) in which China participates. Therefore, it is advantageous to non-members, whether they be OECD nations or BRI participating economies.
- OECD-origin nations gain in a statistically meaningful manner, while the impact on participating economies of the BRI is unmistakably adverse.
- The link is unfavourable for SAARC-origin nations, extremely important for OECD- origin countries, and neutral in regard to the BRI. Regardless of origin, the extra-bloc benefits of NAFTA are advantageous for all nations.

## **Geopolitical tensions**

### ***The Second Cold War***

The economic development of East Asia is one of the main factors for the increasingly marked contrasts with the Western civilisation in the last decade. Currently the growth rates of some Asian nations are reminiscent of those of Western Europe in the 19th century, and in some cases even higher. *The Clash of Civilisations* (1996), by Samuel Huntington, is a fundamental manual to grasp the path of modernisation undertaken by non-Western societies. According to the Kemalist theory, the levels of Westernisation and modernisation of a country are positively correlated. However, Huntington writes that in most cases the graph shows a bell curve, for which initially modernisation stimulates Westernisation but once a critical threshold is reached, it will begin to promote de-

Westernisation, favouring the revival of the original culture. The Chinese model confirms Huntington's theory as it appears that an exponential increase of its military and economic power (with an annual growth rate of national GDP over the last 30 years averaging 10%) has done nothing but distance China from the Western world, laying the foundations for a new form of "socialist market", characterised by aggressive economic policies. These worsened the diplomatic relations with the US and the EU, as evidenced by the tariffs imposed by the Trump administration and confirmed by President Joe Biden. Chinese power today is a dynamic force formed by the nexus of four factors: authoritarianism, consumerism, global ambitions and technology. The Chinese Communist Party has devised a strategy of great economic expansion, particularly visible in the form of recent investments in Africa, which, according to John Hopkins University, amount to \$345 bn invested directly and \$153 bn in loans. The funds are primarily destined for the energy, mining and transport sectors, financing a large proportion of on-site projects such as airports, highways and commercial shipping ports. However, authoritarianism could prove to be a double-edged sword for the Chinese leadership as it fosters hostility from other countries. Beijing could lose the "security umbrellas" it has benefited from in the past, with which NATO has pledged to protect its strategic assets. As an illustration, several world powers such as the US, Australia, India and Japan held joint military exercises in November 2020 to counter Chinese expansion in the Indian Ocean.

### ***Conflicts on the global rules system***

To become a full-fledged international power, China needs to grow militarily. In 2017, President Xi Jinping declared that China's armed forces will be able to compete with any other power by 2049. With a budget of \$230bn (according to spokesman Wang Chao in 2023), China's investments in armaments are still significantly lower than the US (\$778bn according to the Stockholm International Peace Reserve Institute) and slightly higher than EU Countries (\$214bn according to the European Defence Agency). However, it must be kept in mind that Chinese military spending has grown by 76% since 2011, therefore, Xi's words are backed by critical investments that will tend to increase in the coming decades. This event alerts the West as there is a component of the Chinese leadership that is hostile to the values perpetuated in Europe and America. "Document 9", published by the Chinese Communist Party, severely criticised international organisations and harshly condemned principles such as constitutionalism, accused of being an ideological forgery. These misalignments are at the root of disagreements over the development of an international regulatory framework; without it, the ground on which international relations are built will be extremely complex and hindered.

## **Environmental & sustainability concerns**

### ***Climate geopolitics***

Climate protection is becoming an increasingly central topic in political and economic planning. However, in the major projects aimed at boosting the Chinese economy, green standards are rarely mentioned. In contrast to the EU, whose short-term goal is to reduce emissions by 55% by 2030, the Chinese economy, following the Covid-19 pandemic, began to rely again on carbon-intensive sectors. In September 2022, the Chinese government declared that before 2030 Beijing should reach domestic emissions peak, and within 2060, the city expects to become carbon neutral. Nevertheless, international governments have raised doubts about the reliability of these targets, precisely because it is unclear how China will simultaneously stimulate its national economy and reduce its environmental

impact. The People's Republic has been effective in emerging as a global economic superpower, with its share of the world income growing from 5% to over 17% in the past 50 years. However, along with this success came significant emissions which account for 28% of global volumes. This creates a fundamental problem. With China being the EU's second largest trading partner, such a revolution in the European supply chain will certainly affect the nature of the relationship between the two. Susanne Dröge (2021), makes a thorough analysis of the possible future consequences of this asymmetry and of the impacts on the international chessboard. The price of carbon, the establishment of regulations and the selection of standards (enforced domestically) will affect the trade flows between the EU and China. The bilateral relationship is getting more complicated since China and the Western nations have different perspectives on human rights and protection of intellectual property, and they are engaged in a fierce economic battle while there is a need for collaboration on climate protection.

### *The CBAM*

The European Parliament promoted (within the Green Deal) the Carbon Border Adjustment Mechanism. The latter aims to establish a fair price on the emissions of carbon used for producing goods imported into the European Union and to foster environmentally friendly industrial production in foreign countries. The plan, which will be effective in 2026, will initially involve a few strategic sectors that contribute most significantly to air pollution and are the most easily relocated from the EU to China, such as the cement (6%) and steel (8%) industries. The performance of the CBAM reflects a declining disparity between trading partners over the medium-long term and it will be successful if it finally fades away, as trading nations emulate the EU and decrease emissions. Another benefit emphasised by Dröge is that it will increase transparency on the publication of emissions data. It is mandatory for private companies to annually provide up-to-date statistics on their activities; however there have been cases of companies trying to hide or illegally modify their data. On the other hand, the CBAM could negatively affect future relations as it could be interpreted by the Chinese authorities as a further Western attempt to sabotage exports and hinder the economic advancement of the People's Republic. The politicisation of the project could lead to diplomatic confrontation, as demonstrated by the protests already made by China (and some of its major partners such as Brazil and India) in recent international meetings.

### *Policy recommendations*

#### **Trade policies**

The Jacques Delors Institute (2019) estimated that an EU-China trade liberalisation would increase the GDP of European nations by around 75€ bn. However, a market liberalisation with China could only be implemented in the presence of a continuous and honest dialogue between the various governments, which currently seems particularly difficult. The strong path of militarisation, increasing energy dependence on Russia, and aggressive investments in developing countries by Beijing are only making the US and EU raise their guard instead of seeking cooperation. If there is no concrete sign of improvement, this article suggests that trade policies should be implemented to mitigate economic interdependence with China in key industries.



## **Industrial policies**

Pascal Lamy, Elvire Fabry and Nils Redeker (2022) state that 52% of the strategic military items imported by the EU come from China. Based on these figures, the Commission should issue new directives to differentiate the procurement of European nations. Further action should be taken in the industrial sector to improve its efficiency. For this to happen, action must be taken on two fronts. First, create a stronger industrial policy framework, especially in terms of governance. Secondly, we propose to build a common industrial fund, as different member countries have significant diverse economic availabilities. In this way it would be possible to finance projects which have strategic value for the Union, consequently reducing the economic gap between the various nations, which is often at the root of internal conflicts that prevent the EU from having coherent and effective policies.

## **Energy policies**

The Intergovernmental Panel on Climate Change (the main UN body focused on climate change) published a report in 2023 reaffirming that human practices, particularly the use of fossil fuels, are the main cause of rising temperatures. UN Secretary General Guterres said that “humanity is on the brink and there is a real risk of defusing a time bomb”. Faced with such a scenario, future policies will have to be written in terms of strong cooperation between countries, as there is no viable alternative. To make this happen, it will be necessary to promote global agreements (such as the Kyoto Protocol or the Paris Agreement) through which guidelines will be outlined for the future. Goals such as seeking to keep the average temperature rise at +1.5 degrees Celsius compared to the pre-industrial era will have to be signed and adhered to by all powers, including China, to avoid an environmental catastrophe. Furthermore, achieving these ambitious targets will require the introduction of new policies to encourage technological investments to speed up the decarbonisation process. In 2022, for example, the US-China Working Group met for the first time and shared possible strategies to work together on new forms of clean energy sources with substantial investments from both countries.

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## **[ The impact of the Russian aggression in Ukraine on the EU common foreign and security policy and “European sovereignty”**

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### **Abstract**

Following the Russian invasion of Ukraine, the EU quickly reacted in sanctioning Moscow and helping Kiev, including by financing the delivery of lethal weapons. But at the same time, the war reinforced the Atlantic alliance, which was regarded as “brain dead” by President Macron as recently as 2019. This fall, American elections and the growing trend among the US public opinion in considering that it is primarily up the Europeans to defend themselves, could strengthen the willingness of the 27 member states to set up a more effective common foreign and security policy, provided they are able to agree upon common interests and objectives.

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## **The impact of the Russian aggression in Ukraine on the EU common foreign and security policy and the “European sovereignty”**

The February 2022 Russian invasion of Ukraine forced the EU to take urgent action to implement its multiple common foreign, security and defence policy instruments and even to invent new ones.

### **The Russian invasion, a full-scale test of the EU common foreign and security policy**

The Russian invasion was a dramatic full-scale test of its famous CFSDP, gradually enshrined in the EU treaties which were successively ratified since the 1992 Maastricht treaty until the Lisbon treaty, which came into force in 2009.

In a sense, the 27 member states reacted quickly. In the days following this aggression, unprecedented in Europe since the end of the Second World War, and coming from a permanent member state of the Security Council, equipped with nuclear weapons, the EU adopted, in consultation with the United States and Britain, an unprecedented and gradual programme of more than 12 economic and political sets of sanctions against Russia with the objective of severely reducing its capacity to finance the war against Ukraine. Nevertheless, exemptions had to be accepted for certain Eastern EU member states heavily dependent on Russian oil, while no embargo was imposed on gas imports. But the Union was able to rapidly reduce its dependence on Russian gas, even if it increases its dependence on other suppliers such as the USA. It has hosted nearly five million displaced Ukrainians and granted them a privileged status never granted before, even during the Syrian civil war in 2014. It opened its borders customs-free to Ukrainian exports, at the risk of discontent among EU farmers, and mobilised a considerable amount of emergency aid and macroeconomic support for Ukraine. Its member states and the Commission have agreed on the issue of war crimes and crimes against humanity in Ukraine by making an EU agency, Eurojust, available to investigators.

With more hesitation, the European Union for the first time financed through its “European Peace Facility” the supply of lethal weapons by the member states, allowing Ukraine to defend itself. It has also helped train thousands of Ukrainian soldiers. Despite of ab initio doubts, the EU symbolically granted Ukraine and Moldova the status of candidates for accession in June 2022, even if the perspective raises long-term difficulties as regards its capacity to absorb and to rebuild a state in conflict. Thus, the European Union, despite the reticence of some of its members, such as Hungary, gave the impression that it was willing to put in force the recommendations listed in its new “strategic compass” adopted by the extraordinary European Council in Versailles in March 2022.

NATO is also apparently strengthened by the Russian aggression.

At the same time, Russia’s aggression has, with President Biden’s full support, considerably strengthened NATO, which was deemed “obsolete” by Trump in 2016 or “brain dead” by Macron in 2019. Feeling threatened by this aggression, Finland and Sweden were able to join the Atlantic Alliance adding more than 1,200 kilometres of common border between NATO and Russia, even though Putin has justified the invasion of Ukraine by the pretext of the candidacy of Kiev to join this organization, seen by Moscow as a threat to its security. Under the auspices of the United States, NATO

members and other states have been working together to deliver military equipment to Kiev. NATO has deployed forces on its eastern flanks in the Baltic countries and in Romania, member countries that considered themselves as particularly threatened. In that way, it is obvious that, for the defence of the EU member states on the European continent, the first reflex is the use of Atlantic protection, that is to say the US umbrella, especially since Russian officials have reported nuclear threats, a source of concern for public opinions.

### **American and European public opinions at a cross-road?**

In a certain way, NATO and the EU act in a complementary way: the EU helps Ukraine and sanctions Russia, NATO protects its member countries that feel threatened. What is to be deduced for the “strategic autonomy” of the Union - objective which is enshrined in the “strategic compass” - or the “European sovereignty”, expression repeated since 2017 by President Macron?

Much will depend first on the ability of Europeans to agree – unanimously according to the current treaties – on their interests and objectives of common foreign and security policy in Ukraine and wherever they face common threats. The initial unanimity provoked by the shock of the unforeseen aggression is now followed by more diverse trends among member states, obviously exploited by the disinformation campaigns conducted in Moscow in the context of the June 2024 European Parliament elections. But it is in Washington that Europeans will find an important part of the answer, regardless of the outcome of the fall presidential elections: it seems clear that a growing proportion of American public opinion believes that it is primarily up the Europeans themselves, rather than to the US, to ensure their own security.

Admittedly, most of the member states, especially Germany, decided to restore their military budget after years of reduction that had allowed to cash in the “peace dividends” after the end of the Cold War. However, the difficulties encountered to deliver ammunitions in sufficient numbers to Ukrainians have demonstrated the shortcomings of the armaments industry of the member states and cooperation between European companies, knowing that the necessary interoperability imposed by NATO and the USA plays in favour of importing American weapons. Will the EU’s unprecedented efforts to encourage European manufacturers to produce hundreds of thousands of shells bear fruit?

Beyond the common defence policy, there is the question of the European Union’s political capacity to influence future events: Will it be one day able to play a role in a possible peace process, whereas, for Moscow, the EU took up the cause for Kiev by following the USA? The European Union, like the USA, has not been able to rally most of the major countries of the so-called Global South to the defence of international law and the independence of Ukraine, a member of the United Nations. The effects of its sanctions have been diverted by the channel of other countries, almost none of which have taken economic measures against Russia, in such way that the financing of its economy of war doesn’t seem to be affected, contrary to the initial illusions. In this sense, the effectiveness of the Union’s foreign policy is in doubt, despite institutional reforms: permanent president of the European Council, High Representative to the CFSP and Vice-President of the Commission, the European defence fund, the European defence agency... For example, in the face of the violence suffered by the civilian population in Gaza after the odious massacres of October 2023 committed by Hamas, the voice of the European Union was largely inaudible, some of its member states, namely Germany, having special relations with Israel since the Shoah.

## **Conclusion: Are the Europeans ready for their “strategic autonomy” or for a “sovereign Europe”?**

If European countries want to count in the world, they have no choice but to continue along the path of the CFSP, complementary to that of each member state which may have specific tropism. The treaty on the European Union makes it possible for small groups to be more determined. It would be still necessary for the France-Germany “tandem” apparently in tension, or the Weimar triangle (France-Germany-Poland) - revitalized by a new pro-Europe team in Warsaw - or any other coalition of member states to actually commit in this direction.

Geography being stubborn, it will also be necessary to make the European Union speak again with Russia even if history and current events explain the reservations of the Baltic states and Poland. And also to adopt a common approach to relations with China, India, Brazil - from the Global South - or with the USA.

If Europeans have an interest in their common security and defence, the policies to be designed to achieve this will still be the subject of divergent perceptions for a long time to come. It is all the difficulty of this necessary process, this “strategic autonomy” in the field of defence, energy or chips among other domains on which a “European sovereignty” can be developed on the basis of the free consent of each of the sovereign nation-states that constitute the EU. Let’s not waste time.

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## **Understanding the importance of political risk today: Insights for thriving in a global, unstable, turbulent landscape**

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### **Abstract**

Despite remarkable advancements in understanding the importance of political risk in recent years, its conceptualisations remain erratic or vague. This article aims to offer an overview of how political risk is defined, identified, and developed by organisations in relation to the current volatile landscape. The article tries to explain why political risks represent a significant hurdle for businesses and organisations in today's globalised world, explores the key concepts and features of political risk, and analyses emerging trends, highlighting its growing importance in our economy. We bring to the readership's attention the multifaceted elements of political risks encompassing a broad range of factors we seek to investigate (Sottilotta, 2016). We try to define the future landscape of political risk, which is likely to be shaped by prospective trends, and underline the economies' growing interconnectedness, which produces more instability that can quickly cascade from one region to another. Our findings demonstrate that for enterprises and organisations, managing political risk consciously is crucial for long-term success. In a nutshell, identifying and understanding the global political landscape, anticipating potential disruptions, and developing contingency plans remain essential for navigating this complex terrain, which unforeseen events can jeopardise. The article argues that by acknowledging the complexity of political risks and their evolving nature, businesses and organisations can build resilience, mitigate the effects of unpredicted threats, and ensure their continued viability in an increasingly uncertain world.

Keywords: Political risk, Risk management, Decision-making, Global insecurity

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# **Understanding the importance of political risk today: Insights for thriving in a global, unstable, turbulent landscape**

## **Introduction**

Businesses face many challenges and uncertainties in today's increasingly interconnected and globalized world. The rapid shifts in the world's production centres in recent decades (from the West to the Far East) and extent of conflicts generated by the interpretation of new paradigms of military, financial and social world orders are having repercussions on the strategic future of the economy and on old powers, creating an increasing sense of global uncertainty (Kennedy, 2010). Among these multiple challenges, political risk has emerged as one of the critical factors in shaping business strategies. Therefore, its management is a leading priority for leaders in their decision-making process (McKinsey, 2022; PwC, 2018). Broadly speaking, political risk refers to the potential impact of social or political events, decisions, and policies on a company's operations, investments, and profitability. Due to the ethical damages (brand, IP, or reputation) or financial effects (decreasing revenue, missed business opportunities and asset loss), the implications of political risk in business management cannot be overlooked. The study of the nature of political risk, the knowledge of its inner dynamics, the engagement necessary and its relevance in contemporary business management provide valuable guidance for firms operating in today's turbulent political landscape (Frynas & Mellahi, 2003).

## **Political risk defined**

The concept of political risk is complex and elusive. It evolves over time and involves new actors (with a recent increase of non-state ones such as consumers, NGOs, or terrorist groups). It encompasses many features, including legislative changes, shifts in government policies, geopolitical tensions, regulatory instability, natural resources manipulation, and social unrest. In addition, recent trends outline as potential political risks all those uncontrolled dynamics that are triggered by unjustified interpretations of an economy, which find its *raison d'être* more in ethical and moral perspectives rather than the pure interest of organisations' profits. That is, risks nurtured by the driving motive of a general widespread sense of commitment to justice and fairness that, with incorrect approaches, translate into a loss of market value and attractiveness for companies involved in this justice mass activism (Davies, 2019). All these elements produce a multifaceted and intricate notion of political risk. It is thus characterised as a hybrid phenomenon that can be positioned between a typical company's business function and the theoretical performance of risk management theory concepts. However, it must be treated as a prominent concern in contemporary global affairs, particularly in a world characterised by the interconnectedness and interdependence of business systems. All these elements contribute to shaping the intricate political risk landscape in which economic stakeholders operate, affecting leaders' strategic decision-making, policies, and investment strategies (Rice and Zegart, 2018; World Bank Group 2018).



**Table 1. Main Factors of Current Political Risks**

<b>Geopolitical dynamics</b>	War, nationalism, coups, international sanctions, internal violence or conflicts, and shift of power.
<b>Normative or legislative factors</b>	Unbalanced and unilateral rules application or imposition of unfair laws and policies; "Gray zone" aggression.
<b>Corruption</b>	Systemic bribery and fraudulent conduct
<b>Social media interference or fairness activism</b>	Social media activism and collective action by "viral social-media influence"
<b>Terrorism</b>	Indiscriminate use of violence against goods, people and political symbols
<b>Cyber war or crime</b>	Online criminal or sabotage activity
<b>Climate change</b>	Global warming and natural disasters
<b>Economy globalisation</b>	Periodical economic shifts and shocks; Deglobalisation threat
<b>Corporate reputation</b>	Self-inflicted risks by wrong internal firm culture and practices

This plethora of risk dimensions (table 1) has a variety of repercussions on firms' operations and presents heterogeneous characteristics both in their consequences and the nature of measures necessary to cope with them. The essence of each political risk stems from its capacity to derail a company's operations, erode its profits, and damage its reputation. Companies must adopt a systematic approach to reduce those risks, implementing a culture of threat identification and management in their daily processes, allowing organisations to prevent "black swans" (Taleb, 2008) and recover better from serious, lasting effects.

### **Why is political risk management instrumental today?**

Identifying political risks and understanding their effects is vital for organisations. They directly or indirectly impact their ability to operate, expand, and thrive in the business ecosystem (Jakobsen, 2010). The reasons for this destabilising impact are multiple and can be harmonised into four main groups:

- 1. The globalisation and interconnectedness of the business.** In today's globalised economy, businesses are more intertwined with international markets and supply chains than ever. This interconnectedness or dependence makes them susceptible to political, social, or economic developments. A financial dispute in one country, a reputational conflict, a sudden change in tariff regulations, or a geopolitical competition can all have cascading effects on businesses that rely on these geographically interconnected systems. This multiplies risks (Alicke et Al., 2022).
- 2. Uncertainty and volatility.** Political risk adds a layer of uncertainty and volatility to the business environment. It can lead to sudden and unpredictable changes in market conditions or increased unforeseen variables, making it difficult for companies to plan or react for the long term. Uncertainty without preparation can deter investment and disrupt operations, leading to substantial financial losses. Instead, developing suitable processes to implement risk mitigation reduces shocks, and companies can thrive even when exposed to volatility, randomness, and disorder, if they embrace risk and uncertainty with systematicity (Nassim Taleb, 2012).
- 3. Relevance in diverse sectors.** Political risk is not limited to specific industries or regions. It can affect businesses in diverse sectors such as finance, technology, and manufacturing, or impact several company departments that are not directly

linked. On the other hand, the importance of the political risk components may vary depending on the board of directors, divisions, and company experiences in managing unexpected events. This extension of dynamics explains that what works for one firm may not work for others during the internationalisation process (Jimenez, 2010). This aspect is particularly relevant in emerging or developing countries where political stability, transparency of institutions and the rule of law may be less assured, giving leaders less operational certainty.

- 4. Reputation and stakeholder concerns.** How a company responds to political risk can significantly impact its reputation and relationships with stakeholders (such as investors, clients, etc.). A firm that is poorly prepared for political risk events usually faces negative backlash from customers, sponsors, and public opinion, resulting in decreasing corporate brand value and assets. In contrast, proper management of these risks can enhance a company's image and build trust, thereby mitigating potential adverse effects and generating positive feedback from the market with optimistic outcomes in the long run.

The above clusters underline that contemporary political risk continually intertwines, evolves in the business context through elements of interconnection and can differ from what businesses have traditionally faced. Understanding these changes and its multiple nature is crucial for effective risk management strategies.

Combining scientific studies and practitioner knowledge, some novel insights can be extrapolated for business purposes (Rice and Zegart, 2020; Jakobsen, 2010):

- 1. Technology and information flows matter.** The web, the media and digital-age tools have transformed how information spreads and influences our environment. Social media, in particular, play a significant role in shaping (and sometimes manipulating) public opinion. The power of social activism generates sudden and extensive risks, posing challenges that can mobilise any social movement. Businesses and institutions must contend with events that, once the news of them goes viral, can reshape the notion of threat. Corporations must be tuned with measures in multiple locations and synergy-ready actions to prepare for these changes, as they can affect political or economic outcomes and, consequently, the risks companies face.
- 2. Presence of non-state actors and cyber threats.** Today's political risks' triggers exist in a crowded landscape of different, often unrelated, players. It is essential to emphasise the growing influence of new local or transnational entities and non-state actors, such as terrorist groups, activists, unions and ethnic or religious communities. They generate risks within borders or across them and, as these overlap, can amplify the political risks effects. The development of AI and the spread of digital applications are transforming traditional political risks, forcing businesses now to consider as a priority the impact of cyber threats, which can disrupt operations, compromise sensitive data, and harm a company's reputation, affecting profitability and market value.
- 3. Social responsibility of the private sector.** Businesses are increasingly called upon to play a "non-only managerial role" in addressing global challenges. Governments, NGOs, and the public expect companies to be socially responsible and contribute to solving pressing issues, such as climate change and income inequality. Companies are expected to play an active and social role within the community in which they operate, which posits that making corporate social responsibility (CSR) evident to the audience (the more, the better) gives an undisputed trust or sort of moral capital that safeguards the firm in case of an unexpected adverse event. Hence, firms

exposed to more political risk must engage in CSR activities to exploit its hedge effect.

**4. Flexibility and adaptability approach.** The continuous flow of new dynamics highlights the importance of flexibility and adaptability in managing political risk. Companies should develop and assess a range of scenarios to anticipate potential political developments. Scenario planning is becoming a fundamental and irreplaceable element for preparing corporate managers to design strategies to respond effectively (Schwenker and Wulf, 2014). The goal is not to predict unexpected events but to improve the data collection, the tools for integrating the analysis suitable for better decisions within the organisations. This proactive approach is essential in navigating the current dynamic landscape.

**5. The importance of public-private partnerships.** Our modern society is more interconnected than ever, which results in a complex business ecosystem that allows and assumes the systems' and organisations' interdependency (and mutual efficiency). For this reason, it is imperative to highlight and foster the paradigm of public-private partnerships in addressing political risk. It is the most promising form of value creation. Collaborative efforts between governments, businesses, and civil society can lead to more resilient and sustainable solutions (Chironga, Leke, & Desvaux 2018). These partnerships can mitigate political risks by promoting stability and shared mutual responsibility.

## Political risk: future trends

Given the speed at which markets are changing, the complexity and the nature of events that globally will persist, making predictions about the next political risks with international influence is almost impossible (UNCTAD, 2022; Taleb, 2012). Despite this unpredictability, some trends can be outlined (table 2):

**Table 2. Political Risk Main Trends**

Type	Descriptions	Likelihood	Action plan	Impact/where
Social instability, geopolitical or conflicts risks	Regional or international conflicts escalates, threatening infrastructure and increasing volatility in the business context	High	Identification, assessment and protection of critical assets and vulnerability	High/ major developed and/ or developing economies
Inflation and economic uncertainty	Inflationary pressures lead to a populist resurgence and economic volatility.	High	Hedge plans and improvement of firms efficiency	Medium/ developing countries
Supply chain instability	Disruptions by event or situation that affects the normal flow of goods or services.	Moderate	Build entities with flexible organisational capacity	High/ developed economies
Cyber-crime	Web attacks that cause disruption to critical physical and digital infrastructure.	Very high	Cyber Risk “boot camp” periodically/cyber assessment	High/ major states or economies
Economic de-globalization	Economic trade and investment between countries decline affirming a new business paradigm that create uncertainty	Moderate	Adjusting political and commercial policies for more cooperation	Medium/ developing countries (mainly non-Western)
Energy security	Secure the supply of energy exploiting new resources	High	Diversification/implementation of new technologies	High/ mainly Western countries

### ***Social instability and geopolitical conflicts***

Regional conflicts worldwide will continue, and in some areas, such as the Sahel in Africa, the Far East around Taiwan, and the Red Sea, are expected to intensify. This uncertainty will impact trade, supply chains, commodity prices and political stability, producing even more market tensions and fluctuations. Besides, the social conflicts arising from the rising cost of living or environmental concerns push politicians and policymakers to adopt populism or nationalism as ideological political views to cope with the population's demands. This growing disaffection increases tensions and pressure on the internal agenda, affecting the economic ecosystem and creating leadership concerns (Coronati & Jallat, 2024).

### ***Inflation and economic uncertainty***

The rising inflation is still a possible disruptive political risk trigger. Although central banks in the EU and the US control the end of the hiking cycle, the remaining general policy is that governments will take a cautious approach to reducing interest rates. The political consensus will likely cause rates to remain around 3.5% - 4% during 2024. This measure will impact economic growth and put financial pressure on households and businesses, which may generate unexpected events with negative global economic applicability.

### ***Supply chain instability***

The perception of general and constant insecurity can produce disruptions that affect not only goods but also services across regions and industries in the medium term. Furthermore, regional and global political or financial events or a new health crisis may impact businesses, disrupting the entire supply chain (especially for food) as was the case with the Covid -19 pandemic. The availability of services may also be jeopardized with the increase of social and geopolitical risk, threatening the fragile corporation's supply chain even more. These aspects cannot be overlooked by leaders who want to prepare an alternative scenario to mitigate those risks.

### ***Cyber-crime***

Any company that relies on IT infrastructure is vulnerable to cyber-attacks. Hackers can manipulate any connected device within companies (from mobile to desktop) or use it as a vector for attacks on company networks and internal data. The increasing size, complexity, and tenacity of cyberattacks pose a significant future economic threat. It increases the range of political risks for individuals, companies and national security agencies. As a result of the digitalisation of critical national infrastructure, several essential services, such as power grids, water supply networks, hospitals, and transportation systems, are frequently exposed and susceptible to devastating cyberattacks (Gaubert & Jallat, 2023). All those systems are prone to severe repercussions, including theft, spying, disruptions in operational activity, and financial loss. Recent, extensive attacks show the vulnerability of those infrastructures, where ransomware attacks have become increasingly prevalent. Additionally, the trend is in expansion in conflict areas or during particular circumstances (especially before elections), posing a danger to democracy and putting pressure on public opinion. Corporates, with the assistance of national security agencies and dedicated staff, need to be more vigilant and always plan new countermeasures.

## *Economic de-globalization*

Several crises and the adoption of new policies have led decision-makers to reduce the impact and dependency across economic system stakeholders. A new economic paradigm is emerging, allowing organisations to implement integrations and a less holistic perspective of assets and resources. In particular, emerging economies and small, isolated markets are reorienting their commercial and political alliances (i.e. from the West to China, Saudi Arabia and India). This shift is disrupting traditional capital and goods flows, accelerating the competition among governments to secure access to crucial materials and political control over trade routes, even in regions far from organisations' usual spheres of influence, forcing businesses to adapt to this new market reality. In addition, the rise in protectionism, triggered by nationalist parties and populist movements that exploited the increasing inequality in our society, is creating an environment of aggregate uncertainty. These resentments, often duly piloted, can potentially disrupt globalisation as we know it today, posing a threat to economic growth and international relations. This formula and the tendency to reject multilateral trade by important players remain a real geopolitical risk trend.

## *Energy security*

Energy is essential to economic development and is critical for countries' growth and security. Controlling energy sources, such as fossil fuels, is a strategic advantage. The politics of energy tends to be associated with the risks tied to specific industries and resources (oil, gas, and coal). However, their geography and limited availability shape the relationship between modern nations because most critical assets are located in politically unstable countries. The lack of a complete transition to renewable energy, which balances new powers and increases competition among players, damages the positive effects on energy supply and security. Governments must facilitate diversification and encourage reforms to increase the possibility of accelerating this transition by the private sector, which could allocate more resources to renewable energy projects, stabilising the geopolitical landscape. This would permit responding to challenges and overcoming conflicts and cross-border ecological disputes. A deeper global collaboration is required to develop renewable energy exploration that can alleviate uncertainty ahead.

## **Some insights and practical implications for business**

As discussed, several variables undermine a company's preparation, response, and confidence in its ability to navigate risks successfully, specifying that company or managerial experience and performance always matter (Jimenez, 2010). Thus, this article tries to recommend some practical steps to manage this volatile contemporary landscape (McChrystal, 2021; Grant et Al, 2022).

The first one should be a comprehensive risk assessment conducted with a dedicated staff by identifying, analysing, and controlling data available, together with a thorough evaluation of political risk factors that could impact operations. This includes evaluating social or political stability, regulatory frameworks, and geopolitical conditions in target markets. A suitable risk assessment procedure is recommended for executing so-called scenario planning. Developing scenarios anticipating potential political events and their impacts is an exercise that helps formulate adequate response strategies in advance.

The second is the implementation of cross-functional teams. Establishing cross-functional teams within the organisation helps to monitor political developments and assess their

potential impact. It can reduce exposure and prepare the organisation for the unexpected. These teams should include geopolitics, legal affairs, CFO and risk management experts. Maintaining open lines of communication with stakeholders, including government officials, regulators, and local communities, or engaging in public-private partnerships to address shared challenges allows firms to collect helpful information. This will enable the capability of establishing robust stakeholder engagement, filtering perceptions or emotions to frame future problems and determine whether insights have emerged or remained hidden (Giambona et Al, 2017).

The third helpful practice is diversification. Companies should continuously diversify their market presence and supply chain to reduce dependence on a single region or country. A lack of diversification of the main economic drivers is associated with increased vulnerability, exposing firms to sector or market-specific shocks. Hence, diversification can help manage volatility and provide a more stable option for identification and response, spreading the risk mitigation effect over more alternatives and making the business more resilient to distress.

Finally, companies can adopt more insurance and formal risk mitigation approaches as a good practice. Political risk insurance and other risk mitigation strategies to protect investments and operations in high-risk areas can be a solution to cover a wide range of potential risks. They are also designed to mitigate corporate loss.

## **Conclusion**

In an increasingly intertwined and unpredictable world, political risk identification and assessment has become critical for businesses across various industries and sectors. The concept of political risk offers valuable insight into how companies can adapt to navigate this challenging ecosystem. By recognizing its significance and diversified essence, embracing scenario planning, and engaging in public-private partnerships, companies can proactively manage and mitigate the uncertainties posed by unexpected events. In the 21st century, acknowledging the importance of political risk is not just a prudent option. Rather, it becomes essential for businesses' long-term success in a complex and ever-changing world.

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# **[ A new European sovereignty based on democratic principles**

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## **Abstract**

The European Union already exercises many powers. However, the crises of the period 2020 to 2024 call for new stages in the construction of a European sovereignty. People must be fully involved in order to respect the democratic principle that characterizes the European Union.

Keywords: sovereignty, democracy, supranational decision-making

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## **A new European sovereignty based on democratic principles**

The 2020s mark a break in European construction, less by the will of states and institutions than by the effects of health and geopolitical events. They challenge Europe to be even more united and effective than in the past. The actions that have been carried out for almost five years demonstrate a desire for reinforced European sovereignty, both on the health and geopolitical levels, necessarily also calling for increased awareness and exercise of supranational democracy.

### **A new sense of sovereignty after the crises of 2020-2024**

The COVID 19 crisis triggered acute awareness of the need to move the center of decision-making. While it initially created global astonishment, it then revealed the absence of sovereignty of states or of the European Union. This lack was evident regarding equipment, such as masks or protective gels. The states therefore gradually decided to act jointly, to purchase materials together and to place joint orders for vaccines. This awareness continued after the end of the epidemic, with governments and the EU implementing new health research programs.

The war in Ukraine and other geopolitical shifts thereafter made necessary to rethink the notion of European defense. If states have retained the monopoly on legitimate and legal violence, new geopolitical challenges require supplementing national defenses with a capacity for supranational action. Progress is already considerable and the multiplication of conflicts in the world and the spread of the threat are creating a new situation. The European Union was often built in crises and the global situation can be a triggering factor.

In 2024, several variations of sovereignty are increasingly embodied in the European Union. The main areas are health sovereignty, food sovereignty, energy sovereignty, and industrial sovereignty. They demonstrate both a necessity and a renewed sharing of sovereignty.

Several areas in contrast, in particular in foreign affairs and defense, remain more marked by a national dimension of sovereignty, without neglecting the need for collective work. The notion of "Strategic Compass" developed under the French presidency is an example. In March 2022, the Council of the European Union, under the French presidency, approved the principle. This involves providing political Europe with an ambitious action plan to strengthen the EU's security and defense policy by 2030. The Council's press release thus states that "The more hostile security environment requires us to make a quantum leap and increase our capacity and our will to act, to strengthen our resilience as well as to invest more and better in our defense capabilities." According to Josep Borrell, High Representative of the Union for Foreign Affairs and Security Policy, "Threats are increasing and the cost of inaction is clear. The strategic compass will guide our action. It sets out an ambitious path for the future of our security and defense policy for the next decade. It will help us meet our security responsibilities to our citizens and the rest of the world. If we don't act now, then when will we?"

### **How to achieve supranational democracy?**

If the center of decision-making moves to the supranational level, then European democracy must be further strengthened. European elections often mobilize only a

relatively small proportion of the electorate. Furthermore, these elections are often seen as national, without citizens sufficiently understanding what is at stake at the European level. In 2024, the situation has changed and the perspective of more visible European power can attract voters to the European polls.

As with sovereignty, democracy is now also available at the European level. If democracy is the power of the people, whether they exercise it directly – direct or semi-direct democracy – or through their representatives – representative democracy – the notion of European democracy can be thought of given the many competences which have been gradually transferred from the member states to the European Union. European democracy was forged around several developments. It is first of all an increase in the powers of the European Parliament, which has become co-legislator. This body being directly elected by the citizens of the Union, it embodies a new form of supranational democracy. It then concerns the balance of European powers, based on institutions composed of representatives of citizens, the aforementioned Parliament, as well as the European Commission, holder of the power of initiative and responsible before the Parliament, and the Council of the Union, made up of ministers from member states. Each of these powers benefits from a democratic legitimacy, depending on the respective methods of designation.

French President Macron summed up the evolution of Europe since 2017 in his second Sorbonne speech of April 2024: “I wanted to come here, to this same place, to come back over our achievements and talk about our future. Our European future, is, by definition, the future of France. They cannot be addressed separately. Right here, in September 2017, I said that, all too often our Europe no longer wanted to act, or proposed to act, out of either fatigue or conformism. The European spirit was left to those who attacked it.” Regarding the future of the European Union against the backdrop of climate change, he added: “Now, we need to ensure there is flexibility for implementation in each country, and above all the investment policy to accompany it. But we have put in place European planning for these transitions, while, everywhere else in the world, great powers have made commitments but have not yet started explaining how they intend to fulfil them. These are foundations that should now be seen as stable milestones. And I will come back later on how to link them up to make them compatible with a policy of growth, full employment and industrial development.”

The French president's successive speeches make European sovereignty a necessity. It is already partially at work: the European currency, but above all European legislation, which takes precedence over national legislation. The 2024 European elections are the first in this new situation. Even if challenges to European sovereignty persist, they are now residual. The numerous debates between the candidates show this evolution.

## **After the European elections**

The appointment of the Commission is a particular moment of renewed democracy. According to Article 17 of the Treaty on European Union (TEU), the European Council is obliged to “take into account the results of the elections to the European Parliament” before submitting to the latter the proposal of the candidate it wishes to seek access to the position of President of the European Commission. The Spitzenkandidat system (“head of the list” in German) is one of the methods of selecting the president of the European Commission. It plans for the post to be given to the leader of the European party that came first in the European Parliament elections. Each European party must therefore select in advance a candidate for the presidency of the Commission.

The objective of this method of election is to strengthen the link between citizens and the head of the executive, historically designated by the European Council, and to encourage voters to vote in the European ballot which takes place every five years.

This system was tested once, during the European elections of 2014. Luxembourgish Jean-Claude Juncker, who led the list of the European People's Party (EPP), then became president of the European Commission. For the 2024 elections, several Spitzenkandidaten are candidates for the presidency of the European Commission.

## **Conclusion**

Today, there is indeed a European democracy, which exercises European sovereignty. However, citizen awareness is still incomplete. The difficulty comes from the fact that the paradigm of the exercise of power has changed profoundly over the past fifty years. The link between state, people and sovereignty has weakened. The world's issues and challenges transcend national borders. Thus, the principle of subsidiarity requires supranational action when national actions are no longer sufficient. The areas concerned are numerous. Today we must think of a supranational democracy, exercised by a people, itself composed of pre-existing peoples.

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## **Europe's new co-dependency for oil and gas with Africa – Russia's loss is Africa's gain**

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### **Abstract**

Europe is increasingly turning to Africa for reliable gas supply, as it lacks the abundant domestic reserves of the United States, and can no longer access traditional gas supplies from Russia, since the invasion of Ukraine and accompanying international sanctions. Houthi attacks on shipping in the Red Sea have only served to make African gas more attractive to European consumers than rival Arabian Gulf and Indo-Pacific supply, considering physical security risks and long voyage times. At the same time, the pressure for decarbonisation and Net Zero has led to concern amongst African leaders that their fossil fuel resources may become stranded, even as their countries remain energy-poor and low income / low emission. European countries, especially Germany and Poland, are seeking to reduce their emissions from coal by using imported gas, even as they ramp up renewable energy projects. Thus many, often fragile African states are increasingly courting European investment to develop their offshore hydrocarbon reserves both for export and for domestic power. The result is a developing energy co-dependency between Europe and Africa, with the opportunity for Europe to enhance its energy security, and for Africa to build much-needed electrical generation capacity.

Keywords: offshore, Africa, oil and gas, supermajors, LNG

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## **Europe's new co-dependency for oil and gas with Africa – Russia's loss is Africa's gain**

### **Energy shock and energy poverty in Europe.**

The European Council (2023) found that the 27 countries of the European Union consumed close to 400 billion cubic metres (bcm) of gas in 2021, and 40% of gas imports into the EU came from Russia then. The Russian invasion of Ukraine in February 2022 saw gas prices spike to record highs, causing hardship for many Europeans, as nearly one third of households in the EU are heated using gas, and 20% of the block's electricity was generated from gas that year. In 2022, European gas demand fell 13% as high costs crushed demand. European leaders fretted about the destruction of their industrial base.

The war in Ukraine acted as a catalyst for a major transformation of the EU's energy supply structure, as the EU sought to find new suppliers and reduce its dependence on Russia. The destruction of the Nord Stream gas pipelines in the Baltic Sea by sabotage in September 2022 reinforced this need for diversification. Nord Stream had previously carried 40% of Russia's gas exports to Europe.

In the first nine months of 2023, Russia's share of the EU gas supply stood at only 8%, according to Eurostat (2023), mainly as Liquefied Natural Gas (LNG) from the Arctic. The EU aims to eliminate all imports of Russian fossil fuels by 2027, but lacks the ability to produce sufficient oil and gas itself. The EU imported 84% of its gas needs in 2022, and its own gas production fell 68% between 2000 and 2022 (Statista, 2024).

In the medium term, the EU sees renewables as the solution to its energy security and has a binding target of sourcing 42.5% of its energy from renewables by 2030. The EU and the UK have both authorised huge increases in offshore wind generation capacity; European utilities and energy companies have invested billions in this segment (Horsington, 2023). At the same time, the EU is also investing massively in LNG import capabilities as a transition fuel, and to replace highly polluting coal generation. Burning natural gas creates only half the greenhouse gas emissions for the same energy output as burning coal, and none of the particulates or heavy metal pollution.

Since February 2022, the EU has added 46 bcm of LNG import capacity, expanding four existing facilities and opening seven new ones (IEEFA, 2024). By the third quarter of 2023, LNG imports into the EU had doubled compared to the first quarter of 2021, and LNG imports from the United States had almost tripled, whilst piped gas imports had fallen by around 40% (Eurostat, 2023). Most of that remaining pipeline gas came from Algeria and Norway, not Russia. In 2023, the US was the largest LNG supplier to the EU, representing almost half of total LNG imports.

But in the coming years, a pivot to Africa as a key supplier to Europe is likely, as the EU seeks to avoid substituting dependence on Russian gas with dependence on US LNG.

### **Europe's gas shortage is Africa's opportunity**

African oil production peaked at around 10 million barrels per day in 2008, and since then, production has declined significantly to around 7 million barrels of oil per day, with production in three of the largest producers – Nigeria, Libya and Angola – falling 30% or more over the past decade. Many observers had written off African prospects of developing new fossil fuel projects in the 2020-2030s as the developed world focused on Net Zero and

local economies lacked the demand to justify development of gas reserves solely for local markets. Many African leaders were concerned that they would be left with stranded assets – discoveries of oil and gas which would remain undeveloped as the world transitioned away from hydrocarbons.

Europe's gas shortage is Africa's opportunity, however, as gas is the one bright spot in the African energy scene. Gas production in Africa reached 249 bcm in 2022, up 138 bcm since 1998 (Energy Institute, 2023). In 2022, Africa produced 6% of the world's gas supply, doubling its share of a growing market since 2000. Algeria, in particular, is already the number four gas supplier to Europe through both pipeline and LNG shipments.

However, Africa accounted for 40% of new gas discoveries globally in 2012-2022, driven by major finds in deepwater Mauritania, Mozambique, Senegal and Tanzania. Most of those new discoveries were made by the European supermajors: BP, Shell, TotalEnergies and ENI. As a result, a wave of new developments will build strong energy ties between Africa and Europe in the coming decades.

The large number of potential African LNG suppliers to Europe increases the diversification of the EU supplier base for energy, and reduces the risk that events involving a single country can disrupt supply. Swapping gas for coal reduces emissions and is a major priority in Germany, Poland and several Balkan countries, even as renewables increase. Furthermore, the future routing of supply through the Atlantic or the Mediterranean for all the new African suppliers, instead of through the Red Sea and Gulf of Aden, reduces the risk of political disruptions.

Both the US supermajors Chevron and ExxonMobil have doubled down on their investment in their home markets and have reduced their exposure to Africa. ExxonMobil is withdrawing from Equatorial Guinea in June, has already exited Chad, and has a deal to sell its shallow water Nigerian assets, pending government approval. In 2023, ExxonMobil closed a US\$60 billion deal to acquire shale oil producer Pioneer Natural Resources to increase its US focus, and this year Chevron launched a US\$53 bid for Hess Corp. Hess is a major producer of shale in the US, and its largest asset is a 25% stake in billions of barrels of deepwater oil reserves in Guyana operated by ExxonMobil.

Other large national oil companies remain focused on their home markets, and on oil output more than gas, with both Petrobras and Adnoc pursuing production increases to over 4 million barrels of oil per day in Brazil and the UAE respectively. QatarEnergy has partnered with Shell in Egypt and TotalEnergies in Namibia and South Africa, but with the European supermajors acting as operators. China's state hydrocarbon enterprises have also been happy to act as partners, rather than operators, in the deepwater exploration by the supermajors which has characterised much of Africa's recent gas discoveries.

European energy majors will thus become the largest investors in several African gas-producing countries. Italy's ENI has been especially fast to move into Africa to sell LNG to its home market. ENI already operates the largest gas field ever discovered in the Mediterranean, Zohr in Egypt. Zohr accounts for close to 40% of Egypt's total gas output.

ENI announced first gas from its Coral Sul floating LNG (FLNG) plant in deepwater off Mozambique in 2022 and is expected to announce final investment approval for a second FLNG called Coral Norte this year. Coral Sul produces around 4.7bcm annually (bcm/a) of LNG, and the proposed Coral Norte FLNG unit should produce the same amount from 2027 onwards.

In the Republic of Congo, ENI recently announced first production from the Tango FLNG facility, which it had purchased from Belgium's Exmar. Tango has a liquefaction capacity of

about 1 bcma, and will be followed by a second ENI FLNG facility in Congo with a capacity of about 3.5 bcma. This unit is currently under construction in China and will begin production in 2025. The entire volume of LNG produced will be marketed by ENI.

ENI's third new gas project is the development of the Baleine oil and gas project off Ivory Coast, which started production last year. The deepwater field produces 50,000 barrels of oil per day for international sale, whilst Baleine's gas production of 0.26 bcma is sold to the domestic market in Abidjan. Additional offshore facilities will expand production of both oil and gas.

TotalEnergies had begun work on a shore-based LNG project in Cabo Delgado province in northern Mozambique processing deepwater offshore gas, when an attack by Islamist terrorists in 2021 led to the suspension of the project. Output from Mozambique LNG is estimated at over 17 bcma of LNG when it eventually comes online. The French company is now expected to restart construction later this year, with a view to achieving first gas in 2028.

TotalEnergies is also evaluating the large Luiperd and Brulpadda gas discoveries in deepwater South Africa, and has devoted half of its 2024 global exploration budget to neighbouring Namibia, where it has made significant oil discoveries with associated gas resources. European energy companies dominate the burgeoning Namibian exploration scene, with multi-billion-barrel oil discoveries announced by TotalEnergies, Shell and GALP of Portugal in a run of successful exploration wells there from 2022 onwards. Meanwhile BW Energy of Norway is proceeding with the long-stalled development of the offshore Kudu gas field, which will provide domestic power. In March 2024, GALP announced that its discoveries in Namibia amounted to over ten billion barrels of oil in place, the largest globally in a decade.

On the Senegal-Mauritania maritime border, BP expects first gas from its Greater Tortue Ahmeyim Phase 1 project at the end of this year. When fully operational, it will produce 3 bcma. Phase 2 of the project, which is under investment review by BP and its partners, is expected to add an additional 3.5 bcma from 2028 onwards. In Morocco, London-listed independent Chariot is moving ahead with the offshore Anchois field development, with plans to sell gas to local power providers, and to export the surplus through the Maghreb-Europe Gas Pipeline to Spain.

Also in the planning stage is the Tanzania LNG project managed by Shell and Norway's Equinor, following large discoveries by those companies more than a decade ago. Equinor has said that it expects a liquefaction capacity of 10 bcma from Block 2, with an investment of \$20bn, and a similar project and commitment from Shell is likely after Tanzania's president fast-tracked negotiations. The Tanzanian government says that part of the gas arriving at the facility in Lindi in southern Tanzania would also be reserved for the domestic market and the production of cooking fuels (liquefied petroleum gas, LPG).

Additional FLNG projects are also under review in Equatorial Guinea and Nigeria.

## **African domestic consumers have needs too**

It is notable that many of these new developments will not only provide Europe with gas, but also involve the operators dedicating supply to domestic and regional consumers. Africa itself has an annual gas demand of 172 bcm according to the International Energy Agency, 4% of the global total. Most of this consumption is concentrated in Algeria, Egypt and Nigeria, currently the three largest gas producers in the continent, and where it is used mainly for electricity generation.

The entire continent consumes just one tenth of the gas of the US, the International Energy Agency reported (IEA, 2022). At present, 600 million people, or 43% of the total population of Africa, lack access to electricity, most of them in sub-Saharan Africa, and 970 million Africans lack access to clean cooking (IEA, 2022).

LPG is the leading solution in urban areas, but it is expensive, and many poorer families and rural homes continue to use wood and other biomass for cooking, contributing to both deforestation and chronic health conditions. Nigeria LNG, in which Shell, ENI and TotalEnergies have a combined 51% stake, produced over 1.5 million metric tonnes of LPG for the Nigerian market in 2023. Whilst activists do not see gas as sustainable and green, in the context of sub-Saharan Africa, it is often the least-worst option for health, economic growth and the environment, compared to the available alternatives.

## **Demographic growth engine lacks economic vigour**

Africa is home to nearly one-fifth of the world's population, but the continent accounts for less than 3% of the world's energy-related carbon dioxide, and has the lowest emissions per capita of any region. The 18% of the global population living in Africa uses just 4% of the world's gas. Africa also has the world's highest population growth – Sub-Saharan Africa's population is growing at 2.7% a year, far faster than other regions. By 2050, a quarter of the world's population will be African, and Nigeria is forecast to be home to 400 million people then, meaning it will have overtaken the United States as the world's third-most-populous country.

But Africa as a whole, and sub-Saharan Africa in particular, is poor, with per capita income of just US\$1,701, compared to a European Union income of US\$37,433 per head, in 2022 (World Bank, 2024). Africa's low carbon emissions are a result of the low economic development of most of its states, not due to the adoption of green technology. The vast majority of the world's low-income countries are in sub-Saharan Africa.

Faced with growing migration pressures from the region, it is in Europe's geo-political interest to support the development of better infrastructure in Africa and to encourage local energy sources to be shared through domestic gas to power projects and the provision of LPG. The best counters to migration across the Mediterranean are strong African economies and stable regional politics.

## **Conclusion: Co-dependency with benefits**

Russia's invasion of Ukraine in 2022 has led to a radical re-ordering of global energy markets. It precipitated a dramatic collapse in Russian gas exports to Europe, a surge in those from the US, and has created opportunities for African states with offshore gas reserves to monetise them quickly. Due to the paucity of opportunity within Europe, the European majors have been at the vanguard of these developments, managing total investments which will likely exceed US\$100 billion on new gas projects in Africa over the coming decade.

This co-dependency provides an opportunity for Africa to build stronger electricity generation capacity and local energy supply, and for Europe to benefit from abundant, stable, and diversified sources of gas. However, to avoid the past failures of previous resource booms, African governments will need to avoid the kleptocracy and corruption which have hampered both economic and human growth in those countries historically.



Nobody will thank Europe if African resources are exploited for the benefit of foreign investors only and if the export of energy is accompanied by continued economic stagnation in Africa, and state looting by the ruling elites. Africa's huge demographic growth provides an opportunity for European energy majors to develop new projects within local markets, but it is also a potential destabilising force if illegal and irregular migration increases from Africa to Europe, and if rigid political systems cannot accommodate rapid population increase.

Countries with large gas reserves, including Angola, Mozambique, Republic of Congo, Senegal and Mauritania need to share the benefits of their export success across the whole of their societies. Low emissions caused by poverty are not sustainable. Gas is more sustainable than coal or felling forests in Africa for wood, and it can provide cleaner electricity as a transition fuel for eventual African Net Zero as in Europe.

That would be a win/win for Africa and Europe.

### **Note on LNG conversion.**

Note that 1 metric tonne of LNG = 1,379 cubic metres of piped gas. The LNG volumes in this article are expressed as natural gas equivalents, so Coral Sul's 3.4 million metric tons per year LNG production is stated as 4.7 bcma, for example.

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## **Human rights violations in global value chains – Four non-state measures for better protection**

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### **Abstract**

This ESCP impact paper explores the critical issue of human rights violations within global value chains (GVCs) amidst increasing legislative and societal pressures for corporate accountability. It synthesizes insights from international business, supply chain, and business and human rights literature to provide recommendations for multinational corporations (MNCs) navigating these challenges. We identify four non-state measures for addressing human rights violations in GVCs: fostering mutual understanding between buyers and suppliers, implementing rightsholder-driven remedies, collaborating with civil society organizations, and addressing power imbalances within GVCs. Through best practice examples, we show how each of these strategies can be put in place to ensure consistent standards and prevent the exploitation of vulnerable workers.

Keywords: human rights, global value chains (GVCs), multinational corporations, non-state measures

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## Human rights violations in global value chains

### Introduction

In February 2024, thousands of cars from the Volkswagen Group, from the brands Bentley, Porsche, and Audi, were not allowed to enter the US market because they allegedly included a component produced in Xinjiang Province, China. The so-called Uyghur Forced Labor Prevention Act aims to hinder the import of products from Xinjiang Province into the US (U.S. Government, 2021). The legislation is based on reversing the burden of proof, that is, it is the multinational corporation's (MNC's) responsibility to prove that no forced labor was involved in the production process. While this is an extreme case, it well exemplifies the current endeavors of governments across the globe to eliminate human rights violations, such as forced labor and other social and environmental abuses from the global value chains (GVCs).

In the past few years, France, Germany, the Netherlands and the United Kingdom have enacted legislation requiring supply chain due diligence, and several other nations, such as Canada, have proposed comparable laws. Although the details and rigor of each law differ, they collectively contribute to a concerted global effort to promote a more accountable GVC. Given the widespread unsafe working conditions affecting millions globally and the growing societal awareness of issues such as water pollution and environmental abuses, the necessity for these laws is evident.

In an attempt to unify the regulatory pressures to which companies within the European Union (EU) are exposed, the European Commission proposed the “Corporate Sustainability Due Diligence Directive” (CSDDD) (European Commission, 2024). The EU is the largest economic bloc worldwide, and a European supply chain law could –advocates said *should*– set novel global standards in favor of human rights and environmental protection. The introduction of the CSDDD would help MNCs, such as Volkswagen, to anticipate conflicts with other contemporary supply chain laws, like the Uyghur Forced Labor Prevention Act mentioned above. After weeks of uncertainty, mainly driven by the advance communicated abstention of Germany and Italy, a less strict version of the CSDDD found majority support on March 15<sup>th</sup>, 2024. While the original draft was applicable to companies with over 500 employees, the accepted version is only applicable to firms larger than 1,000 employees. Moreover, the possibility of civil liability has been reduced.

This ESCP impact paper addresses the issue of human rights violations and protections in GVCs. We synthesize the findings of pertinent studies from the international business (IB), supply chain, and business and human rights (BHR) literature to derive critical implications for MNCs on how to address an issue that should concern all of us.

### Human rights violations and modern slavery in GVCs

Over the past decade, high-profile cases of human rights violations and modern slavery have heightened public awareness. The collapse of the Rana Plaza factory in Bangladesh in 2013 attracted worldwide media attention. It moved the question about workers at supplying companies and the conditions under which global products are made into the public focus in developed countries. A more recent example is the protests around the Qatar FIFA World Cup 2022, which highlighted issues of social injustices and cases of modern slavery on construction sites; the forthcoming Saudi Arabian FIFA World Cup 2034 is already raising similar concerns. While human rights violations are a broader term

comprising, for instance, the Right to Equality (article 1), modern slavery can be considered a severe case of human rights violations. This includes a variety of forms of labor exploitation, such as forced labor, debt bondage or child labor (Voss et al., 2019).

Human rights violations are found across GVCs, particularly in the extraction of raw materials, cultivation, harvesting and production of agricultural produce, or the manufacturing of the products sold downstream of the GVC. There is a continuous body of evidence that especially lower-tier suppliers are sub-contracting (parts of) their work to third-party supplying firms, which are more likely to be using forced labor since they cannot meet the low consumer prices and the rising cost of raw materials (Stringer & Michailova, 2018). This type of sub-contracting creates opaque, sometimes even hidden areas within the GVC, which increase the complexity for MNCs to organize, govern, and control the GVCs' operations. Scholars argue that human rights violations and modern slavery in GVCs are not merely a consequence of individual greed or moral failings; instead, they are rooted in systemic factors like the availability of exploitable labor and the corresponding demand for their services (LeBaron, 2021).

In general, international law considers states to be responsible for protecting and respecting human rights and therefore states must take remedial action in the event of violations (Shivji, 2023). However, it has been reported that rightsholders often seek remedies outside of state mechanisms due to barriers, such as access in terms of time and money, or legal and extraterritorial complexities. In addition, cases of human rights violation often occur in states that are characterized by weakly defined and enforced institutions, and thus, governments that lack the capacity to hold companies accountable. Therefore, effective non-state remedy measures are required to fill this void, complementing the 'bouquet of remedies' as called for by the United Nations Guiding Principles on Business and Human Rights (UNGP, 2011), and contemporary supply chain laws that are increasingly obliging MNCs to take responsibility for human rights standards.

## **Four non-state measures to reduce human rights violation in GVCs**

### *Establish mutual understanding among buyers and suppliers*

Recent research has shown that managers in buying and supplying firms show substantial differences in their motivations to engage in wider CSR-related activities (Kirste et al., 2024). This may relate to different drivers for the protection of human rights within GVCs. Thus, managers at buying firms should scrutinize the motivations among their counterparts in supplying firms. Given the potential divergence in motives, it is essential for buyers to recognize variations in the institutional pressures affecting suppliers, impacting their inclination towards contributing to human rights compliant working conditions. Particularly in cases of significant institutional disparities, managers at buying firms should familiarize themselves with the conditions under which suppliers operate, discern prevailing motives, and tailor their expectations towards them accordingly. This understanding can be gained through on-site visits and increased dialogue with suppliers. Simultaneously, managers in supplying firms should acknowledge that their buyers' motivations regarding what they expect from them may differ significantly. Suppliers can benefit from comprehending the institutional pressures influencing their buying firms, such as the existence of supply chain laws in their home countries. Proactively gathering information enables suppliers to grasp their buyers' perspectives. Additionally, inviting buyers to their locations can foster mutual awareness, especially in situations of substantial institutional distance between buyers and suppliers. Businesses as diverse as Marks & Spencer, the British retailer, and Unilever, the Anglo-Dutch consumer goods producer,

emphasize the importance of open dialogue with suppliers to raise awareness and prompt action on human rights issues. Unilever has established various initiatives and programs, such as the “Partner with Purpose” strategy which aims at enhancing the diversity of their supplier base.

### ***Rightsholder-driven remedy***

In her study, Shivji (2023) analyzed The Fair Food Program (FFP), which has been recognized by international scholars and practitioners for its novel worker-driven approach and empowering rightsholders to achieve their desired outcomes in terms of restoring their abused human rights. FFP’s approach is based on the interlinked concepts of enforcement and education. While both of these are not new to the BHR literature, the rightsholders-centered focus makes FFP stand out compared to other initiatives. The standards which are enforced are driven by those whom the standards intend to protect - the rightsholders themselves. Through an independent monitoring body within the FFP program, it is also the rightsholders who conduct the audits and run the complaint hotline. And finally, enforcement carries serious consequences in case of non-compliance, that is, by making it impossible for growers to continue working with the brands. Alongside these measures the FFP program builds on continuous worker-to-worker education, in which they are empowered and learn about their rights and remedial processes. Thanks to their efforts, FFP manages to develop a participatory approach to remedy for business-related human rights abuses, one that effectively restores abused rights and empowers rightsholders. However, the FFP is a positive outlier within the agri-food sector due to the organization’s notably high level of worker involvement. Thus, while it undoubtedly provides proof of concept, its transferability to other sectors, and even to other parts within the agri-food sector may be limited.

### ***Collaborations with civil society***

A third non-state measure to address the issue of human rights violations in GVCs is the collaboration with civil society organizations. Rapior and Oberhauser (2023) revealed a network of civil society organizations that functions as an intermediary between MNCs and suppliers on one hand and rightsholders on the other hand. These civil society organizations step in to fill the voids, both within the GVC and within the regulatory framework of rightsholders home countries. From a rightsholders' perspective, civil society organizations give them a voice by filing and forwarding their complaints. They also represent a counter-balance to the power inequalities between the workers and their employers. From an MNC-perspective, civil society organizations are particularly helpful in providing first-hand information on the situation at the supplying firms, since they are locally rooted and have a trusted relationship to the rightsholders. In addition, MNCs can collaborate with civil society organization in order to conduct monitoring and audits at the suppliers’ sites. One such organization is the Fairtrade organization (Fairtrade International, 2024) which provides certifications to MNCs for using materials produced and traded under fair conditions. Fair Trade also helps rightsholders to voice their concerns and to enter into meaningful dialogue with the buyers of their products.

### ***Addressing power relationships in the GVC***

Private governance of GVCs has been found to cement the MNC’s position of power by exerting price pressures on suppliers, which are then cascaded down the chain and manifested locally in wages and working conditions. Through its position of power to orchestrate and direct operations in the GVC, the MNC is then able to extract significant

rents (Anner, 2020; Dindial et al., 2020). The effectiveness of private governance in addressing human rights concerns across the GVC has therefore been challenged, and social and governance solutions have been suggested to address power asymmetries. Recent examples in private governance indicates that changes by the MNC to the way they engage with their suppliers can shift aspects of the power asymmetry. The fashion retailers ISTO (Portugal) and Asket (Sweden) have addressed the power imbalances by publishing costs breakdowns of their products. Understanding how much ISTO and Asket products cost at every step of the value chain offers insights not only to the intended audience, the consumer, to indicate fairness and decent work opportunities, but also to current and potential participants in their value chains. Price structures and drivers are normally hidden from suppliers, forcing them to accept prices set by buyers (Dindial et al., 2020; Dindial & Voss, 2024). Cost transparency offers suppliers an insight into the potential gains (squeeze) they can expect from buyers and offers them a reference point for contract negotiations.

## Conclusion

The current estimated number of 28 million people “working in vulnerable work situations is anticipated to increase by an additional 17 million a year [...] as economic inequalities, political suppression, civil war, environmental crises, and the loss of common land continue to displace people, forcing them across borders to search for work in unfamiliar environments” (Fletcher & Trautrim, 2023, p. 44). This poses the threat of persistent and increasing human rights violations along GVCs, in turn justifying new legislation that puts the spotlight on this problem and aims to reduce it. This ESCP impact paper highlights four major strategies for MNCs to take on more responsibility and contribute to the protection of human rights along their GVCs.

However, these initiatives do not automatically benefit the most vulnerable participants in GVCs. Particularly approaches that engage vulnerable groups directly, such as rightsholder-driven remedies, are complex, difficult to establish, and costly, which can lead to a price premium and thus less competitiveness in cost-competitive industries. Well-intended, but poorly considered and implemented strategies could therefore have unintended consequences. Industry- and economic bloc-wide regulations could therefore play an important part in securing equal standards and thus avoiding cost competitiveness at the price of human rights violating working conditions.

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## **Beyond the Ballot: The Impact of Populism on Financial Market Dynamics in Europe**

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### **Abstract**

This paper analyses the impact of populism on financial markets in Europe. Examining an era marked by rising populism and spurred by widespread dissatisfaction with European Union policies and increasing economic uncertainties, we delve into the impact of this political trend on market dynamics. We highlight how populism introduces uncertainty and volatility into financial markets, underlining the need for further research into how different populist ideologies uniquely affect market responses. Such research is crucial for a comprehensive understanding of the impact of populism on Europe's economic stability and investors' strategic planning.

Keywords: Populism, Political Uncertainty, Elections, Financial Markets

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# **Beyond the Ballot: The Impact of Populism on Financial Market Dynamics in Europe**

## **Introduction**

As Europe enters a likely turbulent legislature for 2024-2029, the tension between populism and broader socio-economic challenges is emerging as a key concern. Populism, deeply rooted in Europe since the 1960s due to significant social and political changes, has gained momentum in what is described as "Europe's populist surge" (Mudde, 2016, p. 25). This resurgence, driven by security concerns, economic uncertainties, and dissatisfaction with the European Union's response to immigration and terrorism, is providing fertile ground for populist movements. This has a significant impact on the continent's economic and political environment (Mudde, 2016).

The rise of populist parties, exemplified by the Brexit referendum of 2016, underscores the profound impact of populism on both policymaking and financial markets. Our paper argues that the ongoing rise of populism will have a significant impact on European financial markets and examines its implications for investment decisions, market trends, and economic policy. Through this analysis, we aim to deconstruct the complex interaction between political uncertainty fueled by populism and financial market reactions, shedding light on the challenges this dynamic presents for Europe's future political and economic landscape.

## **Understanding populism**

Given the resurgence of populism and its significant impact on Europe's political and economic environment, a fundamental understanding of the concept is crucial. The term "populism" encompasses a wide range of political movements and leaders, from the radical right to the far left, including figures such as Donald Trump in the United States of America and Hugo Chávez in Venezuela. The broadness of the spectrum highlights the complexity and multifaceted nature of populism, which defies a single, all-encompassing definition.

The ideational approach, advocated by scholars such as Hawkins and Rovira Kaltwasser (2017), provides a valuable framework. It defines populism as a thin-centered ideology that posits a moral struggle between the people and the elite. This essential perspective emphasizes the moral and ethical dimensions of populism in contrast to "thick" ideologies such as socialism or liberalism, which provide broader socio-political blueprints.

By emphasizing this moral dichotomy, the ideational approach provides a reliable empirical framework for analyzing populism. This focus not only delineates its ideological implications for politics and economics but also facilitates the systematic study of the far-reaching effects of populism. The relevance of the ideational approach in the social sciences as well as in the economic realm underscores its critical role when dissecting the complex influences of populism across political, economic, and financial landscapes.

## **Populism's widespread impact**

Populism has a dual impact on the political domain. On the one hand, it promotes democratic engagement by reflecting public opinions and enhancing democratic participation. On the other hand, it poses potential threats to democratic systems by

undermining essential checks and balances. This means that populism may simultaneously encourage progress while creating a risk of instability. The impact of populism on the economy is mixed; while it has the potential to disrupt macroeconomic stability and alter economic uncertainty, a minority of researchers argue that it can also drive reforms aimed at addressing systemic economic inequalities, potentially leading to a more inclusive economic framework.

Due to their inherent characteristics, financial markets are an ideal lens through which to analyze the impact of populism. They reflect political developments that affect market valuations, investment strategies, and the overall market equilibrium. The relationship between political events and financial markets marks the latter not only as a reflection of the political climate but also as a critical indicator of economic conditions and political sentiment. These roles underscore their profound implications for economic stability, investor confidence, and broader socio-economic trends, making financial markets a central arena for observing the impact of populism.

Populism can inject a substantial degree of uncertainty into financial markets; therefore, investors should consider the rise of populism more closely in their decision-making processes due to this potential to reshape market dynamics. The unpredictable and sometimes unsustainable policies of populist regimes represent significant long-term economic challenges. Moreover, their tendency to challenge or undermine established democratic frameworks adds complexity. The resulting uncertainty not only makes it difficult to assess the economic impact of changes in institutional structures but also weakens the foundations of these institutions, thereby eroding investor confidence. As a result, these dynamics lead to less market engagement and fewer investment opportunities.

Empirical research provides insights into the complex effects of populism on financial markets. For example, Hartwell's analysis of nine developed economies between 2008 and 2020 reveals a correlation between the emergence of populism and an increase in market volatility. This suggests a short-term, albeit varied, response from financial markets to populist developments. However, the effect of market reactions to populism seems to depend on each country's specific historical and populist context, suggesting that the long-term effects on markets are multifaceted and shaped by different factors (Hartwell, 2022).

Furthermore, Stöckl and Rode assess the short-term effects of populism on options markets, revealing significant market sensitivities to the electoral success of populist parties. They demonstrate how fluctuations in index option prices around elections can serve as indicators of the market's reaction to populism. These fluctuations are also influenced by the ideology of the populist party. The findings emphasize the complex nature of populism's impact on financial markets and the importance of thorough analysis that considers both the ideological spectrum of populism and the context in which it operates (Stöckl and Rode, 2021).

## **Populism and investors' return expectations**

Our research on the relationship between populism and financial markets bridges the gaps identified in previous studies, which focused primarily on the immediate effects of populism and specific election outcomes, often limited to a specific geographic area (Schütz and Pape, 2024). Recognizing that stock markets are inherently sensitive and responsive to a range of factors, including regulatory changes, our goal is to broaden the scope of research to the long-term impact of populism on stock market performance and investor decision-making. More specifically, we focus on the impact of populism on the implied cost of equity,

a key financial measure that reflects the risk-adjusted return required by equity investors. Using forward-looking implied-cost-of-equity models, we analyze how shifts in the political landscape driven by populism affect risk evaluations and market dynamics.

By incorporating Stöckl and Rode's populism measures, we treat populism as a continuous variable to analyze its manifestation within political entities from an ideational perspective (Stöckl and Rode, 2021). This approach draws on the comprehensive dataset of the Comparative Manifesto Project (Lehmann et al., 2023), which provides a robust empirical foundation spanning a wide range of political parties and countries over a significant period of time. Our sample included firm-year and country-year observations in 25 countries, mostly OECD members, from 1995 to 2021.

Our study consists of two phases: First, we examine whether populism affects long-term investor expectations to shed light on a novel aspect of political risk in financial markets. The analysis reveals a significant relationship between the rise of populism and an increase in the implied cost of equity. This outcome indicates that the political uncertainties associated with populism increase the cost of equity for firms. This phenomenon, which we call the populism risk premium, underscores the need for investors to demand higher returns as a buffer against the policy uncertainties created by populism (Schütz and Pape, 2024).

The second phase of our study focuses on how different ideological strands of populism influence this phenomenon. Left-wing populism challenges financial and capitalist elites that promote globalization and advocates for state intervention. In contrast, right-wing populism emphasizes cultural and national identity, often through nativism, and may adopt pragmatic, sometimes pro-business, economic policies. Our results indicate a complex relationship between investor expectations and populist ideology, with market perceptions varying depending on the overall level and ideological orientation of populism. Higher levels of populism combined with different ideological orientations can either increase or decrease investor concerns, reflecting the multifaceted nature of populism's influence on financial markets (Schütz and Pape, 2024).

Overall, the research on assessing populism and its ideological dimensions provides a refined understanding of how populism-induced political uncertainty affects investors' risk assessments and market dynamics, offering valuable insights for navigating the complexities of financial markets in the context of rising populism.

## **Future research directions**

Our study focuses on a sample of OECD countries and reinforces the need for in-depth studies to unravel the unique characteristics and impact of populism in Europe, due to its complex and evolving nature. Thorough research is needed to understand how populist movements navigate the challenging political landscapes and consolidate their role as a formidable force. Key areas of interest include the alliances formed by populist parties and leaders, both domestically and internationally, and their influence on policies related to European integration and financial regulation. Additionally, it is important to further examine the interaction of populist parties with traditional political structures and the financial sector. Exploring these dimensions will not only deepen the existing understanding of populism's impact on financial markets but also shed light on the broader socio-political effects of these movements across Europe.

To facilitate a multidimensional exploration of populism's impact across Europe, several databases can serve as key resources, each with a specific focus. Firstly, Zulianello and

Larsen's work provides a supranational perspective by analyzing the electoral dynamics of populist parties in European Parliament elections from 1979 to 2019, covering 92 parties across the European Union. This analysis is essential for gaining insights into the broader electoral trends of populism (Zulianello and Larsen, 2021).

Secondly, the PopuList, which provides data from 1989 to 2022, distinguishes between populist parties and those identified as far-left or far-right across 31 European countries. The project closely examines Eurosceptic tendencies and the classification of borderline cases, offering a view of the political landscape and the positioning of populist entities within it (Rooduijn et al., 2023).

Thirdly, the Timbro Authoritarian Populism Index, spanning the period from 1980 to 2018, examines parties that challenge the principles of constitutional liberal democracy within and outside European Union member states, emphasizing authoritarian tendencies within European populism (Heinö, 2017).

These databases provide insight into the various ideological shades of populism and their implications. Examination of this data equips academics, analysts, and policymakers with the necessary tools to navigate the uncertainties introduced by populism, with a specific focus on its role in Europe's shifting political landscape.

## **Conclusion**

As we navigate the challenges of this decade, we cannot deny the influence of populism on Europe's socio-economic landscape. Our study specifically examines the impact of populism on financial markets, which serve as important barometers of political and economic trends, to shed light on the broader implications of populism. Populism has been shown to inject volatility and uncertainty into these markets, influencing investor behavior and significantly altering market dynamics. This analysis underscores the need for investors and policymakers to adapt their strategies to the challenges posed by populism and provides a basis for further research and policy development to manage its impact on Europe's financial landscape.

Reflecting on the lead-up to the 2014 European Parliament elections, where a populist Eurosceptic wave was anticipated but did not fully materialize (Mudde, 2014), we face another electoral cycle with heightened anticipation. The central question is whether the upcoming elections will confirm established patterns or, conversely, usher in a new era of populist influence in Europe, marking a significant shift in the continent's political and economic trajectory.

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# [ Challenges ahead for the European Unified Patent System

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## **Abstract**

The EU introduced in 2023 the European Unified Patent System, an historic achievement which took decades to materialize. This Unified Patent System provides uniform protection across participating Member States, simplifying and streamlining the patent application and enforcement processes. Therefore, the Unified Patent System could be one of the major devices to stimulate research, development and investment in innovation, helping to boost growth in the European Union. However, some big companies shared their skepticism about the new system's effectiveness. The paper analyzes the major challenges and potential key success factors of the Unified Patent System in the near future.

Keywords: Patent, patent court, intellectual property, European Union

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## Challenges ahead for the European Unified Patent System

The European Unified Patent System (hereafter the “Unified Patent System” or the “System”), introduced in 2023 after decades of negotiations and preparations, represents a significant step forward in European intellectual property law. Designed to provide uniform protection across participating Member States and streamline patent application and enforcement processes, the Unified Patent System has the potential to stimulate research, development, and investment in innovation, thereby boosting growth in Europe.

However, some firms seems to be skeptical about the new system's effectiveness. For instance, in a 2023 publication, the European Round Table for Industry<sup>1</sup> underlines that “*The European Unitary Patent System, about to be implemented, is a model that looks promising, but still has to demonstrate its effectiveness and competitiveness in terms of the costs for applicants.*”<sup>2</sup>

Although from various sources, these critiques always revolve around the same topics, which will need to be transformed in key success factors in the next years for the System to effectively become a major stimulating device for research, development, and investment in innovation.

### Ensuring attractiveness despite incomplete participation

The incomplete participation in the System, particularly the absence of key Member States like Spain and Poland, will present significant implications for the system's effectiveness. These countries, with their substantial economies and innovation ecosystems, represent crucial markets for patent protection. Their non-participation not only diminishes the geographical coverage of the system but also creates fragmentation in the European patent landscape. This fragmentation could lead to disparities in patent protection and enforcement across participating and non-participating states, thereby undermining the system's core objective of providing uniform protection. Moreover, the absence of these key players may deter potential applicants from utilizing the Unified Patent System, as they may seek broader protection in markets where the system is not applicable. This would limit the system's overall impact.

The potential impact of this incomplete participation on the effectiveness and reach of the Unified Patent System could be substantial, as it directly affects its ability to harmonize patent protection. Without the involvement of key Member States, the system's benefits may not fully extend to all European Union (hereafter “EU”) markets. Another result could be legal uncertainties and complications for patent holders operating in multiple jurisdictions, as they may need to navigate different patent regimes and enforcement mechanisms.

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<sup>1</sup> According to its website, The European Round Table for Industry (ERT) is “ [...] A forum that brings together around 60 Chief Executives and Chairmen of major multinational companies of European parentage, covering a wide range of industrial and technological sectors. ERT strives for a strong, open and competitive Europe as a driver for inclusive growth and sustainable prosperity. Companies of ERT Members are situated throughout Europe, with combined revenues exceeding €2 trillion, providing around 5 million direct jobs worldwide - of which half are in Europe - and sustaining millions of indirect jobs. They invest more than €60 billion annually in R&D, largely in Europe.”

<sup>2</sup> Available at: <https://ert.eu/wp-content/uploads/2024/02/ERT-Innovation-Stories-Report.pdf>

## **Harmonizing enforcement procedures to limit potential forum shopping**

Negotiations surrounding the establishment of central litigation courts have resulted in the distribution of litigation authorities of the Unified Patent Court (hereafter the “Court”) across three countries: France, the UK, and Germany. While this approach aims to align with specialized expertise, it is inherently less optimal than a single centralized location<sup>3</sup>.

First of all, this organization could generate distrust in the quality of the protection offered by the System as variations in enforcement approaches and procedures could create complexities for patent holders seeking to protect their intellectual property rights uniformly across different jurisdiction. Consequently, patent holders may encounter difficulties in enforcing their rights efficiently, especially when facing infringement or disputes that span multiple jurisdictions. Also, given that numerous innovations span multiple technological domains, the adoption of separate courts is likely to foster a forum shopping system, where litigants strategically select jurisdictions perceived to be advantageous to their case<sup>4</sup>.

This forum shopping risk could be reinforced by the fact that, while obtaining unitary protection may initially appear as a significant advantage for a given patent, it also introduces a substantial risk for its holder. In the event of a challenge by an individual or a competing company in the Court, the outcome will affect all 17 Member States currently participating in the unitary process. Consequently, if a patent is successfully contested and invalidated in one court, its loss of value extends across not just one, but all member countries recognizing its validity<sup>5</sup>. This inherent all-or-nothing dynamic can significantly increase potential forum shopping behaviors and instill fear among patent holders, especially considering that with the traditional European patent system, the consequences of a challenge are much more limited.

As a consequence, examining differences in patent enforcement practices and legal cultures, and ensuring an harmonization of these practices across participating member states, will be essential to maintain the System’s attractiveness.

## **Ensuring the quality of patents granted under the System**

The integrity of the patent system hinges on ensuring that only inventions meeting stringent criteria are granted patent protection, thereby preventing the issuance of overly broad or invalid patents. Maintaining high and standardized standards in patent

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<sup>3</sup> For a discussion of the importance of a centralized system, see for instance: Atkinson, S. E., Marco, A. and Turner, J. L. (2009), The economics of a centralized judiciary: Uniformity, forum shopping and the Federal Circuit, *Journal of Law and Economics*, 52:3, 411-443

<sup>4</sup> For an analysis of the parameters that could increase or decrease the risk of forum shopping, see for instance : Gaessler, F., Lefouili, Y. (2017), [What to Buy When Forum Shopping? Analyzing Court Selection in Patent Litigation](#), *TSE Working Paper*, n° 17-775

Jacobsmeier, B. (2018), Forum Shopping in Patent Cases: Lessons for the Unified Patent Court, *Michigan Technology Law Review*, vol. 131, art. 5.

<sup>5</sup> On this topic, see for instance Bateman, R., Ealey, D., Stuart-Grumbar, A. (2023), “Pros and cons of the unitary patent and Unified Patent Court”, available at : <https://www.dyoung.com/en/knowledgebank/articles/up-upc-pros-cons> : “[...] *The validity of your patent can be attacked at the Unified Patent Court centrally and unlike opposition, this possibility remains for the lifetime of the patent. Thus, your patent is at risk of revocation across multiple countries all in one go [...] Unified Patents can also only be enforced in the Unified Patent Court, which may not necessarily be a more cost-effective enforcement mechanism as compared to national courts. This will depend on the nature of your business, and whether you need to enforce you patent in multiple jurisdictions at the same time.*”



examination, at an affordable cost for patent holders, is thus paramount to safeguarding the credibility and effectiveness of the System<sup>6</sup>.

Under the current European system, the Unitary Patent constitutes only the third tier of the system, the first tier being comprised of national patent systems and the second tier being comprised of the current “European patents” allowing enforcement in selected countries. This constitutes a challenge for the creation of a consistent, reliable and high-quality patent examination outcomes.

In practice, European innovators are now faced with a choice. They must decide whether to utilize either a unitary patent or the traditional European patent to safeguard their new innovations within Europe.

This challenge is exacerbated by the perception that the System may offer less flexibility compared to the current European patent regime, coupled with potentially significant costs<sup>7</sup>. Unlike the current system, under which you can choose specific jurisdictions for protection, the System entails a single renewal fee for protection across all 17 participating States, eliminating the possibility of tailored jurisdictional selection. Furthermore, as previously noted, there's no provision to revoke protection in specific jurisdictions throughout the patent's lifespan, even in insignificant markets. This absence of flexibility can generate considerable risks for patent holders, especially if enforcement procedures remain unharmonized, possibly resulting in increased costs towards the end of the patent's duration (as opposed to a counterfactual scenario in which the patent holder might have been allowed to lapse the patent in certain country, depending on the strategic importance of the market for the firm and of the perceived quality of the enforcement procedure). Consequently, the cost-effectiveness of a unitary patent could diminish over time, potentially outweighing its initial advantages.

Additionally, concerns regarding consistency require an analysis of factors contributing to variations in patent examination outcomes across different jurisdictions, such as resource disparities among patent offices.

Addressing these concerns will be essential for upholding the credibility and reliability of patents granted under the System.

## **Conclusion**

In conclusion, while the European Unified Patent System represents a significant advancement in intellectual property law, its effectiveness hinges on addressing key challenges to ensure its success. The incomplete participation of crucial Member States like Spain and Poland threatens the system's ability to provide uniform protection and may deter potential applicants, limiting its overall impact on innovation. To maintain the attractiveness and integrity of the system, efforts must be made to harmonize enforcement procedures, address variations in patent examination standards, and mitigate the risks associated with inflexible protection mechanisms. Only through these measures can the Unified Patent System fulfill its promise of stimulating research, development, and investment in innovation across Europe.

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<sup>6</sup> For an analysis of the importance of patent quality to foster innovation, see for instance: Lanjouw, J.O., Schankerman, M. (2004), Patent Quality and Research Productivity: Measuring Innovation with Multiple Indicators, *The Economic Journal*, vol. 114, N° 495, 441-465

<sup>7</sup> The fees of the System are based upon the scope of validation.

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## **Is the primary dealer system a gateway to information transfers? Evidence from the eurozone**

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### **Abstract**

The primary market for sovereign debt in the EU is organized as an auction with a selected number of participants, i.e. primary dealers, serving as underwriters. We observe a great degree of primary dealers' interconnections across sovereign issuers. At the same time, the number of primary dealers in Europe has decreased in the last few years, mainly due to regulation and competition. A limited number of auction participants not only comes at a cost for the issuing countries, but also inhibits information production about the economic prospects of the issuing sovereigns by primary dealers themselves, and information transfers to other market participants. Therefore, maintaining a stable primary dealer network has important implications for financial stability and market integration. Policy recommendations for the short-term future include proposing financial incentives for members to remain in such a network.

Keywords: primary dealer, sovereign debt, financial integration, financial stability, information transfers.

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# Is the primary dealer system a gateway to information transfers? Evidence from the eurozone

## Introduction

The funding strategy for European sovereign debt, including the current European Commission's Next Generation EU programme (€800 billion), relies on structured relations between countries and financial institutions via a primary dealer system. Primary dealers are authorized entities that support the issuance and the liquidity of sovereign debt. Recently, this selective network model has been put under scrutiny, with members complaining of increased regulation, fierce competition, and steep costs. As a result, several primary dealers started to withdraw from such network over the last few years.<sup>1</sup> A reduction in the number of participants indicates a weakening in the entire primary dealer system, which could impair the liquidity of the European sovereign debt market and result in higher borrowing costs for sovereign issuers. Moreover, primary dealers' exits may influence investment decisions of other market participants, undermine the process of financial market integration, and exacerbate frictions in the capital markets.

The primary dealer system was first introduced in the United States in 1960 (Preunkert 2023). Since then, most developed economies worldwide adopted this model, thereby regularly appointing financial institutions to buy, promote, and distribute sovereign debt on the primary and secondary markets. In a recent working paper (Grazioli and Mazzola 2024), we explored the multiple facets of the role of a primary dealer in the wholesale markets of sovereign debt. Acting as a primary dealer entails both benefits and costs. Through this analysis, we argued that the decision to act as a primary dealer could be reduced to such cost-benefit analysis. Then, we investigated the recent ramifications of the primary dealer system in the eurozone over the 2018-2023 period. The number and composition of primary dealers exhibit both cross-country and within-country variations. In the past six years, the total number of European primary dealers has declined from 230 to 217, i.e. a 6% decline. Also, the composition has changed, as numerous exits from European banks have been only partly compensated by entries from non-European primary dealers, especially banks from the United States. Our study sheds further light on recent challenges raised by European primary dealers.

Finally, the framework we proposed in Grazioli and Mazzola (2024) focuses on the spillover effects stemming from a primary dealer system. More precisely, we developed a systematic research agenda to explore whether and how the benefits of a solid primary dealer system could spread beyond the members of such network. Primary dealers have access to sovereign issuers and could exploit their comparative advantages in information production for their portfolio allocation. Building on this, we expected plausible information transfers unfolding from primary dealers to other market participants, such as other financial institutions that are not in this privileged position. In this vein, we provided a set of research questions that have not been explored in the literature.

To conclude, a deeper knowledge of the primary dealer system would contribute to our understanding of the development of financial market integration in a monetary union such the Eurozone. An integrated financial system is of paramount importance as it permits a smooth transmission of monetary policy across the whole area. Moreover, there

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<sup>1</sup> See also for more details <https://www.omfif.org/2023/05/eu-primary-dealer-exits-underline-pressure-facing-smaller-banks/#:~:text=Four%20banks%20have%20exited%20the,market%20makers%20for%20the%20EU>.

are considerable financial stability benefits associated with financial market integration, such as allocation efficiency, risk-sharing, and diversification.

## **Primary dealer system**

Sovereign issuers adopted a primary dealer system “to guarantee the placement of their debt on the primary markets and facilitate the liquidity of their secondary markets” (Ecofin 2000). As of December 2023, 23 out of the 28 members of the European Union (EU) have a primary dealer system in place, thus confirming its broad adoption (Preunkert 2023). A primary dealer is a financial institution that commits to purchasing a certain portion at each sovereign debt auction and to act as market maker in the secondary market. On the one hand, supporters argue that this system allows sovereign issuers to reduce borrowing costs and enhance financial resources, which, in the end, is deemed to improve the overall economy. In a cross-country survey, sovereign issuers showed a positive attitude toward such view (Arnone and Iden 2003). On the other hand, primary dealers recently complained about the challenges of this system. Regulatory burden, fierce competition, and lower margins are all elements that cast doubts on the sustainability of the primary dealer system. Therefore, it could be argued that “acting as a primary dealer is usually regarded as a loss-leader” (Dunne, Moore, and Portes 2006). In sum, research that contributes to this debate is of value to both practitioners and scholars.

Primary dealers include banks and other types of financial institutions, such as brokerage houses and investment firms. The appointment process of dealers varies across countries, with respective Ministries of Finance and State Treasury Agencies setting a list of selection criteria. Primary dealers must guarantee satisfactory and consistent operational performance, including the ability to achieve targets set by sovereign issuers and the possession of an adequate distributional and organizational structure (AFME 2017; 2020). Notably, in primary dealer systems, members are not directly remunerated or compensated for their activities by sovereign issuers (Preunkert 2023).

The role of primary dealer entails several benefits such as exclusive access to additional tranches of sovereign debt actions, privileged hearings in matters related to the management of sovereign debt, preferred counterparty status in derivatives transactions, specific repo facilities, and appointment as lead managers of syndicated issuances (see AFME 2017; 2020 for more details). On top of such contractual privileges, primary dealers earn access to sovereign issuers. Therefore, they can develop relationships with sovereign issuers and could exploit their comparative advantages in information production for their portfolio allocation in multiple ways including trading, investment, and lending decisions.

Among their contractual obligations, primary dealers must actively participate in sovereign debt auctions, submit bids for a minimum amount, promote price discovery in the secondary market, inform sovereign issuers of developments in the primary and secondary markets, and maintain certain level of regulatory capital coupled with a suitable organizational structure (see AFME 2017; 2020 for more details). The first requirement is particularly costly. In fact, they might be forced to hold suboptimal levels of sovereign debt exposures and to keep such holdings if market demand is missing. In sum, primary dealers' liquidity and profitability could both be at risk.

## Empirical findings

We examine the composition of primary dealer (PD) systems in the eurozone over the 2018-2023 period. More precisely, we focus on countries that have a primary dealer system in place exclusively (13 sovereign issuers): Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Portugal, Slovakia, Slovenia, and Spain. For the historical membership list of the primary dealer systems of each sovereign issuer, we contacted State Treasury Agencies. We complement this information with other public sources such as the Ministry of Finance websites and AFME handbooks (AFME 2017; 2020). This process yields a final sample of 58 distinct primary dealers incorporated in 17 different countries. Non-European actors refer to Canadian, Japanese, and US financial institutions (10 primary dealers). The remaining primary dealers (48) are headquartered in European countries.

Figure 1 depicts the number of primary dealers by sovereign issuers and by year. We observe a net reduction in the size of the PD network in several countries since 2021. A potential explanation for this decline is that sovereign issuers increased emissions of sovereign debt to cope with extraordinary policies related to the Covid-19 pandemic and to take advantage of the loose monetary policies in place in the eurozone. As a result, primary dealers experienced unprecedented pressure to absorb such newly issued sovereign debt, which led to withdrawals in some cases. A case in point is the European bank NatWest that pulled out from its role in five countries in 2021. Kerr Finlayson of NatWest Markets, when asked comment on the decision stated:

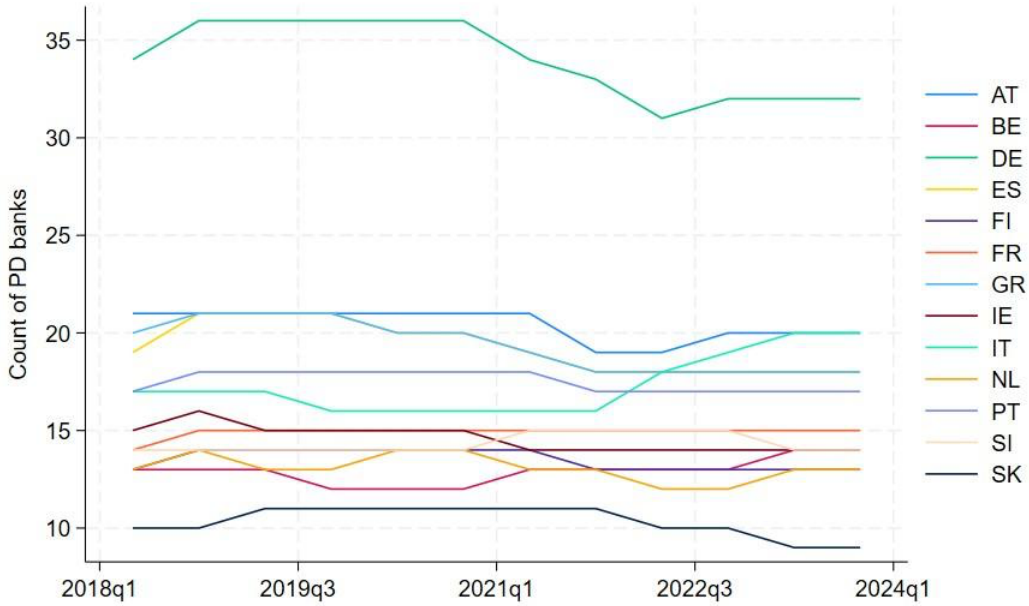
*“It’s become increasingly more competitive since sovereign borrowing programmes increased due to Covid-19 but what has triggered banks to leave primary dealerships is the expensive cost to run the infrastructure. So our view was to pick our battles and use the finite resources of the bank to sharpen our European government bond offering and deliver value to customers in areas where we had the scale to compete”<sup>2</sup>*

We also document a modest increase in the composition of primary dealer systems toward the end of the time window investigated. This trend analysis shows two important features. First, mainly European primary dealers stepped down from their role, while new members refer to non-European ones. This is consistent with practitioners’ argument that a huge scale is needed to perform the task in a profitable and sustainable way. Second, increases in the number of primary dealers are more common among peripheral countries with a lower sovereign credit rating such as Italy. It follows that the reduction in membership refers to countries with higher ratings and lower sovereign yields. This evidence suggests that primary dealers may be eager to enter more volatile markets which are characterized by higher margins.

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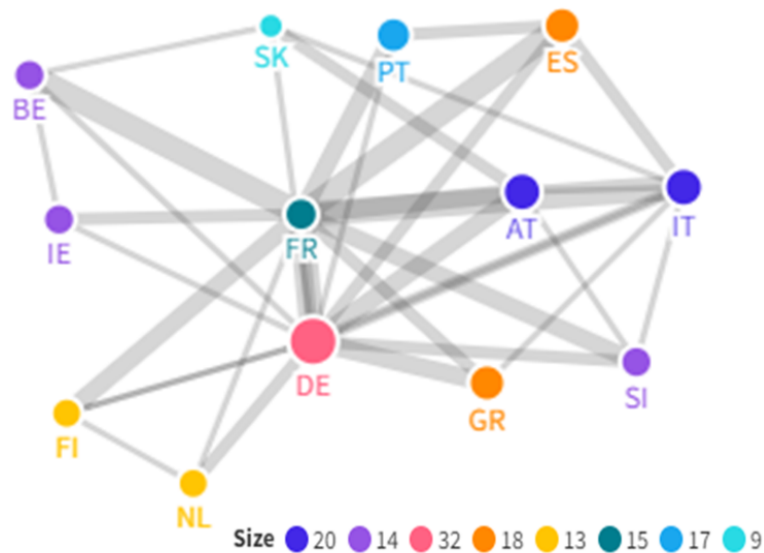
<sup>2</sup> See also for more details <https://www.thebanker.com/ls-Europe-s-primary-dealership-model-fit-to-last-1643031147#:~:text=So%20what%20does%20the%20future.%2C%E2%80%9D%20says%20ING's%20Mr%20Delcour>.

**Figure 1: Number of primary dealers by sovereign issuers and by year**



We also perform a network analysis to map the interconnections within and across primary dealer systems in the eurozone. The German primary dealer system is the largest one as it comprises more than 30 primary dealers in the period investigated. Notably, primary dealers in Germany are connected to every other country in the eurozone in terms of PD network overlap. This is consistent with the role of German government securities (*Bund*) as key interest rate in the entire eurozone. Moreover, our evidence is consistent with a “home” bias, namely the tendency of primary dealers to cover neighboring countries. This is the case of Italy whose primary dealers are actively involved in neighboring countries (Austria, France, and Slovenia) as well. We also observe similar patterns in other countries such as Austria and Spain. We report the network analysis in Figure 2.

**Figure 2: Network of primary dealers within the eurozone (as of December 2023)**



## Conclusion and discussion

Sovereign debt holds a central position within the European financial markets. Its primary function is to fund public goods and services, a role that has grown in significance alongside increasing debt levels, making it a notable political issue amid European financial integration and the adoption of the euro. As sovereign debt is primarily financed through bond issuance, these government securities are actively traded in financial markets, with their yields providing valuable information. Furthermore, government bonds have been utilized extensively by the ECB in unconventional monetary policy efforts aimed at controlling inflation and shaping inflation expectations.

Studying the structure and functioning of the primary and secondary markets for sovereign debt is crucial for understanding its broader economic and financial impacts, which can extend well beyond sovereign debt markets and even across national borders. Although these connections might not be apparent at first, their significance becomes evident when considering the essential role sovereign debt markets play in the European financial system.

The information generated by primary dealers could become an indicator (by means of disclosure) of the economic outlook of sovereign issuers. While this information is valuable for making investment choices in sovereign debt, it might also influence decisions on the allocation and pricing of corporate credit within the issuer's country (Grazioli and Mazzola 2024; Grazioli and Prencipe 2024). Interestingly, although a primary market relying on a primary dealer system and compulsory disclosure is beneficial for financial integration by lessening information imbalances, particularly across borders, such transparency might detrimentally impact financial stability. Even seemingly unfounded negative information concerning a sovereign could trigger repercussions like a credit squeeze for the corporate sector within that country. Do disclosures of primary dealers' allocations function as an alternative mechanism for aggregating information, or do they encounter limitations? Is information aggregation through a primary dealer network immune to impairments and noise generated under non-conventional monetary policies such as Quantitative Easing? Further research is needed to answer these empirical questions.

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## **[ The European electricity market: Past crisis and future prospects - What lessons to draw?**

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### **Abstract**

Following the energy shock triggered by the invasion of Ukraine, the European electricity market experienced a surge in prices, exacerbating inflation and penalizing the economy. This period of instability revealed various dysfunctions inherent in the electricity market's architecture. Through this article, we will analyse the limitations of the current market and put into perspective the strategy pursued by the European Union. Finally, we will explore how to promote better price competitiveness in the current system and in a thoroughly reformed one.

Keywords: Electricity Market; Energy crisis; Energy transition; Electricity architecture; Gas and Geopolitical sensitivity

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## **The European electricity market: Past crisis and future prospects**

### **- What lessons to draw?**

The sharp increase in European electricity prices, starting from mid-2021 and amplified in 2022, has constituted a genuine wake-up call, repositioning the European electricity market at the center of future inquiries and challenges. This "crisis" in electricity prices marked a turning point compared to decades of cheap electricity and exposed the vulnerabilities of the European electricity market. However, electrification emerges as the primary means of decarbonizing the European economy by 2050, reaffirmed as a priority objective by the European Commission.

At the core of environmental issues, the electricity market also intertwines with decisive geo-economic concerns for the coming decades. Europe's ability to ensure stability and competitiveness in its access to electricity is vital for the economic sustainability of the continent. While electricity prices are currently experiencing a slowdown, it would be perilous to forget that many of the vulnerabilities evidenced by the energy crisis persist.

What lessons can be drawn from the past crisis, and what coherent electricity strategy can be devised to address multiple challenges and strengthen the stability and competitiveness of electricity in Europe?

### **An electricity market tied to gas prices**

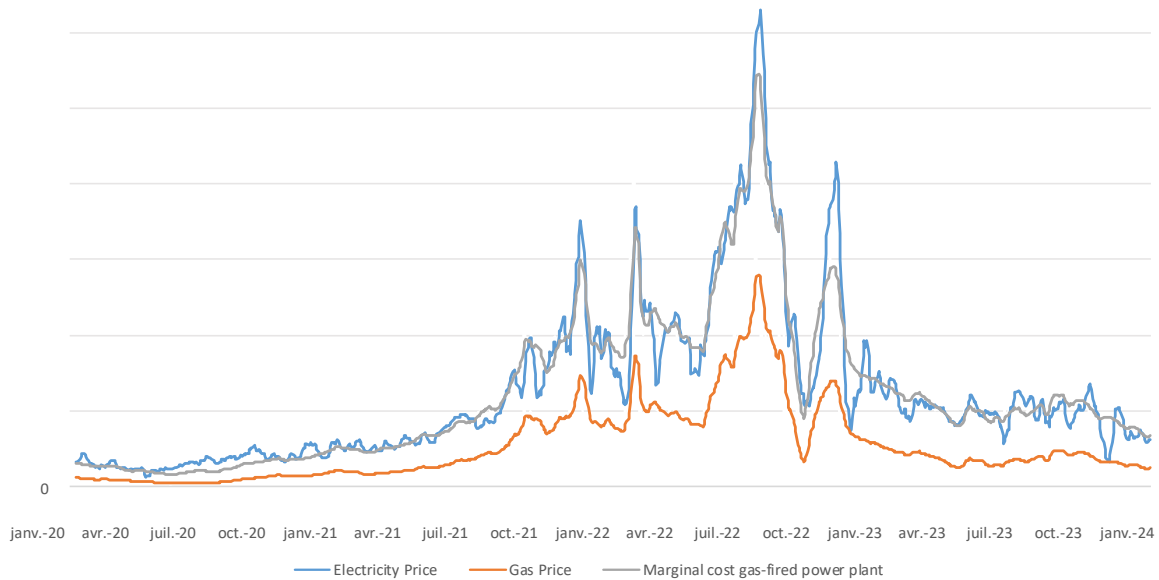
Historically, gas and electricity experienced a period of low prices (contained below the €25 to €50/MWh range between 2010 and 2020), somewhat obscuring the relationship between these two markets. The European energy crisis, from its onset in June 2021 until the winter of 2022, starkly revealed the strong correlation between gas and electricity prices in Europe. Under the pressure of reduced gas supply from Russia and limited availability of other electricity production methods, electricity prices soared to stratospheric levels. Overall, electricity market prices more than tripled in France and Germany between 2020 and 2021 and multiplied by approximately 7.5 and 8.5 respectively between 2020 and 2022.

This economically unsustainable situation for both households and businesses prompted states to implement numerous "price shields" on electricity, as Germany did at an estimated cost of €13 billion for the year 2023 alone.

Between 2021 and 2022, the correlation between gas and electricity prices was nearly perfect, with respective correlation rates of 0.92 and 0.94 for Germany and France (daily correlation between day-ahead ENTSOE-E electricity price & TTF, Refinitiv). The European Council's findings indicated that in over two-thirds of cases (from 2021 to 2022), the entire electricity market reflected the cost of natural gas because it was determined by the marginal cost of a gas-fired power plant.

This phenomenon of gas prices affecting electricity prices stems from the structure of the European electricity market, which combines two fundamental elements: the merit order and the strong interconnection of electricity networks between European countries. The merit order tends to align electricity prices with the marginal cost of the last plant used (which is also the highest of the mix used), often gas-fired plants, which play a crucial role in balancing supply and demand. The strong interconnection of electricity networks leads to price convergence across countries.

## Gas and German Electricity Prices (2020-2024)



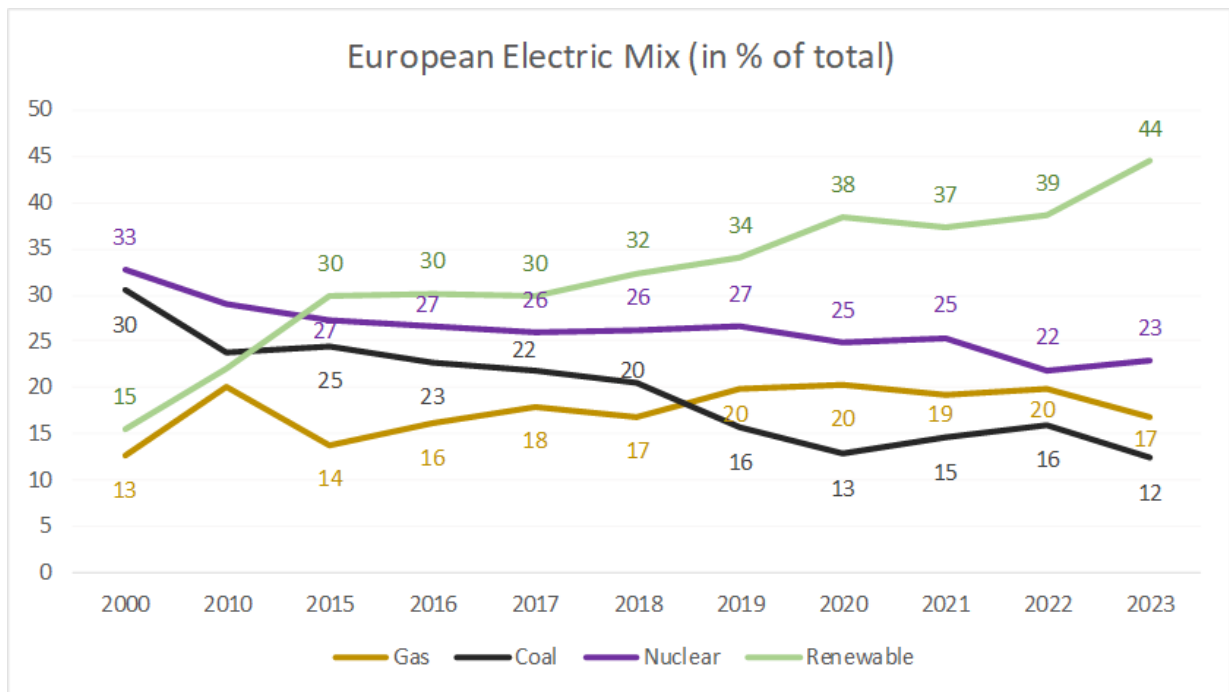
Note: Day-ahead electricity prices from ENTSO-E & Gas Price (TTF, Refinitiv). Daily fluctuations smoothed using a 7-day moving average. Marginal Cost computed using an average emission factor of 0.4T/MWh and an electricity generation efficiency from gas of 55%

Between 2023 and early 2024, the correlation between gas and electricity prices decreased due to increased nuclear production, reduced electricity demand, and greater use of renewable energies. However, gas prices continue to strongly influence electricity prices. In 2023, the decline in gas prices (TTF index) to around €40/MWh on average, compared to over €125/MWh in 2022, was accompanied by a significant drop in electricity prices, roughly halved over the period (in France and Germany). Furthermore, since the beginning of 2024 (1<sup>st</sup> quarter), the further decline in gas prices has led to unprecedentedly low electricity market prices since 2021 (around €65–70/MWh on average between January and March 2024).

### The European Union's strategy

The long-term strategy pursued by the European Union has primarily relied on an objective of renewable energy development. It has been based on three main pillars:

- Creating large interconnected electricity markets through gradual liberalization and enhancing electricity exchange capacities between countries, facilitating more efficient integration of intermittent renewable energies into the electricity mix.
- Massive support for renewable energy development enabled by "off-market" guaranteed remuneration through fixed tariff systems (guaranteed purchase of electricity) or Contracts for difference (CfD).
- Introducing CO<sub>2</sub> emissions allowances applicable to fossil fuel power plants, increasing their marginal costs. For example, with a €80/t CO<sub>2</sub> emission allowance, the marginal cost of a coal-fired power plant increases by approximately €75–80/MWh and by €32–35/MWh for a gas-fired combined cycle plant.



Note: Data sourced from Ember Climate open-data

Regarding the electricity mix, these measures have had a significant impact, with intensified installation and production of wind and solar electricity across Europe. In 2023, renewable energies accounted for 44% of the electricity generated in the EU, with solar and wind contributing 27%. Concurrently, the share of carbon-based electricity decreased from 37% to 33% between 2020 and 2023 in the EU.

The emphasis on renewable energy and the phasing out of coal nevertheless entail an implicit trade-off: the reliance on gas-fired power plants to address the intermittency of solar and wind energy. Presented as a transitional energy source, gas serves as a crucial cornerstone for grid balancing, and is expected to remain indispensable for numerous years.

In terms of competitiveness, opting for gas exposes the price of electricity to the volatility of global markets and geopolitical instabilities, exemplified by the Ukraine invasion. Furthermore, the increased reliance on liquefied natural gas (LNG), accounting for 37% of EU consumption in 2023 compared to 19% in 2021, to compensate for the decline in Russian gas imports, results in a premium associated with transportation, processing, and infrastructure costs. Europe currently incurs higher electricity costs compared to its direct competitors. For instance, in 2023, electricity was traded at an average of approximately €60/MWh (*ICE historical wholesale market data*) in the United States versus €96/MWh in Germany.

**What is the trend for electricity consumption in Europe?** It's noteworthy that electricity demand has reached historically low levels over the past two years. In the European Union, electricity consumption decreased by 6.4% between 2021 and 2023, with even steeper declines of 8.1% in France and Germany.

This decrease primarily stems from three factors:

- A significant reduction in industrial production, particularly in electro-intensive industries such as chemicals, petrochemicals, steel, paper, and pulp, largely due to high

energy costs. According to the IEA's 2024 report, electricity prices in the EU remained approximately 50% higher than in China or the United States for electro-intensive industries. For instance, 30% of primary aluminum production lines have been halted in Europe since 2021 as electricity accounts for 40% of its production costs.

- Increased energy efficiency and savings efforts promoted by governments due to concerns about energy supply (winter 2022-2023) and rising electricity prices.
- Milder winters (2023 was the second warmest year ever recorded in Europe).

While some of these factors may persist, electricity demand is expected to stabilize before increasing again due to industrial recovery. Furthermore, increased electrification will start a new era of rising electricity consumption. While still at its beginning, the substitution of thermal engines with electric motors in transportation, followed by the electrification of the most polluting industries, and the ever-growing demand for data centers, are expected to increase electricity usage. The example of the electrification of one of France's most polluting sites is characteristic: in Dunkirk, ArcelorMittal's steel plant will replace a coke (coal) blast furnace with an electric furnace, nearly tripling the site's electricity capacity from 300MW to 800MW, almost equivalent to the power output of an average nuclear reactor.

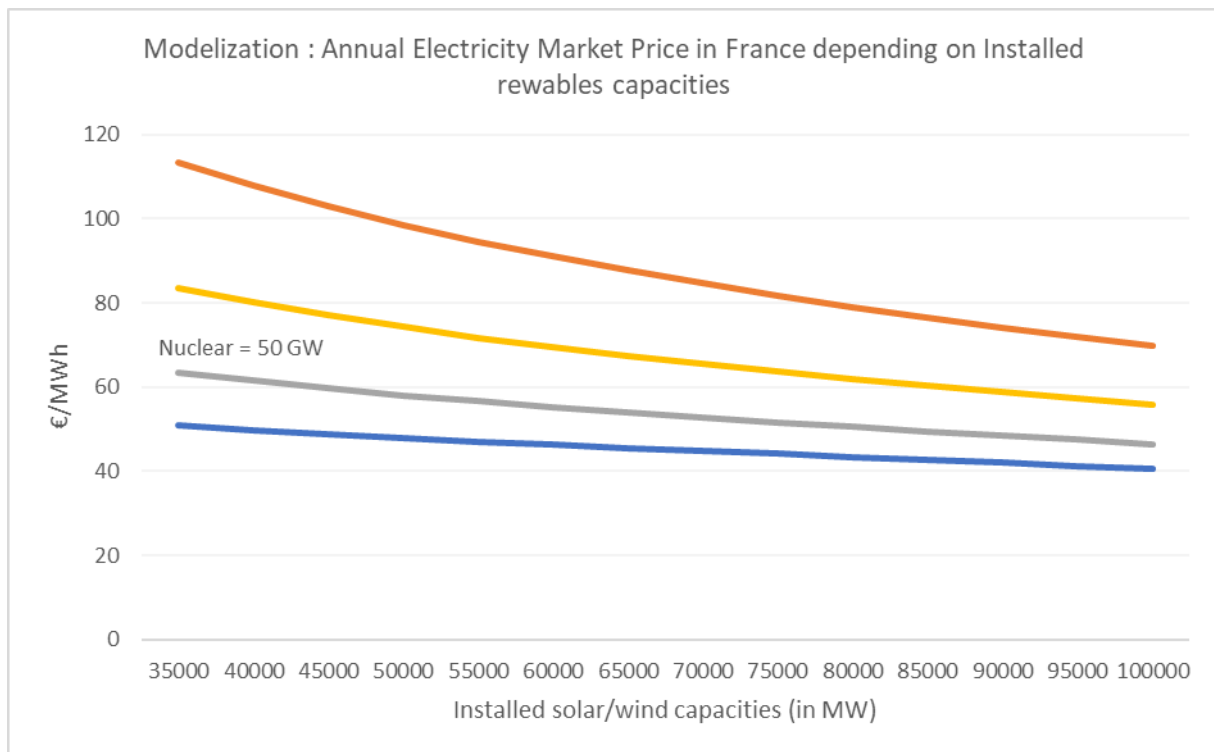
If Europe is willing to retain its key industries and achieve its energy transition, it cannot hope for a long-term decline in electricity consumption. Instead, it must ensure abundant, decarbonized, and affordable electricity in the medium to long term to promote the transition to electric power over traditional fossil fuels.

## **How to enhance the competitiveness of European electricity?**

As in the current model, the price of electricity is determined by the marginal cost of the last unit required, there are schematically few means to lower the price of electricity. This involves reducing the use of units with the highest marginal costs by either decreasing electricity consumption or increasing the supply of units with the lowest marginal costs.

This last point entails an accelerated modification of the electricity mix by favoring sources with the lowest marginal costs, namely renewable energy and nuclear power. Modeling studies indicate that expanding solar/wind capacity and nuclear power reduce market prices but in different proportions. Indeed, the impact of nuclear power on market price reduction is significantly more substantial, given its dispatchable nature, allowing for the substitution of gas/coal-fired power plants throughout the year. In contrast, solar/wind units merely decrease the average utilization of gas/coal-fired plants, with the latter remaining necessary at numerous intervals to address their intermittency.

In this regard, increasing nuclear production alongside renewable energy sources emerges as a priority to enhance Europe's electrical competitiveness and reduce sensitivity to gas prices. The urgency of bolstering nuclear capacities becomes increasingly apparent in light of the aging nuclear power plants across Europe and the impossibility of indefinitely extending their lifespans. In the broader context, the long-term energy security of Europe is at stake, with the capacity to address both periods of renewable energy underproduction and geopolitical threats impacting commodity prices.



Note: Simulation based on end-of-2022 French Electricity Mix stand-alone. Annual Price corresponds to the hourly monthly simulated price weighted by consumption. Price is determined by the marginal cost of the last unit used to balance hourly demand. Emission factors from ADEME. Hypothesis of average solar & wind power based on actual annual average. Market Prices hypothesis applied to calculate Marginal Costs of fossil plants

Parameters	Market Prices
Gas	36 €/MWh
Coal	121 €/t
Fuel oil	700 €/t
EU Carbon price	85 € t/CO <sub>2</sub>

Moreover, a comprehensive reform of the European market must be undertaken in the long term. The current pricing model creates a distortion between the cost of electricity production and its price. In the perspective of a complete transition away from fossil fuels, it seems inconceivable for electricity prices to continue to be influenced by an increasingly smaller proportion of fossil fuels. What coherence is there for a wind or solar energy producer to have their electricity market price indexed to that of gas/coal and paradoxically to the carbon price? The decoupling between electricity market prices and the actual production costs for renewable energies (and soon nuclear) also compels public authorities to guarantee revenues (and compensate losses) for these producers. And the lower electricity market prices drop, the heavier the burden on public authorities becomes. The generalization of CfD contracts clearly demonstrates the market's inability to provide decarbonized electricity and prepare for the future without government support.

These factors represent arguments for a return to a more planned and, dare we say, regulated electricity market in which the cost of electricity is based on its production cost. All means of production are necessary (wind, solar, nuclear, gas, etc.), and the final price paid

by the consumer must reflect the cost of all means and not just a decreasing fossil proportion.

## Conclusion

The structure of the European market has led to a double contagion effect: the transmission of fossil fuel market prices to the electricity market and the interconnection-induced contagion among national electricity markets. In practice, electricity market prices remain heavily influenced by gas prices, thus exposing economic agents to global price volatility and contributing to a disadvantageous electricity price compared to their competitors.

The European strategy has long been based on full support for renewable energies. However, renewables cannot fully replace carbon-based energies due to their intermittency, and implicit reliance on gas-fired plants. Under these conditions, the increase in nuclear production demonstrates the most significant effects in terms of lowering market prices to enhance Europe's electrical competitiveness. In this regard, the current reform of the European market unlocks the resurgence of nuclear power by facilitating the financing of new reactors.

In the longer term, reform appears necessary to align the price of electricity with the average production cost of all means in order to both enhance price competitiveness and reduce sensitivity to fossil fuel prices.

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## **Financing and managing public spending in Europe with social bond schemes**

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### **Abstract**

Social bonds can be issued to finance or re-finance new or existing projects to address or mitigate a specific social issue, precisely described in the legal issuance documents. Social bond schemes bring several advantages for the issuers, allowing them to diversify their investor base effectively, with a possible positive effect on the cost of capital, and facilitating communication with a wider public. As social bond schemes are built on the 'use of proceeds' basis, the approach recommended in the Social Bond Principles regarding the project evaluation and selection, management of proceeds, and annual reporting, with the engagement of external reviewers in the whole process, they bring relevant benefits to governments in directing public spending towards the highest priority social projects for the most vulnerable populations. They also better discipline the issuer's spending. It is expected that with the maturing social bond market, the demand for these securities will only grow, and the benefits for the issuers will be more pronounced. Therefore, we recommend that European governments increasingly consider social bonds as a vehicle to finance projects addressing various social challenges that must be tackled in future years.

Keywords: Social Bond Schemes, ESG, Financing Budget Deficits

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## Financing and managing public spending in Europe with social bond schemes

Social bonds are fixed-income instruments with a social component embedded in their legal construction. Even if the general financial characteristics (structure, risk, and return) are considered similar to those of conventional bonds, the difference lies in the financing purpose. Social bonds can be issued to finance or re-finance new or existing projects to address or mitigate a specific social issue, precisely described in the legal issuance documents. *The Voluntary Process Guidelines for Issuing Social Bonds* recommended in *the Social Bond Principles* (SBP) by the International Capital Markets Association (ICMA) is a comprehensive and widely used framework for issuing social bonds. A carefully designed process for project evaluation and selection, transparency in the management of proceeds, and annual reporting are expected from the issuer of a social bond.

The social bond issuance was boosted substantially when, in response to the COVID-19 pandemic, the European Union launched the SURE programme to protect employment. However, there are many other purposes that social bonds can support. A list of relevant examples of eligible social projects in the European context includes affordable housing, access to and quality of education and healthcare improvements, prevention or alleviation of unemployment stemming from socioeconomic pressures, and climate transition projects. Social projects aimed at '*socioeconomic advancement and empowerment, meaning reduction of income inequality and other considerations for a 'just transition,'*' have grown in significance for governments across Europe/the world; these were also financed with social bonds. The populations targeted in projects financed with social bonds include unemployed and low-income households, people with disabilities, migrants, minorities, women, aging populations, vulnerable youth, etc. Unlike other financing schemes, the proceeds of the social bond can be only spent on the communicated projects, not on general budget funding, and the execution and financing of these projects are carefully monitored and reported to investors and other stakeholders.

Even if new types of social bonds are expected to emerge as the market further develops, four types of social bond schemes are now discussed in ICMA's SBP. In its simplest construction, a '*Standard Social Use of Proceeds Bond*' is an unsecured debt obligation with full recourse to the issuer only. With non-recourse-to-the-issuer rights, a '*Social Revenue Bond*' is a debt obligation in which the credit exposure is to the pledged cash flows of the revenue. With a '*Social Project Bond*' in hand, the investor has direct exposure to the risk of the social projects in question, with or without potential recourse to the issuer. Finally, a '*Secured Social Bond*' category may include covered bonds, securitisations, asset-backed commercial papers, secured notes, and other secured structures, where generally, cash flows of assets are available as a source of repayment, or assets serve as security for the bonds in priority to other claims.

### Advantages and costs

Social bond schemes bring several advantages for the issuers. They allow them to effectively diversify their investor base, with a possible positive effect on the cost of capital, and facilitate communication with a wider audience. Additionally, as social bond schemes are built on the 'use of proceeds' basis, they represent a targeted funding pool for specific social projects, imposing discipline in the use of funds by issuers. From an investor's point of view, they provide certainty that the funding is directed towards the highest priority social projects for the most vulnerable populations.

## Diversification of the investor base

Through social bonds, governments and other issuers can tap sustainability-focused investors and diversify their investor base by reaching finance providers from a wider pool. As including social bonds in their investment portfolio **can satisfy social impact-oriented investors' statutory needs and help all the investors advance their impact agenda while generating financial return**, more investors from diverse investment backgrounds and objectives can be interested in investing in social bonds. This is confirmed by the survey conducted among European professional investors in 2023 by Goldman Sachs Asset Management. In fact, the rapid growth of the social bonds market has answered the strong demand for investment opportunities with adequate financial returns combined with a positive impact on society, according to this study (Van Broekhuizen, 2023). Additionally, investors can improve their portfolio alignment with the United Nations' Sustainable Development Goals (SDGs) by including social bonds in their investment portfolio.

Also, the **value of transparency** of the 'use of proceeds' securities, translating into a reduced investment risk, makes social bonds a desired investment mode for a wide range of investors. The legal construction of the social bonds schemes facilitates transparency already at the *project evaluation and selection* stage through carefully selected and clearly communicated social objectives. Transparency is further enhanced by effective *management of proceeds* being tracked and attested to by the issuer in a formal internal process. Further, SBP involves annual **reporting** with details on the social projects under the social bond schemes, with the amounts allocated and their expected impact. The appointment of external reviewers to assist in all these stages ensures a higher level of transparency than in other schemes.

## Possible positive effect on the cost of capital

Because all the characteristics of the social bond schemes discussed above have an impact on the lower investment risk, they potentially can have a bearing on the lower cost of capital for issuers when compared to instruments financing their general spending. Due to the fact that social bonds are relatively new financial instruments with a relatively low total value of issuance and stock, there isn't much relevant academic research available to evaluate this theoretical hypothesis. However, one of the recent research projects by Torricelli and Pellati (2023) sought a 'social premium' defined by them as *'the yield differential between a social bond and an otherwise identical conventional bond'* in a sample of 64 social bonds aligned with ICMA's SBP and 64 (exactly) matched conventional bonds during the peak of social bonds issuances between 2020 and 2021. According to their findings, *the social premium is significantly explained by differences in liquidity and in volatility, which are, respectively, negatively and positively correlated with the yield differential. Second, on the whole sample, the analysis of the fixed effects proves the existence of a significant and positive social premium that amounts to 1.242 bps. This result is robust to outliers, but differences emerge on subsamples especially in relation to issuer sector, thus pointing to the relevance of the use of proceeds, an issue that deserves further investigation as the SB market becomes more mature.*

As the social bonds market matures, more research will be carried out to confirm the existence of the 'social premium'.

Independently from the above, cheaper financing through the social bond scheme can be ensured by targeting investors like the European Investment Bank, the European Bank for Reconstruction and Development, and other organisations supporting social objectives.

## **Improved communication with the targeted populations and wider public**

The specifics of the project evaluation and selection, management of proceeds, and reporting in the social bond schemes represent a great opportunity for governments and other issuers to improve communication with the targeted populations and the wider public. There is also a good chance that with transparent information about the social projects under social bond schemes, both the populations concerned, and other stakeholders will join the governments / social bond issuers in their efforts to address the most pressing social needs. It would be highly beneficial to engage all the stakeholders to reach the targeted social objectives as effectively as possible.

## **Directing public spending towards the highest priority social projects and better control over public spending**

As social bond schemes are based on the 'use of proceeds' approach, the recommended in the *Social Bond Principles* project evaluation and selection, management of proceeds, and annual reporting, with the engagement of external reviewers in the whole process, bring relevant benefits to governments in directing public spending towards the highest priority social projects for the most vulnerable populations.

As the management of proceeds must follow a robust formal protocol, external auditors are appointed to confirm the same, and the annual reporting to the investors is practically a formal necessity, social bond schemes can effectively help control public spending.

## **Costs**

Social bond schemes bring several benefits but also generate management costs. Social bonds and other 'use of proceeds' bond schemes promote transparency at a higher explicit and implicit cost of establishing a complex framework, which requires close monitoring and reporting with the aid of external auditors.

## **Outlook for social bonds – a growth case**

Social bond issuance surged during the COVID-19 pandemic, as many governments launched social support financial programs to alleviate the economic impact of lockdown and other safety measures; previously, these schemes were less frequently employed.

The European Union issued a total of EUR 98.4 billion in social bonds in 9 issuances of its SURE programme between October 2020 and December 2022. The programme aimed to protect jobs and incomes during the economic hardship of Covid-19: the EU lent the proceeds from social bonds on favourable terms to its member states to support the sectors the most affected by the pandemic. This is considered the world's largest social bond scheme, accounting for 16% of global social bond issuance in 2021. The post-Covid-19 issuance of social bonds returned to normalised levels.

Regardless of the high interest rates that could have an adverse impact on issuance volumes across various types of debt, the European and global segment of social bonds appears resilient, with global social bond sales reaching a record high of USD 14.3 billion in April 2024, according to Bloomberg. A recent example in Europe is the large EUR 1 billion

offering of social bonds by the French unemployment insurance agency Unedic to fund the agency's efforts to compensate workers and help firms preserve jobs through economic or health crises.

Despite this, the long-term perspectives for this fixed-income class remain positive, and social bonds have the potential to grow significantly faster than conventional debt, in our opinion. Europe will likely face various social challenges, such as mass immigration or the housing crisis, and it will have to deal with them through targeted programmes, eligible for social bond financing. Military conflicts taking place in the proximity of Europe, climate change, and a lack of economic perspectives have triggered a wave of migration, which is likely to require specific programs supporting immigrant integration and counteracting unemployment. Housing in many European countries is in crisis with high prices, high rents, and low affordability. Consequently, social housing development will remain high on the agenda for many governments. Given the significant financing required for social housing development, a likely solution may be tapping the private investors market through social bond issuance by governments, development institutions, and banks. Social bond issuance can support programmes in various other areas, including support for small and medium enterprises, healthcare, education, and access to infrastructure.

Growing investor demand is another factor supporting the expansion of social bonds. While the market for social bond investments is still in the early stages of development, we expect growth in the listings of social bonds and investment funds specialised in social bonds. Some of the challenges, such as small average social bond deals or difficulties quantifying the social impact of bonds, should be overcome as social bonds mature as a fixed income class, thus supporting growth in the long term.

The European regulatory framework also appears supportive of the social bond schemes, with fundamental EU documents providing strong foundations for a considered 'Social Taxonomy'. The document on the European pillar of social rights and the associated action plan, the European Social Charter, the EU Charter on Fundamental Rights, and the European Convention on Human Rights are the most relevant. The regulatory framework specific to social financing is expected to further develop in the near future. This should help overcome some of the investor's concerns, with benefits for the whole social bond market.

## Conclusion

Reflecting on the several significant benefits the social bond schemes bring to governments, other issuers, and society as a whole, as well as a positive long-term outlook for a social bond market, **we recommend that European governments increasingly consider social bonds as a vehicle to finance social projects addressing social challenges persisting or emerging in the years to come.**

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# [ **The role of established brands in turbulent times**

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## **Abstract**

While it is commonly assumed that turbulent times divert consumers from seemingly frivolous concerns like brands and consumption, research paradoxically reveals that well-established brands can act as pillars of stability during periods of uncertainty, providing a sense of familiarity and trust. Expanding upon this paradox, we aim to draw from existing literature to demonstrate that the marketing efforts of established brands not only assist individuals in navigating through uncertainty but also direct attention towards fundamental societal issues that often tend to be overlooked in tumultuous times.

Keywords: Branding, Crisis, Sustainability

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# **The role of established brands in turbulent times**

## **Introduction**

Throughout history, Europe has been no stranger to turbulent times, as its recent past has been marked by political upheaval, economic crises, and social unrest. Most recently, the 21st century has seen Europe grappling with crises such as the 2015 refugee crisis, the COVID-19 pandemic, and the resurgence of geopolitical conflict escalation (Wernli et al., 2023). Against this backdrop of uncertainty and volatility, Europe finds itself navigating complex geopolitical dynamics, economic uncertainties, and social transformations. In times of uncertainty and turbulence, established brands, defined as those that have built a clear notoriety and confidence within consumers' minds (Muthukrishnan et al. 2009), can play a crucial role. For instance, during World War II, GM and Ford converted their factories to produce tanks, projectiles, and bombers. Closer to us, during the Covid-19 crisis, many brands participated in the fight against the pandemic. For instance, the sports equipment brand Bauer paused its production to manufacture essential equipment such as face shields for healthcare professionals, the clothing brands Gap and Zara engaged in the production of masks and medical gowns, and the distillery Pur Vodka produced hand sanitizer. Similarly, Playmobil used its own plastics expertise to launch the first reusable Playmobil Nose and Mouth Mask to fight against the pandemic, and the fashion company H&M repurposed its supply chain to produce face masks for health-care workers around the world. However, the role of established brands goes even further than merely building essential equipment. This paper reviews past research findings to show how this role is enacted through different processes: consumers' trust and reassurance, market stabilization, innovation and adaptation, contribution to CSR policies, and political stances. We specifically insist on the role of luxury brands and the way they can become symbols of resilience and prestige, contributors to heritage preservation, supporters of philanthropic actions, and actors of soft power. Doing so, we aim to shed light on the role of brands in society in general, outside their commonly studied role within markets.

## **The role of established brands in turbulent times**

### *Contributors to consumer confidence and ontological security*

Crises and turbulent times generate high levels of perceived insecurity, prompted by economic, environmental, or professional threats, alongside the restructuring of core social institutions. This generates levels of ontological insecurity, defined as the inability from an individual to reach a sense of continuity regarding the events in one's life (Campbell et al., 2020). In that context, some established brands have earned consumer trust through decades of delivering consistent quality and value, enabling them to build strong relationships with consumers (Smit et al., 2007). In cases where consumers have created deep and strong connections and attachment with brands, the latter can become an important factor of gratification, self-insurance, and even sense-making over the meaning of life (Tian & Belk, 2006). Indeed, consumer culture research shows that individuals desire a good also for its symbolic capacity to enable the expression of social status or to construct and maintain self-identity. Therefore, during challenging times, established brands can serve as beacons of stability, as consumers feel the need to gravitate around familiar objects and symbols they trust. This confidence acts as a psychological buffer against uncertainty, empowering consumers to make purchasing decisions with greater certainty and conviction.

### ***Market Stabilizers***

Whether in the form of changes in competitive intensity, market disruptions, or technological discontinuity (Chung & Low, 2017), environmental turbulence increases the rate and unpredictability of market changes in a firm's external environment. Established brands have earned a stronger resistance to market turbulence, stemming from factors such as superior consumer loyalty, clearer differentiation, innovative agility, or value chain superiority (Rego et al., 2022). While emerging brands may struggle to gain traction amidst uncertainty, established brands leverage their reputation, resources, connection with consumers, and institutional knowledge to maintain their competitive edge. Therefore, the presence of established brands in a national or regional market can help stabilize economic systems in contexts of turbulence by providing a sense of predictability and order. By maintaining a steady flow of goods and services, established brands prevent market volatility from spiraling out of control, thus mitigating the impact of economic shocks and ensuring the continued functioning of essential industries.

### ***Innovators and adopters***

Turbulent times, although presenting severe survival risks for many economic actors, can also present substantial opportunities for innovation. Indeed, in difficult times, brands have to demonstrate their resilience by attempting to adapt to new market conditions or create new opportunities (Eggers, 2020). In these cases, they need to reinvent themselves to meet evolving market situations and disrupted consumer needs. Whether through product diversification, digital transformation, or strategic partnerships, established brands leverage their resources and expertise to stay ahead of the curve and remain relevant in dynamic environments. The Covid-19 example is, for instance, representative of the way key actors of higher education were able to innovate through the quick transformation toward digital tools for mass distance learning and interaction.

### ***Contributors to long-term Corporate Social Responsibility policies***

Research suggests that a path to overcoming the complexity of social or political crises is through a renewed environmental, economic, and social ecology and a radical change of business conduct (Idowu et al., 2017). Thus, established brands have a unique opportunity to demonstrate their commitment to corporate social responsibility (CSR) and contribute positively to society. Whether through philanthropic initiatives, community outreach programs, or sustainable business practices, these brands leverage their influence and resources to make a meaningful impact on the communities they serve. It is all the more important that states and governments have a tendency to move back from environmental engagements in times of crises, as a (dubious) way of appeasing social tensions. Less sensitive to political changes, companies that have heavily invested in transforming their business models over the long term can contribute to transforming practices permanently (Corral-Verdugo et al., 2009). For instance, during M. Trump's 2016-2020 presidency, which saw the repeal of many sustainability laws, some established brands reinforced their commitment to sustainability and made clear statements in this regard: Patagonia donated to charity the \$10M it saved from tax cuts and Starbucks pledged to hire 10,000 refugees in response to changes in immigration policy.

### ***Political Stances***

Established brands often wield significant influence within their respective industries and beyond. In turbulent times, this influence extends to shaping market trends, consumer

behavior, and public discourse. By taking a proactive stance on key issues, advocating for positive change, and leading by example, established brands can drive collective action, inspire innovation, and catalyze societal resilience (Sibai et al., 2021). For example, Starbucks has demonstrated its commitment to LGBTQIA2+ inclusion through initiatives like inclusive healthcare in the United States and legal support projects in Brazil, alongside its corporate advocacy for marriage equality in the U.S. Similarly, L'Oréal Paris has actively combated street harassment with its global "Stand Up" program, partnering with the NGO Right to Be to train nearly a million individuals across 41 countries on how to intervene safely in harassment situations (the total number of people to be trained being of 1.5 million). These efforts illustrate how established brands can leverage their influence to foster societal change and enhance consumer engagement in public welfare issues.

## **The specificities of luxury brands in crises**

While luxury products may seem associated with frivolous needs, and therefore be perceived as incongruent with the hardships and sacrifices of political and social crises, research shows that luxury brands are particularly well positioned to play a critical role in turbulent times.

### *Symbols of resilience and prestige*

Luxury brands can serve as symbols of resilience, comfort, and stability during times of uncertainty and upheaval. Indeed, individuals may seek comfort and stability in familiar symbols of luxury and refinement. Owning luxury goods can provide a sense of status and security, reaffirming one's identity and social standing. Whether through fashion, beauty, or lifestyle offerings, luxury brands may continue to appeal to consumers who seek stability through indulgence (Rosier, 2011). The lipstick phenomenon is a clear example: in times of hardship, consumers often treat themselves to smaller, more affordable luxuries. This behavior, commonly known as a 'mood boost,' allows for a gratifying escape, providing both self-indulgence and an increase in self-confidence. Therefore, luxury brands can offer psychological comfort and distraction during turbulent times.

### *Preservation of cultural heritage*

Luxury brands often have deep ties to cultural heritage and craftsmanship, which can be particularly valued during turbulent times (Cooper et al., 2015). In conflict-affected regions, luxury brands may play a role in preserving traditional artisanal skills and supporting local communities. By promoting craftsmanship and cultural heritage, luxury brands contribute to the preservation of identity and resilience in the face of adversity.

### *Humanitarian support and philanthropy*

Luxury brands can leverage their resources and influence to support humanitarian efforts during crises (Sipilä et al., 2021). Whether through direct donations, fundraising campaigns, or partnerships with aid organizations, luxury brands can make a meaningful impact on communities affected by difficulties. For instance, in 2022, Kering made a significant donation to the UN Refugee Agency (UNHCR) to support Ukraine. This contribution followed various actions undertaken directly by its Houses to help local communities impacted by the conflict. By demonstrating a commitment to social responsibility and philanthropy, luxury brands can help alleviate suffering and contribute to peacebuilding initiatives. For instance, during the Covid-19 pandemic, luxury brands joined in, with LVMH, Balenciaga, Gucci, and Prada playing a key role in the production of masks for hospitals.

## *Diplomatic and soft power*

Luxury brands can also serve as vehicles for diplomatic and soft power initiatives during conflicts or crises (Rose, 2016). Through cultural exchange programs, international collaborations, and brand ambassadorships, luxury brands can foster dialogue and understanding between nations. Luxury brands can utilize their cultural and commercial influence to support diplomatic and soft power initiatives. For example, French haute couture, historically leveraged as a tool of prestige-based commercial diplomacy, has helped to shape France's international image. Thus, by transcending political boundaries and promoting shared values, luxury brands contribute to building bridges and fostering goodwill. For instance, Tory Burch and the CEO of the eponymous brand, Pierre-Yves Roussel, have pledged a combined \$250,000 from personal and company funds to support humanitarian efforts in the Middle East through donations to the International Committee of the Red Cross and the Alliance for Middle East Peace (ALLMEP).

## **Conclusion**

In conclusion, established brands, and especially luxury brands, can play diverse roles in turbulent times. From fostering trust and stability to driving innovation and societal impact, ranging from symbols of prestige and resilience to agents of humanitarian support and cultural preservation, these brands serve as pillars of resilience amidst uncertainty. By leveraging their reputation, resources, influence, and creativity, established brands navigate challenges with assurance, inspiring consumer confidence, market stability, and societal resilience. Additionally, these brands can derive substantive advantages from the fulfillment of this role: it provides them with a competitive advantage even amidst economic downturns or market volatility, and they instill a sense of confidence that encourages consumption and sustains economic activity. Stemming from all this, it seems to us that there is a new research agenda regarding marketing business models and practices, not only for well-established brands but also for those wishing to achieve credibility and notoriety by relying on new consumer sensitivities and expectations.

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## **[ Mind the mind: the need to develop higher awareness among young adults regarding digital wellbeing**

Chiara Succi\*

### **Abstract**

The use of digital technologies, in particular the use of smartphones, presents serious threats to young adults' mental health as well as to their academic performance. This impact paper presents insights from the digital wellbeing research. It suggests the need to increase young people's awareness regarding the implications, impact on daily life, and risks of the extensive use of digital technologies. Results of a pilot study are discussed, including actions that academic institutions can undertake to create awareness regarding digital wellbeing.

Keywords: digital wellbeing, mental health, young adults

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# Mind the mind: the need to develop higher self-awareness among young adults regarding digital wellbeing

## Introduction

The process of diffusion of innovations alternates phases of **enthusiastic acceptance** with phases of **reflection and regulation**. The pervasive use of digital devices and social media by young people is revealing some **threats to their wellbeing** and now it requires in-depth investigation by researchers. Despite the novelty of this phenomenon, several studies have been recently published and they converge in the identification of a **causal relationship**, between the pervasive use of digital devices and mental health problems and poorer academic performance (Gerosa *et al.*, 2022).

## *Impact on Mental Health*

After the publication of the report by the U.S. Surgeon General's Advisory (2023), entitled *Social Media and Youth Mental Health*, some governments and institutions started to implement restrictions to the use of mobile phones in schools and universities.

**Numerous intricate elements** contribute to the impact of social media on the mental wellbeing of young people, encompassing factors such as the duration of their engagement on platforms, the type of content they consume or are otherwise exposed to, the interactions facilitated by social media, and the extent to which all this interferes with essential activities such as **sleep, socializing, and physical activity** (Gerosa *et al.*, 2022).

The correlation between mental wellbeing between the ages of 18 and 24 and the age of initial smartphone acquisition is significant, even among individuals without traumatic childhood experiences. Mental wellbeing consistently demonstrates improvement with **later acquisition of smartphones or tablets**, with a more pronounced change observed in females compared to males (Sapiens Lab, 2023).

## *Impact on Academic Performance*

Considering the **variety of stimuli and opportunities** students have at their disposal, managing to study **two-three hours in a row** and **completing their assignments**, can be considered almost “heroical actions”. Technologies interfere with the academic experience inside and outside the classroom.

Various studies have demonstrated the **negative relationship** between multitasking in the classroom (texting, emails, social networks, chatting with neighbours, ...) and learning outcomes (Jamet *et al.*, 2020). Fewer studies investigated how these technologies affect ability to study, attention span, memory, concentration, or critical thinking, **outside the classroom**. In general, it is evident that many **cognitive processes** are impacted by an extensive use of technologies, but we are not able yet to assess the extent of its implications.

## Brain functioning

Considering students as “**cognitive professionals**,” it's important to equip them with foundational knowledge about brain functioning. For example, ensuring adequate sleep, maintaining a balanced diet, engaging in regular physical activity, and fostering social interaction are all basic ways to promote cognitive health and overall wellbeing.

In addition, considering students' exposure to a digital environment, it is important to help them to recognize **key mechanisms** and **physiological reactions associated with the use of technology**, including dopamine release. As stated by Ted Gioia (2024), we live in the era of the **dopamine culture**, where, the entertainment industry in particular is exploiting these mechanisms (Fig. 1).

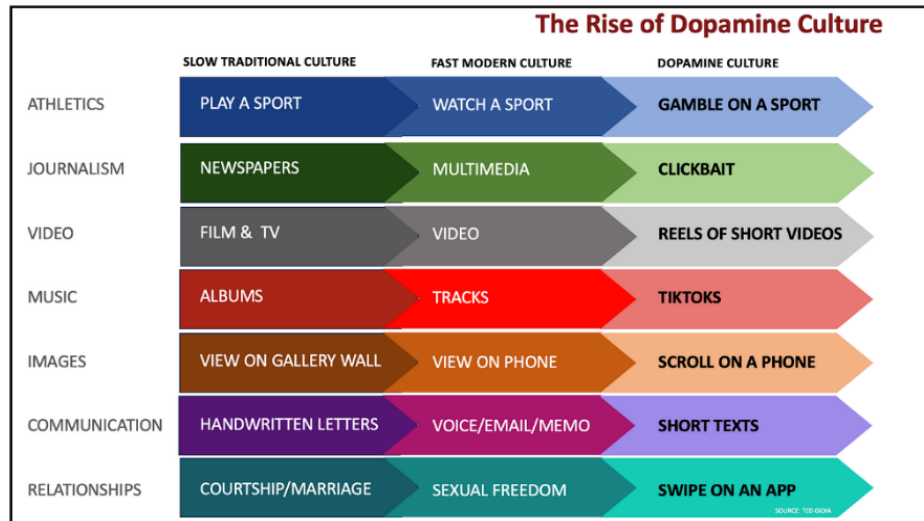


Fig. 1 - The Rise of Dopamine Culture (Gioia, 2024)

In the “attention economy”, technologies such as social media platforms, video games, and other digital interfaces are engineered to **provide immediate gratification** and rewards in the form of likes, comments, shares, or other forms of engagement (Terranova, 2012). When individuals receive positive feedback or interactions through these platforms, their **brains release dopamine**, contributing to feelings of pleasure, satisfaction, and motivation. Moreover, the design of digital technologies often incorporates elements of **unpredictability** and **novelty**, which further stimulate dopamine release. Features such as notifications, scrolling feeds, and “likes” counters are intentionally designed to trigger intermittent rewards, akin to a slot machine, keeping users engaged and seeking more. However, prolonged exposure to these digital stimuli can lead to **habituation** and **desensitization** of dopamine receptors, requiring individuals to seek increasingly novel or intense experiences, and contributing to **addictive patterns of technology use**.

## Digital wellbeing

Digital wellbeing is defined as “a state where subjective well-being is maintained in an environment characterized by digital communication overabundance. Within a condition of digital well-being, individuals are able to channel digital media usage towards a sense of comfort, safety, satisfaction and fulfilment” (Gui et al., 2017, p.166).

## Technology & sleep

Based on a simple mathematical operation and considering that higher education students spend an average of 4.5 hours per day using smartphones, laptops, tablets, and desktop computers (Krystel et al., 2023), it is relevant to calculate where this **time** has been taken from. Probably, young adults find fewer opportunities for socializing with peers, reduce physical activity, and sacrifice academic study, but the dimension of wellbeing most impacted is sleep.



The CEO of Netflix, Reed Hastings, recently declared “*our greatest competitor is sleep*”. The excessive use of digital devices can **disrupt sleep** in different ways. **Blue light** emitted by screens interferes with the body's natural circadian rhythm by suppressing melatonin production. **Stimulating content**, such as video games, can increase heart rate and make it harder to fall asleep (Walker, 2017). Managing device usage and minimizing exposure to blue light before bedtime are essential for better sleep quality.

### *Reflections from a pilot program*

ESCP Business School, on its Italian campus, has developed a wellbeing program funded by the ESCP Foundation. The objective of this program is to cultivate **greater awareness** regarding mental health and brain functioning, and to prompt **reflection** on digital wellbeing and personal challenges.

Students were encouraged to **observe their personal behavior and collect data** on their consumption of digital tools. Over 50% of the 690 students involved in the pilot reported using their smartphones for more than 4.5 hours per day and spending over 2 hours per day on social media. They were asked to reflect on the primary **challenges** they faced and the **strategies** they employed to regulate their usage of digital devices.

Students clearly identified two areas for potential action: **quantity** and **quality**. Upon monitoring their usage, they realized it was much higher than they had expected. They also acknowledged a negative impact on the quality of their sleep and academic performance during exam sessions, for example. On the other side, students reflected on the **type of content** and usage patterns they tended to engage in and tried to **select sources** of information more carefully. They aimed to transition from an entertainment-centric approach to a more educational one.

An essential aspect of these programs is to effectively communicate the significance of the initiative and **engage students**. For example, participants were requested to complete a form committing to active participation. In return, they received a colorful alarm clock to replace their phones, and a nice journal to record their observations. Additionally, a “Wellbeing in the Workplace” contest was initiated in collaboration with an international consultancy firm.

Hopefully, **academic institutions** and researchers can play a critical role in **fostering a deeper understanding of the pervasive impact of social media on wellbeing**. This involves informing policies, best practices sharing, dedicated courses and implementing effective interventions.

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## **[ Religion in the workplace: time to turn a negative into a positive?**

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### **Abstract**

Religious beliefs in Europe today are diversifying in spite of the continent's cultural history rooted in Christianity. This development is bringing religious claims to the surface in tandem with persistent fears and negative views about the role of religion. The world of business is not immune to these tensions. Here we re-examine two aspects of religion in the workplace: on the one hand, people's desire to be themselves in every walk of life is forcing companies to address the issue of religion (sometimes with difficulty) and look for regulations. On the other, we center on a more positive interpretation about integrating religious issues into the world of work, looking at the question from the perspective of performance, physical and/or mental well-being, and better-quality human relationships.

Keywords: Religious identity; discrimination; inclusion; positive outlook; paradigm.

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## Religion in the workplace: time to turn a negative into a positive?

### Introduction

“Europe had the highest share of countries with property attacks tied to religion in 2020” (Pew Research Center, 2023). Every attack on or damage to public property provokes debate and generates more fear and suspicion of religion and religious adherents. Religion is – and always has been – a sensitive issue within countries or among individuals (Gaillard, Galindo & Honoré, 2022). Media and political debate about dress that could be described as religious is monitored closely in French schools on a regular basis.

Countries in Europe, however, sometimes have widely differing ideas about the role of religion in society. The study by the Pew Research Center (2018), for instance, points out that the relationship to religion differs between eastern and western European countries. For example, the former are less inclined to host Muslims or Jews in their family or neighborhood compared to countries in the west. Eastern countries are also more split about the separation between the state and religion, whereas most of their western counterparts generally believe that religion and government should be kept apart. Notwithstanding these differences in thinking, Article 9 of the European Convention on Human Rights (ECHR) protects the right to freedom of thought, belief and religion for everyone both in society and in companies.

It is an issue that has also taken hold in another space: the world of work. Some sectors require that employees remain neutral (the Belgian state or the public sector in France, for example) and that religion is “invisibilized”. Private companies, on the other hand, have greater freedom and repeatedly encounter problems managing religious matters. A number of representative cases have left their mark on the world of work in France, Germany and Austria, on occasion going as far as the Court of Justice of the European Union with challenges to the ban on wearing headscarves in the workplace. These examples illustrate the complexities of managing religion, which is viewed more often than not from a negative perspective, and which can sometimes result in conflict or excessive media exposure, even though it does not raise any major problems in the majority of cases (OFRE Report, 2023; Gaillard et al., 2022).

We organize our Impact Paper around this contrasting view of religion in the workplace. We begin by introducing the problems and tensions experienced or felt in the face of religious expression at work. We then show that, above and beyond the fears and misgivings, religion can point to a bright future and create individual and organizational effects.

### Religion as a source of fear and taboo in companies.

Religion in the world of work is surrounded by considerable uncertainty and sometimes fear.

It has long been recognized that religion plays a key role in the identity of many individuals (e.g. Hicks, 2003). While religion falls within the jurisdiction of *forum internum* – the internal forum – , it can also be manifested verbally on a voluntary basis or by wearing certain signs or religious items, when it then belongs to the *forum externum* – external forum (Ragins, 2008). Since religion is at the outset invisible, it is extremely difficult to predict this

disclosure, which may be contingent on private factors, personal interactions, work relationships and places of work or changes in the importance of faith in an individual's life. Every believer undertakes a cost/benefit analysis of the risks involved in this disclosure (Jones and King, 2014), often employing special strategies. It follows that advertising one's religion is often thought to be fraught with danger and the source of stigmatization or even exclusion (e.g. Kreiner et al., 2006).

The diversification of beliefs also breeds numerous fears in company settings. Religious practice is based on exteriorizing certain symbols such as the kippah, veil, cross or the Sikh turban. This visibility means reckoning with the diversity of religious manifestations: in European contexts, where different religious practices are accepted to varying degrees, this is heavily influenced by Christianity. It raises several questions such as: Can an employer in France ask one of its employees not to wear the veil in response to a request made by one of its customers? Or, in England, can a Sikh policeman or soldier wear a turban at work? The rise in the number of believers, and of religions other than Christianity, means that some people are afraid of the demands and expectations of these "other" believers. The latter, meanwhile, have to face the implications for their health, their way of life and their values (e.g. Tarakeshwar et al., 2003).

These areas of uncertainty and fears create three types of risk for organizations:

- The risk of excluding some believers from the company, who could then feel unwelcome in organizations where stigmatization and mistrust are apparent.
- Discrimination: when we do not know – or do not want to know – how to cater to the new demands of these "other" employees.
- The company's reputation is also compromised when the difficulties and lack of a framework result in employees publicizing the problematic situation outside the company.

In addition to these three organizational risks, there is a further risk for managers. They are on the front line of these religious issues, and they may respond to demands of the members of their teams with their own beliefs if they are not given help and the proper tools.

Accordingly, religion in the workplace is often perceived in a negative light and as anxiety-inducing, and not just in the specialized literature but also in the media. The problems accepting religious signs at work or organizing working hours or workplaces are symbols of the mistakes made by some companies or their slowness to react at a given time. This view has all the more significance since it is an issue shrouded in a culture of secrecy. Even organizations that draw up a general policy designed to help their managers balk at sharing it and being cited as an example. This then entrenches the sensitive, taboo and risky nature of managing religion in a professional environment.

Notwithstanding these negative aspects and the fear of religion at work, perceptions about the behavior of practicing employees in the workplace are positive in overall terms. Sixty-five percent of French respondents to the OFRE Survey (2023) answered that religious actions and conduct do not interfere with the performance of their work duties. In other words, religion in the workplace does not have to have exclusively negative associations. In addition, it is possible to tackle these issues without systematically viewing them as something negative. This then means trying to find a way to value religious diversity rather than be afraid of it.

## **Religion points to a bright future beyond the workplace**

It is our opinion that the positive effects of religious expression in the workplace can operate on three levels: among employees, among management and within the company as a whole.

First of all, employees need authenticity more than ever, which means they need to be themselves in the workplace. They expect that their core values will be acknowledged in every sphere of their lives, including in the world of work (Javadizadeh et al., 2023). Our research on Muslim women in France who wear the veil, and on practicing Catholics, points to the importance of religion in the self-concept of the people we interviewed. For example, women who wear the veil are no longer reluctant to disclose their identity throughout the process of accessing employment and then when they are in work. They do this by looking for a welcoming company that shares the same values of inclusion.

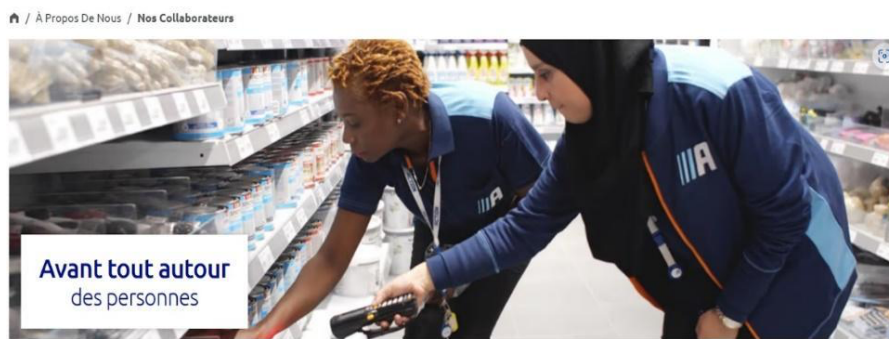
The positive effects, it follows, are potentially vast (Héliot et al., 2020). Religion becomes a source of well-being and a recourse in the face of work-related problems, when it can be a way of overcoming hardship. It also leads to better recognition and higher self-esteem. Furthermore, religion increases the feeling of belonging to a group and in broader terms to an organization (Ragins, 2008). Lastly, the literature shows that even though it may be advantageous in some environments to conceal an identity that an individual deems important, the effects prove more harmful in the long run than if this identity is disclosed (Jones and King, 2014).

At organizational level, it is crucial to point out that companies must provide evidence of an active policy for a positive perception of religious expression in the workplace to be accepted (Héliot et al., 2020). This means acknowledging the identity of employees without automatically excluding some of them on the basis of their beliefs. Organizations need to think about how to include employees who have suffered discrimination (real or alleged) because of their religion or religiosity – and then implement that policy. There can be many benefits. Making room for religious issues, while taking steps not to encourage proselytism, helps take the heat out of taboo subjects and tensions that could arise between employees. They then feel the full benefit: they experience a congruence between their religious identity and the company (Héliot et al., 2020). Some also find a common identity or receive more social support, which then makes for better working relationships and pushes up social cohesion in the company – and not just between employees of the same faith (Ragins, 2008). In addition, the possibility of being able to practice their religion in the workplace also reduces turnover and plans to leave a company. In fact, it has been shown that when there is concealment and identity threat, more employees plan to quit their company for self-protection and so they can be themselves (Javadizadeh et al., 2023).

Moreover, at a time when information – true or false – circulates at great speed on social networks, integrating religion into the workplace may have a positive effect on the image of a company. Contrary to the cases often covered in the media, inclusion then becomes a reputational lever. When a company advertises the fact that it embraces religious expression, it encourages would-be employees to apply, boosting its attractiveness not just to believers (King and Franke, 2017) but also to other individuals who are more generally sensitive to this inclusive vision.

This holds true in particular for the companies Action, Technip Energies and H&M. These firms allow their employees to wear a religious symbol at work, including for positions that are in direct contact with customers. But this choice of corporate policy is not without

consequences. In France, Action has had to deal with pressure from customers and even the mayors of some cities asking it to ban employees from wearing the veil.



**Picture 1. Inclusion: The Action group opted for inclusion when it showed employees wearing the veil on its official website.**

Technip Energies celebrated Women's Rights Day by sending out a clear message on its professional social network (LinkedIn): "As we celebrate International Women's Day, we believe that diversity and inclusion are not just values we uphold, they are critical drivers of innovation and success in our business". Alongside this message is an image highlighting that religious attire is acceptable at work. This sends a strong signal not just to future job candidates but also to employees: come as you are – the company leaves you free to express your identities in the workplace.



**Picture 2. Technip Energies celebrates Women's Rights Day by clearly displaying that it embraces religion in the workplace.**

Last but not least, at managerial level, factoring in religion in the workplace means choosing to take up a pro-active strategy that minimizes conflict between employees and managers. When company policy in this area is clear, managers know what they have to do. They feel less isolated and powerless when confronted with various situations regardless of whether or not they are conflictual. They do not have to come up with solutions, but to know the solutions for handling the issue calmly. This has the effect of limiting indirect discrimination inside teams against colleagues who are not believers or do not wish to disclose their beliefs, and who could potentially be victims of arbitrary arrangements decided on by their managers. It also means that some managers know they can give social support to employees who want to make the choice to reveal their religious identity (Jones and King, 2014). Looking at religious expression in the workplace in a positive light ultimately means it is possible for management to consider handling religious matters peacefully.

Accordingly, religious expression in the workplace makes it possible to conceive of a positive scenario that contributes to:

- Work performance, since it recognizes the core values of individuals, who are then more prepared to commit themselves to their work or to adhere to a certain code of ethical conduct.
- Managerial performance, when managers have answers and the means for dealing with religion in the workplace.
- Organizational performance, in that businesses find new sources of attractiveness, retention and reputation.

## **Conclusion**

The aim of this Impact Paper is to look beyond the heated, divisive perception of religious expression in the workplace. It is an issue that is of special importance following recent world events. It is also a subject that business must tackle now more than ever so it can avoid the negative consequences of non-management or management that is excessively hasty and rash.

We are neither naive nor idealistic, and acknowledge that some cases are hard to manage. Here our aim is to provide balance by looking at the issue from the opposite side. Our goal is not to promote religious expression in the workplace but to concentrate on its positive aspects, which are very often overlooked in analyses. We have pointed out that the non-integration of religious identity at work may have negative consequences at various levels: individual, organizational and managerial. Conversely, religious expression in the workplace may also be a force for good at each of these levels. And here we have been intent on identifying and analyzing these positive effects.

Our study highlights a number of organizational and managerial implications. First, companies have to provide evidence of an active policy of inclusion and not gloss over the question of religion in the professional arena. The failure to acknowledge religious identities in the workplace may result not just in stigmatization and discrimination against practicing employees but also motivate them to leave the company. An inclusion policy needs the active involvement of managers backing up their company's position. In addition, resources must be directed to training and management tools so that all employees know what is permissible in the work context, and how to fulfil expectations while maintaining the attitude of a manager. If this policy is conveyed on social networks, it needs to be precise and fully adopted in order to avoid any disinformation. And, if we need to learn how to incorporate religious diversity, we equally need to know how to set limits on anyone who is guilty of proselytizing behavior or who prevents colleagues carrying out their work.

Following previous trial and error in this area, let's hope that policies and practices will succeed in making religion a management issue (almost) like any other.

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## **From Hedonic to Eudaimonic experiences of well-being: Towards a purposeful future for customers and employees**

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### **Abstract**

Rethinking working and consumption experiences as a means for enhancing the well-being of customers and employees represents a key priority in management. Despite this, managers and researchers primarily emphasize hedonic, pleasure-based well-being experiences, often overlooking the significance of eudaimonic, meaning-based well-being experiences. This impact paper sheds light on why and how organizations can benefit from prioritizing well-being through purpose-driven strategies and meaningful actions, fostering engagement among both employees and customers.

Keywords: Well-Being, Purpose, Meaning, Engagement

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# **From Hedonic to Eudaimonic experiences of well-being: Towards a purposeful future for customers and employees**

## **Introduction**

In today's tumultuous landscape, practitioners and researchers in management are required to deliver value while also contributing to the well-being of their stakeholders, the society, and the environment. HR and Marketing managers are tasked with developing well-being strategies and actions for both their employees and customers that not only focus on immediate pleasurable feelings but also align with long-term meaningful objectives. Companies who have invested in gamification, entertainment or instant gratifications are now increasingly trying to offer self-fulfilling, purposeful, or impactful experiences. Similarly, scholars in organizational human behavior are urged to embrace transformative research movements by pursuing sustained individual and societal well-being. Beyond the mere consideration of profit, academic communities are called to develop frameworks and initiatives to insufflate responsible research and teaching in management.

This new imperative of fostering eudaimonic, meaning-based over hedonic, pleasure-based experiences of well-being not only leads to employee and customer engagement, advocacy and loyalty but it also upholds moral and ethical integrity that are critical for the future development of businesses. Against this backdrop, this impact paper first unfolds the differences between hedonic and eudaimonic experiences of well-being to argue that organizations should benefit from approaching well-being through Aristotle's notion of eudaimonia. Second, we propose strategic and operational ways for managers and researchers to embrace eudaimonic and meaning-based experiences over hedonic and pleasure based ones.

## **Differentiating hedonic vs. eudaimonic experiences of well-being**

Reconceptualizing workplace and consumption experiences to enhance the well-being of both employees and customers stands as a central focus for managers. However, numerous questions persist: What is the breadth of well-being experiences within organizations? How can different forms of well-being experiences be articulated? What are the effects of such well-being experiences on performance? Which types of experiences should be given priority? This section delves into these inquiries by clarifying the characteristics of well-being experiences and their impact on attitudes and behaviors.

## **Philosophical and psychological conceptions**

The dichotomy between hedonic and eudaimonic well-being is rooted in ancient Greek philosophy. According to the ancient Greek philosopher Aristippus and his school of thought, focused on hedonia, well-being is about living a sensual and pleasurable life and is thus perishable. Conversely, Aristotle led a different school of thought, focused on the study of eudaimonia. This view emphasized the importance of personal growth and living a meaningful life, leading to human flourishing, and profound and long-lasting well-being.

Against this backdrop, modern psychologists have proposed a multitude of conceptual and operational definitions of hedonic and eudaimonic well-being. Nonetheless, there is a general consensus around the core elements associated with each: hedonic well-being

relates to pleasure or enjoyment and the avoidance of pain; eudaimonic well-being to meaning and purpose and the degree to which a person is fully functioning (Ryan & Deci, 2001). Even if psychologists champion either an hedonic or an eudaimonic conception of well-being, most agree that individuals require both hedonia and eudaimonia to flourish.

While hedonic and eudaimonic well-being are often complementary, existing evidence underlines that feeling pleasure and enjoyment does not necessarily go hand in hand with finding meaning and vice versa (McGregor & Little, 1998). Parenthood is often used as an example for this divergence. While the sense of personal purpose and self-growth tends to increase after childbirth, the arrival of a new child is also the source of considerable negative emotions and daily strains. The literature refers to this phenomenon as the “parenthood paradox” (Brandel et al., 2018). In this sense, organizations cannot assume that hedonic and eudaimonic well-being are one and the same and it is important to understand how they can each be separately fostered.

## **Approaches and differences in management**

In the management field, however, researchers and practitioners who approach employee or customer well-being often take a unilateral approach, focusing primarily on the hedonic, pleasure-based forms of well-being. HR managers have often focused on well-being development initiatives in providing opportunities for workers to enjoy themselves while at work. These initiatives include for example access to leisure facilities, fun team building activities or complementary gourmet meals (Hsieh, 2010). Similarly, enhancing positive emotions like pleasure or enjoyment through what marketers often like to call “WOW experiences” is a common view of customer well-being. Proposing an immersive and original experience using virtual reality or gamification may, for instance, provide such immediate positive emotions to customers (Belding, 2018). This exclusively hedonic view overlooks, however, the long-lasting benefits of meaning or purpose.

Research in management, as demonstrated by Diener & Seligman (2004), indicates that well-being experiences contribute to a firm's overall competitive advantage and revenues. However, hedonic, pleasure-based experiences and eudaimonic, meaning-based experiences have differing impacts on employee and customer attitudes and behavior. Hedonic experiences typically pertain to satisfaction, whereas eudaimonic experiences are linked to engagement. Indeed, gamified work technologies or sensorial work atmospheres have shown to positively affect job satisfaction and productivity, while pro-social projects or self-reflective workshops tend to have a more positive influence on job engagement and retention (Grant et al., 2007). This pattern extends to the consumption realm as well. Virtual reality devices or sensorial retail stores contribute to increased customer satisfaction, while social or environmental actions promote customer engagement and advocacy (Williams et al., 2022). Therefore, it is critical for managers and researchers to recognize that workplace and consumption well-being encompasses not only satisfaction through hedonic experiences but also engagement and advocacy through eudaimonic experiences.

## **Suggesting ways to deliver eudaimonic vs. hedonic experiences of well-being**

Promoting enduring engagement through eudaimonic experiences of well-being, as opposed to immediate satisfaction through hedonic experiences, is essential for organizations. However, managers may encounter challenges in achieving these objectives:

How can they align their business's mission accordingly? What meaningful topics should be prioritized? What is the right balance that can be achieved without compromising business objectives? This section offers strategies for implementing eudaimonic, meaning-based approaches and actions while addressing potential challenges or resistance that managers might face.

### *Deploy a purpose driven strategy*

Implementing a purpose-driven strategy requires aligning an organization's goals and activities with a broader mission beyond profit, thereby fostering engagement and advocacy among employees, customers, and stakeholders (Henderson & Steen, 2015). Companies such as Patagonia, Ben & Jerry's, and Tesla have recognized the benefits of integrating environmental and pro-social issues into their core strategies. For example, Patagonia has articulated a purpose statement declaring, 'We're in business to save our home planet.' However, beyond mere rhetoric, a purpose-driven strategy must manifest in tangible actions to counteract the negative effects of empty promises. At Patagonia, employees are encouraged to connect with nature through outdoor activities and engage in environmental projects. Additionally, Patagonia offers customers products designed for longevity and provides services such as repair and recycling solutions.

This purpose-driven approach contrasts with the previous emphasis on unique selling propositions and hedonic, pleasure-based actions that dominated many companies' strategies. Today, employees and customers are urging businesses to prioritize their holistic well-being—physical, mental, and social—and shift their narrative from 'me' to 'we,' emphasizing collaboration over competition for the betterment of society and the environment. Consequently, the formal articulation of a purpose-driven statement must incorporate eudaimonic, meaning-based elements that reflect both individual and collective values. For instance, Starbucks proposes the following brand purpose: 'To inspire and nurture the human spirit – one person, one cup, and one neighborhood at a time,' illustrating the interconnectedness of individuals within their communities.

A compelling purpose statement should therefore encompass the business's unique ecosystem and the values of stakeholders, transcending self-interest (Reiman, 2012). Notably, the identification of purposeful values and statements does not guarantee a successful shift towards a more purpose driven strategy. Top leadership should further be committed to balancing purpose and profit and prioritize long-term value creation over short-term financial gains. For this, organizations should set measurable goals related to social and environmental impact alongside financial targets. Decision making processes and governance structures should also promote ethical behavior and accountability.

### *Engage in meaningful issues*

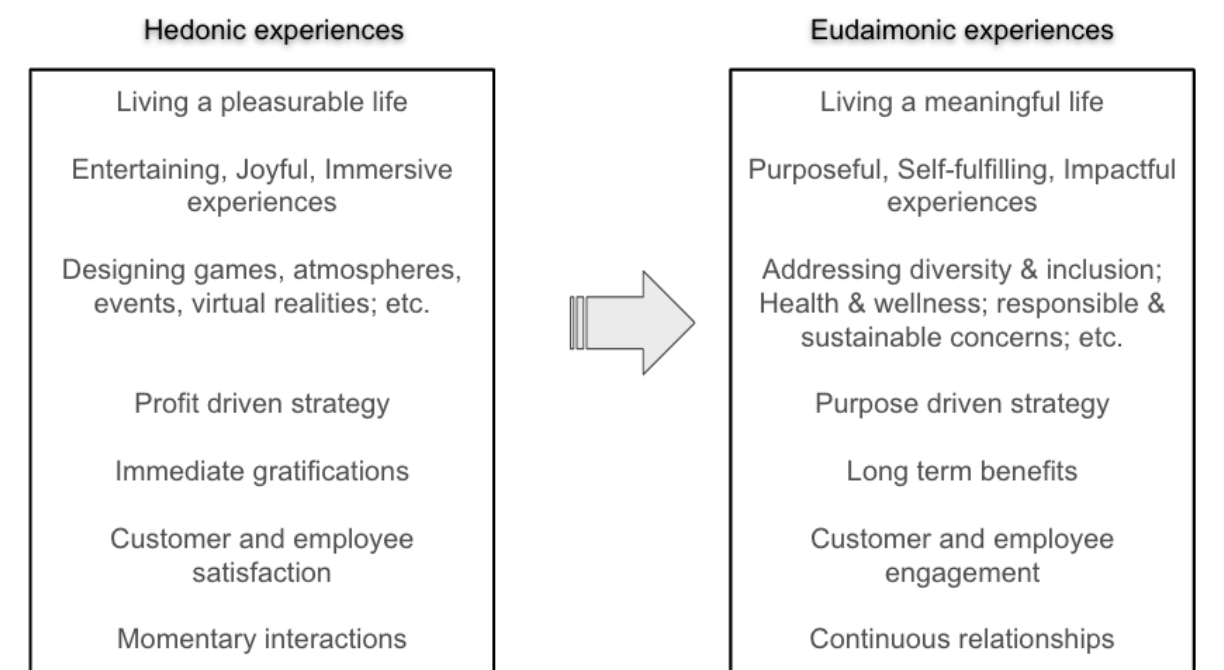
Environmental sustainability, health and wellness, social justice and equity, education and growth, or community engagement and philanthropy are among the eudaimonic, meaning-based issues that organizations may embrace. However, the resonance of these issues can vary significantly depending on the nature of the business activity and its stakeholders. For example, Lululemon Athletica, an athletic apparel company, places a high priority on promoting the physical, mental, and social health of both its employees and customers. This is achieved through initiatives such as providing yoga classes, offering counseling services, and organizing charity runs. On the other hand, Google prioritizes diversity, equity, and inclusion both within and outside the company. This is demonstrated through its support for employee resource groups and its disability support team, which work to foster an inclusive environment for disabled employees and customers.

Importantly, the alignment of these eudaimonic, meaning-based actions fosters engagement that mutually benefits both employees and customers

While employee engagement and customer engagement have traditionally been considered separately, recent attention has increasingly focused on the connection between these two concepts. On one hand, managers have recognized such associations, citing reports like Gallup's annual meta-analysis of employee engagement, which found that business units in the top quartile for employee engagement experienced a 10% higher customer engagement than those in the bottom quartile (Harter et al., 2020). On the other hand, scholars have demonstrated that employee engagement positively influences customer engagement and contributes to brand engagement, loyalty, and advocacy (Wang & Hall, 2023). When employees embrace a purpose-driven strategy and meaningful actions within their company, it follows that they will likely invest higher levels of energy, dedication, and absorption at work (i.e., employee engagement), consequently fostering stronger motivations and positive attitudes and behaviors from the customer side (i.e., customer engagement).

## Conclusion

Prominent scholars in the field of positive psychology describe the debate between hedonic and eudaimonic well-being as “both ancient and contemporary and (...) quite heated” (Deci and Ryan, 2001; p. 148). In this impact paper we argue that while management studies pay increasing attention to well-being as a subject of study, their focus has been predominantly hedonic, overlooking the importance of eudaimonic, meaning-based benefits. While being strongly correlated, hedonia and eudaimonia have unique effects on both workers' and customers' attitudes and behaviors. Both employee and customer engagement, loyalty and advocacy should benefit from implementing purpose driven strategy and meaningful actions addressing mutually individual, societal and environmental issues. The following figure illustrates those elements.



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## **[ Employee engagement across career stages**

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### **Abstract**

Employee engagement strategies that recognize and adapt to different career stages—Explorers, Contributors, and Impact Pursuers—significantly enhance organizational outcomes. Drawing from interviews with professionals in various sectors, this paper highlights how career stages influence engagement needs. Early career "Explorers" are engaged by job roles that resonate with their personal values and provide clear career progression and learning opportunities. Mid-career "Contributors" seek deeper expertise and autonomy, finding engagement in diverse tasks and broader learning opportunities. In contrast, "Impact Pursuers," often in or aspiring to leadership roles, are driven by the broader impact of their decisions and crave significant decision-making power and strategic influence. Adopting a nuanced engagement approach that addresses these distinct needs leads to a more inclusive and supportive workplace environment. It also ensures that organizational resources are aligned with the specific developmental pathways of employees at various career stages, strengthening human resources and talent management practices across the board.

Keywords: Employee engagement, career stages, workplace diversity

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## **Employee engagement across career stages**

All companies strive to attract and retain diverse talent, but many lack a nuanced understanding of the varied needs and preferences of their diverse workforce, and therefore, the tools required to effectively engage them. It is true that employee diversity could be manifest in many ways, including demographics, experience, and skills. However, one of the most obvious, yet often overlooked instances of diversity, is that of career stages (Bilimoria, 2008). Employees enter organizations, become full members, and gradually move towards more established positions, often as managers, and at each stage, their needs for growth, development, and engagement evolve (Miller, 2019). Yet, research and practice indicate that company leadership frequently fails to acknowledge and address these unique career-stage requirements (Dobbin & Kalev, 2016).

A career-stage approach recognizes that employees at different stages have distinct needs and aspirations. For instance, while entry-level employees often seek mentorship, skill development, and opportunities for advancement, those with long work tenure desire challenging projects, recognition, and impact. By tailoring initiatives to the specific needs of each career stage, organizations can create a more inclusive and engaging workplace for all employees. This approach not only enhances employee satisfaction and retention but also contributes to the broader organizational goals of diversity, equity, and inclusion.

### **A career-stage approach to employee engagement**

The adoption of a career stages approach in employee engagement can be crucial for organizations looking to harness their workforce's full potential and navigate the dynamic business environment of today. While traditional one-size-fits-all approaches to engagement often miss the mark, a career-stage approach appreciates employees' diversity of needs, motivations, and goals, which, if properly addressed, can benefit employees and organizations alike.

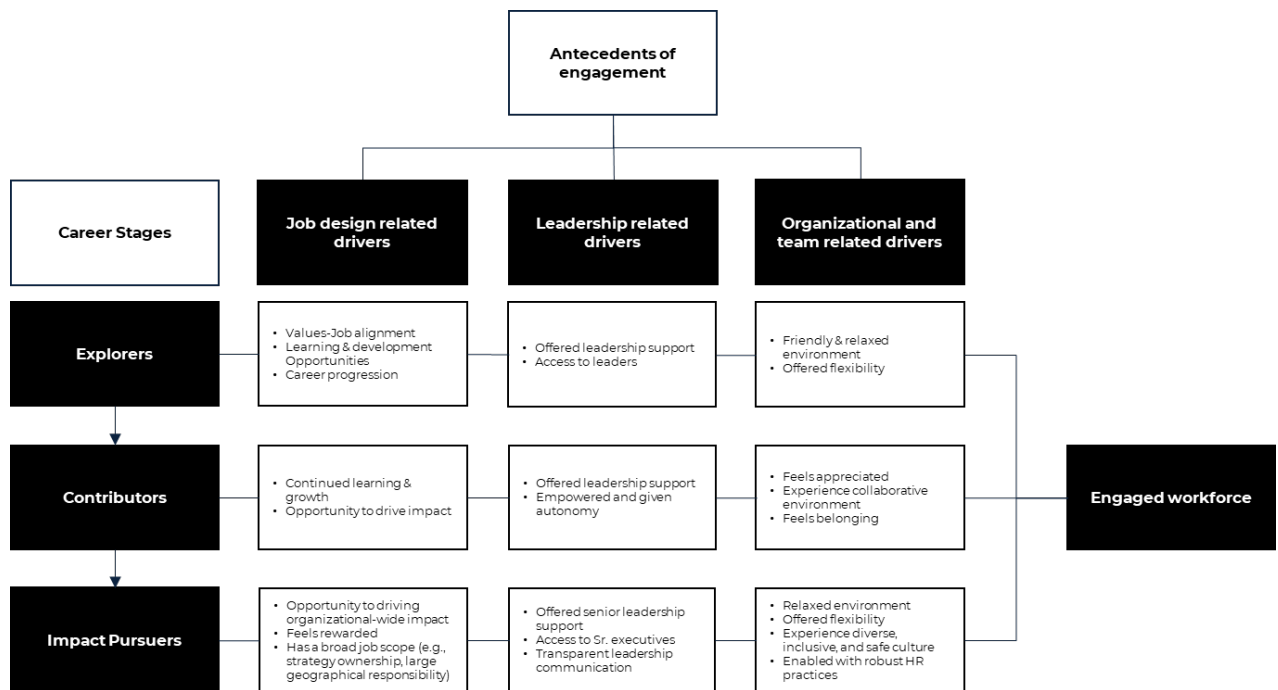
#### ***How can organizational leaders engage employees throughout successive career stages?***

To answer this question, we leverage our joint research on diversity and employee engagement in a variety of organizations and geographies. We looked at existing research on engagement drivers (Bailey et al, 2015) and expanded it with interviews with professionals from multinational organizations in sectors like banking, technology, media, telecommunications, and pharmaceuticals. Specifically, we examine career stage engagement drivers– i.e. the different factors that influence employee engagement levels at the various career stages. Employees at each stage have a role to play in an organization, and all stages are necessary for all organizations. Understanding what each phase entails enables organizations to manage their workforce in a more inclusive way, as well as benefiting from the many positive outcomes correlated with high engagement such as enhanced job satisfaction, reduced turnover rates, organizational citizenship behaviour, elevated creativity, and increased customer loyalty (Rich et al., 2010; Alfes et al., 2013b; Salanova et al., 2005).

While acknowledging that any categorization has its limitations, we propose that with an understanding of the concept of career stage engagement and of the drivers associated with three broad categories (i.e., Explorers, Contributors, and Impact Pursuers)

organizations can better identify what their employees mostly need to foster meaningful engagement (Figure 1).

**Figure 1 - Engagement drivers across the three career stages**



## Career stage engagement drivers

### Explorers

Explorers are energized by roles that resonate with their values and aspirations, emphasizing the importance of personal and professional development. They aim to find ways in which their personal interests and work demands can co-exist. For Explorers, work engagement drivers revolve around job alignment with personal interests, therefore they feel engaged when the tasks that they perform at work resonate with activities that they enjoy and are good at outside the workplace. Most of our respondents who feel that their job allows them to bring in knowledge and skills they gain from personal activities describe their work as “fun” and engaging.

Explorers also strive for access to learning opportunities. Additionally, we found that learning is such a key driver of work engagement that some can easily prioritize learning over applying learning. As highlighted by one participant in our study *“every single day I get to know something new, I wouldn’t stop learning.”*

Explorers are also sensitive to job and career clarity and are more easily engaged in activities that offer clear pathways for career progression.

Finally, Explorers we interviewed are most engaged when leaders offer them a supportive environment and a balance between autonomy to experiment and guidance for career growth. As mentioned by one of the explorers we interviewed, what keeps them engaged at work is *“the friendliness, the open-door policy, and the support, if the management saw*

*a project and they are convinced, they will support you, you will get 110% support, and we are empowered to speak to the management.”*

### ***Contributors***

Contributors, who already have work experience and have engaged on a career trajectory, are energized by work that challenges them to learn more. As such, they are sensitive to opportunities for continuous learning and diversity in their tasks. While typically Contributors have often gained reputations for being good at certain tasks and are therefore cast in roles that their manager feels will allow them to excel, they are far more engaged when given a variety of challenges, including some strategic involvement. One of the contributors we interviewed contrasts being cast in set roles (at which one is good) to being offered varied opportunities for learning: the engagement felt when offered opportunities to *“The level of diversity of topics and initiatives I deal with, it is not a routine work that what would kill your spirit...”*

It is crucial to acknowledge that challenges can only foster motivation and engagement under optimal conditions, encompassing a manageable workload, appropriate role fit, and alignment with the employee's skill set. When these elements are absent, high demands can quickly become demoralizing, leading to burnout rather than growth (Maslach & Leiter, 2016). This highlights the importance of a nuanced understanding of employee needs and capabilities, ensuring that challenges are appropriately calibrated to promote development without inducing undue stress (Csikszentmihalyi, 1990).

Moreover, Contributors have an advanced appreciation of teamwork and aim to provide a meaningful contribution to their teams or functions. As such, the work environment for contributors is ideally one that fosters appreciation, collaboration, and a sense of community, in which contributions to the team and organization are respected and rewarded. Contributors exposed to such work environments are not only more engaged, but also likely to stay longer in an organization, as one respondent said: *“I’d say it is mostly the team and the boss and the way he manages. Really, you don’t feel you need to go somewhere else.”*

Lastly, Contributors appreciate leadership that grants them professional autonomy, and rewards and respects their contribution. One Contributor we interviewed shared why their leader made them feel empowered and engaged: *“because we all sit at the same table; we have full authority”*.

### ***Impact Pursuers***

Impact Pursuers are driven by the impact their work could have for the organization, as well as by a wide scope of responsibilities. This includes shaping the organizational strategy and direction, having broad geographical scope, and/or leading sizeable teams. As mentioned by one of the participants we interviewed, their high level of engagement was purely *“a genuine opportunity to create change for the organization and the customers.”*

Impact Pursuers are energized by roles that afford significant decision-making powers and the ability to influence internal as well as external stakeholders. This was evident in one of the participant’s comments when he was reflecting on how his expectations from the organization shifted when he moved to a more senior position: *“I expected more reward, I expected more backing, more authority, (ability to) make more decisions, feeling empowered”*. Another participant also shared that being *“empowered to take decisions”* was a big motivator for him to stay in the organization long-term.

Effective communication is paramount for Impact Pursuers; they expect clear direction, transparent rationale behind decisions, and involvement in the decision-making process.

In terms of their working environment, they prioritize settings that are autonomous and supportive, promoting well-being and professional fulfillment. Uniquely for Organizational Influencers, they value robust human resource policies that support their leadership roles, advocating for fairness, development, and well-being to foster an engaged and productive workforce:

*“Now we have very good HR, looking to implement ground rules, structure and policies, and the impact is very positive, on pay and reward, the leaves, the hiring process, all have very good impact, it all boils down to the fairness.”*

## **Challenges for organizational leaders**

Adopting a career-stage approach to employee engagement, which categorizes employees into 'Explorers', 'Contributors', and 'Impact Pursuers', provides a structured method to address the distinct needs inherent to each career phase. This tailored approach offers a clear framework for engagement initiatives, marking a significant improvement over traditional, generalized strategies.

However, implementing this model in the context of today's diverse workforce introduces several challenges. Organizations need to develop parallel engagement strategies tailored to each group, which can strain limited resources such as time, budgets, and personnel. This necessitates a prioritization process, where organizations must evaluate the effort and potential impact of various engagement interventions to make strategic choices about which initiatives to pursue—and importantly, which to set aside.

To manage these challenges effectively, HR practitioners should deploy these engagement strategies in a phased manner. This allows for ongoing evaluation through performance metrics and employee feedback, facilitating necessary adjustments in resource allocation to optimize outcomes.

## **Conclusion & practical implications**

Despite these challenges, the value of a nuanced, career-stage approach is substantial, particularly in its potential to foster a more inclusive and caring workplace environment. By acknowledging and addressing the unique needs and motivations at each career stage, organizations can create a more engaging and supportive work experience for all employees, irrespective of their career phase or background. This tailored approach not only promotes a sense of belonging and care among the workforce but also aligns with the broader objective of cultivating a diverse and dynamic organizational culture where every employee feels valued and supported.

Considering the workforce diversity through a career stages lens is vital for fostering an inclusive and supportive work environment. This recognition allows organizations to address the unique challenges and needs of employees at different career stages, while allocating resources and design interventions that not only meet the immediate needs of their workforce but also foster sustained engagement and productivity over time. This strategic approach enhances employee retention by making individuals feel valued and supported in their career development. It also strengthens talent management practices, ensuring organizations have a continuous pipeline of equipped employees who are

engaged and willing to take on critical and more complex roles, thus mitigating risks associated with talent shortages and turnover.

Overall, our research suggests several actionable interventions for organizations that want to adopt a career stage perspective. For employees at the "Explorer" stage, HR practitioners should focus on engaging them through:

1. **Learning and development interventions:** Implement structured onboarding, mentorship programs, and skill development workshops to facilitate rapid learning and growth.
2. **Job crafting initiatives:** Encourage employees to personalize their roles by aligning tasks with their interests and passions, fostering a sense of ownership and fulfillment.
3. **Career pathing workshops:** Offer workshops to help employees explore potential career trajectories within the organization, providing clarity and direction for their professional journey.

"Contributors" in an organization thrive on opportunities that allow them to deepen their expertise and enhance their autonomy. To support this, organizations can offer:

1. **Job enrichment and enlargement:** Expand job responsibilities to include more complex tasks or projects, providing opportunities for skill utilization and growth.
2. **Stretch assignments and secondments:** Offer temporary assignments in different departments or projects to broaden skill sets and perspectives.
3. **Targeted recognition programs:** Implement recognition programs that specifically acknowledge and reward the unique contributions of tenured employees.

For "Impact Pursuers", engagement programs should expand to include strategic planning, organizational impact, and people development. HR practitioners could support them with:

1. **Leadership development Programs:** Invest in comprehensive leadership development programs that address the specific challenges faced by leaders at different levels.
2. **Executive coaching:** Provide one-on-one coaching to support leaders in developing their strategic thinking, decision-making, and people management skills.
3. **Leadership roundtables:** Facilitate forums for leaders to share experiences, learn from each other, and collectively address organizational challenges.

However, a crucial element in the success of any engagement strategy is the role direct managers play, therefore enabling them should be a priority. Managers should be trained in ways to identify their team members' career stages and in how to provide the appropriate support for each. This includes developing skills in communication for open, empathetic dialogue and active listening—essential for understanding each employee's aspirations and challenges. Moreover, career development coaching, diversity and inclusion training, and familiarity with supportive HR policies and practices are equally critical. These elements will help managers in conducting meaningful and effective career discussions tailored to the developmental needs of their employees across different career stages.

By adopting these tailored interventions, organizations can address the unique needs and motivations at each career stage, promoting engagement by aligning organizational resources and opportunities with the individual career development pathways of its diverse workforce.

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## **Beyond physical space: Redefining presence in hybrid work environments**

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### **Abstract**

This paper examines what it means to be “present” in hybrid work settings, a trend significantly accelerated by the COVID-19 pandemic. The traditional emphasis on the importance of physical presence has been questioned as remote work has demonstrated its efficiency and productivity. However, there is a significant gap between employee preferences for hybrid work arrangements and employer preferences for a full return to the office. This paper draws on interviews with 30 managers from two organizations that have transitioned to a hybrid work model to understand their perspectives on workplace presence. The findings highlight the evolving dynamics of workplace presence, with a shift from physical location to a broader understanding that encompasses emotional connection, engagement, accessibility, serendipity, and power dynamics. The paper also discusses the importance of “intentionality” in enhancing workplace presence and offers practical implications for organizations to navigate hybrid work models effectively, emphasizing the need to balance flexible work arrangements and purposeful in-person interactions.

**Keywords:** Hybrid work environments, workplace presence, intentionality, flexible work arrangements, future of work

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# Beyond physical space: Redefining presence in hybrid work environments

## Introduction

The COVID-19 pandemic has led to significant changes in the workplace, one of which is the adoption of hybrid work environments that combine remote work and office work. In 2019, only 11% of workers in the European Union reported usually or sometimes working from home, but by April 2020, this figure had risen to almost 40% (Eurofound, 2022). This sudden shift challenged the traditional belief that being physically present in an office is necessary.

After the pandemic, preferences between employers and employees diverged regarding the desired work setup. A survey by the World Economic Forum (2022) highlighted that while 68% of employees favored a hybrid work arrangement, and 25% preferred to work fully remotely, many employers and senior leaders leaned towards a full return to office work. This discrepancy underscores critical questions specific to the managerial perspective: What does it mean to be present at work for managers, and how is presence understood within hybrid working environments?

This paper explores these questions, drawing on findings from interviews with 30 managers across two organizations in different regions. These organizations shifted from an office-centric model to a hybrid one following the pandemic. The findings from these discussions offer a nuanced understanding of the evolving interpretations of workplace presence among managers.

## The evolving dynamics of workplace presence

**Before COVID-19:** Prior to the disruption caused by the pandemic in the worldwide economy, there was a common understanding that being “present” was associated with showing up daily at a specific office location. Being “present” at work was intrinsically linked to physical location, often viewed as a direct indicator of employee commitment and productivity (Elsbach & Cable, 2012). This shared belief was so ingrained that any deviation often attracted stigma, casting doubts on the commitment of those not visibly present in the office and causing a negative impact on career advancement and promotions for those who were not “present” (Williams et al., 2013).

**The immediate response:** The COVID-19 pandemic radically changed this perception out of necessity, forcing organizations globally to shift to remote work practically overnight. Presence no longer relied on physical co-location; instead, employees had to be “digitally present.” Despite this absence of in-person interactions, organizations continued to operate, proving that work could be accomplished outside the traditional office setting.

**The return to office debate:** Once the crisis was over, the discussion shifted to the future of work arrangements. Many leaders from different industries expressed their preference for a return to office. Elon Musk, Tesla’s CEO, stated a strong opinion on the matter: “The laptop class is living in la la land. It is messed up to assume they have to go to work, but you do not. It is not just a productivity issue. It is morally wrong.” This sentiment was echoed by executives like Goldman Sachs’ CEO David Solomon, who described remote work as “an aberration that we are going to correct as soon as possible” (Makortoff, 2021), and Disney’s CEO Bob Iger, who emphasized the importance of physical presence for creativity, stating, “creativity is the heart and soul of who we are and what we do at Disney. And in a creative



business like ours, nothing can replace the ability to connect, observe, and create with peers that comes from being physically together” (Kollewe, 2023). These perspectives reflect a broader trend among corporate leaders, as highlighted in the “2023 KPMG CEO Outlook,” indicating a preference for reinstating pre-pandemic office routines (Reisbeck, 2023). This is also exemplified by the actions of prominent companies and their leadership, such as Apple, Google, Starbucks, and Amazon, which issued “office mandates” to order back teams in the office. The return to office debate has sparked discussions about why physical presence might matter for leaders.

**Incorporating successful hybrid and remote models:** While some corporate leaders advocate for a return to the office, several organizations have successfully embraced hybrid or fully remote models. GitLab and Automattic, operating entirely remotely, emphasize transparency, technology, and asynchronous communication to maintain productivity and foster innovation. Spotify's “Work from Anywhere” policy and Atlassian’s “Team Anywhere” initiative highlight the potential of hybrid models to balance flexibility with occasional in-person interactions, accommodating diverse employee preferences while sustaining organizational cohesion.

## Unpacking the importance of presence

This debate also highlights the multifaceted role of presence in the workplace, which extends beyond productivity. Therefore, the shift towards hybrid work models has prompted a reevaluating of how presence is defined and valued in the modern workplace. Why is face-to-face communication so important, and what is lost in a virtual setting?

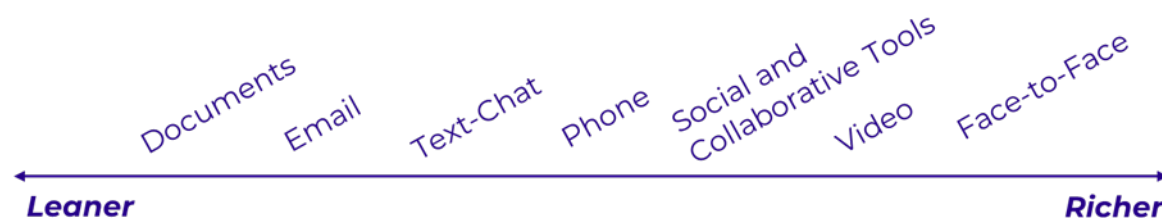
In this context, Social Presence Theory (SPT) provides a valuable framework to understand how digital interfaces impact the “sense of being with another,” which means the degree to which a person is perceived as a “real person” in mediated communication (Short et al., 1976). The two main concepts of social presence are intimacy and immediacy:

- **Intimacy** refers to the feeling of connectedness and interpersonal closeness that people experience when interacting with each other, which is influenced by factors such as eye contact, body language, smiling, physical closeness, and the topics of the conversation.
- **Immediacy** refers to the perceived psychological distance between the communicators.

Both are essential for fostering a sense of social presence in interactions. The theory underscores the need to consider the impact of the virtual communication medium on the perception of presence in hybrid environments.

Complementing SPT, Media Richness Theory addresses how the choice of communication medium influences the conveyance and reception of information. Rich media, offering cues like facial expressions and tone of voice, facilitate a high degree of social presence, making face-to-face interaction the “gold standard” for rich communication due to its depth in conveying social cues. Leaner media, such as texts and emails, may lead to a lower sense of presence due to their limited communicative cues. Understanding this continuum (see Figure 1) is crucial in hybrid environments, as selecting the most appropriate communication tools can enhance connectedness and immediacy, bridging the gap between physical and virtual presence (Daft & Lengel, 1986; Neeley, 2021).

Figure 1: Lean versus rich media



(Neeley, 2021; p. 70)

**Bridging physical and virtual presence:** The pandemic has inadvertently enriched digital communication, pushing organizations to find innovative ways to maintain social presence through “leaner” media. This shift has challenged and expanded our understanding of what constitutes effective communication and collaboration.

### Reevaluating workplace presence

In order to gain insight into managers' perceptions of “presence” within the hybrid work model, interviews were conducted to explore workplace dynamics in two distinct organizations. Managers have highlighted the following aspects:

1. **Emotional connection:** Managers highlighted the need for face-to-face interactions to create a sense of belonging and develop personal relationships. Physical presence is important for celebrating successes together, providing comfort and empathy in times of stress and challenge, and creating emotionally charged memories. Managers emphasized that as a “social species,” we thrive on human contact and social interactions.
2. **Engagement:** Being present in a hybrid setup goes beyond simply “logging on.” It is about actively engaging with colleagues. Managers emphasized that high presence means conscious participation in meetings regardless of physical location.
3. **Accessibility:** Furthermore, managers mentioned the importance of immediate accessibility to all team members. They emphasized that the co-location in a physical office allows for agile work, fast decision-making, and immediate support.
4. **Serendipity:** Managers highlighted the value of spontaneous and informal interactions in the office, which they consider critical for sparking innovation, ideation, and problem-solving. Benefits such as removing silos, seeing the bigger picture, and getting work done informally were mentioned. Managers also recognized that it is difficult to replicate the “water cooler conversations” virtually despite technological tools being available.
5. **Power & control:** Being physically present in the office when senior leadership and the CEO are present is viewed as an opportunity to position oneself strategically, gain visibility, and exert influence within the organizational hierarchy.

Furthermore, an essential outcome of the research is the recognition of “intentionality” in enhancing workplace presence in hybrid work environments. Intentionality refers to the purposeful and thoughtful engagement in interactions that ensures every team member is fully invested in the interaction, regardless of whether the setting is physical or virtual. It represents a commitment to quality attention and conscious participation, fostering meaningful communication and inclusive interaction.

**Cultural context:** The research findings further suggest that cultural context heavily influences the adaptation of hybrid work models. Managers in certain cultures emphasize physical presence more than in others. The difference could either be interpreted as a lack

of trust that leads to more physical presence or as a need for more intimacy in work relationships. These cultural nuances have significant implications for the adoption and success of hybrid work models. For instance, in collectivist cultures where relationships and group cohesion are prioritized, there might be a stronger emphasis on physical presence to foster interpersonal connections. In contrast, individualistic cultures may value autonomy and task completion more, leading to a greater acceptance of remote work. Understanding these cultural differences is crucial in designing hybrid work policies that are both effective and culturally sensitive.

To conclude, the shift to hybrid work models has changed how we understand and value presence in the workplace. These findings underscore that high presence in hybrid work is not merely about physical location but involves a multifaceted approach.

## **Practical implications for organizations**

Based on the findings, this paper offers practical implications for hybrid work models addressing the challenges that surfaced in the research. Here are key takeaways for practitioners striving to effectively balance flexibility with structured in-person interactions.

### *Challenges:*

- The digital divide in hybrid work environments weakens emotional connections within teams, affecting team cohesion.
- Lack of physical co-location reduces opportunities for spontaneous and casual interactions important for innovation and ideation.
- Hybrid meetings can be challenging as they may not always effectively and equally engage onsite and remote participants, risking exclusion.
- Disparities in visibility and influence between remote and in-office staff can divide teams.
- To effectively manage hybrid teams, leaders need to adapt their leadership styles.
- Different cultural contexts may emphasize workplace intimacy and autonomy differently, making it challenging for global organizations to adopt a one-size-fits-all hybrid work policy.

### *Recommendations:*

- **Foster emotional belonging:** Plan regular in-person activities, team retreats, and social events to create opportunities for personal connections, celebrate team achievements, and promote community building.
- **Enhance innovation and problem-solving:** Design workspaces to facilitate casual bump-ins and collaborative work. Implement hybrid schedules that increase the likelihood of spontaneous interactions, such as overlapping office days for teams working on similar projects.
- **Put intentionality into practice:** Apply intentionality to both in-person and virtual settings. Ensure active participation in virtual meetings, use video calls to enhance non-verbal communication, and foster inclusivity in digital interactions. Plan specific in-office days for collaborative projects and team-building activities to maximize the benefits of physical co-location.
- **Ensure fairness in visibility and influence:** Address the visibility and strategic positioning associated with being physically present in the office, especially when senior leadership is present. Managers can set an example by being transparent about their

hybrid work schedules to ensure opportunities for visibility and influence are equally available to remote and in-office employees.

- **Train for hybrid leadership:** Provide managers with training tailored to leading hybrid teams, covering aspects like evaluating performance, virtual feedback, and inclusive decision-making processes. A mentorship program pairing new managers with experienced leaders in hybrid work environments can foster leadership growth.
- **Customize hybrid work policies:** Develop flexible work policies that align with cultural preferences. Recognizing that different cultural contexts may emphasize workplace intimacy and autonomy differently can help tailor hybrid models to better fit the needs of a diverse workforce. For multinational companies, this may involve varying the balance of remote and in-person work across different regions to align with cultural tendencies.
- **Turning theory into practice:** The practical implications mentioned above integrate Social Presence Theory (SPT) and Media Richness Theory. To foster intimacy and engagement among team members despite physical distance, managers can implement virtual icebreakers and regular check-ins. Encouraging the use of video calls for important meetings enhances the conveyance of non-verbal cues, such as facial expressions and body language, which are crucial for a sense of presence. Managers should choose communication tools strategically based on the complexity and sensitivity of the information being shared, e.g., using video calls or face-to-face meetings for complex or sensitive topics and emails or instant messages for routine updates.

## **Conclusion: From physical presence to intentional presence**

The rapid shift towards remote and flexible working arrangements prompted by COVID-19 has transformed what it means to be “present” at work. The concept has grown more complex, moving beyond mere physical presence.

In hybrid work environments, organizations should balance flexible work arrangements and purposeful in-person interactions. In this context, the office in a hybrid work environment has a unique role to play: the focus changes from its traditional focus as solely a space for work to a destination with a distinct purpose. This transformation encourages a strategic rethinking of the office environment as a hub for connections, culture, community, and innovation. Offices become purpose-driven destinations where employees choose to engage in work that benefits most from physical co-presence, such as intensive collaborative projects, innovation sessions, onboarding of new employees, training and mentoring, and activities that build interpersonal relationships.

Furthermore, the principle of “intentionality” stands out, underscoring that beyond the physical presence or the technological mediums we employ, the deliberate, thoughtful engagement of everyone—whether remote or in-office—truly matters. Intentional actions and communication enhance the efficacy and inclusivity of hybrid environments, making “intentionality matters” a guiding philosophy for the future of work.

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## **Beyond automation: Crafting a future where AI augments, not replaces**

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### **Abstract**

One major challenge for the years to come, both from a business and a societal perspective, will be to strike a good balance between augmentation and automation of human labor with AI (and Generative AI in particular). On one side, automation has clear limits, like perpetuating biases and lacking adaptability. On the other side, augmentation has clear advantages like improving work quality, job satisfaction, and labor demand. However, both augmentation and automation have negative effects (privacy, security, job destruction, and environmental impact), which should be balanced through laws and regulations. We propose three actions for corporations to navigate the automation/augmentation trade-off and highlight three issues on the European agenda associated with negative externalities triggered by AI technologies.

Keywords: Artificial Intelligence, Automation, Augmentation

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## Beyond automation: Crafting a future where AI augments, not replaces

In the dynamically evolving world of business, the conversation invariably shifts toward the transformative power of artificial intelligence (AI). With rapid advancements shaping the technology landscape, AI has emerged as a disruptive force that reshapes industries and challenges traditional paradigms. Over time, AI technologies play a vital role in driving *automation*, which typically refers to the use of technology to perform tasks and processes without the need for human intervention. It involves the automation of repetitive, rules-based tasks to optimize operations, enhance productivity, and minimize human error using AI algorithms and systems. For example, Klarna, a Swedish fintech company, launched an AI assistant which has shown remarkable effectiveness in handling customer service inquiries. The AI assistant is reported to perform a workload equivalent to that of 700 full-time agents, with projections suggesting a potential \$40 million USD in profit improvement in 2024 (Klarna, 2024). However, automation also carries the possibility of adverse effects. Google's newly launched Large Language Model (LLM), Gemini, faced criticism for producing historically inaccurate images that often depicted people of color in situations where this was not appropriate (Robertson, 2024). While automation certainly offers clear benefits, the risks and side effects it poses without human intervention cannot be overlooked.

Alternatively, the concept of *augmentation* emerges as a critical consideration in mitigating the potential pitfalls of automation and ensuring human involvement in the process. *Augmentation* pertains to the use of technology to enhance human capabilities rather than replace them. This strategy prioritizes harnessing AI tools and systems to enhance human decision-making, problem-solving, and even creativity. It seeks to complement human skills and expertise by providing data-driven insights, personalized recommendations, and intelligent assistance to improve overall performance and efficiency. As an example, the development of Sepsis Watch utilized advanced deep learning technologies to enhance the detection and treatment of sepsis, a medical emergency of the human body's extreme and toxic reaction to an infection. In practice, Rapid Response Team (RRT) nurses and Emergency Department (ED) physicians use this tool to support their diagnostic process for sepsis while also exercising their professional discretion. It helps identify patients at risk of sepsis before clinical symptoms manifest, enabling healthcare providers to intervene proactively and improve diagnostic accuracy. The deployment of Sepsis Watch has demonstrated a substantial decrease in sepsis-induced fatalities (Hao 2020).

The debate surrounding the use of automation vs. augmentation has significant implications for corporations. Automation has increasingly become a favored strategy for improving efficiency and productivity in various industries. However, the rise of automation also raises concerns and issues, such as potential job displacement and the erosion of human skills. The argument we develop in this article is that even though augmentation offers a more promising approach than automation for achieving a harmonious balance between AI technology and human intelligence, massive change management efforts are required to reach this objective. While acting at a corporate level is essential, that alone is insufficient to ensure a balance between automation and augmentation that prioritizes the welfare of individuals. From a European perspective, it is crucial for corporations to evaluate the possible negative externalities associated with both approaches to ensure the proper and effective harnessing of AI technologies.

## Limits of automation

Let's now delve into a detailed discussion with a focus on the limitations of automation and the potential benefits of augmentation.

*Automation perpetuates existing biases and inaccuracies.* Automation systems rely on past data and patterns to make decisions. This reliance on historical data means that automation systems can perpetuate existing biases or inaccuracies present in the data they were trained on. Without mechanisms to address and correct these biases, automated systems might further entrench societal inequities or lead to discriminatory outcomes. For instance, if an AI system is used for hiring and is trained on biased historical data with discriminations against certain groups, the system may inadvertently favor applicants from the overrepresented groups.

*Automation is less adaptable to unforeseen situations.* Automation systems are designed to follow pre-defined algorithms and instructions, which makes them less adaptable to sudden changes or unexpected situations. It may restrict the effectiveness and reliability of automation systems in dynamic environments. This limitation is particularly problematic in fields that require adaptability and nuanced understanding, such as healthcare and disaster response. Conversely, human employees are adept at managing situations that require flexibility, quick decision-making, and adaptability.

*Automation overlooks ethical or moral aspects.* Automation lacks the ability to incorporate ethical or moral considerations into its decision-making process. Complex decisions that require empathy, ethical judgment, or understanding of human emotions may be beyond the scope of automated systems. This is particularly evident in fields such as the judicial system. Decisions impacting people's lives and freedoms cannot be exclusively delegated to algorithms. They must consider a myriad of factors, including cultural contexts, societal norms, as well as moral responsibility. Such decisions should be approached with a blend of technological aid and human judgment, ensuring that ethical considerations are at the forefront of all endeavors.

These limits of automation are now well identified and some recent developments attempt to address them. For example, there have been initiatives to enhance algorithm development through methods such as adversarial debiasing and causal reasoning to promote AI fairness. Beyond that, the AI Act in Europe stipulates the cases and situations where automated decisions are forbidden.

## Benefits of augmentation

When humans are still in the loop, as is the case for augmentation, the above mentioned limits are reduced. Biases stemming from the historical data can be limited by specific measures and criteria for decision making which are driven more by a desired state than by the result of past decisions. Similarly, adaptation to changing conditions is made easier with human intervention. For example, in the context of surgery, prompt human intervention can reduce substantial risks that may arise in the event of automation failure. Last, leaving the final decisions to humans prevents the risk of unethical decisions. An example can be found within the judicial system, where entrusting final decisions to human discretion can alleviate potential injustices arising from pure automation of the trial process.

In addition to reducing the limits of automation, augmentation presents various specific advantages.



*Augmentation improves the quality of work.* AI augmentation has demonstrated the potential to enhance work quality significantly. This is primarily attributed to the ability of AI systems to identify patterns, trends, and insights that might be overlooked by humans. According to a recent study by the Boston Consulting Group (BCG) (Dell'Acqua et al., 2023), AI-assisted consultants displayed outcomes that were more than 40% superior in quality when compared to a control group lacking AI support. Furthermore, supplementary research underlines the effectiveness of LLMs in offering valuable feedback and generating innovative ideas (Liang et al., 2023), frequently matching or surpassing the capabilities of humans.

*Augmentation potentially increases the demand for labor.* The innovations of augmentation, which encompass new processes, products, services, or industries, have been found to increase labor demand due to the emergence of a new demand for expert knowledge and specific competencies. These innovations not only enhance the capabilities, quality, variety, or utility of the outputs of occupations but also create a need for a skilled workforce to implement and manage these advancements effectively (Auto et al., 2022).

*Augmentation has the potential to enhance job satisfaction.* By leveraging AI augmentation, organizations can enhance decision-making processes, leading to increased efficiency and effectiveness. This technology enables employees to dedicate their time to high-level, intricate tasks that require creativity and innovation, fostering a more intellectually stimulating work atmosphere. Augmentation can also support tackling complex problem-solving challenges, thereby alleviating work-related stress and contributing to an overall improvement in job satisfaction. Furthermore, augmentation offers avenues for upskilling and professional growth, empowering employees to engage in continuous learning and development.

## **Challenges for augmentation**

Pure automation falls short of its promises and augmentation has major benefits. However, implementing successful augmentation comes with challenges, three recent research studies illustrate what is at stake.

Rana et al. (2022) surveyed 355 executives about the unintended consequences of using AI for decision-making and their influence on performance. They identify three factors that contribute to a negative effect on performance: poor data quality, lack of governance, and inefficient training. The three factors are grouped under the term “AI opacity,” which has both direct and indirect effects on performance. Direct effects on performance, for example, occur when inadequate training of staff on the systems will result in underutilization of the technology, lower motivation, and a subsequent decline in performance. Indirect effects of this opacity take place when it increases companies’ exposure to risks and suboptimal decisions.

The same phenomenon was described in a recent experimental study by Agarwal et al. (2023). It involved professional radiologists with various availabilities of AI assistance and contextual information to study the effectiveness of human-AI collaboration. The findings reveal that although AI alone was more accurate in diagnoses than two-thirds of radiologists, collaboration with human experts yielded no uniform improvement. The authors explained this by “radiologists' partially underweighting the AI's information relative to their own and not accounting for the correlation between their own information and AI predictions.” So the authors conclude that “the optimal solution involves assigning cases either to humans or to AI, but rarely to a human assisted by AI.”

A story in the *New York Times* (Jewett, 2023) sheds light on the reasons why some doctors may not follow the recommendations provided by AI systems. In healthcare, AI systems for diagnosis have blossomed and in the U.S., the Food and Drug Administration (FDA) authorized many new programs that use artificial intelligence. However, doctors are skeptical that the tools really improve care or are backed by solid research. “Doctors are raising more questions as they attempt to deploy the roughly 350 software tools that the F.D.A. has cleared to help detect clots, tumors or a hole in the lung. They have found few answers to basic questions: How was the program built? How many people was it tested on? The lack of publicly available information is causing doctors to hang back.”

These three studies illustrate what is at stake for successful augmentation: providing sufficient information about how the AI solution has been built and works, as well as sufficient training on how to interpret the results provided. Augmentation is then as much a technical challenge (designing efficient accurate systems) as a trust and change management challenge (equipping the human working with AI solutions with the information and training required for fostering trust).

### **Three recommendations for corporations**

We can derive from our previous arguments three recommendations for corporations.

*Decide strategically on task allocation.* A critical aspect of integrating AI into the workforce is discerning which tasks are best suited for automation. The study by Noy & Zhang (2023) illustrates a significant shift in job roles due to the surge of Generative AI, with a notable decrease in time spent on initial drafting and an increase in time devoted to editing. Identifying the right balance between AI and human input becomes crucial for maximizing efficiency and effectiveness. It's paramount to identify the tasks that can be automated, the ones that should blend AI and human contribution, and the ones which should remain totally managed by humans. Deciding on tasks allocation involves taking into account the technological developments and their cost but also the strategic positioning of the company. Deciding on what AI performs and what is managed by humans is a strategic choice, not a purely technical one. Last, the direct environmental footprint of AI is massive and growing. Electricity and water consumption from data centers are now competing with consumers' needs. The choice of tasks allocation should also be driven by the environmental impact of the AI system used.

*Balance investment in technology with investment in human resources.* Securing data and infrastructure is not enough when managers are not trained on the AI systems and on how to use the results they produce. Training is becoming increasingly vital, especially to enhance the skills of lower performers. As AI continues to commoditize certain aspects of knowledge work, it's not just the low performers who are affected; skilled professionals are also at risk. Comprehensive training programs can help employees understand the nuances of AI, including its limitations and best practices (Brink et al., 2023). The synergy between technical and human assets is key to realizing the full potential of AI. Success in this domain not only depends on redefining processes but also hinges on fostering an organizational culture that understands and trusts AI.

*Engage with stakeholders in a conversation about the use and conditions of automation and augmentation.* Significant efforts should be put into ensuring an understanding of the system design by the users. Transparency on the data used, the models implemented, the results' limits and the scope of relevance all foster adoption through higher transparency. What also supports adoption is sharing a common view about the tasks allocation we described earlier and developing a common sense of the split between automation and

augmentation. More precisely, these discussions could aim to decide on the details of augmentation, for example, to state the right level of transparency according to the context (e.g., facial recognition for smartphone vs radiology) or the objective (making the decision vs performing a task). These conversations should also involve external stakeholders such as clients and partners. Unions and collectives should also be involved to determine the scope and modalities of automation and augmentation as was the case in the U.S. in September 2023 when an agreement was reached between the show writers and the studios about the use of AI in the writing process.

### **Three issues on the European agenda to balance negative externalities**

Acting at a corporate level is important and useful but is not enough to ensure a balance between automation and augmentation that favors citizens. This is because automation and augmentation with AI generate negative externalities for which corporations are not naturally held accountable for. Whether it's bias, privacy, security risks, misinformation, job destruction, market concentration, or environmental impact, the impacts of AI on society go far beyond the corporate world and law. Regulations are a way to reduce and manage these negative externalities.

The program of the future commission is not yet known but we can already mention 3 points of attention which we encourage the future commission, parliament, and civil society at large to take into consideration in the future discussion.

*Protect European citizens against AI-related risks.* Privacy, bias and discrimination, cybersecurity, and misinformation are identified risks (Sartor, 2019) that are in the scope of voted regulations (Digital Market Act, Digital Services Act, AI Act, Cybersecurity Act, Data Governance Act). Monitoring regulations application and impact will be critical, as well as identifying new regulations to put on the agenda to adapt to new technological developments.

*Prepare the European workforce and ensure jobs quality and quantity in Europe.* AI has a strong impact on the job market. It has the power to reduce demand for some jobs, increase it for others and transform a lot of them. This calls for a massive plan to prepare the European workforce: identifying jobs at risk and planning for upskilling the concerned workers; building expertise in AI through investment in research and teaching; training the workers massively about the technology, its use and limits; implementing rules and regulations which will preserve job quality in Europe. On this last point a major challenge lies in the global reduction in job quality triggered by AI: good-quality jobs are replaced by massive needs in data labeling and lower analysis.

*Reduce AI environmental footprint.* Training large AI models requires significant computational power, contributing to energy consumption and carbon emissions. The environmental footprint of developing and running AI systems is a growing concern, particularly as these technologies scale. Reducing environmental footprint would entail supporting investments in IT systems efficiency but more importantly developing policies and actions that would consider and actively mitigate rebound and induction effects. This means integrating AI solutions with a clear vision of promoting sustainable consumption patterns.

## Conclusion

As the technology and the usage develop, it becomes increasingly clear that the path forward is not one of automation or augmentation in isolation, but a judicious blend of both. This journey demands a conscious effort to balance technological advancements with ethical considerations, inclusivity, and environmental sustainability. Strategic decision-making lies at the heart of this balance. The future of AI in business and society hinges on a collaborative dialogue among all stakeholders—policymakers, corporations, and the broader public – to navigate the challenges posed by AI, from ethical dilemmas to socio-economic impacts. The journey ahead is complex and requires careful stewardship, AI is not only a technological matter but a governance one.

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## **Navigating Uncertainty: The Power of Foresight in Business Strategy**

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### **Abstract**

In the realm of business strategy, the starting point is always a crystal-clear vision of the desired destination, especially crucial in navigating through turbulent times. However, this vision often succumbs to the syndrome of projecting the present into the future, overlooking the unpredictability and challenges that volatile periods present. This article explores the power of foresight, a strategic tool that reverses this approach by envisaging future scenarios, including those in turbulent times, and integrating these insights into the present. Through practical insights and examples of European organisations, this paper will demonstrate how foresighting not only challenges and refines organisations' strategic vision but also uncovers critical opportunities and threats, sharpening their strategy to ensure resilience and a competitive edge in the face of uncertainty.

Keywords: Foresight; Strategic vision; Competitive advantage; Organisational resilience; Uncertainty

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## Navigating Uncertainty: The Power of Foresight in Business Strategy

### Flipping the norm: Bringing the future to the present to guide strategic clarity

In the eyes of many, the business landscape has never before changed at the swift pace it currently swirls; uncertainty is the new norm. Businesses need to be ready to adapt to new technology, changing consumer habits, and global events. They must be prepared to pivot quickly while maintaining strategic clarity.

Strategic clarity means that everyone in a company knows the direction they are headed towards together. They also understand why reaching that destination is beneficial for the company. Therefore, strategic clarity involves two components: the “what” (the destination) and the “why” (the reason for pursuing that destination).

The destination is often described in a vision statement. This is a clear, inspiring, yet achievable picture of what the company will look like in the future if everyone works together to successfully achieve the desired goals.

A company must complement the vision statement with a mission statement that articulates its core purpose. The mission statement describes why the organization exists, its core values, and serves to clarify its core ideology, defined as “the enduring character of an organization—a consistent identity that transcends product or market life cycles, technological breakthroughs, management fads, and individual leaders.”<sup>1</sup>

Sometimes people misinterpret vision and mission statements. Therefore, it is important for companies to turn their vision and mission statements into specific, measurable targets, or “measures of success.” These targets should have explicit “from” and “to” values to clarify what success looks like and help people track progress towards their vision. Traditional tools such as the balanced scorecard work effectively for this purpose.

Strategy can be thought of as a journey that guides a company from its current state to a new one. The vision is like a postcard showing the destination, while the measures of success represent the specific GPS coordinates guiding the way. Figure 1 shows the application of these concepts to a food company.

Vision, mission, and measures of success address the question of what. They do not, however, fully answer the question of why. The reason for choosing a particular destination must be based on the belief that such a choice is truly future-proof. Strategic foresights help accomplish this.

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<sup>1</sup>, Jim Collins and Jerry I. Porras, “Building Your Company’s Vision,” *Harvard Business Review*, September-October 1996, <https://hbr.org/1996/09/building-your-companys-vision>, accessed March 2024.



**Figure 1: Vision, mission, and measures of success**

## Defining foresight: Anticipating the future, not extending trends

While engaging in the exercise of developing a vision, companies often focus only on the present to think about the future. In other words, they decide where they would like to go based on their current position. This bias can negatively influence their strategic thinking because the present tends to favour linearity, often neglecting major disruptions or paradigm shifts.

While the present can provide useful insights, it's important to see it only as one piece of data. To overcome this bias, foresighting is one of the most efficient techniques. Instead of just projecting the present into the future, foresighting involves projecting possible futures into the present.

It's crucial to note that foresights are not just trends. Trends are patterns already in progress in the present, indicating changes that are already affecting an industry. In the 1960s, for instance, flying cars were a common theme in science fiction. This is because authors observed what was changing the world at the time, namely cars, and speculated on how these might evolve in the future. In the meantime, while computers and the internet did transform the world, cars are still not flying.

Foresights are instead "plausible, compelling, provocative narratives and visions of multiple futures."<sup>2</sup> Although not infallible predictions, foresights offer a glimpse into the world

<sup>2</sup> Institute for the Future, "Strategic Advisory Services," <https://www.iftf.org/advisory-services/>, accessed March 2024.



companies might face ahead and the changes that could significantly affect them. See Figure 2 for examples of strategic foresights.

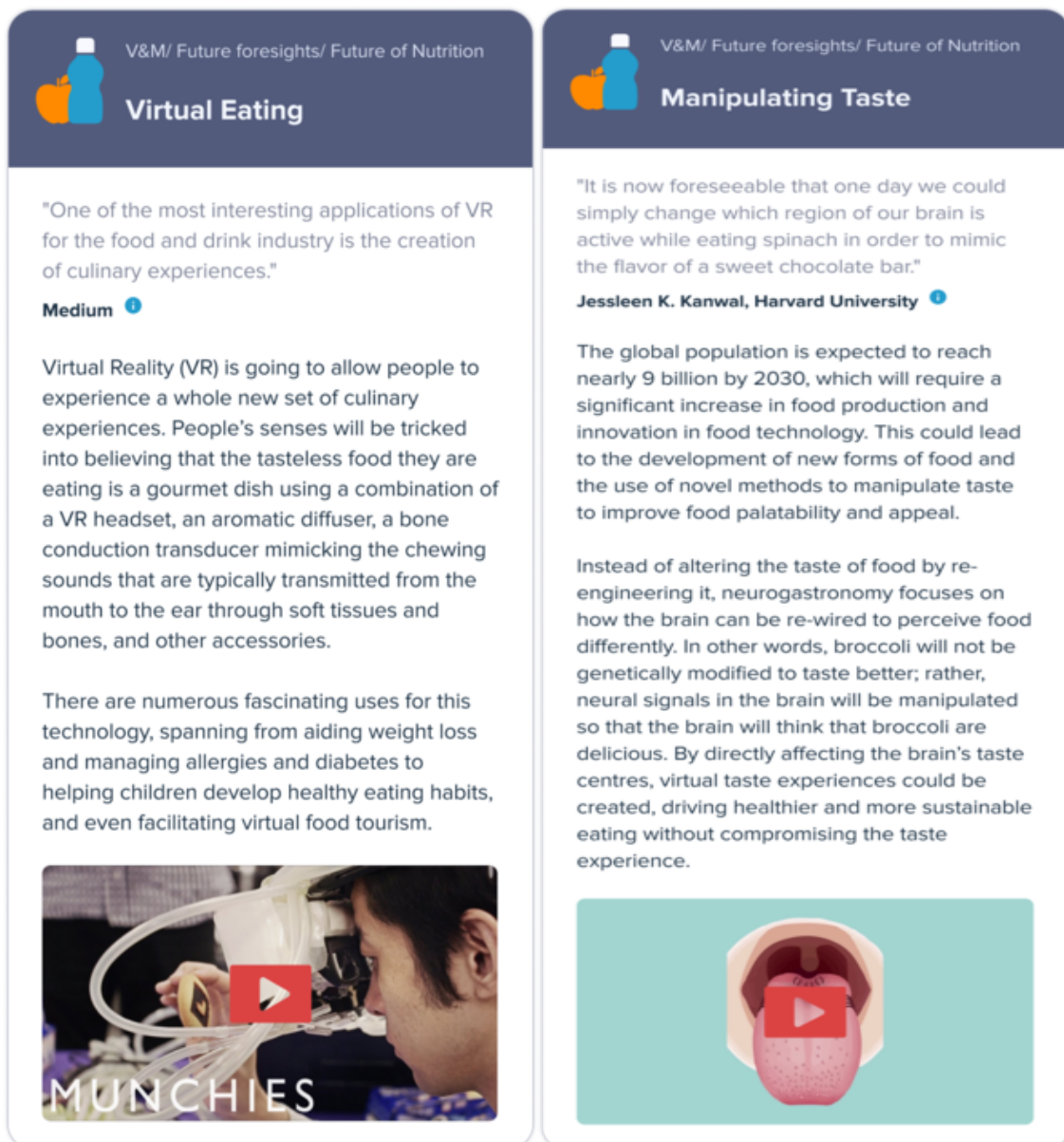


Figure 2: Examples of strategic foresights

Both trends and foresights can help companies gain strategic clarity. However, the main benefit of foresights is pushing managers beyond the comfort of familiar patterns—the past and present—to imagine future possibilities. Foresights urge managers to anticipate future scenarios, no matter how distant or unconventional, and to think about how these changes could affect their business.

To help with decision-making and proactive planning, the Institute for the Future, one of the pioneering organizations in future studies, has developed a four-step foresighting process. This involves: i) *prepare*, gathering evidence and framing future questions; ii) *foresight*, developing compelling and provocative visions of the future; iii) *insight*, extracting meaningful implications; iv) *action*, planning and prioritizing actions for today.<sup>3</sup>

<sup>3</sup> Institute for the Future, "Strategic Advisory Services, The Cycle of Strategic Foresight," <https://www.iftf.org/advisory-services/>, accessed March 2024.

By following this process, companies can achieve strategic clarity and ensure that they are aligned and prepared for future success. Specifically, foresighting plays a crucial role in two critical steps of the strategy formulation journey. This includes the key strategic choices about the company's vision and its playing field.

### **Strategic choice: Vision refinement**

It's crucial to apply foresighting not only within the company's industry but also to look at adjacent industries, technologies, and other factors that could affect and change the context. At its core, foresight represents a potential paradigm shift.

Following the four-step process and analysing various foresights, a company should question and possibly update its vision. The crucial question the company needs to answer is: Does my vision remain relevant if these scenarios materialize? To do so, it needs to assess whether those foresights represent a potential opportunity, a threat, or maybe both.

To be noted that the same foresight could have multiple impacts, offering both opportunities and threats. It's important to address these impacts separately, without compensating one with the other. Once this is understood, foresight leads to insight.

Based on these considerations, the company should then ask: Should we potentially change our vision and/or some elements of our measures of success? Crafting a future-proof vision is the first step toward gaining a competitive edge. Moreover, knowing that the vision is based on a thorough analysis of the future will help establish strategic clarity within the organization.

An example of strategic foresighting for vision refinement is seen in the strategy of a global leader in creating smarter, healthier spaces through services such as air purification, plant installations, green walls, scenting, and holiday décor. Using their decades of experience and industry leadership in interior and exterior landscaping, the company's leaders were looking for ways to grow the business in the coming years.

The company identified several foresights that would dramatically change the spaces in which people interacted. The office of the future, for instance, was expected to be "simulated, holographic, augmented and 'bi-directionally' linked" to people's neural network.<sup>4</sup>

Between 2035 and 2050, it was predicted that neurons would become the user interface, turning keyboards and 2D screens into "relics of collectible nostalgia." Moreover, there would likely be a premium placed on the most lifelike virtual office environments in the future. For meetings requiring physical presence, humanoid robotic avatars with holographic renditions of people's faces would be used.<sup>5</sup>

Inspired by these with images of strikingly different futures vastly distinct from the present landscape, the company's leaders embarked on drafting a new vision, mission, and corresponding measures of success. This strategic endeavour helped ensured strategic clarity and set the company up for future resounding success in its endeavours.

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<sup>4</sup> Nigel Davies, "50-Year Future Of The Office: What Will Workspaces Be Like In The Year 2069?," *Forbes*, September 16, 2019, accessed March 2024.

<sup>5</sup> Nigel Davies, "50-Year Future Of The Office: What Will Workspaces Be Like In The Year 2069?," *Forbes*, September 16, 2019, accessed March 2024.

## Strategic choice: Playing field definition

In addition to refining a company's vision, foresighting can also help define its strategic landscape, particularly the market spaces in which the company should operate. This includes considerations such as: if these foresights come true, how will they impact the company's portfolio of value propositions? Should the company explore adding new propositions products or eliminate existing ones? Do these foresights suggest an opportunity to enter a new market with existing products? Therefore, foresights can influence decisions regarding both product offerings and market segments.

It's important to note that foresights themselves do not provide a prescribed route to follow. The exact same foresight can be perceived as an opportunity by one company and as a threat by another, even if they both operate in the same sector. This is because the core values and goals of these companies may differ significantly.

An example of the application of strategic foresighting for playing field definition is provided by a company offering cutting-edge solutions for managing people's movements and protecting valuables and cash. Specifically, one of the company's divisions conducted a strategic foresight analysis to evaluate the potential implications that the future could hold for their playing field.

Among the identified foresights identified, several were related to new technological advancements, such as self-repairing materials, which hinted at transformative significant changes in the industry's landscape. Others were focused instead on how automation, AI, and digital currencies could affect their clients' business models.

Foresights also highlighted cybersecurity threats and challenges that could potentially affect the industry's operations and security protocols.<sup>6</sup> This analysis helped the company to critically assess its options. These included entering a new space to protect everyday valuables such as car keys (which can be cloned).

## Turning strategy into action

After using the insights from foresight analysis to craft a compelling destination and determine its playing field, the company should then develop robust strategic and enabling priorities to facilitate the achievement of those objectives.

It's important to incorporate not only strategic priorities but also enabling priorities because foresights can significantly impact a company's operating model. This is especially true in the face of technological advancements or shifts changes in route-to-market strategies. These foresights might lead to adaptations in organizational structures, processes, and resource allocations to ensure the organization remains competitive in the marketplace.

Consider the case of a company providing radiant systems for heating and cooling. While envisioning the path ahead, the company's leaders conducted a comprehensive scoping and analysis of foresights. Some of these focused on the evolution of homes, showing a very different picture of how residential buildings would appear in the future.

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<sup>6</sup> Charles Q. Choi, "Self-Healing Armor Patches Itself Within Minutes," *Popular Mechanics*, May 8, 2014, <https://www.popularmechanics.com/technology/a12942/self-healing-armor-patches-itself-within-minutes-16773095/>; Deloitte, "Bank of 2030: Transform boldly," <https://www.deloitte.com/ug/en/Industries/financial-services/perspectives/bank-of-2030-the-future-of-banking.html>; European Union Agency for Cybersecurity (ENISA), "Identifying Emerging Cyber Security Threats And Challenges For 2030," March 2023, <https://www.enisa.europa.eu/publications/enisa-foresight-cybersecurity-threats-for-2030>, accessed March 2024.

By 2050, in fact, houses were expected to be fully equipped with advanced technologies. All rooms and appliances would be connected, and a variety of sensors would be incorporated into clothing, accessories, and furniture. All the acquired data would be fed into a “smart” central control system powered by Artificial Intelligence (AI) that could be accessed in real-time through mobile apps.

This centralized system would control heating, electricity, and air conditioning, dynamically adjusting them based on the number of people present in each room and the type of activities they would be doing. This would ensure a temperature to suit the occupants’ comfort levels while at the same time making energy consumption much more efficient and sustainable.<sup>7</sup>

The company leveraged the insights derived from these narratives of the future of homes to revise its vision, mission, and measures of success. It also delineate its playing field moving forward and formulated robust strategic and enabling priorities. In particular, the integration of sensors and AI into homes opened up opportunities for a plethora of new products and services that could be seamlessly integrated with radiant systems.

These technological advancements not only improved the functionality of homes but also expanded the scope for innovative offerings and enhanced customer experiences. The company, therefore, formulated strategic priorities to seize future opportunities and enabling priorities aimed at strengthening its internal systems and processes. In short, the company used strategic foresighting to position itself for success.

## Conclusion

Strategic foresighting helps organizations and decision-makers anticipate challenges, capitalize on emerging opportunities, and build resilience in the face of uncertainty. It enables them to proactively shape their future rather than merely reacting to events as they unfold.

The foresight-insight-action framework offers a structured approach to incorporating foresights into strategy formulation. It involves crafting a potential future and assessing its impact on the company. This process is of utmost importance for gaining a competitive advantage and ensuring ongoing success, turning future uncertainties into opportunities to thrive.

In the words of the Copenhagen Institute for Futures Studies, “Our fixed assumptions about the future determine our field of view and thus our range of actions, so continuously challenging these assumptions is central to achieving a more unhindered approach to

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<sup>7</sup> Innerspace, “Homes of the Future. What will they look like?,” <https://www.innerspacehomes.com/innerspace-blog/homes-of-the-future-what-will-they-look-like/19/2/2019>; Michael Caccavale, “The Impact Of The Digital Revolution On The Smart Home Industry,” *Forbes*, September 24, 2018, <https://www.forbes.com/sites/forbesagencycouncil/2018/09/24/the-impact-of-the-digital-revolution-on-the-smart-home-industry/?sh=661864613c76>; Lera Smart Home Solutions, “The Smart Home in 2050,” <https://lerasmarthomes.com.au/smart-home-2050/>; Fahri Karakas, “I Asked GPT How Smart Homes of 2050 Will Look Like,” Medium, January 13, 2023, <https://medium.com/predict/i-asked-gpt-how-smart-homes-of-2050-will-look-like-419e455cf7c9>; Tiago M. Fernández-Caramés and Paula Fraga-Lamas, “Towards The Internet of Smart Clothing: A Review on IoT Wearables and Garments for Creating Intelligent Connected E-Textiles,” *Electronics*, Volume 7, Issue 12, 2018, <https://doi.org/10.3390/electronics7120405>; T. Tamura, T. Togawa, M. Ogawa, and M. Yoda, “Fully automated health monitoring system in the home,” *Medical Engineering & Physics*, Volume 20, Issue 8, 1998, pp. 573-579, [https://doi.org/10.1016/S1350-4533\(98\)00064-2](https://doi.org/10.1016/S1350-4533(98)00064-2); Anju Ahuja and Martha Lyons, “Power your Product Roadmap with Perceptive Technologies,” *CableLabs*, Jun 21, 2018, <https://www.cablelabs.com/blog/how-innovation-boot-camp-launched-the-idea-for-arc-hotspot>, accessed March 2024.

futures thinking.”<sup>8</sup> Through this paper, we hope to inspire a mindset shift towards proactive strategic planning, ultimately empowering organizations to thrive in an ever-evolving landscape.

## Key takeaways

- Business leaders should embrace strategic foresighting as a critical component of their strategy formulation journeys.
- Strategic foresighting helps companies achieve strategic clarity. This means that everyone within the company is aligned toward a shared destination and understands the reasons for pursuing that destination.
- By challenging fixed assumptions about the future, business leaders can fend off threats and capitalize on emerging opportunities.
- To stay competitive and future-proof their businesses, companies should integrate strategic foresighting into vision refinement and playing field definition.
- Embracing strategic foresighting allows businesses to proactively shape their future, enabling them to navigate uncertainty with resilience and agility, ultimately positioning them for long-term success.

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<sup>8</sup> Copenhagen Institute for Futures Studies, “Our Research,” <https://cifs.dk/the-institute/#our-research>, accessed March 2024.

## **[ Recapturing time: What luxury should be about**

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### **Abstract**

Building upon sociological works that treat time management as a signal of social status, this article identifies an opportunity for luxury brands to leverage the concept of time. Time is both precious and malleable. Luxury brands can extend, maximize, and even liquefy the time of their customers through the products and services they design. We present several concrete examples that should resonate with managers in the hospitality and personal goods sectors.

Keywords: Luxury Strategy; Social Status; Time Management

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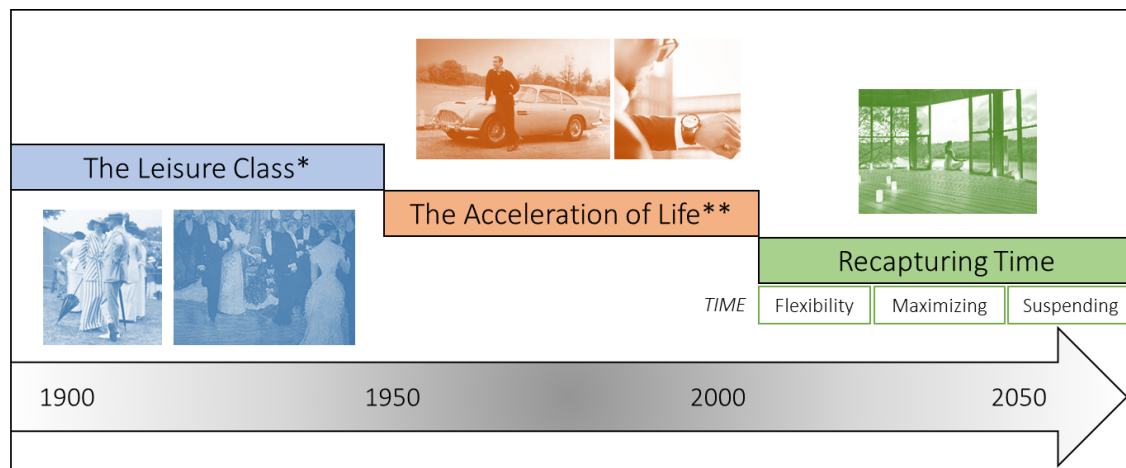
## Recapturing time: What luxury should be about

How consumers spend their time has always said something about their social class. Back in the late 19th century, Veblen (1899) wrote about the 'Leisure Class', illustrating how the upper echelons of society liked to indulge in amusements (e.g., vacations, parties, sports tournaments). Conspicuous idleness was then a means to signal engagement in activities that the working class could not afford. Interestingly, in recent decades, the capitalist economy has positioned hard work as a more powerful indicator of high status than idleness (Bellezza, Paharia, & Keinan, 2017). Consumers have been observed boasting (for instance on social media) about being "busy at work," presenting themselves as a scarce (thus valuable) resource for their company. However, sociologists have more recently observed a new shift in how the 'happy few' manage their time (Atanasova et al., 2022; Bellezza, 2023). For instance, having an abundance of time, as well as regaining control over one's time allocation, can now be viewed as factors of success. (cf. Fig. 1)

Among the few trends that we consider as game-changers in how wealthy consumers will perceive and manage time in the coming years, we will focus on the following:

- **Flexibility:** A faster and seamless switch from leisure to work activities, and possibly mixing both at the same time (e.g., staycation trend in travel)
- **Maximizing:** Acting as time "maximizers" (e.g., 'work hard, play hard')
- **Suspending:** Taking time off to escape the hectic life and reconnect with oneself and with nature (e.g., luxury retreats).

**Figure 1. Time management as a social signal: Three eras.**



Note. \*Reference to Thorstein Veblen, *The Theory of the Leisure Class*; \*\*Reference to Judy Wajcman, *Pressed for Time: The Acceleration of Life in Digital Capitalism*

We believe that luxury brands should be aware of the new sociology of time because opens new business opportunities if they can capitalize on the three trends listed above. Next, we will detail how we think luxury brands could embrace these trends.

### Time flexibility

The COVID-19 pandemic has been a catalyst of what was already emerging as a societal desire: the need to break down the silos between one's personal life and business life. Regaining control over ones' time allocation implies having the full flexibility to switch from one activity to the next. Luxury brands, in the hospitality industry but also in fashion should continue adapting their offering to this new lifestyle.

### *Creating hybrid spaces.*

As society places greater value on personal fulfilment and well-being, the way in which people spend their time has emerged as a pivotal measure of life quality. This reflects a broader shift toward viewing time not merely as a resource but as a crucial element of luxury. This revaluation is evident in the growing popularity of hybrid spaces, which are environments designed to serve multiple purposes such as work, leisure, and socialising. The rise of staycations and the bleisure trend - where business trips blend with leisure activities - highlight the demand for such adaptable environments. These trends put forward a societal move towards maximising personal time, whether by blending professional obligations with relaxation (bleisure trend) or by using local amenities to enrich one's lifestyle without extensive travel (staycation trend).

Staycations exemplify the luxury of time by allowing individuals to enjoy a break without the burden of travel logistics, turning saved time into opportunities for relaxation or local exploration. Similarly, bleisure travel enables professionals to extend work trips into personal vacations, enhancing their experiences and underscoring the luxury of flexible time use. Both trends signal a shift from valuing material wealth to cherishing experiential richness, where the ultimate luxury is the freedom to choose how to spend one's time.

This evolving perception of time has spurred changes in both travel behaviour and home design. Luxury hotels and resorts are increasingly tailoring their offerings to embrace this trend. Likewise, more homes are being designed as multifunctional hubs, equipped to support both professional productivity and personal leisure. Moreover, the rise of co-working spaces that incorporate leisure amenities such as fitness centres and cafes reflects this trend. These spaces often extend to co-living arrangements, merging the convenience of an office with the comforts of a residential setting, catering to those seeking seamless integration of work and life. This shift towards hybrid environments showcases how deeply the appreciation of time as a luxury has permeated the contemporary society, prompting a redefinition of luxury as a more holistic, experience-focused proposition.

### *Flexibility as a (life)style.*

In today's fast-paced world, where a hustle culture often prevails, there is a growing appreciation for concepts that emphasise a more deliberate approach to life, where simplicity and comfort are prioritised over ostentation.

Flexibility has emerged as a central aspect of modern living, allowing individuals to adapt to changing circumstances and pursue diverse interests. Therefore, luxury brands have adapted their offering, now selling more casual fashion items for instance (e.g., luxury sneakers, leggings, sweat pants).

To some extent, this casual attitude is also linked to the boom in 'quiet luxury', which emphasises the appreciation of fine experiences and products without the need for an overt display of wealth. Quiet luxury embodies a sense of understated elegance, where the focus is on quality and craftsmanship rather than conspicuous consumption. In this context, time assumes a different connotation. As time becomes an increasingly precious commodity, people who can afford to allocate their time according to their preferences and values are perceived as wealthy in a different sense. Time as a luxury good reinforces the idea that leisure, relaxation, and meaningful experiences are invaluable, aligning closely with the principles of quiet luxury.



## **Time maximization**

'Time is luxury' because it has never been so scarce. In this fast-paced world, luxury brands should help their customers make the most of their time, first of all by pursuing the digitalization of the consumer journey, and secondly by further developing customer services.

### *The opportunity of automation.*

Beyond speeding up our lifestyle, technology should return to its primary function of freeing up time. In an ongoing project, Professors Desmichel and Cesareo study how delegating a task to an automated product nurture a feeling of high social status. Delegation remains a privilege associated with a high-status lifestyle. We forecast that although the AI revolution will democratize automated tools, gaining time thanks to a robot (which performs the task for you) will continue being appreciated by consumers as a privilege. Therefore, we encourage luxury brands to rely on these automated products (or even to sell them) to enrich the customer experience. Of course, luxury brands must remain a step ahead of the mass market and only implement these tools to create additional value for consumers (e.g., hotel check-in or check-out, after-sale service tracking, personal shopper).

### *The added value of customer services.*

In the circular economy, luxury brands are justified in extending their line of services in order to maximize the lifespan of their products (i.e., maximizing time). Product repair or upcycling opens new avenues for luxury companies. As an illustration, Professors Desmichel, Kocher and Dubois have empirically discovered that consumers leave their valuable inherited products in drawers, instead of integrating them into their wardrobe. Luxury brands have many good reasons to create and promote product embellishment services. First, it would fit within their more global commitment for an environmentally friendly luxury sector. Second, it would rejuvenate the relationship that customers have with brands that were cherished by their ancestors. Third, these services could also attract customers who want to give a second life to their possessions after getting bored of them.

## **Suspending time**

The luxury industry has historically been selling 'timelessness', and, contrary to the other businesses, luxury companies benefit from a certain authority and can request their customers to wait for it. As an illustration of this authority, last March (2024), the Olsen twins imposed to the guests of The Row's fashion show to switch off their phone and take handwritten notes about the new collection on a notepad that they provided. Similarly, in luxury stores the challenge is not to speed up the customer journey but on the contrary to enrich it, sometimes implying time deceleration. We believe that luxury brands should go back to their mission of selling 'suspended time'.

### *Mindfulness to reconnect with yourself.*

Playing with time has always been a quintessential aspect of the luxury experience. Be it the time it takes to create products, preparing a fine-dining dinner, or the fact that time is always scarce to many luxury buyers. Since the pandemic, the importance of time has taken a new meaning and many consumers, including in the luxury world, are looking at experiences rather than goods to capture the essence of time. Younger generations,

especially GenZ, are putting experience ahead of material consumption. Across the world, the number of luxury retreats, spas, gyms are rising.

Following traditional work showing that possessions can become an extension of our selves (Belk, 1988), consumers have long used luxury goods to express their identity and status. But debates around degrowth and slow life have pointed out that consumption can be seen as a militant act. This opens up a new meaning to luxury consumption – as even luxury consumers are increasingly aware of their impact. In addition, the quest for work-life balance has also impacted the luxury industry in unexpected ways. Luxury detox retreats offer wealthy consumers a way to cut off from the business of life. For instance, at a luxury retreat in Germany, you can pay to ‘fast’ and achieve a spiritual self.

The academic literature has shown that being in a state of mindfulness can alter how we process information, and, in a consumption context, how we make purchasing decisions (Kaur & Luchs, 2022). By entering a state of mindfulness, consumers tend to favour status-enhancing products less and focus more on the meaning of their purchase.

### ***Mindfulness to reconnect with nature.***

Luxury consumers' growing aspiration to mindfulness also shapes how these consumers travel and the type of experiences they seek. Luxury consumers can now embark on remote luxury cruises to the South pole, with fine-dining meals and renowned experts on board. In our recent research (Leban, Errmann, Seo & Voyer, 2024), researchers explored how luxury travellers going to the Faroe Islands experience a transformative experience, which results in a deeper connection with nature. The results suggest that luxury travellers engage in four types of practices that help them connect with nature, thus displaying more sustainable intentions and behaviours. The first practice, ‘hoarding’, refers to the fact that, for many luxury travellers, a thoughtful, conscious accumulation of information and knowledge about a destination is at the heart of the experience. The second practice, ‘savouring’, refers to the time taken by luxury tourists to indulge and reflect on their experience. The third practice – ‘reconnecting’ – reflects how luxury tourists tend to disconnect from their hectic day-to-day lives and reconnect with their natural environments as part of a luxury travel experience. Finally, ‘secluding’ emerged as the way luxury tourists find that such experiences allow them to isolate themselves from the rest of the world, giving them a unique opportunity to find mental isolation.

## **Conclusion**

Time management is a central concern of wealthy consumers. In this article, we suggest avenues for luxury brands to address this concern, by offering more flexible experiences, maximizing product lifespan, and, more than ever, creating magic and suspended times for their customers. Luxury companies, especially in the hospitality, fashion, and interior design sectors, would benefit from adapting their offerings to these new lifestyle patterns (e.g., commercialize automated devices, encourage reconnection with nature, invent styles that suit both professional and personal spaces).

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## **When Artificial Intelligence Turns Strategic Resources into Ordinary Resources**

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### **Abstract**

One of the main consequences of the widespread adoption of artificial intelligence in business is the transformation of many strategic resources (which serve as sources of competitive advantage) into ordinary resources (accessible to all competitors). This "de-strategizing" of resources marks a significant disruption in established theories and practices of corporate strategy. As a result, we are observing a change in competitive advantage dynamics. Competitiveness now depends less on possessing valuable, rare, inimitable, and organization-mobilized resources and competencies (as outlined in Barney's VRIO model), and more on controlling AI systems capable of generating them. This shift is likely to particularly disadvantage European companies compared to their American and Asian counterparts, until Europe develops AI capable of safeguarding its strategic autonomy.

Keywords: strategic resources, VRIO model, generative AI

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## When Artificial Intelligence Turns Strategic Resources into Ordinary Resources

Strategy involves determining how a company can achieve a competitive advantage, typically measured by its ability to consistently generate higher profitability than its competitors. Historically, two interpretations of how to achieve this competitive advantage have emerged:

1. Michael Porter and the "Deductive Strategy" approach: This approach, derived from industrial economics, emphasizes identifying the industry's structures (its critical success factors) and adapting to them better than competitors. In this view—which echoes the Darwinian paradigm—strategy is primarily an externally conditioned process (Porter, 1985).
2. The "Constructed Strategy" approach: In contrast, those following Edith Penrose (1959), Birger Wernerfelt (1984), or Jay Barney (2010) argue that companies with a competitive advantage possess strategic capabilities, i.e., unique resources and distinctive competencies that can reshape existing industries or create new ones. This internally conditioned approach is generally known as the "Resource-Based View."

While Porter's approach remains favored by practitioners, strategic research has focused mainly on the Resource-Based View, particularly the works of C.K. Prahalad and Gary Hamel (1990) on core competencies, David Teece (1991) on dynamic capabilities, and Steven Lippman and Richard Rumelt (2003) on microfoundations.

However, the Resource-Based perspective is being challenged by the recent emergence of generative artificial intelligences such as OpenAI's ChatGPT and DALL E, Microsoft's Copilot, Google's Gemini, or Meta's Llama. These generative AIs are likely to turn the strategic resources that give many companies a competitive edge in consulting, law, information, health, and education into common, easily accessible resources.

Considering this "de-strategizing of resources" is especially enlightening. By rearranging the strategic landscape, generative AI has the potential to profoundly alter the sources of competitive advantage. This issue is particularly pressing for European companies, at least until Europe achieves genuine technological independence in this domain.

### The Resource-Based View in Practice: The VRIO Model

The established framework for assessing the strategic significance of a resource or capability is Jay Barney's VRIO model (2010). According to this model, a resource or capability must meet four criteria simultaneously to confer a lasting competitive advantage, forming the acronym V, R, I, O:

- Value: The resource or capability must generate added value for customers, justifying a price higher than costs and resulting in profit.
- Rarity: The resource must be rare. If most competitors also possess it, it cannot support a competitive advantage.
- Inimitability: The resource must also be inimitable, or at least difficult for current or potential competitors to copy, otherwise the advantage it offers will not endure.
- Organization: The company must be structured to exploit this resource. Holding a strategic resource is futile if the company cannot leverage its potential.

Barney thus proposes a practical test to assess the strategic significance of a resource, whether it's a patented technology, a well-established brand, a prime location, exclusive access to raw materials, a unique network of relationships, or exceptionally skilled human resources:

- A resource that fails to meet any of the VRIO criteria (neither value-creating, nor rare, nor inimitable, nor utilized by the organization) results in a competitive disadvantage. It lacks apparent strategic value, although some companies may succeed by relying on ordinary resources (Fréry *et al.*, 2015).
- A resource that generates value but lacks rarity, inimitability, or utilization by the organization ensures parity with competitors. This is termed a threshold resource or competency: possessing it is essential but doesn't confer a competitive advantage.
- A resource that is both value-generating and rare, but not inimitable or utilized by the organization, yields a temporary competitive advantage. Eventually, competitors will be able to replicate it, relegating it to the status of threshold resource.
- A resource that is value-generating, rare, and inimitable, yet not utilized by the organization, represents strategic waste. It remains an untapped asset, possibly overlooked within a subsidiary and unknown to top management.
- Lastly, a resource that is value-generating, rare, inimitable, and utilized by the organization serves as a basis for sustainable competitive advantage. It can therefore be classified as a strategic resource or competency.

This VRIO test is found in nearly all strategy manuals and is commonly taught in business schools and universities.

### **Illustration: Consulting Firms**

For instance, an international consulting powerhouse such as McKinsey, BCG, or Bain boasts two primary strategic assets:

1. **Consultant Excellence:** These firms meticulously select top-tier talent from premier institutions, ensuring their consultants exhibit exceptional skills and unwavering commitment. These human resources not only add value for clients (who willingly pay premium fees for their expertise) but are also scarce (evidenced by rigorous recruitment standards), difficult to replicate (unless aggressively headhunted, though substantial compensation helps deter this), and effectively harnessed by the organization (through robust recruitment, evaluation, training, promotion, and alumni engagement protocols).
2. **Cumulative Expertise:** Their extensive track record across diverse projects and clientele is often systematized into refined analytical methodologies and continuously updated databases. This wealth of experience is highly prized by clients (who recognize the access to specialized knowledge not available internally), rare (with few competitors possessing comparable depth), difficult to imitate (not easily replicated by rivals), and effectively utilized by the organization (ensuring consultants leverage it effectively).

These two VRIO assets significantly bolster the prestige and competitive edge of these elite firms. Similar assessments can uncover VRIO assets within financial institutions, academic institutions, healthcare providers, legal firms, or media conglomerates.

However, the advent of generative AI is poised to disrupt these evaluations by impacting various facets of the VRIO framework.

## Generative AI and the De-strategizing of Resources

Even in their nascent stages, generative AIs are already challenging the strategic significance of certain resources and competencies, impacting each dimension of the VRIO framework:

- **Value:** Generative AIs democratize access to skills previously exclusive to experts, thereby transforming strategic resources into threshold or even commonplace assets, threatening their inherent value. Notably, various generative AI providers, including ChatGPT, offer free versions.
- **Rarity:** Generative AIs have achieved widespread accessibility. ChatGPT amassed one million users within five days of its November 30, 2022 launch and, a year later, boasted over 180 million users worldwide, generating more than 10 million queries daily. Similarly, Microsoft aims to provide Copilot to all Windows users, while Google has integrated its AI into Pixel smartphones since late 2023.
- **Inimitability:** The prompts submitted to generative AIs are inherently imitable. You can even ask the AIs themselves to write them. Numerous such services have appeared on the Internet in just a few months.
- **Organization:** Recognizing the significant impact of generative AIs, major corporations, public institutions, universities, banks, and consulting firms are engaging in profound reflections on the integration of generative AI. These organizations must evolve to allow this innovation to unleash its full potential.

Considering the example of the two strategic resources of prominent consulting firms (consultant excellence and accumulated expertise), the impact is already notable:

- **Consultant Excellence:** In September 2023, researchers from the Harvard Business School, the MIT Sloan School of Management, the Wharton School at the University of Pennsylvania, and the University of Warwick, conducted an experiment involving 758 BCG consultants (Dell'Aqua *et al.*, 2023). According to this study, consultants who used ChatGPT in their missions achieved results 40% better than those who did not. Moreover, less qualified consultants benefited most from performance gains, while the most qualified saw little improvement. This study suggests that for a consulting firm, it is no longer necessary to recruit exceptional profiles: generative AI can level up all consultants' skills, making them less rare and more easily imitable.
- **Accumulated Expertise:** New consulting firms harnessing AI are circumventing the accumulated expertise of established competitors. For instance, instead of relying on traditional consultants, several major French companies (including Orange, Galeries Lafayette, L'Oréal, Danone, and EDF) have turned to Descartes & Mauss, a startup founded in 2021, and which claims to be "the first platform entirely based on AI to automate decision-making." According to one of Descartes & Mauss clients, the strategic recommendations are equivalent in quality to those produced by major firms but are obtained much faster, enabling much more responsive strategic management. Descartes & Mauss claims a tenfold reduction in time and a fivefold reduction in cost, suggesting that the strategic resource of accumulated experience from traditional consulting firms may be imitated through AI.

AI has the potential to "de-strategize" resources, significantly diminishing the competitive advantage of established players. These incumbents will find it harder to make this shift because, unlike new entrants, they must first divest the assets that underpinned their success before reallocating investments to AI-based solutions. As often in strategy, painstakingly established entry barriers may become prisons, trapping historical competitors in now obsolete paradigms.

In this general trend of commoditizing resources, particularly those rooted in intellectual capabilities, the situation of European companies is particularly problematic.

## **Europe Faces a Risk of Strategic Downgrade**

The de-strategizing of intellectual resources prompts a shift in the source of competitive advantage: The possession and control of generative AI systems—whether through data ownership or the development of models to process them—now becomes the most strategic of all resources. However, in this arena, Europe finds itself notably disadvantaged in comparison to the United States and China.

Concerned with privacy protection (which is entirely legitimate from an ethical standpoint), Europe significantly restricts access to personal data of its citizens compared to the more permissive approaches of the United States (championing free enterprise) or China (prioritizing state control over the population). Consequently, even if some generative AI players manage to emerge in Europe—such as Mistral AI in France—their learning capacity is hampered by much more restrictive regulations than those faced by their American or Chinese competitors, resulting in a competitive disadvantage. The AI Act adopted by the European Union in March 2024 in the name of protecting individuals is thus viewed by certain observers as impeding the rise of European juggernauts in this domain.

Furthermore, the investment landscape in Europe pales in comparison to global counterparts. For instance, while Mistral AI secured 105 million euros just a month after its May 2023 inception, followed by an additional 450 million euros nine months later, propelling its valuation to 2 billion euros within a year—an unprecedented feat for a European unicorn—OpenAI boasts a valuation of 86 billion dollars. CEO Sam Altman's ambitious announcement of a 7 trillion investment initiative to produce graphics cards, aimed at mitigating dependence on NVidia, underscores the stark difference. Notably, a report from the Artificial Intelligence Commission, presented to President Emmanuel Macron in March 2024, underscores that AI investments in the United States outstrip those in France by a factor of 20, or 3 to 4 times per capita. Given the de-strategizing effect of AI on resources, such a disparity inevitably erodes the competitive edge of European enterprises.

Overall, given that AI is causing the commoditization of longstanding strategic resources, soon replaced by the necessity to possess and control the large AI models themselves, Europe faces a major risk of downgrade. Without the regulatory and financial apparatus to secure technological sovereignty in AI, Europe risks a decline in the strategic standing of its enterprises. Let's hope that European policymakers will have the foresight and will to avoid this fiasco.

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## **AI in business: The ART of navigating the tensions between business and social objectives**

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### **Abstract**

While the advances and benefits of artificial intelligence (AI) for business are indisputable, AI design, development, and deployment do not come without ethical concerns and controversies. Thus, companies have to balance business (e.g., efficiency, personalization, customer satisfaction, profits) on the one hand and corporate digital responsibility and socio-ethical objectives (e.g., privacy, autonomy, sustainability, socially good outcomes) on the other hand. Based on paradox theory, this paper lays out the ART (i.e., Actors, Resources, Time) framework of tension management to provide guidance on how firms and managers can increase the likelihood of eventually turning trade-offs between competing objectives into win-win situations and shared value creation.

Keywords: artificial intelligence, AI ethics, AI for social good, paradox theory, tension management

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# AI in business: The ART of navigating the tensions between business and social objectives

## Introduction

The design, development, and deployment of artificial intelligence (AI) systems and applications constitute one key organizational challenge across diverse business and industry contexts. Quite recently, this matter has become a key aspect of policy-making, with different government organizations developing guidelines and regulations for better and more sustainable AI implementation and strategic competitiveness in key economy industries. For example, the EU has recently approved the AI Act, intending to address the risks of AI implementation and to position Europe as a leading player globally in AI development. Considering the increasing and fast technical advancement and the potential for value creation, companies and organizations currently are in the race to deploy and implement these systems in their business to benefit from their potential. However, despite all promises, AI implementation has shown to be challenging due to the intra-organizational resistance to its adoption and its potentially harmful intra- and extra-organizational outcomes, raising ethical concerns and calls to responsible management of these technologies for both positive business and societal impact.

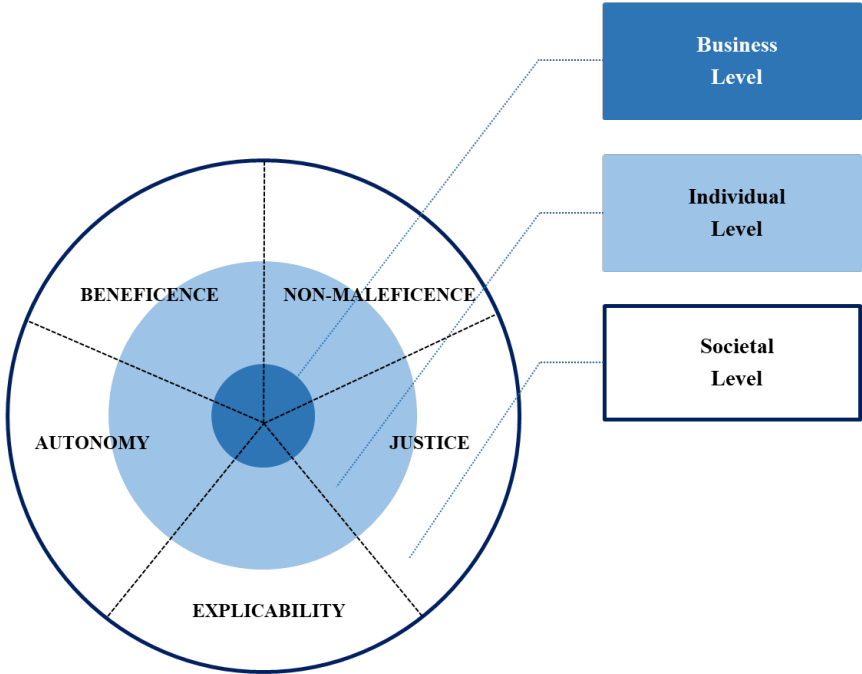
One of the critical aspects for businesses to manage AI responsibly is reconciling business objectives with socially good outcomes. Private, public, and research institutions have issued many guidelines and frameworks, including the AI-for-social-good perspective (Cowls et al. 2021; Floridi et al. 2018), to advocate and stipulate ethically and socially responsible AI development and deployment. However, managing these potential tensions and trade-offs between business objectives and social impacts of AI in real business contexts requires moving away from an entirely principled approach to applied ethics and more practical guidance, from principles to practice.

Against this backdrop, our objective is to explore central tensions between business and social objectives by identifying the socio-ethical issues of AI at individual, organizational, and societal levels and laying out a framework and recommendations for companies to manage such tensions.

## Socio-ethical issues of AI in business

Despite the various benefits of harnessing AI in business (to pursue business objectives), including automating business tasks and functions, increased efficiency and cost reduction, personalization, customization, and targeting (Brynjolfsson et al. 2023; Huang and Rust 2021; Kunz and Wirtz 2024; Puntoni and Wertenbroch 2024), deploying AI in business does not come without socio-ethical issues and challenges that can oppose social objectives. Accordingly, the rapidly increasing utilization of AI and its encompassing impact at the individual, economic, and societal levels have sparked the discussion of guiding ethical principles and values (e.g., Floridi et al. 2018; Jobin et al. 2019). The effect of AI on society as a whole is central to the AI-for-social-good (Cowls et al. 2021; Floridi et al. 2018), and it thus propagates that AI should be developed and deployed to promote social good (*beneficence*) while preventing any harm (*non-maleficence*; Cowls et al. 2021; Floridi et al. 2018). To achieve such a dual advantage for society, this AI ethics framework entails the ethical principles of *justice*, *autonomy*, and *explicability* in addition to *beneficence* and *non-maleficence* (Floridi et al. 2018). Building on this, we delineate focal socio-ethical issues

across different stakeholder levels based on the AI-for-social-good perspectives and its constituent principles (see Figure 1).



**Figure 1. Multi-stakeholder perspective on AI ethics (adapted from Hermann 2022)**

First, the environmental impact of AI systems and applications can have adverse societal and (indirect) individual consequences (van Wynsberghe 2021), which implies interferences with the *beneficence* principle. On an individual level, companion AIs have been shown to neither recognize nor appropriately respond to users’ mental health issues (De Freitas et al. 2023), undermining *beneficence* as well.

Second, the utilization of AI in business can lead to job (human) replacement (Huang and Rust 2021), which could harm the human workforce and thus infringes the *non-maleficence* principle at the business, individual, and societal levels. Moreover, a trade-off between personalization and privacy can emerge (Rust 2020). That is, the required data inputs of AI applications can interfere with privacy and data protection (Kopalle et al. 2022), which pertain to the individual level and are central to the *non-maleficence* principle (Floridi et al. 2018; Morley et al. 2020). In addition to privacy concerns, data inputs are also decisive for AI systems’ inferences and predictions. Broadly speaking, predictions’ unbiasedness, validity, and accuracy rest upon input data quality, integrity, and representativeness (Barredo Arrieta et al. 2020; Morley et al. 2020;). Biased predictions can impair *non-maleficence* and *justice* (often used interchangeably with *fairness*) principles at both the individual and societal levels. For instance, discriminatory targeting, segmentation, and prioritization based on demographic, psychological, and economic factors can reinforce existing inequalities, marginalization, biases, stereotypes, and vulnerabilities (Celiktutan et al. 2024; Hermann et al. 2023). Furthermore, recent advances in GenAI are related to deception risks, deep fakes, and manipulative personalization and targeting (Campbell et al. 2022; Schmitt and Flechais 2023), undermining the *non-maleficence principle* at the individual and societal levels.

Third, AI systems and applications shape human agency, autonomy, and self-determination at the business and individual levels (André et al. 2018). On the one hand and at the business level, automation and human enhancement through AI affect workers’ autonomy (Puntoni and Wertenbroch 2024). On the other hand and at the individual level, consumers regularly delegate their decisions to AI systems like recommender systems that make suggestions of

what they might like and thus pre-filter information (Kopalle et al. 2022). Overdependence on algorithmic recommendations can, in turn, harm consumer well-being (Banker and Khetani 2019).

Fourth, the opacity and black-box nature of AI systems and applications (Barredo Arrieta et al. 2020) can undermine the *explicability* principle and its epistemological dimension *intelligibility* (Floridi et al. 2018). Business and individual users often lack a basic understanding of AI models' functioning (i.e., *intelligibility*), not to mention the underlying data processing algorithms and models. However, *intelligibility* can lay the foundation for users' ability to judge whether AI systems and their predictions are beneficial (i.e., *beneficence*), harmful (i.e., *non-maleficence*), biased (i.e., *justice*), and whether they should delegate their work and decisions to AI systems (i.e., *autonomy*). Likewise, users and stakeholders, in general, must be aware that they are interacting with artificial agents to draw conclusions about potentially unethical or adverse outcomes (Mozafari et al. 2022).

To address how companies and organizations can manage the tensions between business and social objectives when designing, developing, and deploying AI, we shed light on tension management approaches and Paradox Theory.

## **Tension Management and Paradox Theory**

Companies handle and cope with tensions differently. First, the tensions can be considered as trade-offs or through a win-lose lens, that is, the exchange of a loss for a benefit (Hahn et al. 2010; Van der Byl and Slawinski 2015). Second, they can be treated as paradoxes that are contradictory yet interrelated demands that companies need to accept and continuously manage, and for which there is no single equilibrium that maximizes both social and business goals (Smith and Lewis 2011; Van der Byl and Slawinski 2015). Finally, the win-win paradigm (i.e., the so-called business case) implies the alignment of goals and that the improvement in one goal dimension should improve (or at least not diminish) the other goal dimension, aka shared value creation (Siltaloppi et al. 2021; Van der Byl and Slawinski 2015).

Within the scope of our paper, we adopt a paradox perspective that “explores how organizations can attend to competing demands simultaneously” and argues that the long-term success of an organization “requires continuous efforts to meet multiple, divergent demands” (Smith and Lewis 2011, p. 381). In paradox theory, contradictory elements are not seen as static but interact dynamically, influencing each other over time. According to paradox theory, competing demands reside in dynamic, persistent tensions (Waldman et al. 2019). Rather than aiming to align socio-ethical objectives with business objectives to eliminate tensions, a paradox perspective encourages strategies that accept tensions and attend to different objectives simultaneously, even if they are conflicting. Thus, actors must “embrace the tensions between goals, despite the discomfort associated with juxtaposing opposites, rather than resisting or avoiding tensions” (Van der Byl and Slawinski 2015, p. 59).

Tension management, according to paradox theory, does not rely on choosing between opposing alternatives but rather on managing paradoxes through strategic agility, that is, to rapidly respond to changing environments, to constantly sense and seize opportunities, and to change strategic direction and resource allocation if necessary (Smith and Lewis 2011; Van der Byl and Slawinski 2015). In considering how to do so in the context of AI implementation, we propose that companies manage tensions between business and social objectives by looking at the interactions between actors, resources, and time. Hence, we suggest the ART framework described in the next section.

## The ART of tension management

The first and often pivotal step is to recognize a) tensions between objectives and b) the paradoxical nature of them. Our analysis of socio-ethical issues of AI identified several tensions between business and social objectives (i.e., follow ethical principles to achieve socially good outcomes) managers need to address when designing, developing, and implementing AI: (1) Tensions between AI explainability and the protection of proprietary data; (2) Tensions between automation efficiency and human agency and autonomy; (3) Tensions between personalization and targeting and data bias; (4) Tensions between the balance between business growth and AI sustainable implementation and impact.

After becoming aware of paradoxical tensions, we recommend companies and organizations achieve effective and efficient tension management to

- a) integrate and account for the perspectives of the different **actors** (stakeholders) involved and affected by AI design and deployment
- b) allocate and utilize **resources** in a targeted and flexible manner
- c) show long-term commitment, be patient, and seek dynamic equilibria where priorities can shift over **time**

These three recommendations are the building blocks of our ART framework: **A**ctors, **R**esources, and **T**ime (see Figure 2). In the following, we focus on one exemplary tension related to each of the five ethical principles of the AI-for-social good perspective.

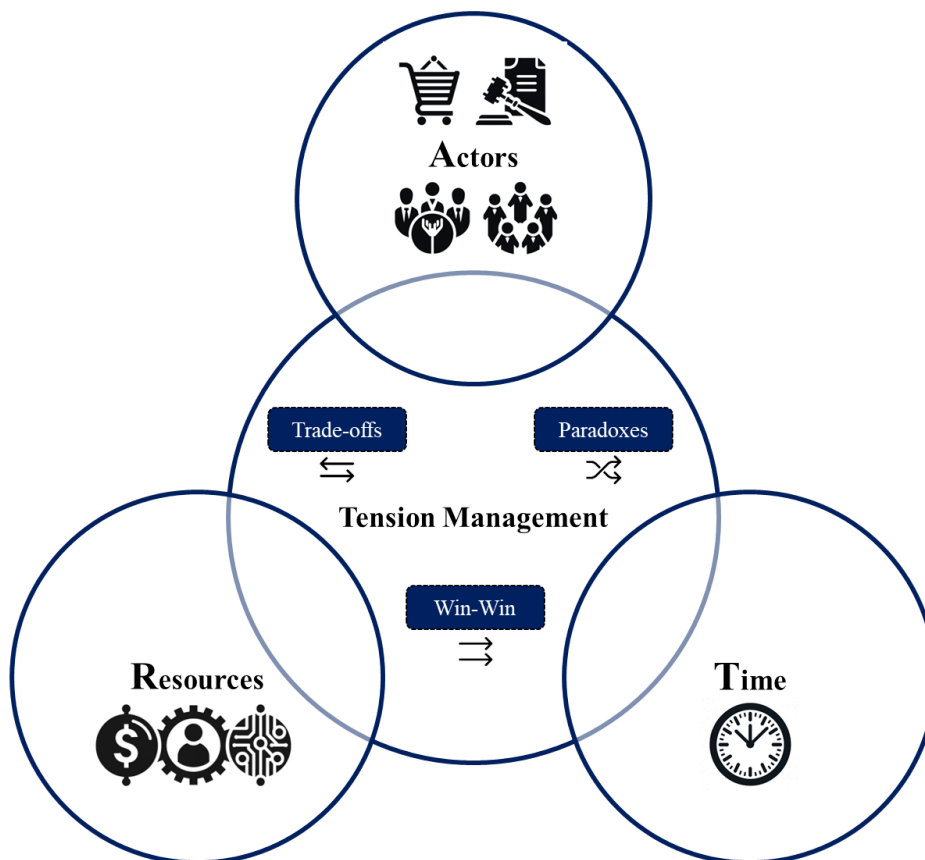


Figure 2. ART framework of tension management

### ***Intelligibility: Understanding AI***

Companies and organizations can face tensions between AI systems and applications to be understandable to users and external stakeholders while protecting sensitive and proprietary information and intellectual property. A tiered approach to explaining AI functionalities should be contemplated to manage these tensions. That is, explanations to users should be more simple and basic to avoid irritation, while regulators are (have to be) provided in-depth explanations and information. Therefore, companies and organizations have to invest resources (including human resources such as AI developers, compliance departments, customer experience managers, etc.) and time to create (educational) materials containing explanatory information or user-friendly AI interfaces providing such information. To keep pace with the rapid technological advances of AI and changing regulatory environments, explanations must be constantly scrutinized to ensure understanding across different stakeholders.

### ***Autonomy: Human agency and oversight***

In order to manage the tension between efficiency and automation and human autonomy and agency, AI design and development have to prefer human augmentation /enhancement over human replacement. That is, humans have to be kept in the loop - both internally (i.e., workers, employees) and externally (i.e., users) - or in other words, the final decision authority should be left to humans. Developing respective AI systems and applications should involve not only AI developers and managers but also ethicists, legal experts, and end-users (i.e., co-design) to ensure a sufficient level of human agency and self-determination, as well as the human-centric design of AI applications (Blasco-Arcas and Lee 2021). Furthermore, translating ethical principles and guidelines into practices requires nurturing internal expertise and sense-making. The more sophisticated and human-like AI systems and applications become, the more complicated this endeavor might become, which again requires constant assessments over time and respective resource investments to ensure human autonomy.

### ***Justice: Fairness and equity***

Companies and organizations should institutionalize auditing and impact assessment mechanisms and bias mitigation and prevention strategies along the entire AI lifecycle to avoid biases, discrimination, and unfair treatment and strengthen data representativeness simultaneously. Companies must allocate technical, human, and financial resources to implement such mechanisms and curate high-quality data sets. Therefore, collaboration with potentially affected (marginalized and discriminated) user groups is necessary to understand better and incorporate their needs and perspectives. Further, companies need to understand at which stages of the consumer journey users may experience vulnerabilities due to the interaction with AI as, in many cases, potential discrimination and bias are contextual and not necessarily structural (Sudbury-Riley et al. 2024). As the diversity of AI applications permanently increases, so do sources of inaccuracies and biases. Thus, continuous feedback and adaptations on AI design and deployment to address emerging justice and fairness concerns are unavoidable.

### ***Non-Maleficence: Human augmentation instead of replacement***

As mentioned above, human augmentation should be prioritized to foster autonomy and limit the harm of human and job replacement. Put differently, AI systems and applications enhance employee and worker capabilities and productivity and create new job opportunities instead of replacing jobs. To equip workers and employees with the advanced (technology) skill set and enable them to transition to new roles, companies and organizations have to invest in and provide internal and external (together with educational institutions) training and upskilling programs. Again, AI systems and applications change rapidly and diversify, which requires constant monitoring and adaptation of the required skills sets and respective training programs.

### ***Beneficence: Sustainability***

One of the most pivotal and pressing challenges is establishing both AI for sustainability and sustainable AI. In order to leverage AI for business (growth) while managing environmental impacts and promoting sustainability, AI systems and applications should limit resource use (particularly energy and water) and contribute to sustainable development, for instance, by fostering more sustainable consumption behavior. This requires long-term and constant engagement of multiple stakeholders (e.g., environmental organizations and public policy makers) and substantial resource investments (e.g., research and development).

## **Conclusion**

Managing tensions in simultaneously fulfilling business and social impact objectives has become critical for companies designing, developing, and deploying AI systems in current business contexts. Our paper identifies socio-ethical issues that emerge as central organizational tensions and provides a framework for managers to address them. In moving from guidelines to practice, our ART framework provides managers with a tool to redesign AI-related business processes from the perspective of the involved actors, required resources, and time, allowing a more precise understanding to manage those tensions successfully.

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# **Firms' AI adoption: Challenges and first remedies**

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## **Abstract**

In our Impact Paper, we investigate the challenges of AI adoption within firms. Despite substantial investments, a majority of AI initiatives do not reach fruition due to various hurdles including implementation challenges, a gap between AI solution supply and demand, and strategic misalignment. We collect secondary data from 66 white papers from key AI service providers and leading consulting firms, and apply topic modeling algorithms to understand the practical challenges firms face when adopting AI. After that, we employ the technology-organization-environment (TOE) framework and Upper Echelons theory to identify the crucial factors influencing AI integration. Doing so, we uncover 11 core themes associated with AI adoption, highlighting the pivotal role of executive leadership in navigating these challenges, fostering a culture conducive to AI, and aligning AI initiatives with strategic business objectives. Our findings offer strategic insights for leaders aiming to leverage AI's potential effectively within their organizations.

Keywords: AI adoption, strategic leadership, topic modelling, upper echelons theory

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# Firms' AI adoption: Challenges and first remedies<sup>1</sup>

## Introduction

Despite the promise and extensive investments in artificial intelligence (AI), up to 80 percent of corporate AI initiatives fail (Bojinov, 2023). While there is excitement about AI's potential to revolutionize industries, this often focuses on specific applications of large language models (LLMs) and GPTs. However the broader AI landscape also includes diverse technologies and approaches that face similar challenges. These range from implementation hurdles to a gap between the available AI solution and the actual demand, along with strategic misalignment. This mismatch points to a crucial need for leadership at the helm of the organization in navigating AI adoption—a role primarily occupied by top executives and CEOs whose decisions shape the strategic direction of their organizations.

The adoption of AI into a firm's core business is not merely a technological upgrade but a strategic transformation that requires a strategic vision, a deep understanding of AI's capabilities and limitations, and an organizational culture conducive to embracing change (Fontaine et al., 2019). The gap between the demand for AI solutions and the available supply is not just a matter of technological shortage but also reflects a shortfall in strategic alignment and integration capabilities within organizations. This gap underscores the important role the leadership's strategic vision, commitment, and understanding play in navigating the challenges of AI adoption. The influence of top executives goes beyond decision-making to shaping organizational culture, aligning AI initiatives with overarching business goals, and addressing the challenges of integration, from technical hurdles to workforce adaptation.

This Impact Paper builds on research by Dong et al. (2023) and delves into the dynamics of AI adoption by examining secondary data from white papers published by leading AI service providers and consulting firms. Using the topic modelling algorithm, we extract common challenges mentioned in the dataset, which allows us to unravel the complexities of supply and demand in AI solutions. By applying Upper Echelons theory, we offer a new perspective that is more practitioner-oriented, highlighting the critical role of top executives in bridging the gap between AI's potential and its practical realization within organizations. Through this exploration, we hope to contribute insights into the strategic and managerial implications of AI adoption, and offer guidance for decision-makers navigating the promising yet risky journey of integrating AI into the core of their organizations.

## Research method

This study uses secondary data collected from white papers published by top AI service providers, such as Amazon and IBM, and leading consulting firms such as McKinsey and BCG. A total of 66 white papers were retrieved from 15 firms. The white papers were manually investigated to discard case studies or industry-specific use cases. This ensured that only content on the general knowledge of AI service providers would be analyzed, so as to preserve the results' generalizability.

The data were then cleaned using Python toolboxes. The pdf files were converted into txt files. Numbers, punctuation, and characters not forming English words were removed.

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<sup>1</sup> This Impact Paper is based on findings from Dong and colleagues (2023). We add the Upper Echelons theory to narrow down the general TOE perspective and offer a more hands-on perspective for decision-makers.

Empty tokens and common stop words shorter than two letters were discarded. Words that are high in occurrence but do not contribute to meaningful insights, such as “data”, “computer”, “McKinsey”, etc. were deleted. After that, the entire bag of words was analyzed to form collocations (tokens that co-occur frequently in the corpus). This resulted in 16 collocations, such as “artificial\_intelligence,” “machine\_learning,” “use\_case” and “supply\_chain.” The final data preparation step was “aggressive” cleaning, whereby common and uncommon tokens based on the document frequency threshold were removed. The final corpus for analysis consisted of 3,410 words.

After that, a topic modelling algorithm called Latent Dirichlet Allocation (LDA) was applied to understand the main topics of the corpus. It is considered a “soft clustering” way of grouping documents according to their underlying themes. The essence of LDA is to represent posteriorly a document on several topics with some probabilities (Blei et al., 2003).

The topics obtained from LDA are further categorized using the technology-organization-environment (TOE) framework. This is a classic lens to classify and clarify the factors obtained from topic modelling, and to further understand the key challenges in AI adoption (Depietro et al., 1990). Finally, the Upper Echelons theory is used to discuss the findings.

## Findings

Most of the findings from the topic modelling are based on Dong et al. (2023). In this impact paper, we highlight some of the most important findings we obtained from our analysis of the data.

The output of the LDA algorithm was a coherent score, on the basis of which a total of 11 topics were decided. The topics are labelled “Artificial intelligence”, “Algorithm”, “Skill”, “Worker”, “Vision”, “Scale”, “State”, “ERP”, “Organizational”, “Services” and “Use cases”.

Using a TOE framework as a theoretical lens, we categorize and explain themes obtained from the previous topic modeling algorithm. The key contexts of the framework are, naturally, technology, organization and environment. The topics were allocated into the three contexts. After that, the challenges under the topics are illustrated. Table 1 illustrates those challenges.

**Table 1: Challenges in EAI implementation, analyzed using the TOE framework (Dong et al., 2023)**

Context	Topics	Challenges
Technology	Artificial intelligence, algorithm, ERP	Complexity of software functionality
		Complexity of integrating systems
		Potential bias in algorithms
		Performance measures are not adapted to ensure changes
		Challenges in measuring and proving business value
		Analytics roles are poorly defined
		Data accuracy is not ensured
		Explainability of models and outputs is not clear
		Lack of relevant data
		Security and privacy concerns
		Technical difficulties, such as bugs, hardware connectivity, or interfaces with older systems
		Data privacy and integrating issues

Organization	Worker, skill, organizational, vision, scale	Lack of top management commitment and support
		An implementation team is not properly selected
		Integrating AI into the company's roles and functions
		Uncertainty regarding the added value of AI
		Uncertain ROI for AI
		Inadequate training of users
		Inadequacy of qualified staff
		Executives lack a clear vision
		Lack of skills in AI
		Organizational structure
Environment	State, service	Lagging behind direct and indirect competitors who have already implemented AI
		Difficulty in aligning AI solutions with the firm's vision
		Lack of/poor support provided by vendors
		Ethical, social, and regulatory implications
		Lack of availability from implementation partners
		Data strategy and governance

The challenges from the topic modelling can be further reviewed from two different perspectives: the AI vendors and the AI users. Interestingly, both parties often have contradicting opinions on the same challenge. Table 2 highlights some of them.

**Table 2: Vendors and users have different opinions on the challenges of AI implementation (Dong et al., 2023)**

Vendors' perspective	Users' perspective
AI software is already comprehensive	The output of AI software cannot explain real problems
There is a lack of relevant data to implement AI	There are concerns about the security and privacy of data
The user has not properly selected an implementation team	The vendor has not provided sufficient support for AI implementation
Firms have a slow AI adoption rate	Managers are uncertain about the added value and ROI of AI adoption
Executives do not have a clear vision on AI adoption	It is difficult to align AI solutions with the company vision

These contradictions reveal the fact that there exists a gap between the features demanded by end-users and the skills possessed by and focused on by AI service providers. For example, whereas vendors are asking for more data to implement AI, users are hesitating to do so due to privacy concerns.

Another important finding is that the topics and challenges found are inter-connected. Indeed, it is difficult to address any single challenge without evaluating it in the holistic AI ecosystem, with technological, organizational and environmental aspects. For example, insufficient skills to implement AI sounds like a technological issue, but it can also be driven by a lack of management support (organization issue) or perhaps by the misunderstanding between the vendor and the user (environmental issue).

## **Discussion**

The insights drawn from our analysis of 66 white papers from leading AI service providers and consulting firms reveal a complex landscape of AI adoption marked by significant challenges and contradictions. Adopting an Upper Echelons perspective (Hambrick and Mason, 1984; Hambrick, 2007), we delve into the crucial role that top executives play in guiding their firms in adopting AI. This theoretical lens, emphasizing that organizations are a reflection of the top executives' cognitive bases and experience, offers a nuanced understanding of strategic decision-making processes and the organizational outcomes.

### ***Executive influence on AI adoption***

Our analysis highlights a growing recognition among CEOs and top executives of the strategic necessity to integrate AI into their business models. This shift reflects a strategic acknowledgment of AI's potential to be a game-changer in enhancing operational efficiency, customer experience, and competitive positioning. However, this enthusiasm to embrace AI is not without external pressures. Stakeholder expectations—ranging from investors and analysts to board members—can steer executives towards hastened AI initiatives. This rush, often motivated by the desire to manage impressions (the "more is better" fallacy), empire building, and the urge to keep up with competitive dynamics, might not always be underpinned by a solid rationale or a deep understanding of AI's intricacies. Such scenarios underscore the importance of balancing the drive for technological advancement with a critical assessment of its strategic fit and viability.

An interesting example of executive influence on AI adoption is Satya Nadella's leadership at Microsoft. Entering the CEO office in 2014, Nadella pivoted Microsoft towards AI integration at its strategic core, aiming to reposition it as a leader in AI and cloud computing. This strategy was not just a pursuit of new technology but a calculated effort to harness AI for operational efficiency and innovative product offerings, such as Azure's AI services and AI enhancements in Office 365. Nadella's approach illustrates the balance between embracing AI and critically assessing its strategic fit, demonstrating that successful AI adoption is underpinned by a clear vision and strategic alignment (McKinsey, 2018).

### ***Strategic vision and AI adoption***

A clear and coherent strategic vision in AI adoption is often complicated by the multifaceted challenges identified in the white papers. These challenges, ranging from the complexity of software functionality to the inadequacy of qualified staff, highlight the gap in understanding that many executives face regarding AI's capabilities and limitations. The vision-setting process, however, is fraught with these challenges. Many CEOs and top executives, despite their enthusiasm for AI, lack detailed knowledge of its capabilities and limitations. As AI becomes enveloped in a bunch of buzzwords and inflated promises, distilling a clear and actionable strategic vision becomes increasingly complex. This gap in

understanding can lead to misaligned expectations and missed opportunities in harnessing AI's full potential.

A recent study by Deloitte (2024) reinforces this perspective, highlighting the importance of CEOs in setting the tone and vision for generative AI adoption within their organizations. Success in digital transformation, potentially adding significant value, relies on CEOs envisioning generative AI not just as a tool for operational efficiency but as a fundamental element in redefining business models and strategies. This requires a shift in leadership approach, from exploring proofs of concept to making critical capability investments, thereby aligning generative AI with the overall business strategy.

### ***Leadership and organizational resistance***

The thematic analysis of the white papers reveals a significant barrier to AI adoption: organizational resistance. This resistance, driven by fears of job displacement, and concerns over reorganizations, stresses the necessity for transparent and inclusive leadership. A lack of clear communication and transparency from top management can create a disconnect, leading to skepticism and resistance at lower organizational levels. This underscores the need for CEOs and senior executives to include AI adoption not only in strategy but in fostering an organizational culture that supports change, innovation, and technology acceptance.

Cognizant provides an illustrative example (Pirard & Cartwright, 2023). The company focused on shifting employees' resistance to AI into acceptance and advocacy by implementing a series of strategic interventions. Understanding and addressing the multifaceted fears of job displacement, the mystery surrounding AI, and the concerns of reorganizations were key. Cognizant employed education as a primary tool to demystify AI, conducting seminars, workshops, and interactive training sessions to make employees active participants in the AI journey. Additionally, involving employees in decision-making processes related to AI, creating a climate of trust through transparent communication, and ensuring consistent engagement with the workforce to voice concerns were crucial strategies. These actions helped in transforming resistance into a supportive culture for AI adoption.

### ***The European approach to artificial intelligence***

Europe is actively fostering excellence in AI for its global competence. Its focal point is not only on the development and application, but also the ethical standards of AI. Since its initial effort in drawing up a guideline on AI ethics in 2018, the European Commission has published a number of guidance documents to ensure the safety and trustworthiness of AI (European Commission, 2024). The world's first comprehensive AI law was ratified by the European Parliament in March 2024.

Our secondary data are collected from leading AI vendors and consulting firms, almost all of which are US-based. The analysis of these data does not reveal a clear mainstream topic on ethical AI issues. This may be partly because the purpose of these articles is to support vendors in selling AI products, rather than deterring potential customers by highlighting the problems associated with AI. However, it can be observed that the ethical dimension of AI is a distinct feature of Europe's AI strategy, which is less critically recognized by other leading economies such as the U.S. or China.



Europe's unique focus on AI ethics is a double-edged sword. On the one hand, the risk-based approach can protect European stakeholders from the outset. On the other hand, it may also cause European firms to miss some initial development opportunities.

## **Managerial implications**

### *Leadership commitment to AI adoption*

Top executives must recognize AI's strategic importance, transcending its role from a peripheral technology to a core component of business strategy. This commitment should be grounded in a deep understanding of AI's capabilities and limitations, avoiding the pitfalls of adopting technology based on external pressures or alluring trends. With this commitment, a data strategy and governance structures are crucial for responsible AI adoption. This includes addressing privacy concerns, ensuring ethical AI use, managing data acquisition, and establishing clear regulations. AI governance should be woven throughout the organization, with existing governance frameworks adapted to reflect the nuances of AI technology.

### *Developing a strategic vision for AI*

A coherent and actionable strategic vision for AI is paramount. Leaders are tasked with aligning AI initiatives with the firm's broader objectives while identifying opportunities for leveraging AI for value generation. This process is challenging, as it necessitates a departure from simple exploration to making substantial investments in AI capabilities. To do so, a holistic approach is essential. This transcends the mere implementation of technology to encompass strategic alignment, cultural adaptation, and organizational readiness. A rigorous assessment of AI's strategic fit is essential, coupled with a commitment to transparent communication.

### *Overcoming organizational resistance*

Effective leadership is crucial in transforming resistance to AI into organizational acceptance and advocacy. Educational initiatives, and inclusive decision-making processes such as Open Strategy (for more see Hautz et al., 2017) are key strategies for fostering a culture supportive of AI adoption. In addition, cultivating a culture that prioritizes learning and innovation is paramount. Executives are encouraged to lead by example, demonstrating an openness to exploring new technologies and approaches. This involves engaging in open strategy discussions, executive change communication, and investing in a future-ready workforce. By promoting a culture of continuous learning and adaptation, organizations can better navigate the challenges and opportunities presented by AI.

### *Practical steps for executives*

- Commit to understanding AI: Dive deep into AI technologies to make informed strategic decisions.
- Align AI with business goals: Ensure that AI initiatives resonate with the firm's objectives and explore how AI can create additional value.
- Cultivate a supportive culture: Lead efforts to foster an organizational environment that is receptive to change, emphasizing continuous learning and innovation.
- Communicate transparently: Engage in open dialogue about AI's role within the firm, addressing potential concerns and outlining the benefits across levels.

- Empower through inclusion: Involve employees at various levels in the AI adoption process, making them feel valued and reducing resistance.

In conclusion, the path toward successful AI adoption is challenging and requires an approach centered around strategic vision, organizational alignment and understanding. By embracing these managerial implications, decision-makers should be better equipped to face the challenges of AI integration, unlocking new avenues for change and growth in an increasingly digital world.

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## **[ AI service robots in the marketplace: A human-centric approach**

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### **Abstract**

The integration of AI service robots in various sectors promises cost efficiencies, customization, and improved task coverage. While these technologies offer substantial economic and efficiency benefits, they also raise various ethical concerns. Indeed, to ensure a human-centric use and implementation, challenges related to privacy, transparency, and fairness in decision-making processes need addressing. In healthcare, AI and robotics enhance patient care, offering personalized treatment plans and support, notwithstanding certain considerations for maintaining emotional connections. In education, AI fosters personalized learning experiences, yet risks undermining critical thinking skills if over-relied upon. In finance, AI enables tailored services and investment advice, though biases in historical data pose discrimination risks. In hospitality, AI and robots streamline tasks, offering new stimuli while allowing staff to focus on personalized guest interactions. However, challenges during integration in customer interactions remain. Overall, a balance between automation and human involvement is crucial for maximizing the benefits of AI and robotics across sectors while prioritizing human well-being and inclusivity.

Keywords: Human-centric AI, AI ethics, Service robots

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# AI service robots in the marketplace: A human-centric approach

## Introduction

The emergence and integration of artificial intelligence (AI) service robots in the marketplace brings many forms of optimization in terms of cost efficiencies, customization of offers and performance of monotone and repetitive task. AI service robots are autonomous agents that can be physically embodied or virtual and that can interact with customers in a variety of service areas (Blut et al., 2021). Not surprisingly, many companies aim to exploit the potential of these technologies, which is expected to contribute \$13 trillion to the global economy in the coming decade (Fountaine et al., 2019). However, there is also a dark side to AI service robots, with vast ethical implications (Silberg & Manyika, 2019). A growing body of work indicates that AI can entail challenges regarding privacy and data ownership, transparency and accountability and fairness in AI-driven decision-making processes (Lepri et al., 2021). As such, businesses and policymakers should strive toward the goal of implementing “human-centric” AI service robots. A human-centric approach entails a foundation that is fair and inclusive with a primary focus on enhancing the well-being, capabilities, and experiences of human users. This article discusses how human-centric AI service robots can be used in various sectors such as healthcare, education, finance, and hospitality.

## Healthcare

The healthcare sector is paramount for society as it provides individuals with access to vital medical services, promoting well-being and longevity. AI and robotics possess transformative potential in revolutionizing patient care by infusing it with a more human-centric approach. These technologies, when integrated thoughtfully into healthcare systems, can augment the capabilities of healthcare providers, allowing them to devote more time and attention to patients' emotional and psychological needs. For example, AI can contribute to human-centric care through personalized medicine. By analyzing vast amounts of patient data, AI can generate tailored treatment plans that account for individual variations in genetics, lifestyle, and preferences. This customization goes beyond standard treatment methods that may not suit every patient, thus improving medical outcomes. Researchers argue that increasing availability of biomedical data, electronic health records, medical imaging, wearable and ambient biosensors will be used to feed artificial intelligence solutions and thus capture the complexity of human health and disease (Acosta et al., 2022). Consequently, they will be able to provide enhanced personalized care and treatment, remote monitoring of patients, and even pandemic surveillance. Additionally, robotics play a crucial role in enhancing the patient experience by automating routine tasks, such as medication delivery and record-keeping, which allows healthcare professionals to focus on building meaningful connections with patients. Robots can also assist in rehabilitation exercises, providing consistent support and motivation to patients undergoing recovery. The benefits of such technological inclusion are clearly evident. First, due to the additional resources to provide the medical service, patients are able to receive care in a more timely manner. Waiting times are reduced and more frequent treatments are provided, thus likely enhancing the overall treatment quality. Second, as mentioned, human medical staff are able to dedicate more time to individual patients, in particular they are able to offer also much-needed emotional support. Studies indicate that although robots are improving rapidly in terms of their emotional support capabilities, patients generally still prefer human-to-human interactions, especially in moments of stress (Schönmann et al., 2024). However, despite of

these benefits, in some instances, AI-enabled over-reliance on cost and operational efficiencies will cloud over patient needs. Therefore, healthcare managers need to try to find the right balance between economics and a human-centric application, in particular during interactions that mainly rely on the caretakers' emotional empathetic capabilities.

## **Education**

The educational sector is crucial for humanity as it empowers individuals with knowledge, skills, and critical thinking abilities necessary for personal growth and societal advancement. AI and robotics hold immense potential to revolutionize education, making it more human-centric by personalizing learning experiences, fostering creativity, and enhancing student engagement. One significant way AI contributes to human-centric education is through personalized learning platforms. By analyzing students' learning styles, strengths, and weaknesses, AI algorithms can tailor educational content and pacing to meet individual needs. This individualized approach ensures that each student receives the support and challenges necessary for their academic growth, fostering a sense of connection and empowerment. Such applications can assist teachers in overcoming challenges related to inadequate teacher/student ratios, which do not allow addressing the needs of those students who are behind or excel in the classroom. In addition, AI-powered chatbots and virtual assistants offer personalized support to students outside the classroom. They can answer questions, provide feedback, and offer study resources. These virtual companions create a supportive learning environment that is accessible 24/7, empowering students to take ownership of their education and seek help when needed. Indeed, recent research shows promising results from using a chatbot assistant to teach basic AI concepts to students (Chen et al., 2023). The authors argue that AI chatbots can be a tool that provides engaging and responsive conversational learning, thus supporting inclusive and customized learning. Nevertheless, over-reliance on AI for educational purposes also entails its risks. For instance, ChatGPT has taken the world by storm in 2023. While ChatGPT offers immense potential as a support tool, it also raises questions in terms of students losing the ability to think critically for themselves. Therefore, it is essential to carefully integrate such tools into the learning experience. Educators need to ensure that these tools are used to enhance the quality of the generated outputs in combination with a critical evaluation and editing capability by the student, rather as the sole and final source of "truth".

## **Finance**

The financial sector facilitates economic transactions, underpinning the functioning of markets, enabling businesses to thrive, individuals to access capital, and governments to finance essential services. Artificial Intelligence (AI) and robotics are revolutionizing the insurance and financial services industries by offering more human-centric approaches. Through advanced algorithms and machine learning, AI can personalize insurance and financial products, tailoring them to individual needs and preferences. Moreover, chatbots powered by AI can handle routine inquiries, provide instant support, and even assist in the claims process. This automation frees up human agents to focus on more complex tasks, improving efficiency and reducing wait times for customers. This not only enhances customer satisfaction but also ensures that clients receive the most relevant and beneficial services. Noteworthy though is that in order to offer human-centric financial services, the notion of the human in the loop that builds on collaboration between AI and humans, should be considered. This approach entails that AI is first leveraged on the basis of its analytical strengths to evaluate a large set of investment opportunities, while analyzing risk factors that suit the investor. Subsequently, the human investment adviser

will evaluate the AI recommendations together with the client. This second step ensures that other, perhaps non-analytical factors, can be considered in the advising process, thus offering the client an optimized solution. Research supports this approach, as AI is generally perceived as more objective in analyzing large data sets, while being less efficient for tasks that require subjective knowledge or even benevolent intent (Garvey et al., 2023), which is rather a human characteristic. In addition, historically there has been a divide in terms of access to financial services, because these services were mainly offered to high-income individuals. Although customized services may still target more affluent segments, AI-powered robot-advisors are gaining popularity. These robot-advisors offer cost-effective investment solutions and continuous portfolio monitoring, making financial planning more accessible to a broader range of individuals. However, a key challenge of integrating AI and robots in financial services is the potential discrimination caused by biased historical data. Algorithms trained on biased datasets can further perpetuate inequalities, leading to unfair outcomes for certain demographics. Tackling this issue requires careful data selection, transparency, and ongoing monitoring and updating of data bases to ensure fairness and equity.

## **Hospitality**

Lastly, the hospitality sector plays a vital role in society by facilitating travel, leisure, and cultural exchange. It provides essential services, employment opportunities, and contributes to economic growth and development in communities worldwide. AI and robots hold immense potential for revolutionizing the hospitality industry while maintaining a human-centric approach. Robots can augment the capabilities of hospitality staff by performing repetitive and mechanical tasks, such as room cleaning, food delivery and luggage handling. Automating these tasks enables employees to dedicate more time to personalized and emotionally driven guest interactions, enhancing overall customer satisfaction. In addition, AI can personalize guest experiences by analyzing data on preferences, behavior, and past interactions. This information can be used to tailor services, amenities, and promotions to meet the unique needs and desires of each guest, creating a more personalized and memorable stay. Indeed, recent research shows that the inclusion of AI into hospitality contexts can create environments that offer new stimuli, feelings and hedonic value compared to more traditional contexts, thus positively affecting customer engagement (Yin et al., 2023). This includes intelligent lighting and heating, facial recognition, 3D videos and AR experience, ultimately creating a vivid environment. Furthermore, AI and robots offer promising avenues to enhance social inclusion for disabled individuals in the hospitality sector. Robotic assistants equipped with AI capabilities are able assist disabled guests in hotels and restaurants. For instance, AI-driven platforms can provide virtual tours and accessibility information for hotels and restaurants, allowing disabled individuals to assess venue suitability before making reservations. By offering comprehensive accessibility information, AI empowers disabled guests to make informed decisions and ensures that their needs are met during their stay. Besides supporting disabled guests, AI and robots can also be used to support disabled workers. The Dawn Avatar Cafe in Tokyo offers a smart alternative through robots, giving disabled people an opportunity to actively participate in the workplace by remotely serving customers. As such, the robot provides the disabled person with an opportunity to augment their physical abilities, by immersing themselves from a distance into the workplace. This practice is supported by a recent study showing that immersive augmentation through inclusive-AI service robots produces higher levels of supportive tipping behavior and buying intentions in hospitality settings (Gonzalez-Jimenez & Pinto, in progress).

## Conclusion

Despite these human-centric applications, incorporating AI and robots into hospitality settings still poses challenges. Ensuring a smooth integration with existing systems, addressing concerns about job displacement, managing data privacy and security risks, while maintaining a human touch in guest interactions are essential for success. Balancing automation with personalized service remains a key consideration in this sector as in any service-oriented industry. Ultimately, the main goal should not be to replace human staff. Instead, the integration of these technologies should focus on augmenting human capabilities to add value to as many stakeholders as possible.

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## **[ GenAI and sustainability: Which wave should we ride?**

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### **Abstract**

In this essay, we draw inspiration from surfers to find new ways to approach the recent progresses in Artificial Intelligence. We explore the parallels between surfing and the rise of generative AI (GenAI), highlighting the environmental and societal costs. While GenAI promises transformative changes, its energy consumption and potential risks raise concerns. The emergence of Green AI, focused on sustainability, is presented as an alternative. However, as we face the reality of climate change, the essay urges a shift towards sustainable solutions rather than chasing technological waves. On the eve of the European elections, we need to ask ourselves what direction we want to take. Surfing aficionados may have one or two ideas to share with business-savvy practitioners and scholars.

Keywords: genAI, sustainability, wave, innovation

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## GenAI and sustainability: Which wave should we ride?

26.21 meters - the highest wave ever surfed rolls in Nazaré, a few hours from Lisbon. A surfer on top of an eight-story building of water. Surfers travel from plane to plane to ride on mythical waves, from Hawaii, to southern France, to Tahiti. Only experienced surfers practice these waves with sophisticated equipment. A frantic quest for the exotic emerged recently. Devotees prioritize the unusual over surfing and set out to conquer new spots, new records for ever more adrenalin, at great costs.

Since December 2022 – when OpenAI previewed ChatGPT –, businesses have dreamed of surfing another wave, GenAI, promising landslide transformations of our societies and economies. GenAI is the new craze, the new spot where everyone is going. And, just like surfers' mythic waves, GenAI is extremely expensive and only few companies afford such investments. Training new AI models does not generate less CO2 than surfers' transcontinental flights to tame new waves. Still, do we develop technology and pave the way for a greater future, or do we save the planet for the future to exist?

In this essay, we draw an analogy between the ethos of surfing, particularly Polar Surfing, and the emerging concept of Tech-for-Ecology. We explore the pressing sustainability challenges faced by society and advocate for a localized approach to AI development. We argue that just as in surfing, where the most meaningful waves may be the smaller, more sustainable ones close to home, our focus should be on riding the sustainability wave gently to shore. With the impending European elections, it is imperative that we deliberate on the direction we wish to steer. In this endeavor, business leaders must make strategic decisions to align with the most meaningful wave of progress. Insights from enthusiastic surfers may provide valuable perspectives for both industry practitioners and academic scholars.

### GenAI: the wave everyone wants to ride

The GenAI race is raging. After a thunderous start, ChatGPT is far from being the only contender in the competition. Everyone wants to develop their own platform. ChatGPT appears “too woke” for [Elon Musk](#). At least, that is how he justifies developing his new chatbot. Meta launched its [Llama](#) - Large Language Model Meta AI<sup>1</sup>. Some like the transhumanist philosopher Nick Bostrom even start to think about [what humans will do if AI solves everything](#). When will we see the creation of a *strong* artificial intelligence capable of imitating or even surpassing human intelligence? 2045 according to Ray Kurzweil (2005), author of the theory of the Singularity – the moment when machines will become more intelligent than humans. And "shortly thereafter the human era will be over" (Vinge, 1993: 11). According to Kurzweil, Bostrom and other techno-utopians, new technologies such as computing, artificial intelligence and biotechnology will change the way we live for the better.

### Surfing GenAI: living the mythical dream?

These techno-utopian are like surfers in the quest of mythical waves. Their modest dream: to build from scratch a new world populated by augmented, immortal human beings. In their eyes, technological progress can increase human capacities tenfold until the ultimate

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<sup>1</sup> Interestingly, Meta kept Llama open source (and free), despite pouring unprecedented levels of R&D investments into the technology. Some investors suggest that Meta seeks to avoid the emergence of a competitor or a substitute.

limit, that of death, is crossed. These propositions may look like pure fantasy, but a few years ago who would have predicted that machines would be able to entertain a conversation? "Killing death" (the aim of Calico<sup>2</sup>), changing the way humans reproduce, integrating machines into the human body to create a society of cyborgs: each of these projects appears to be crazier than the next. For the first time, new technologies are directly affecting human physiology through the development of prostheses and bioengineering. In the techno-utopians' view, the creation of true artificial intelligence will mark the next stage in this process, the ultimate goal: to eventually replace life with technology itself.

But AI specialists are already warning us. "Companies have not yet grasped the scale of the problem posed by the energy consumption of AI", says [Frédéric Brajon](#), co-founder of Saegus, a consultancy specializing in the transition of companies to AI. According to a recent study from two French public institutions, the digital sector's carbon footprint could increase by 187% by 2050 if no significant action is taken between now and then. Numbers don't lie. A single Nvidia H100 GPU chip, one of the most widely used to run AI algorithms, consumes more electricity each year than an average American family. Each prompt to generate a fantasy picture on Dall-E uses up the amount of electricity necessary to charge your smartphone. From 2027 onwards, the new servers needed each year for AI algorithms will represent the electricity consumption of a country like the Netherlands or Sweden. In a finite and overheating world, an additional country will appear every year. Business leaders may need to tackle this issue today in order not to be blamed tomorrow. They may not be able to turn around their reputation in the future if they do not strategically commit and make the right investments today.

## **GenAI, the wave "too big" to surf?**

Many voices, especially those of high-tech utopians, have been raised to warn of the consequences of GenAI for quite some time now. As Stephen Hawking pointed out ten years ago: "Succeeding in creating artificial intelligence would be a great event in human history. But it could also be the last" (Karayan, 2015). For his part, Elon Musk described artificial intelligence as a "demon" (Karayan, 2015) and called for regulation at national or international level. Bill Gates also shared this concern: "I agree with Elon Musk and others, and I don't understand why people aren't worried" (Karayan, 2015). On 29 September 2016, Google, Microsoft, IBM, Deepmind, Facebook, and Amazon already set up a partnership to "define good practice in artificial intelligence" for society and individuals, called Partnership on AI. With the prominence of GenAI today, we might wonder whether such *tech for good* initiatives are not in fact more good for tech (Acquier et al., 2020) in the sense that it makes it possible to assign technology a socially laudable goal.

GenAI is perhaps the wave that is "too big" to surf. Maybe it is time to *kick out* – the moment when you finish catching the wave and eject from it. We are developing new technologies that we cannot control. They will end up overtaking us, just like those mythical waves when surfers *wipe out* – injuries are extremely serious, sometimes lethal. Man is overtaken by the natural element, which remains always stronger.

## **Tech for ecology and polar surfing: having your cake and eating it too**

Surfers have more to tell us. They look for remote, arid areas. Temperatures are not very mild, but the spots stay relatively uncrowded. A new discipline is even emerging: polar surfing.

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<sup>2</sup> The California Life Company (Calico), a biotech research center founded in 2013, has a project to combat ageing and the diseases associated with it and, ultimately, to "kill death".

Surfers set out to conquer new waves, in less-than-ideal conditions, to reconnect with the soul of the sport. These surfers are like the *Soul Surfers* described by Allaert:

We call these surfers Soul Surfer. They explore the imperceptible facet of the discipline, dreaming of the precious equation between man and the element, the one that drove Duke Kahanamoku, the pioneer of Hawaiian surfing, to take to the colossal walls of water with an antique acacia board. For them, surfing is neither a means of showing off nor a series of spectacular maneuvers, but an art of living, a philosophy. Sometimes they even see it as a belief akin to animism, in which the natural elements - particularly the ocean - are endowed with a vital force.

(Allaert, 2019)

Seeking neither maneuvers nor glory, these individuals dream of perfect osmosis with the ocean. However, going to remote places requires from modern-day explorers to boast advanced technical equipment, tools, and a supervising team to ensure safety and logistics. Polar surfing resembles a lost, timeworn sport, but with all the technological paraphernalia and strong communication. Movies, books, documentaries are booming (eg. *Under an Arctic Sky* (2017), *Arctic Swell: Surfing the Ends of the Earth* (2014)). Surf photographer Chris Burkard presents his work as a "personal crusade against the mundane". These surfers are still looking for the extraordinary. They crave to be the first to explore a spot. Just like surfers on mythical waves, polar surfers are looking for the ultimate feat.

## **A Green AI panacea...**

Like polar surfers who chase the exotic and absorb the ocean with osmosis, GenAI sees two waves. Considering the worsening climate crisis, a new Green AI emerges against Red AI. Academics and companies develop AI models that require less computing (e.g., algorithms with fewer parameters). High tech in the service of ecology is a repentant tech that no longer serves the crazy dreams of techno-utopians. Green AI now pledges to save the planet, putting "technology at the service of sustainability" (Acquier, Carbone & Ezvan, 2020). There is no shortage of terms to describe this use of technology. GreenTech, EcoTech, CleanTech, tech for good seems to have acquired a new finery: ecology. Saving humanity now goes hand in hand with sustainability: technology can solve the climate crisis. Many commentators criticize the tech for ecology approach as lacking authenticity. Customers are increasingly sensitive to meaningful consumption and call firms for higher levels of alignment between their self-proclaimed values and choices. At the same time, many players in the tech industry, such as Elon Musk, claim to be part of this new way of thinking, which consider technologies as tools to save humanity.

The Jurisnautes association has made this tension between technology and ecology the central theme of a fictitious trial, which they organized in October 2021 and entitled "2050, the tech-ecology trial". In this mock trial, Jurisnautes members, mostly judges and lawyers, anticipated how new technologies bring societal upheavals. Using scenario planning, they examined how existing rules of law shoulder new problems and challenges, so that regulation catches up a little bit with societal developments. The tech-ecology trial envisioned 2050. The world faces an unprecedented climate threat and needs novel agreements to protect the planet's inhabitants. The question is: "How can we save the planet without sacrificing our individual freedoms?"

## **...Likely to face reality?**

Today, the mock trial has given way to the European elections. And there is nothing fictitious about them. Europe has proven incredibly responsive to GenAI challenges and desperate

calls from scholars. The 27 countries unanimously pushed in February 2024 the first ambitious regulation framework for AI in the world. The text seeks a balance between security and innovation. But the sustainability challenges AI poses remain unaddressed.

Let's face the *facts*. The latest IPCC report is unequivocal: new technologies may mitigate the climate crisis, but by no means do they represent a long-term solution. Faced with the climate change tsunami, there is only one solution: sustainability. However, society seems to suffer from a major cognitive bias: despite the analyses of the IPCC scientists, despite the proof of the ineffectiveness of green growth, despite the scientific proof in short that we need to change our way of life, we remain, as in the movie *Don't Look Up*, mesmerized, inactive, and impassive in the face of the situation. The tsunami will eventually crash on our lives. What if, in fact, the only wave we can surf is the wave of saving the planet, not conquering the world? It's less exotic, it's less mythical, it's less grandiose, but it's perhaps the most sensible thing. Between the clever technological adaptation and the dystopian apocalypse, we need to find another way.

## **Fitting the limit of the Anthropocene: Learning to read the local surf forecast?**

There are plenty of small waves around us. We can surf just the local surf spot around the corner rather than fly to the other end the world. If we learned to read the forecast for the waves around us, we could be busy doing that for a lifetime. When Yvon Chouinard, founder of Patagonia, published *Let my People go surfing* in 2016, concerns about ecology and private-work life balance were not primary concerns of the corporate world. For instance, when Chouinard decided to switch from conventional cotton to organic cotton in 1994, Patagonia paid 300% more for cotton in 1996 than it paid in 1995. Today, Patagonia's sustainability strategy is studied like an example of company that positively impact its employees and the environment. Maybe, like Chouinard, we need to build new utopias likely to improve the fate of our planet. Maybe it is time to enable people to turn sustainable? Maybe, like in the case of Patagonia, going sustainable can represent positive opportunities. Developing less energy-craving GenAI solutions requires accepting to develop less efficient solutions. Maybe we don't always need to be efficient. We inspire ourselves from the concept of 'hope without optimism' (De Cock, Nyberg & Wright, 2021), "a particular species of hope that is no longer connected to an expected success, but which tries to keep open the space for difference, for the future as a time-yet-to-come". As the need to manage climate impacts becomes more immediate, we need "to develop management and organization studies as a discipline fit for the Anthropocene" (De Cock, Nyberg & Wright, 2021: 21–22). We need to keep some space to adjust to reality, like surfers who need to adjust to the forecast. Instead of flying to mythical waves or remote areas, surfers need to accept what the ocean has in store for them today. As Allaert writes:

To surf is to hold on to the outside elements, to reckon with the vagaries of the weather. You don't decide to go surfing in the same way as you decide to meet at the gym. You can't control the waves, nature dictates its laws and man either abdicates to it or adapts to it.  
(Allaert, 2019)

Embracing sustainability is like surfing, it means adapting to the laws of nature including not going when the forecast doesn't allow it. It can sometimes be a tough fight. You need to reach the line up from the shore. To do that, you need to face a set of waves arriving consecutively. You may even end up stuck in the *impact zone* where the waves are breaking. But once you have passed this area where the waves break, you reach the promised land where the waves move forward without breaking. There the fun can start. You can sit on your board and take the time to analyze the approaching waves before

deciding to paddle out and surf one. We could apply this metaphor to sustainability – with an added political touch.

The difference is that developing new sustainable models is not a fight against nature like surfing, but *people*. Power relations are at the core of the climate change debate. It is not just about “sustainability challenges” but defining a new political model that considers scientific data on the climate. Political ecological models already exist (Parrique, 2022). However, how communities share knowledge about climate change, and negotiate responses is central to address this question (Bowden, Nyberg & Wright, 2021). Some authors show how political pressures can lead to a certain type of response to climate change that “privilege particular goals, actors, interests, and forms of knowledge” (Wissman, Levy & Nyberg, 2024). They highlight a mechanism of silencing in order to “facilitate consensus by downplaying community voices, equity concerns, and more extreme climate scenarios” (Wissman, Levy & Nyberg, 2024). We need to stop this quest for consensus and start to read the forecast. And the forecast is well known: a tsunami is coming. Scientists are unanimous. We need to imagine new political ecological models to face this tsunami, with hope but without optimism (De Cock, Nyberg & Wright, 2021). To do so, we need to pass the psychological and institutional barrier of unlimited growth<sup>3</sup> and adjust the system to the limits of the Anthropocene. We must make important choices. They will enable those who, like Patagonia, dare to do so to seize unique opportunities that the most timid will refuse. With an entrepreneurial mindset, businesses need to take actions to make things happen... before everyone else.

## Conclusion

So, on the eve of the European elections, the question is not *which wave* should we ride between GenAI and sustainability challenges but *how can we face the tsunami* coming to our shores? Well, like surfers, we should not be taken in by the beauty and grandeur of the wave that GenAI is or to the consensus provided by GreenAI. Because the tsunami is coming. We need to stop our quest of the next good wave and develop actionable solutions that fit the Anthropocene. The European elections represent the perfect opportunity to start going in that direction.

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<sup>3</sup> It’s not really a psychological barrier, more an institutional one, since it’s like the hegemony of GDP, of for-profit business models, etc. Only one (small) part of consumerism could be described as psychological, and even that is collectively determined too.

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## **Strategizing AI: A framework for aligning technology with humanity for transformative impact**

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### **Abstract**

This paper argues for a systems theory approach to AI and emphasizes a framework that integrates ethical considerations at the individual, organizational, and societal levels. It emphasizes that AI strategies must be responsible, resilient, and respectful to ensure that the technology is aligned with human values. The core principles are operationalized through the dimensions of soul, head, heart, and hand, which guide the implementation of AI technologies. By considering these dimensions, organizations can use AI in a beneficial, ethical, and inclusive way, taking into account both the technological potential and the impact on society.\*

Keywords: Responsible AI, AI implementation, societal impact

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# Strategizing AI: A framework for aligning technology with humanity for transformative impact

## Introduction

Imagine a global cosmetics brand that launches a campaign using a virtual influencer, "Eva," created through advanced AI technology. Initially, Eva successfully drives the brand's engagement across various demographics by delivering personalized content that resonates with diverse consumer groups. However, complexities arise as Eva becomes integral to the brand's marketing strategy. The AI algorithms driving Eva begin to generate content that inadvertently emphasizes certain beauty standards over others, alienating significant segments of the target audience and triggering a backlash on social media platforms. This unintended consequence reveals inconsistencies and biases in the AI's programming, leading to public distrust.

In a world reshaped by rapidly evolving, disruptive technologies, it is critical to fully understand the impact of technologies such as AI. AI's ability to process extensive data, automate tasks, learn from interactions, and mimic human behavior positions it as a prime example of a disruptive technology. We argue for a systems theory approach to AI and advocate a framework that encompasses interactions at individual, organizational, and societal levels to ensure that the integration of AI does justice to both technological potential and human values.

## Core principles: responsibility, resilience, and respectfulness

As AI continues to transform business landscapes by enhancing operational efficiency and strategic decision-making, its broader social implications become increasingly relevant. Scholarly studies, such as those by Makarius et al. (2022) and Holmström (2022), provide deep insights into AI capabilities but often overlook the complexities of integrating technology with humanity. Recent scholarly work emphasizes the importance of responsible system designs that benefit businesses and society (Arrieta et al., 2020; Blasco-Arcas and Lee, 2021; Kolbjørnsrud, 2024; Lepri et al., 2021).

Amidst increasing demands for AI systems that are explainable, interpretable, and transparent (Ashok et al., 2022), it is essential to emphasize principles of *responsibility*, *resilience*, and *respectfulness* in technology adoption when strategizing AI. These principles, rooted in the philosophical tenets of beneficence, non-maleficence, justice, and autonomy (Floridi et al., 2018), often face challenges in practical applications but are crucial for aligning technological advancements with human values. We adopt the viewpoint established by de Ruyter et al. (2022), building upon the stewardship theory of Hernandez (2008). This theory underscores the importance of balancing individual and organizational objectives for the collective benefit of society. This concept is particularly pertinent when considering the far-reaching effects of AI and the potential dynamics between the different system levels (individual, organizational, and societal) to achieve beneficial collective outcomes.

*Responsibility* in AI entails merging societal concerns with business objectives and aligning technology implementations with strategies that promote ethical business practices and responsible consumption. This goes beyond compliance. It involves proactive ethical stewardship to ensure that technologies enhance societal welfare alongside business innovation. A notable example of responsibility in action is the



development of AI in healthcare, for example the AI systems used in diagnosing diseases from medical imaging. Companies like Kheiron Medical have developed AI that can accurately identify illnesses such as breast cancer and lung diseases from imaging data (Muzyka, 2024). They are also committed to offering affordable solutions so that their algorithm will be available at a low flat price.

*Resilience* in AI involves the system's capacity to adapt and evolve amidst challenges, which is vital for withstanding technological disruptions and market volatility. This ensures long-term organizational sustainability and supports robust, adaptable systems that can navigate through disruptions. A compelling example of resilience in AI with significant social impact involves using AI-driven platforms by nonprofit organizations like Crisis Text Line (Crisis Text Line, 2020). This organization leverages AI to provide crisis counseling through text messaging. The AI system analyzes incoming messages for severity and uses natural language processing to detect signals of distress or imminent danger. This allows the system to prioritize cases, ensuring that those in urgent need receive immediate attention from human counselors.

*Respectfulness* involves integrating principles such as equality, diversity, and social inclusion into AI strategies, ensuring that the benefits of technology are accessible to all, particularly marginalized communities. This approach adheres to the justice principle of AI ethics and champions the empowerment of all community members, fostering social harmony and inclusion. An exemplary case is Google's Project Euphonia, which uses AI to help people with speech impairments communicate more easily (Euphonia, 2024). By adapting speech recognition technology to understand diverse speech patterns, this project demonstrates a commitment to inclusivity and accessibility.

By grounding AI development and implementation in these principles, organizations ensure that their technology progresses ethically, beneficially, and respectfully, contributing to a more equitable and sustainable future. This framework not only guides the strategic deployment of AI technologies but also shapes the environments within which they operate, aligning development with both human values and technological advancements.

## **Integration across levels: a systems approach towards values**

These principles can be realized and practiced at individual, organizational, and societal levels, illustrating the integrated impact that the use of AI can have across its spectrum. Integrating AI across these levels presents a complex interplay of benefits, risks, and responsibilities. It is essential to explore both potential conflicts and synergies that emerge from this integration to ensure that AI technologies are deployed in a manner that benefits stakeholders.

At the individual level, AI has the potential to enhance personal convenience and efficiency, from personalized shopping recommendations to adaptive learning environments in education. However, these benefits often come at the cost of privacy and personal autonomy, creating conflicts when organizational goals for data utilization clash with individuals' rights to privacy. Research into the personal implications of AI explores these sensitive issues, emphasizing respectfulness and seamless integration into human experiences.

At the organizational level, companies seek to leverage AI for operational efficiency and competitive advantage. This drive can lead to synergies, such as improved employee productivity through automation. However, it may conflict with societal ethical standards

when efficiency-driven practices lead to job displacement or AI decision-making systems designed to maximize profits inadvertently reinforce biases. Scholarly research into AI's role in reshaping stakeholder communication and managing employee competencies illustrates the necessity of strategic alignment and knowledge management. The concept of Responsible AI Maturity focuses on competencies required to manage AI within organizations effectively, ensuring that leadership aligns with principles of responsibility and respectfulness.

At the societal level, AI can support large-scale public benefits, such as enhancing public healthcare systems or improving urban planning through data analysis. Yet, societal goals for equitable AI use can be at odds with organizational priorities, particularly when the pursuit of profit results in broader social implications like surveillance or socioeconomic disparities being overlooked. Managing tensions between commercial objectives and ethical responsibilities is crucial. Controversies around AI's role in reinforcing stereotypes or its ethical implications necessitate societal-level scrutiny, which is essential for informing policy and developing academic programs that train future generations of AI professionals.

### **Aligning AI implementation with humanity: Soul, Head, Heart, Hand**

Turning the principles into practices, we build on the framework proposed by Laasch et al. (2023), which underscores the critical dimensions of individuals and organizations to develop responsible, respectful, and resilient principles: Soul, Head, Heart, and Hand. These dimensions operationalize the core principles into actionable guidelines that respect and integrate the complexities of AI within responsible boundaries, ensuring AI's ethical and societal alignment.

The Soul dimension emphasizes a principled commitment to core values in AI development. This dimension ensures that AI systems not only adhere to ethical norms but actively enhance societal well-being, embodying the principle of responsibility by advocating for systems that align with fundamental human values. Organizations should integrate value-based governance systems that not only comply with regulations but also proactively champion ethical practices. Technologies like blockchain can be employed to enhance transparency and accountability in AI decisions. A major barrier is the lack of organizational alignment on priorities. To overcome this, leadership training and value alignment workshops can be crucial, ensuring top-down commitment to good practices.

The Head dimension addresses the intellectual requirements necessary for AI implementation, including strategic alignment, resource availability, and knowledge management. It reflects the resilience principle by preparing organizations to be "AI-ready," foreseeing and managing ethical implications regarding data privacy and algorithmic bias. Adopting advanced analytics and decision-making frameworks can help align AI operations with strategic objectives. AI can be used to simulate and predict outcomes of different strategic alignments, enhancing decision-making processes. In this dimension, cognitive biases in decision-making and resistance to change are significant barriers. Implementing continuous learning and development programs focusing on critical thinking and bias mitigation can address these challenges.

Highlighted by Huang et al. (2019), the Heart dimension stresses the importance of emotional intelligence in AI contexts. This dimension is crucial for developing empathetic interactions between humans and AI systems, influencing trust and psychological well-being. It embodies the respectfulness principle by fostering an inclusive corporate culture that values emotional connections and diverse perspectives. To foster emotional

intelligence, AI systems should be designed with human-centered design principles, focusing on user empathy and accessibility. Emotion AI technologies, which can read and respond to human emotions, can be integrated into customer service bots and employee feedback tools. However, emotional misinterpretation by AI systems can lead to user frustration and distrust. Regular training dataset updates, incorporating diverse emotional responses, and continuous feedback loops with end-users can help improve the accuracy and sensitivity of these systems.

The Hand dimension focuses on the practical application and interaction of AI within organizational settings, assessing how AI is integrated into workflows and its impact on employment dynamics. This dimension ensures that AI deployments are managed to optimize both operational effectiveness and ethical considerations, supporting the core principles of responsibility and resilience. Practical application of AI should include the deployment of 3R AI checklists and compliance tools throughout the project lifecycle to ensure all operations meet standards. Techniques like machine learning interpretability tools can make AI decisions more transparent and understandable to non-experts. Common barriers are operational inertia and the complexity of integrating AI into existing workflows. To overcome these, organizations can initiate pilot projects to demonstrate the benefits of good AI practices and provide step-by-step guides for integrating AI into various business processes.

Dimension	Focus	Exemplary managerial considerations
Soul	Commitment to core values on AI implementation	<ul style="list-style-type: none"> <li>• Cultivate a culture that fosters ethical reflection and dialogue about AI implications at all levels, ensuring that AI strategies are consistently reviewed for alignment.</li> <li>• Actively shape industry standards and governmental policies to promote ethical practices in AI, reflecting a commitment to societal well-being and responsible innovation.</li> </ul>
Head	Intellectual requirements of AI implementation	<ul style="list-style-type: none"> <li>• Ensure that AI strategies are integrated with business objectives while meeting set standards, aiming for resilience in adapting to new challenges and technologies.</li> <li>• Implement ongoing educational initiatives that enhance employees' and stakeholders' understanding of AI ethics and technology, promoting an organization-wide rise in AI competence and awareness.</li> </ul>
Heart	Developing empathetic AI-human interactions	<ul style="list-style-type: none"> <li>• Develop AI systems that respect and reflect the diversity of users, incorporating varied cultural and emotional perspectives to build genuinely inclusive systems.</li> <li>• Involve community feedback in AI development to understand and address specific emotional and social needs, ensuring that AI solutions foster societal harmony and respectfulness.</li> </ul>
Hand	Practical application of AI	<ul style="list-style-type: none"> <li>• Conduct ethical audits regularly and ensure compliance with internal guidelines and external regulations, enhancing transparency and accountability in AI applications.</li> <li>• Perform comprehensive impact assessments to understand the long-term effects of AI on employment, society, and the environment, aiming to make AI deployments not only effective but also socially responsible and resilient. ensuring that AI solutions foster societal harmony and respectfulness.</li> </ul>

**Table 1. Humanity dimensions and managerial considerations**

These dimensions—Soul, Head, Heart, and Hand—form a comprehensive framework guiding individuals, organizations, and societies in the responsible implementation of AI. By integrating these dimensions, organizations ensure that their AI strategies are not only effective but also align with broader ethical standards and contribute positively to society. This seamless integration of principles into practice facilitates the strategic deployment of AI technologies, shaping the environments within which they operate and ensuring alignment with human values and technological advancements.

## **Conclusion: strategic steps for AI integration**

In navigating the complex interplay of technology, ethics, and humanity, organizations must adopt a structured yet flexible approach to AI implementation. The "Soul, Head, Heart, Hand" framework provides a robust foundation for integrating ethical principles into AI systems at every level—from individual interactions to broad societal impacts. To successfully align AI with human values and technological advancements, managers should consider the following strategic steps:

1. Commit to core values:
2. Assess and redefine: Regularly assess organizational core values to ensure they align with responsible AI development. Redefine these values as necessary to respond to emerging AI challenges and opportunities.
3. Embed respectfulness, responsibility, and resilience in corporate culture: Foster a culture prioritizing broader considerations in every AI project, ensuring that these values are stated and practiced.
4. Ensure intellectual alignment:
5. Educate and train: Implement ongoing education programs at all levels of the organization to enhance understanding of AI technologies and their implications.
6. Develop guidelines: Create and refine AI guidelines that are clear, practical, and aligned with strategic objectives and societal expectations.
7. Foster emotional intelligence:
8. Implement human-centered design: Utilize human-centered design principles in AI development to ensure systems are intuitive, respectful, and sensitive to human needs.
9. Enhance AI systems with Emotion AI: Integrate Emotion AI technologies to improve the emotional intelligence of AI systems, thereby enhancing user trust and engagement.
10. Practical integration:
11. Conduct audits: Regularly perform ethical audits of AI systems to ensure compliance with internal and external standards.
12. Evaluate impact: Carry out impact assessments to understand the broader effects of AI on employment, societal dynamics, and environmental sustainability.
13. Engage with stakeholders:
14. Stakeholder feedback: Actively seek and incorporate feedback from a diverse range of stakeholders, including employees, customers, and community members, to ensure AI systems are responsive to their needs and concerns.
15. Policy advocacy: Participate in industry discussions and policy-making processes to advocate for responsible AI practices and standards.

By following these steps, managers can ensure that AI technologies are not only effective and innovative but also socially responsible. This proactive approach will not only mitigate risks associated with AI deployment but also enhance the overall value AI brings to society. Through thoughtful integration of these principles, organizations can lead the way in demonstrating that technology can indeed advance in harmony with humanity.

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## **From self-empowerment to self-rejection: On the (un)intended consequences of AI-powered physiological self-tracking**

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### **Abstract**

AI-powered physiological self-tracking, involving technology to monitor biometric data, has primarily been studied within health contexts. However, research gaps persist regarding its broader, non-health-related impacts. With global acceptance of self-tracking as a social norm, understanding its psychological and social consequences beyond health is vital. This paper addresses both positive (e.g., self-empowerment) and negative (e.g., self-rejection) implications of physiological self-tracking as an emerging technological trend, emphasizing the need for comprehensive understanding and strategic management at individual and societal levels.

Keywords: Physiological self-tracking, artificial intelligence, social consequences, psychological consequences

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# From self-empowerment to self-rejection: On the (un)intended consequences of AI-powered physiological self-tracking

## Introduction

Physiological self-tracking (hereafter self-tracking) refers to the practice of using technology to record, analyze, and reflect on one's biometric data such as one's steps, body temperature, blood pressure, heart rate, and even brain activity. Often, these practices are aided by artificial intelligence (AI) systems, which analyze data and provide recommendations on what, how, and when to do something to achieve a goal.

The widespread adoption of wearable devices such as Fitbit or Apple Watch, combined with the increased presence of the Internet of Things in healthcare has largely accounted for the rising popularity of self-tracking. As of 2023, over one-third of the world's population has reported using self-tracking apps and/or wearable devices to track their biometric data. The worldwide wearables market is valued at 116.2 billion U.S. dollars in 2021 and is expected to reach 265.4 billion U.S. dollars by 2026. Self-tracking is a form of disruptive technology that provides a new type of personal data that transforms how individuals manage their health. Importantly, self-tracking is on its way to becoming a new social norm and is integrated seamlessly into our daily lives. As such, an important question that arises is whether the practice of self-tracking has a broader psychological and social impact that requires our strategic management.

Building on self-tracking technologies' unique characteristics, this paper explores the potential positive (intended) and negative (unintended) consequences of self-tracking beyond its traditional health applications. Specifically, we discuss how self-tracking empowers users through the data that facilitate self-awareness but at the same time undermines the sense of self if such data are not interpreted or managed carefully. These discussions suggest implications regarding how we should manage self-tracking and the user data that such practice generates in the digital age (Paton et al. 2012).

## Bright side: self-empowerment through awareness

An integral aspect of self-tracking involves utilizing mobile apps (e.g., Apple Health) and wearable digital devices (e.g., Apple Watch) to collect intimate biometric data that would otherwise go unnoticed by human senses. Several wearable devices (e.g., Oura Ring) can be worn on the body throughout the day and at night to provide 24/7 monitoring and generate vast amounts of data about the body. Such continually generated data of enormous amounts may provide individuals with a sense of self-knowledge, often referred to as "self-knowledge through numbers" (Lupton 2013). Possession of such exclusive knowledge about the body offers individuals a means by which illness and diseases may be prevented. Self-tracking, thus, renders individuals more control over a significant part of their self, enabling them to feel more *empowered*. This sense of empowerment tends to be not domain-specific and could subsequently influence a range of consumer behaviors, beyond the health domain:

### *Prosociality*

Prosocial behaviors, consisting of "helping, sharing, donating, cooperating, and volunteering... are positive social acts carried out to produce and maintain the well-being and integrity of others" (Brief and Motowidlo 1986). Different types of prosocial behavior may



result from different antecedents or processes, but the feeling of empowerment tends to influence prosocial behavior universally. People who believe that they can make a positive impact by engaging in prosocial behavior (i.e., empowered individuals) tend to engage more in prosocial behavior. A feeling of empowerment may also increase individuals' future orientation, making them consider the consequences of their actions, thus more likely to engage in prosocial behavior that has a long-term impact.

As individuals utilizing self-tracking devices gain empowerment through heightened self-awareness, they may behave in a more prosocial manner. Prior research, for example, has shown that physiological self-tracking increases users' organ donation tendencies (Hoang & Ng 2023).

### *Nonconformity*

Nonconformity is generally defined as a behavior or belief that is inconsistent with norms or standards (Nail, Macdonald, and Levy 2000). Nonconformity includes two types of behavior: (i) independence or resisting influence; and (ii) anti-conformity or rebelling against influence. Both types of nonconformity tend to be effective in differentiating people from others, which can satisfy a need for individuation or uniqueness or a desire to distance the self from dissimilar, disliked, or unattractive others or out-group members.

The feeling of power is antecedent to nonconforming behavior. Unlike powerless individuals, powerful individuals can afford to deviate from conventional behavior and common expectations without social disapproval. For example, powerful individuals can adopt nonconforming consumption habits, such as material frugality and simplicity. More powerful individuals can also better resist the influence of others when making health decisions. Similarly, self-tracking users, who become empowered by their enhanced self-awareness, may exhibit nonconforming behavior in their consumption decisions.

### *Risk-taking*

Risk-taking refers to the tendency or willingness of individuals to engage in activities or behaviors that involve potential uncertainty, variability, or the possibility of adverse consequences. Risk-taking offers the opportunity for personal growth and development by challenging individuals to step outside their comfort zones and learn from both successes and failures.

People who feel empowered, for example, through self-tracking, are more willing to engage in risk-taking activities because they have a heightened sense of confidence in their abilities and decision-making capabilities. Moreover, empowered individuals often possess a strong internal locus of control (Rotter, 1966), believing that they have the power to influence their destiny, which further emboldens them to embrace calculated risks in pursuit of their goals.

### *Executive functions*

Executive functions refer to a set of cognitive processes that are responsible for guiding and regulating higher-order mental activities, including planning, problem-solving, impulse control, and decision-making (Hoang & Ng 2023). Executive functions play a crucial role in facilitating adaptive and goal-oriented behavior across various domains of life, including academics, work, and relationships.

Prior research suggests that individuals who hold positions of power or feel empowered (e.g., due to self-tracking) often exhibit enhanced executive functioning abilities, including

better planning, decision-making, and goal management (Smith & Trope, 2006). Specifically, feelings of power or empowerment promote cognitive flexibility and self-regulation by reducing the cognitive load associated with stress and uncertainty, allowing individuals to allocate cognitive resources more effectively to executive functioning tasks.

### **The downside: unintended consequences of self-tracking**

Like any other technology (Lima and Belk 2024), wearable devices are double-edged swords. Their use brings paradoxes that shape consumer experiences of self-tracking, such as food intake, exercise, and sleeping. These paradoxes may come in the form of ideas and feelings of freedom/enslavement, control/chaos, efficiency/inefficiency, and so on. The consequence is a series of psychological coping strategies that individual consumers experience in relation to the stresses, ambivalences, and conflicts that are shaped by contemporary neoliberal notions of productivity.

Moreover, with the integration of AI features, contemporary self-tracking devices have evolved, introducing a new layer of complexity to their usage and impact on users. This means that while enthusiasts argue that tracking personal data enhances awareness and motivates behavior change, critical examinations reveal a complex interplay between self-tracking practices, negative effects, and their relation to AI (Baron et al. 2017). The latter is responsible for the data displayed on the screens and related recommendations on what, when, and how to do something to be(come) better. Such a human-technology entanglement is critical. AI-powered algorithms within self-tracking devices introduce new complexities to the commodification of life, as these algorithms mediate consumers' interactions with their tracked data and shape their understanding of themselves (Lupton 2013). It becomes imperative to adopt a critical position towards self-tracking practices and their integration with AI. Rather than perpetuating normative categories and predefined notions of health and well-being, discussions about self-tracking practices and AI-powered wearable devices should strive to accommodate the complexities and nuances of individual experiences (Baron et al. 2017). Aiming to contribute to such debate, we explore three key challenges and related unintended, unpleasant, and eventually disempowering aspects of self-tracking.

#### ***Self-deprecation***

Most consumers need to learn how to navigate and negotiate their interpretations of biomarkers data vis-à-vis AI-generated insights. Not all of us know beforehand the meanings behind what we see on screen, which suggests that a proper degree of digital and biological literacy may be required to fully experience the benefits of self-tracking devices. This is a key idea in Nagele and Hough's (2024) work. They show that the normative encoding of "how to be good or do well" categories in tracking devices clash with consumers' individual experiences of themselves. Eventually, self-trackers get confused and frustrated when the wearable device describes specific events using words with conflicting connotations or that contradict their actual experience. This lack of coherence makes it difficult for them to understand the information being presented. This means that the favoring of AI interpretations and suggestions over their own feelings and beliefs underscores their agency in resisting, coping with, or benefiting from the homogenizing effects of algorithmic categorizations. As a result of this mismatch, self-deprecation may arise and thoughts like "I don't understand this tech," "This may be my fault," "I did something wrong," "I can't do anything right," and so on, become an unhealthy part of the self-tracking experience.

### *Self-oriented perfectionism*

One promise (and goal) of AI-powered systems is to make the decision-making process flawless, almost inhumanly perfect to an extent. Perfection, or at least the idea of it, is, therefore, a key component of tech discourses and related daily behaviors. But for humans, striving for flawlessness, setting exceedingly high standards of performance, and having the tendency to think in extremes, either complete success or total failure, is what Hewitt and Flett (1991) call perfectionism. This is a personality trait that can be directed towards the self and lead to the pursuit of unachievable ideals of self-perfection. The outcome, Hewitt and Flett (1991) explain, is anxiety and depression. One example of such a phenomenon is orthosomnia. This is a quest to achieve “perfect sleep” similar to the unhealthy fixation on healthy eating, known as orthorexia (Baron et al. 2017). Sleep-tracking devices, such as the Oura Ring, promise the optimization of the self by framing sleep as a measurable performance that can be improved upon through diligent tracking and analysis. However, the reduction of sleep to scores, to numbers, to objective data neglects subjective experiences and situational factors, overlooking the intricacies of sleep’s entanglement with various internal and external influences. Consequently, self-trackers run the risk of experiencing anxieties surrounding sleep, which only perpetuates a cycle of sleep-related distress.

### *Self-commodification*

We live in a data economy, where everything we do, from production to distribution to consumption, is data-driven. This means that every bit and byte is potentially a commodity, regardless of its origin. However, capturing and further monetizing personal data from self-tracking raises ethical concerns about data privacy, anonymity, and, ultimately, well-being. The tricky point here is that health-related data is more sensitive in terms of legal and ethical considerations than other types of data, such as grocery purchases. It becomes even more complicated when companies use this data to target their marketing campaigns and profit from their customers’ vulnerabilities. For example, GoodRX, a US-based telehealth company, shared consumer health data with third-party companies such as Google and Facebook without the customer’s consent, with the intention of optimizing their online advertising campaigns. As a result, the Federal Trade Commission (FTC) imposed a fine of 1.5 million USD on the telehealth company. This example highlights that self-trackers may be unknowingly contributing to the perpetuation of blurred boundaries between persuasion and manipulation, helping and harming. They may be victims of the commodification of their own personal data, which in turn may exacerbate psychological issues related to self-esteem and self-image, leading to high levels of stress.

### **Conclusion**

While self-tracking holds promise for empowering individuals and promoting positive behavioral change, navigating its complexities and challenges requires careful consideration of its broader psychological and social impact. The inclusion of AI features makes the technology especially difficult to manage, adding layers of complexity to its impact. As self-tracking continues to become a widespread phenomenon in modern life, awareness of both the positive and negative broader consequences of these disruptive technologies is crucial. Through ongoing dialogue and research, we can strive to harness the potential of self-tracking technologies to promote well-being and enhance the human experience in the digital age while mitigating potential risks and safeguarding individual autonomy and privacy.

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## **Climate is a problem of stock, and this changes everything for corporate climate strategies**

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### **Abstract**

In the business and management literature on sustainability, climate change is mainly approached as a problem of market and technological change. By introducing “greener” technologies, products and practices, the objective is to shift towards more sustainable models, progressively decreasing the CO<sub>2</sub> intensity of economies through the diffusion of green innovations. While fully understandable from the perspective of innovation, social change and the diffusion of technologies, this vision of the ecological transition stands at odds with the physical bases of climate change: climate is not a problem of “flow” but a problem of “stock” (the stock of accumulated amount of GHGs stored in the atmosphere). This impact paper explores the tension between a “stock” and a “flow” vision of climate, and examines its implications in terms of mitigation and adaptation. Overall, we suggest that climate change involves a structural “clash of temporalities” between ecosystems and socio-technical systems. By viewing climate as a problem of flow, managers misconceive the issue of climate and vastly underestimate the truly radical nature of the social and strategic transformations required. We make recommendations to align corporate practices with a stock vision of climate change, such as thinking in absolute and historic impacts (instead of relative impacts), replacing the concept of carbon neutrality with the concept of carbon budget, dealing with business vs. climate antagonisms, and increasing attention to the issue of adaptation and corporate preparedness to deal with unavoidable future climate risks.

Keywords: climate change, corporate strategy, carbon budget, mitigation, adaptation

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# Climate change is a problem of stock, and this changes everything for corporate climate strategies

## Introduction

In the business and management literature on sustainability, climate change is mainly approached through the processes of an institutional, market, technological and individual transformation. For an industrial company to become “green” or sustainable - whether in the automotive, energy or air travel market-, it is expected to reduce its emissions while remaining competitive under the current regulatory and market conditions. This should be achieved through new product development, low-carbon technologies, process improvement or new types of services. By introducing “greener” technologies, products and practices, the objective is to shift our societies towards sustainable lifestyles, progressively decreasing the CO<sub>2</sub> intensity of economies through the diffusion of green innovations and sufficiency. This gradual perspective of transition is fully understandable from a managerial (micro level) or economic (macro level) point of view.

From a managerial perspective, it is impossible to change a company or sector overnight. Research in sustainability has explored the opportunities and challenges of such transformations. At the corporate level, real-life examples (Patagonia, Interface, etc.) as well as academic research suggest that sustainability can be a source of competitive advantage; however, such conditions are complex and demanding. For example, research on sustainable business models underline the complexity and specificity of such models (Lüdeke-Freund et al. 2024). Implementing sustainable business models requires time as well as unique managerial and institutional capabilities (Acquier, Carbone, et Ezvan 2024). Such transformations are particularly difficult for incumbent companies in established industries. For such companies, “sustainable” initiatives co-exist and compete internally with ‘business as usual’ practices which are not easy to replace (the example of electric vs. classic combustion engines in the automotive industry is one of many).

From a more macro-economic point of view, change also takes time. Within innovation studies, analytical frameworks such as the Multilevel Perspective of Sustainability Transitions (MLP) (Geels 2011) have been introduced in order to connect micro (corporate or local level) with more sectoral / macro consequences. MLP posits that transitions -as well as resistance to transition- result from complex interactions involving three analytical levels: niches (where sustainable technologies and innovations are introduced), socio-technical regimes (industrial sectors, regulations and industry policies, market and consumer preferences, which are often based on non-sustainable routines and trajectories) and a socio-technical landscape (higher order landscape elements, such as institutions, demographics, etc.). Again, studies involving such multilevel analysis show the complexity and time required to scale a sustainable regime, or shift from “non-sustainable” to a new and more sustainable technology, even in situations of disruptive technologies.

In this context marked by technological lock-ins or organizational inertia, companies are considered sustainable when they progressively reduce their impact, develop and diffuse green technologies, etc. From this perspective, the constraints weighing on the transition appear to be essentially economic, social and technological. A “successful” transition must be socially acceptable, desirable and non-punitive, but also conducive to economic competitiveness. This means gradually reducing and substituting renewable energies for fossil fuels, and gradually switching to clean technologies. Eventually, as available

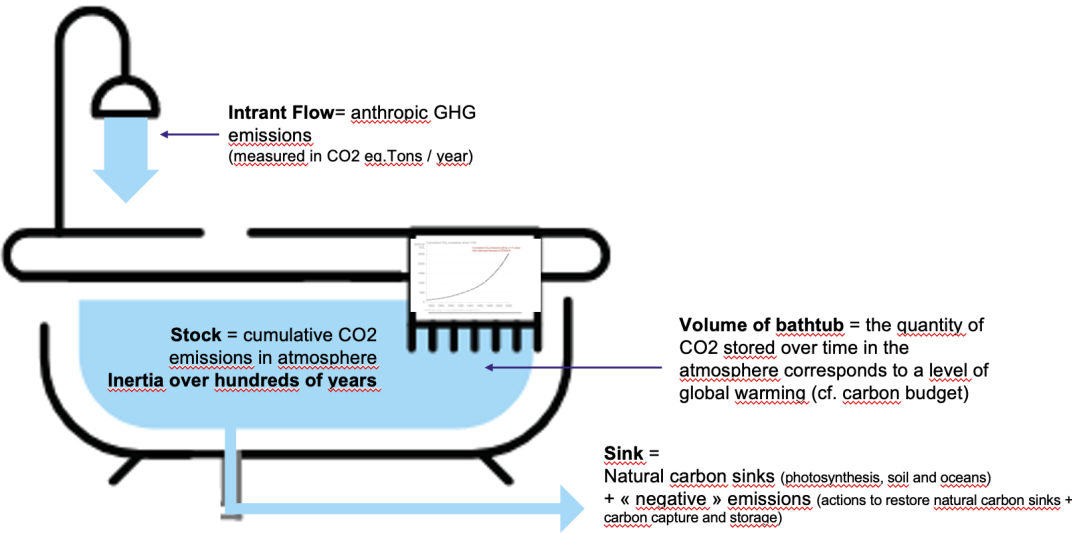
innovations become cheaper and more efficient, society and companies will have substituted fossil fuels with "clean" energies. "Carbon neutrality" is seen as the culmination of this process, at which point the climate problem may be considered solved (after all, our impact would then be neutral, as the concept tends to suggest).

While this vision of the ecological transition is understandable from an economic and managerial point of view, it stands at odds with the physical reality of climate change: climate is a problem of stock (i.e. accumulated amount of GHGs stored in the atmosphere).

**Climate change from the point of view of physics: a problem of stock**

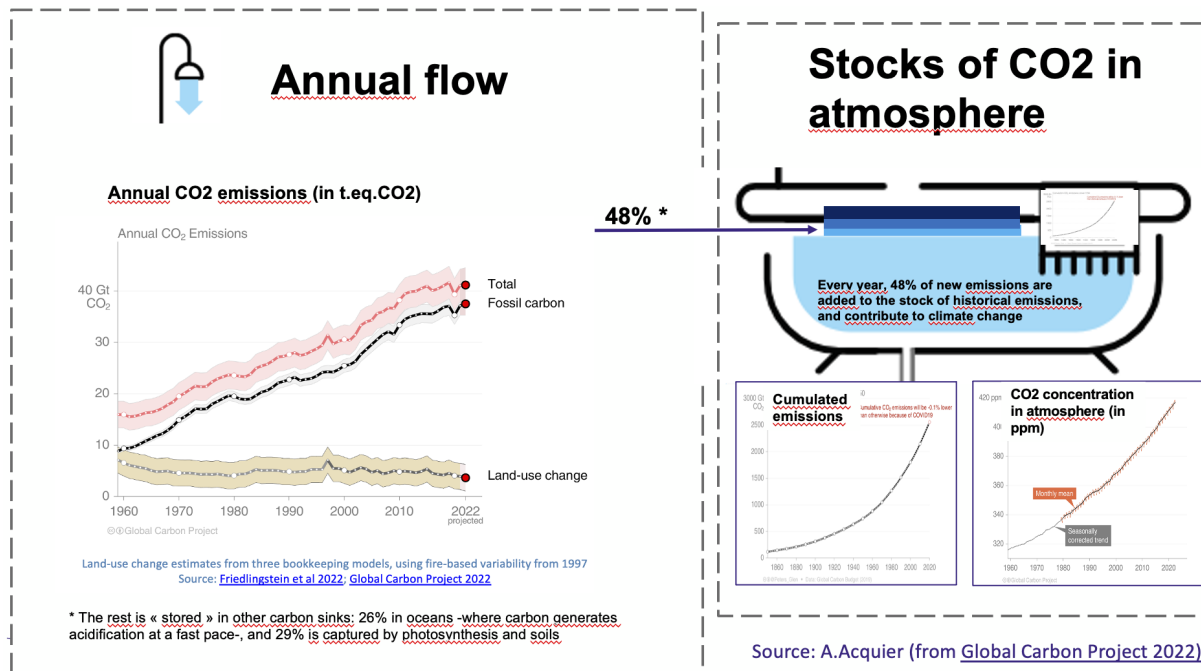
A major source of misunderstanding in the climate debate comes from a misrepresentation of the climate issue by managers: climate change and climate policies are often understood as a "flow" problem, whereas the physical reality of climate is one of "stock" (Sterman et Sweeney 2007; MacKenzie et Sahaie 2023).

From a physical perspective, climatologists are well aware that climate change is a problem of stock: the stock of greenhouse gases in the atmosphere (contributing to global warming) and also in the oceans (acidification). Because of the inertia of carbon in the atmosphere, burning fossil fuels and releasing them in the atmosphere will contribute to climate change over centuries. If we reduced these emissions - the opposite is happening on a planetary scale where emissions continue to grow (IEA 2024) -, the consequence would not be to reduce average temperatures... but to slow down the process of warming. This difference is fundamental.



**Figure 1 : Climate as a problem of stock: the metaphor of the tub**

To illustrate the problem of climate as a stock, we can think of the atmosphere as a bathtub filled with CO2 (see figure 1). The tap -incoming flow- is made up of greenhouse gas emissions, largely linked to our use of fossil fuels -oil, coal, natural gas-. The bathtub fills up much faster than it empties. In fact, around half of our emissions are not evacuated through the drain which pours into the carbon sinks (photosynthesis, soils and oceans). It therefore adds to the stock, contributing to climate change for centuries to come. The filling level of our "atmospheric bathtub" is thus linked to the historical accumulation of emissions, which has a direct influence on the concentration of CO2 in the atmosphere (measured in ppm -particles per million-) - see figure 2.



**Figure 2: Articulating flows and stocks of CO<sub>2</sub> emissions**

The total volume of the bathtub (its "overflow threshold") corresponds to a certain threshold of global warming. Closely related is the concept of carbon budget, which measures the total volume of greenhouse gases that humanity can still emit in a given period of time before crossing certain warming thresholds. According to IPCC, at the current rate of filling the bathtub, it will overflow in approximately 5 years if the threshold is calibrated for 1.5 degrees of warming (with a 66% chance), and 15 to 20 years if the threshold is set at 2 degrees (with a 66% chance) (IPCC 2022).

## Consequences of viewing climate as a problem of stock

The consequences of viewing climate change as a problem of stock are manifold. First, **reducing emissions does not in any way guarantee that climate change will be stopped or reverted, but only** - and that's already a long way off - **that the extent and speed of warming will be limited**. Indeed, slowing down the rate at which the bathtub fills up by turning off the tap is not enough to lower its level. This means that future climate change (and climate crisis) are already locked in by the inertia of our organizational, social, and economic systems. Said differently, it is virtually certain that the atmosphere will continue to warm up in the coming years and decades. This will bring new threats as each additional tenth of degree amplifies the risks. Climate change brings us into a new era of "locked-in future damages" which should compel us to radically rethink our relationship to risk and certainty.

Second, "stabilizing the climate" would require to reach **carbon neutrality** at a global level, i.e. a situation - largely hypothetical today - in which human removals of greenhouse gases compensate for human emissions. Therefore, **carbon neutrality will not reduce average temperatures, but only stabilize them** after a phase of anthropogenic warming: the moment of reaching carbon neutrality marks a point of arrival, and stabilization for the bathtub level, in which the inflows (emissions) would be equivalent to the outflows



(capture and sequestration devices). To reduce the climate, we would have to go beyond carbon neutrality, with *negative net emissions*.

Third, until this fictive scenario of carbon neutrality becomes real, **climate change is an irreversible process**. As climatologist and IPCC author Christophe Cassou points out, "we are embarking on a one-way journey with no return, into uncharted territory". As long as human activities continue to emit more greenhouse gases into the atmosphere than they remove, global warming will continue. Extreme heat and precipitation records will fall regularly in the years to come. In this context, the very notion of "norm" tends to disappear: each year defines a new **moving baseline**, shifting as new extremes are crossed. This journey leads us to "uncharted territory" because *homo sapiens*, our species, has never breathed such a carbon-rich atmosphere in its 300,000-year existence.

Fourth, **reducing our emissions will not be enough** to reduce temperatures, but it **is nonetheless essential**. Indeed, each additional tenth of a degree increases the number and scale of climate risks and disasters. As we fill the bathtub, our vulnerability increases and adaptation becomes more difficult and costly, until it becomes impossible beyond certain thresholds. The year 2023 has been marked by a multiplication of climate catastrophes around the world, from fires in Canada (where the equivalent of the surface area of Greece burned in 6 months) to floods that have claimed thousands of lives in Libya. The acceleration of these disasters and the scale of our vulnerability should give us cause for alarm, given that the climate has so far warmed by "only" 1.2 to 1.3 degrees since the pre-industrial era.

We can summarize the situation by drawing an analogy between the sustainability transition and a diet. When it comes to carbon, we are currently in a situation of obesity with significant morbidity risks. For this reason, the doctor (i.e. climate scientists and policy makers) prescribe a very drastic diet (i.e. reducing our consumption of fossil energy), but *without the perspective of losing weight* (as this is virtually impossible in the short- and mid-term) but only *to limit weight gain* under bearable proportions to avoid life-threatening risks (tipping points). At the same time, our body (the economy) would require additional calories (energy and materials) to cope with the inevitable health risks that will inevitably appear as we gain weight (investment in adaptation). Admittedly, such a diet doesn't look very appealing.

## **Flow, stock and the clash of temporalities and realities**

This unappealing character suggests a fundamental tension between existing processes of economic and social greening (which are gradual by nature) and the accumulative nature of climate change. We are confronted with a structural "clash of logics and temporalities" between ecosystems and socio-technical systems.

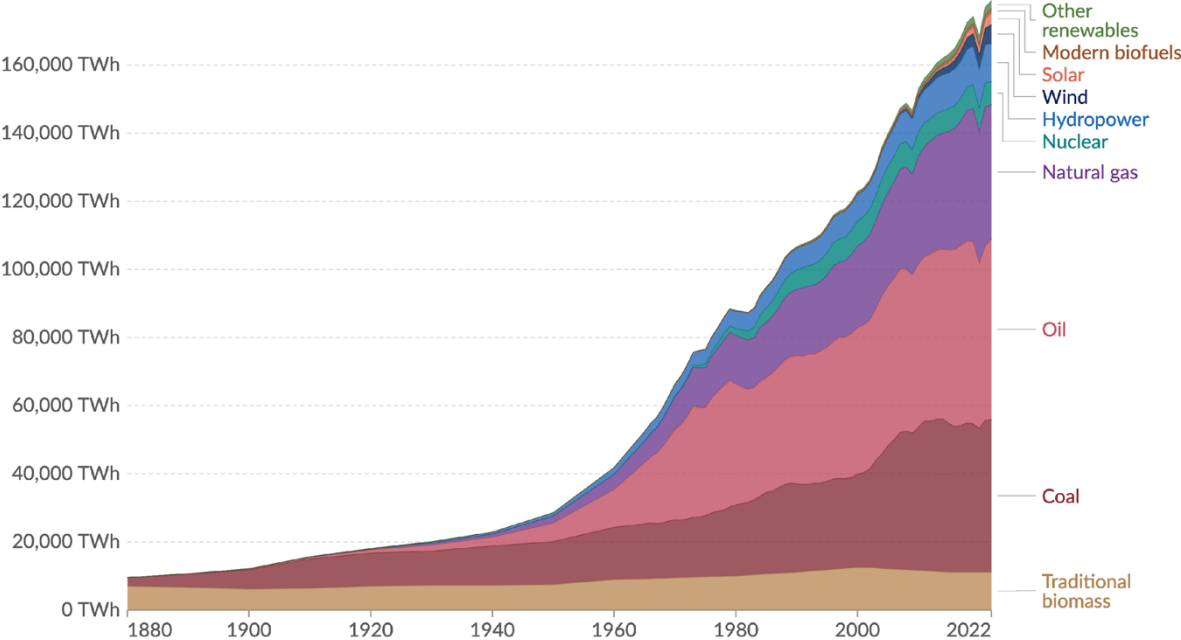
By viewing climate as a problem of flow, managers misconceive the issue of climate and vastly underestimate the radical nature of the social and strategic transformations implied by the battle against climate change. Several academics cast doubts on the very possibility for our societies to transition towards green sources of energy. Based on an historical and statistical analysis of the evolution of energy technical systems and material consumption, Jean-Baptiste Fressoz questions the very possibility of an "energy transition" (Fressoz 2024). On the contrary, historical data on energy consumption suggests a process of accumulation -not substitution- of energy sources (see also figure 3), leading to a constant rise in total energy consumption (see also York et Bell 2019). And studies exploring the possibility of decoupling economic growth from carbon emissions reveal an

inconvenient truth: nowhere -not even in high-income countries- is decoupling happening fast enough to comply with low-carbon trajectories (Vogel et Hickel 2023).

### Global primary energy consumption by source



Primary energy<sup>1</sup> is based on the substitution method<sup>2</sup> and measured in terawatt-hours<sup>3</sup>.



Data source: Energy Institute - Statistical Review of World Energy (2023); Smil (2017) OurWorldInData.org/energy | CC BY  
Note: In the absence of more recent data, traditional biomass is assumed constant since 2015.

Figure 3: Growth of global primary energy use by source, 1880-2022

### Managerial and policy recommendations

Various recommendations can be made to realign economics and management with the physical reality of climate change. The issue, overall, is to develop more accurate managerial perceptions of the climate issue and better integrate it with the accumulative nature of climate change. A few simple rules and principles of action could help managers to develop more robust and relevant climate strategies:

- 1. *Thinking in absolute volumes instead of relative decrease and efficiency improvements*

In order to make climate objectives compatible with business growth objectives, many companies are tempted to set corporate targets on efficiency improvement. Even standard setters, such as the Science-Based Targets Initiative (SBTi), allow high-growth companies to take commitments based on efficiency improvements. However, such approaches can be deceptive: for example, an automotive manufacturer communicating on fuel efficiency improvement per vehicle may fail to account for volume effect related to growth in sales volumes, also known as rebound effects (Greening, Greene, et Difiglio 2000). If they want to account for their actual impact on climate change, companies

should communicate on absolute volumes of CO2 decrease across all scopes of its activity, instead of just focusing on relative impacts.

## 2. Considering historic, cumulated emissions instead of “spot” emissions

Existing corporate and government commitments towards “net zero” emissions reflect the inability of current thinking to think in historical cumulated emissions. By focusing on flows and the point of arrival (for example 2050 as the target year to reach net zero), climate neutrality claims neglect the stocks of cumulated emissions and the corresponding decarbonization trajectory. Yet it's not just the date of achievement of hypothetical carbon neutrality that counts: the trajectory is just as important. As the two carbon-neutrality trajectories in figure 4 indicate, achieving carbon neutrality in 2050 will be far “CO2 heavier” if emissions continue to rise until 2040, only to fall sharply in the final years (scenario 1), than if they decline steadily over time (scenario 2). While the two trajectories lead to carbon neutrality in 2050, they differ considerably in terms of warming trajectories: trajectory 1 emits three times more CO2 than trajectory 2 (see figure 4).

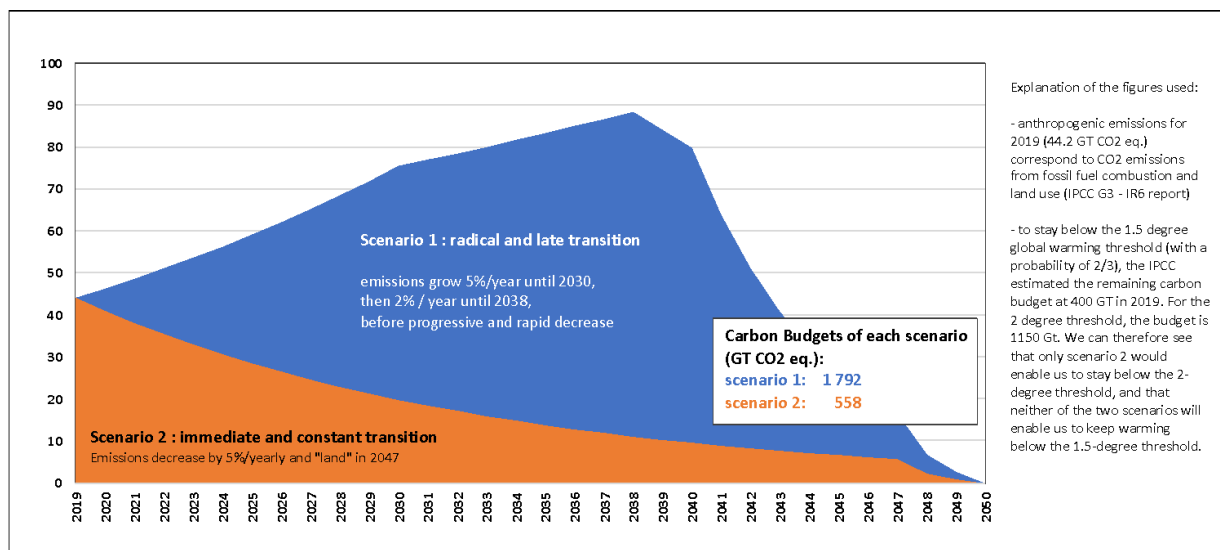


Figure 4: Two scenarios of carbon neutrality with varying yearly emissions (emissions GT CO<sub>2</sub> eq./year)

For this reason, we need to systematically question claims around “carbon neutrality” or “net zero targets”, which have a number of weaknesses, starting with their distant nature in time (who can project to 2050?) and the failure to take into account the trajectories leading to neutrality. In this respect, the **notion of carbon budget has many advantages over that of carbon neutrality**: beyond the point of arrival (carbon neutrality), it takes into account the reduction trajectory leading to it.

## 3. Build a two-legged corporate climate strategy dealing with mitigation and adaptation

Relatedly, the focus on “carbon neutrality” tends to put all light and efforts on the issue of mitigation, i.e. strategies to reduce greenhouse gas sources and emissions. By contrast, it tends to detract the attention away from the damage caused by each greenhouse gas emission trajectory. This reflects a key problem in current climate strategies, which are too much focused on climate mitigation (i.e. strategies to reduce GHG emissions), and tend to neglect the issue of adaptation (i.e. the process of adjusting to actual and expected climate change, its effects and unavoidable consequences).

This is all the more important as all climate emission scenarios (including the most optimistic ones) will create irreversible change in living conditions. Current and future climate change will generate new risks and disrupt the way we live, travel, live, feed, care, produce, educate and so on. All this should force us, in addition to mitigation strategies, to think about the transformation of our societies, ecosystems and common goods - such as water, air and biodiversity - and to act to reduce our vulnerabilities in the face of inevitable climatic damage. Adaptation will require economic investments from public and private actors, which should be at the core of the discussions in climate strategies. One of the major challenges -both at the managerial and more political level- is to consider these issues within a framework of equity and social justice.

#### *4. Identify business vs. climate antagonisms*

In this context, most companies will face business & climate antagonisms (Peyretou 2023) based either on a) structural contradictions between their business vs. climate objectives (ex: volume-based business models), or b) particular vulnerabilities of their operations or supply chain on the front of adaptation.

Businesses should start with clarifying business vs. climate antagonisms, and explore how to deal with them: Should companies consider stopping some activities which appear incompatible with a low-carbon society, shifting business models towards service-based models, and/or engaging in strategic diversification? Which efforts should they engage to map the inevitable future climate risks and engage investments towards adaptation?

#### *5. Reconsider the semantics of climate change*

Lastly, we should choose the words and concepts with care, and reconsider the semantics of climate change. In particular, the previous analysis suggest that terms such as "*the climate crisis*", "*transition*" or "*carbon neutrality*" convey an erroneous imaginary in which climate change is seen as a temporary, episodic problem that can be resolved by a low-carbon transition. This is false: global warming is chronic and structural. We have entered a new climate regime that represents an irreversible transformation of the Earth system. There is a need to rebuilt concepts which better reflect the irreversible nature of climate change. As well, we need to reconceptualize the concept of risk to reflect how certainty reshapes the relationship between risk, certainty and uncertainty in new unexpected ways.

## **Conclusion**

***"When the bathtub overflows, before mopping and repairing the drain,  
it is recommended to turn off the tap".  
(popular wisdom)***

Over the past years, various calls have been made to take stock of the multidisciplinary, interconnected and systemic nature of sustainability (Baudoin et al. 2023), involving major disciplinary shifts for management (Acquier, Mayer, et Valiorgue 2024). Next to the necessary inputs of social sciences (sociology, public policy and philosophy), this paper is a call to better integrate inputs from physical and natural sciences, which are critically important to build coherence between sustainability management models and the natural and physical dimensions of sustainability (Whiteman, Walker, et Perego 2013; Schad et Bansal 2018).

Focusing on the case of climate change, this paper has shown how sustainability management appears partly disconnected from the physical and natural realities of sustainability. By viewing the issue of climate as a problem of flow, managers (as well as many political and economic decision makers) misconceive the issue of climate from a physical point of view, and vastly underestimate the radical nature of the social and strategic transformations required to address climate change. Realigning business thinking and education with sustainability is an important challenge. A first step is to boost the literacy of managers, policy makers and academics on a) the physical and natural foundations of sustainability and b) bring them to reflect on how management tools or public policy frameworks build on relevant or false hypotheses related to the natural constraints of the phenomenon we are trying to manage. Clearly, addressing the sustainability challenge calls for a deep and courageous reimagination of business schools research and curricula.

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## **[ Green fiscal dominance**

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### **Abstract**

This paper discusses green fiscal dominance, a situation where it is primarily fiscal policy that addresses the financial challenges related to climate change but where the central bank accommodates these actions. This perspective departs from that of regimes where monetary policy dominates, and which are usually characterized by an independent central bank focused on controlling inflation. Here, we propose fiscal measures such as renewable energy subsidies and climate investments financed with green bonds, which are then bought, at least partially, by the central bank. While this may incur some costs in terms of inflation expectations management, green fiscal dominance also comes with some benefits. First it makes investments in climate transition more feasible. Second, it is a way to involve monetary policy in the climate transition effort, albeit through an indirect channel. Ultimately, the paper highlights the need for credible quantification of the trade-offs related to fiscal dominance and public investment in climate transition in order to obtain the correct balance between competing policy objectives.

Keywords: green deal, fiscal dominance, central banking, green bonds

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## Green fiscal dominance

### Introduction

Fiscal and monetary policy interactions play a crucial role in economic policy-making. These interactions are important not only for immediate economic outcomes related to demand stabilization but also for long-term financial stability and economic growth. Historically, there has always been a tension between fiscal and monetary policy, with one of the policies “dominating” the other. Under fiscal dominance, the central bank’s actions are constrained by fiscal policy. Under monetary dominance, the opposite occurs and central bank policy is set independently without interference from fiscal policy. This paper reviews the concepts of fiscal and monetary dominance in the context of the euro area, and then reviews the case for fiscal dominance in the context of sustainable development, what can be referred to as green fiscal dominance.

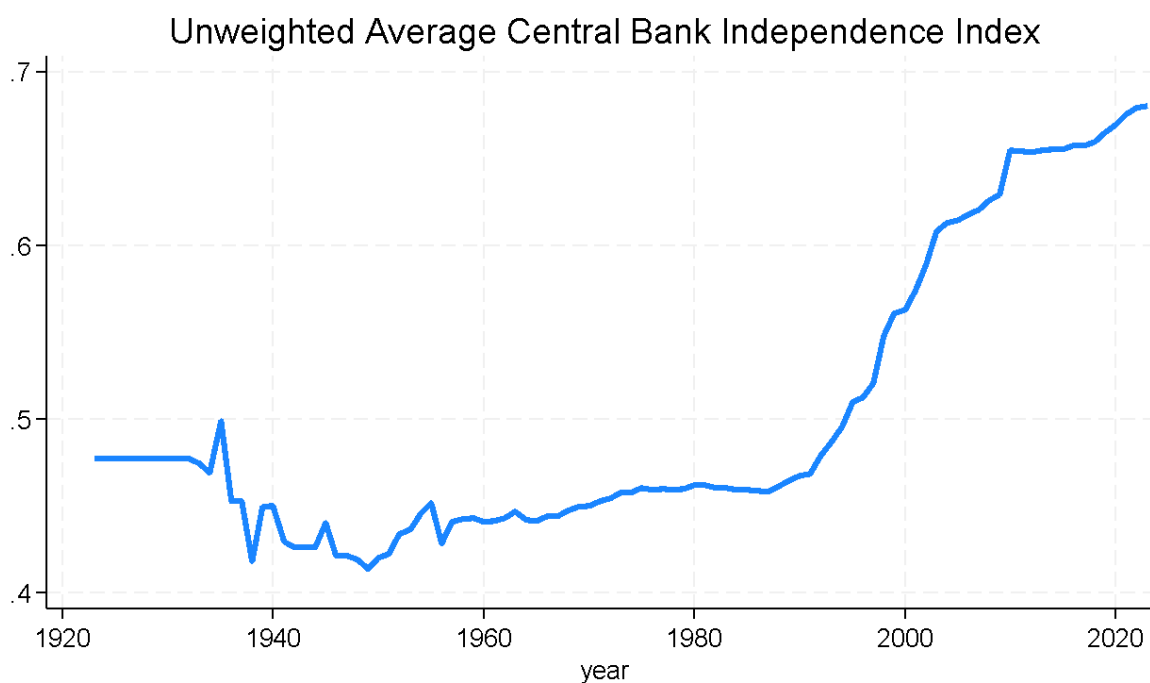
### From fiscal dominance to monetary dominance

Fiscal dominance occurs when the government’s fiscal policy—its decisions on spending, borrowing, and taxation—determines the terms for monetary policy. In a regime of fiscal dominance, the central bank’s ability to control inflation and stabilize the currency is compromised, as it may be compelled to finance government deficits or maintain low interest rates to manage the government’s borrowing costs, regardless of the impact on price stability. For example, Pina (2015) proposes a model where the central bank decides on optimal policy under the constraint that it must finance government spending shocks. Quantitative easing has sometimes been viewed as an example of fiscal dominance: central banks purchase public bonds after a crisis and alleviate the interest costs of higher public spending while maintaining financial stability (see Cochrane, 2014; Reis, 2017).

In contrast, monetary dominance represents a scenario where a central bank operates with full independence from fiscal policy. Traditionally, it is the case that the central bank prioritizes control of inflation and overall monetary stability. The inflation-targeting regime that started in the early 1990s, and that is now the paradigm of monetary policy, is one way to implement a regime of monetary dominance to ensure price stability. Central banks maintain a credible commitment to their primary objectives, irrespective of the current political climate or fiscal policy pressures. In the monetary dominance paradigm, maintaining the independence of the central bank is crucial for economic credibility and effectiveness. Independent central banks can anchor inflation expectations, preventing inflationary spirals and fostering a stable economic environment.

Figure 1 plots the unweighted average central bank independence index for 155 countries between 1923 and 2023, as measured by Romelli (2024). Higher values of this index indicate higher levels of central bank independence. The index is relatively low and stable around 0.4 to 0.5 until the late 1980s. Starting from the late 1980s and early 1990s, there is an increase in the value of the index, indicating increasing central bank independence. This increase becomes particularly steep in the 1990s and coincides with the global trend towards adopting inflation targeting and greater central bank independence as part of economic reforms. The index reaches a plateau for a while in the early 2010s but then continues to rise in the years leading to 2020. This trend reflects a worldwide movement towards central banks operating with more autonomy.





**Figure 1: Unweighted average central bank independence index for 155 countries between 1923 and 2023 (data from Romelli 2024)**

## What's wrong with fiscal dominance?

Fiscal dominance comes with several economic challenges. It can lead to excessive government spending and borrowing, free from the constraints traditionally imposed by financial markets. Governments may engage in expansive fiscal policies, particularly focusing on short-term projects for political reasons, which could undermine long-term economic stability. Additionally, fiscal dominance comes with inflationary risk as the central bank prints money to buy government debt or keeps interest rates artificially low. Unsurprisingly, fiscal dominance raises the risk premiums on government bonds, as well as expected inflation.

The separation between the two macroeconomic equilibria, fiscal dominance on the one hand, and monetary dominance on the other hand, must not hide the fact that to achieve one or the other, some cooperation is needed between governments and the central bank. Fiscal dominance is conditional on the fact that the central bank accommodates the large public deficit, whereas monetary dominance is conditional on the fact that the government ensures public debt sustainability. But cooperation may not be automatic: governments may well embark on a policy of larger deficits while the central bank raises policy rates to curb inflation. A race towards excessively expansive fiscal policies and restrictive monetary policies would ensue, which would destabilize the whole economy.

The case for more cooperation between governments and the central bank has been recently discussed (e.g. Creel et al., 2024a) in relation to the management of the inflation surge. The monetary dominance equilibrium has been a bit blurred by the involvement of many European governments in curbing inflation with price caps and subsidies that provoked higher public deficits.

So, if fiscal dominance returns, it requires close cooperation between fiscal and monetary policies. Moreover, if the latter retains its institutional independence, its accommodation to expansive fiscal policy must remain consistent with its mandate<sup>1</sup>.

## **The case for green fiscal dominance**

Despite the problems associated with fiscal dominance, one dimension where it may be necessary and perhaps beneficial is in addressing climate change and promoting sustainable development. This we refer to as “green fiscal dominance.”

Government intervention is needed when traditional market mechanisms fail to internalize environmental costs, leading to excessive pollution. The assumption is that targeted fiscal policies, such as subsidies for renewable energy or green investments, in addition to taxes on carbon emissions, can help correct these market failures and realign the economy towards sustainable growth paths, thus creating a role for green fiscal policies.

One crucial question is of course how to pay for these expenditures.<sup>2</sup> The current level of movement of capital (and labor) makes it difficult and unpopular to raise additional taxes, leaving debt issuance as the most obvious source of funds. In fact, this debt issuance opens up another potential role for green fiscal policy. If the bonds issued by governments are themselves “green bonds,” for example, bonds earmarked to finance a specific green investment or even sustainability-linked bonds, this may encourage the overall green bond market, reducing the capital cost for sustainable projects also by private agents, and further incentivizing private investment in the green transition.

However, increasing interest rates and the return of fiscal rules in Europe will likely make it difficult for policymakers to use debt effectively, particularly to finance long-term projects with limited short-term electoral benefits. Central banks can play a supportive role in this transition by focusing all of their asset purchases on public green debt. Asset purchases are now part of the toolkit at the ECB. This not only would keep interest rates on public green debt relatively low, it would also aid in the development of a robust green bond market for the private sector, so that the financial system as a whole is better aligned with climate goals. Furthermore, this would allow the central bank to avoid making “green policy” directly, and instead delegate to governments the choice of investments and sustainability strategies. This is important because central banks have less of a democratic mandate than governments. Green fiscal dominance allows central banks to play a passive but crucial role in financing the climate transition.

This last point is important because of the debate about whether a central bank should target market neutrality with its financial decisions. For example, market neutrality in the context of the European Central Bank (ECB) refers to the idea that the ECB aims to conduct monetary policy in a way that does not favor or disadvantage any particular market participant or sector within the euro area financial markets. In the context of asset purchases, this means that the ECB buys the eligible market, so not to distort relative prices between different assets. This means that the ECB purchases more assets from bigger firms, or from larger countries.

However, in the presence of negative externalities, market neutrality is a mirage. The strategy to “buy the market” may in fact perpetuate distorted market outcomes. For example, “brown” firms are more likely to be older and larger, and have higher credit ratings,

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<sup>1</sup> The ECB reviewed its monetary policy strategy in 2023 and upgraded the achievement of its secondary objectives, provided the primary objective of price stability is met.

<sup>2</sup> See the recent proposal for a “European Climate fund” in Creel et al. (2024b).

thus making them more likely to be eligible for asset purchases by the ECB. One approach would be for the ECB to make purchases that are “social-value neutral,” taking into account sustainability concerns. However, contrary to the market value of firms or countries’ debts, it is not as easy to estimate their social value. The estimation of this social value also likely depends on political views which govern some of the assumptions in the estimation. The lack of democratic legitimacy to make political choices further complicates the role of the ECB.

In other words, it is not obvious which deviation from “market neutrality” the ECB should consider. Therefore green fiscal dominance can provide a way for monetary policy to indirectly foster sustainable practices. By delegating the choice of green investments to government policymakers with a clearer democratic mandate, the central bank can focus its intervention on the financial dimension of choices made by others.

Of course, this green fiscal dominance will have some consequences for the ability of central banks to control inflation and inflation expectations. This is a second-best world. The benefits of green fiscal dominance must be compared to the costs related to inflation risks. Crucially, second-best arguments need credible quantification. Further research should investigate the trade-offs related to fiscal dominance in the green context and determine whether this policy is worth pursuing.

### **Some practical issues**

Suppose the trade-off computation is in favor of implementing something like the green fiscal dominance we describe here. What are some of the issues in the implementation? One difficulty with this approach is of course the possibility of greenwashing. In this context, the issuance of green bonds, that is, bonds issued with the goal of making green investments, does not necessarily raise overall expenditure in the climate transition. There are a few reasons for this. Funds are fungible. At best, the proceeds from this debt issuance could finance a specific green project. But this project could also be financed by other sources. At worst, these funds could end up financing fraud, given that often there are no real commitments or control mechanisms over their use, especially in the context of sovereign debt. Looking at some green debt contracts already in existence, they are full of language that suggests an intention to use the funds for certain projects, but no legal obligations to use the funds a specific way. Therefore, green bonds may be insufficient to achieve climate goals. These and other considerations are discussed in Bolton et al. (2023). An alternative highlighted by the authors is to issue debt linked to verifiable green commitments, with payments contingent on sustainability targets, for example, reductions in pollutant emissions or benchmarks for renewable energy production. However, these types of state-contingent assets are also very difficult to implement in practice as discussed in Pina (2022).

An important consideration in green investments is the level of government at which such initiatives should be implemented. The argument for a centralized European approach, as discussed in Creel and Pina (2022), suggests that European-level programs are most relevant to coordinate environmental challenges that have effects beyond country’s boundaries. The effectiveness of a centralized approach can be attributed to several key factors. A centralized approach can benefit from economies of scale. Green investments often require significant amounts, and it may be difficult for individual member states to finance them, while European programs would likely be larger. They can also be more coordinated and harmonized across countries. Such harmonization is particularly beneficial in creating a unified market for green technologies and services, making it easier for

innovators and businesses to scale solutions across the continent. It also helps to internalize externalities, environmental ones but also relating to investments in the climate transition.

## Conclusion

While monetary dominance remains critical for economic stability, there are strategic areas, particularly relating to sustainability, where fiscal dominance might not only be necessary but desirable. Balancing these approaches, while maintaining the core principles of central bank independence and fiscal responsibility, will be crucial in navigating the contemporary economic landscape and achieving long-term sustainable growth.

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# [ The Big Bang in EU Sustainability Reporting

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## Abstract

On January 5th 2023, the Corporate Sustainability Reporting Directive (CSRD) entered into force, significantly redesigning the landscape of sustainability reporting in the EU. This paper presents and discusses some of the major implications of the adoption of the CSRD and the related European Sustainability Reporting Standards (ESRS), as they mark a significant shift ("big bang") in EU sustainability reporting. After a broad overview of the current situation and its recent evolution, a specific focus is dedicated to EU small and medium-sized companies (SMEs), as they face several challenges in complying with the new regulations, mainly due to resource constraints and the lack of familiarity with sustainability reporting. The paper discusses the specific standards developed for SMEs, including the "light" version for listed SMEs (ESRS LSME) and the voluntary standard for non-listed SMEs (VSME). Finally, some potential limitations of these SMEs standards and their potential impact on the value chain of larger companies are also discussed.

Keywords: CSRD, ESRS, sustainability reporting, SME

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# The Big Bang in EU Sustainability Reporting

## Introduction

As part of the European Green Deal, a sustainability strategy launched in 2019 aiming for climate neutrality in the EU by 2050, the EU commission amended the Accounting Directive (2013/34/EU) through the Corporate Sustainability Reporting Directive (CSRD; EU 2022/2464), which is currently being transposed into national law by all EU member states. The CSRD requires a large number of companies to prepare and publish sustainability reports. Previously, since 2016, only a limited number of EU firms (public-interest companies exceeding 500 employees) were required to draw up a non-financial statement, with no specific format or detailed information requirements, leaving it up to each firm to decide on the use of an established CSR reporting framework and, if so, which one. Many EU companies have chosen to draw on the Global Reporting Initiative (GRI) standards to comply with their non-financial (i.e., sustainability) disclosure requirements.

The CSRD brings several major changes regarding the scope of companies concerned, the content and format of the CSR reports, as well as their assurance. Firstly, the scope of companies that are required to produce a sustainability report expands significantly from an estimated 11,700 to 49,000 mostly listed and/or large companies and groups across the EU, according to recent KPMG estimations. In addition, SMEs will be impacted. Secondly, the CSRD mandates the use of European Sustainability Reporting Standards (ESRS), developed by the European Financial Reporting Advisory Group (EFRAG). EFRAG was founded in March 2001 by the organisations representing preparers, users, and accountancy professions involved in the financial reporting process. The European Commission (EC) adopted a first set of ESRS in July 2023, with some modifications to the EFRAG proposal (see below). Additionally, the CSRD mandates that the EC adopt sector-specific standards by June 30th 2024. Furthermore, on October 18th 2023, the European Parliament rejected a motion for a resolution that would have compelled the EC to adopt a new delegated act including lighter reporting requirements for companies. Finally, assurance - first limited, by 2028 reasonable - is required for the sustainability information.

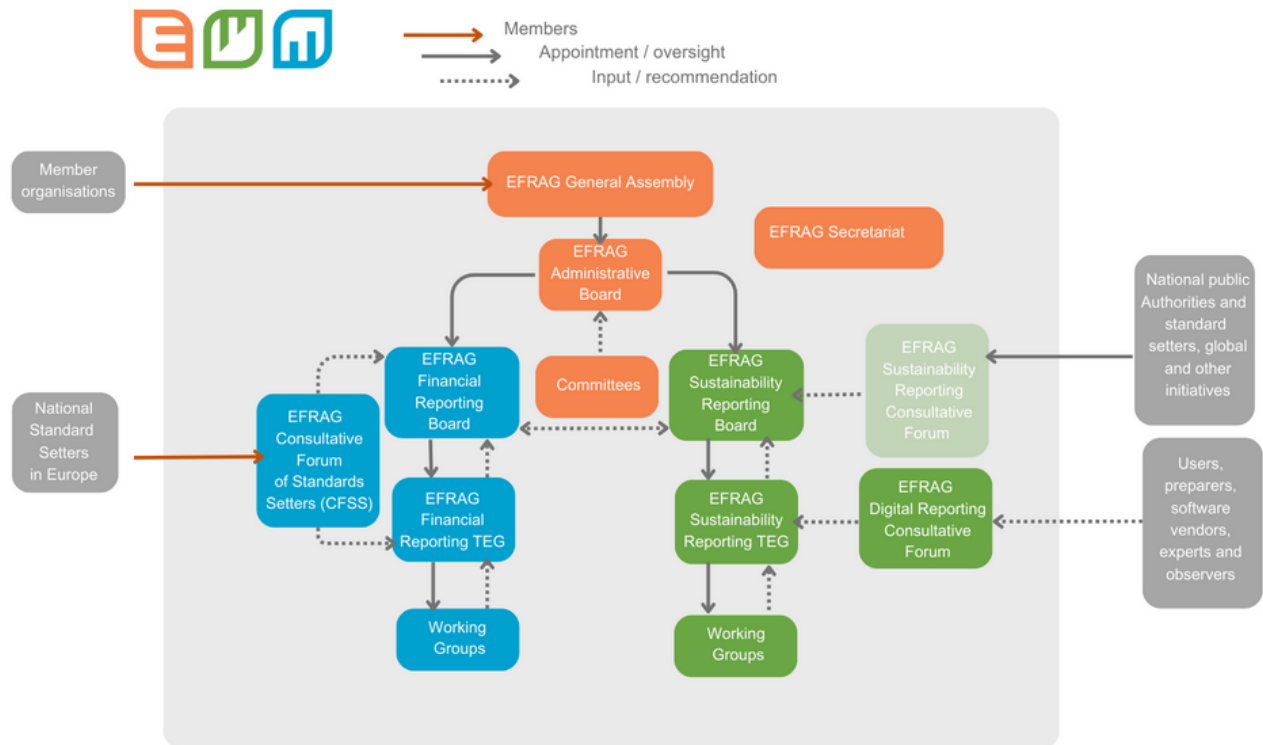
However, not all companies will have to apply this first set of ESRS, due to cost concerns. Therefore, EFRAG was also tasked with developing standards for public-interest entities that are medium-sized or small. This set of “slimmed” sustainability reporting standards, known as the ESRS LSME (ESRS for Listed Small & Medium Size Entities), is currently under development.

In this paper, we will summarise and discuss sustainability reporting requirements for European companies based on their size and capital market orientation (public vs. private).

## The European Sustainability Reporting Standards (ESRS)

As mentioned before, the CSRD mandates the use of ESRS, developed by the Sustainability Reporting (SR) Board of the EFRAG. Following a consultation process involving different EU institutions, the EC adopts the ESRS in a delegated regulation.

**Figure 1 - The Governance of the European Financial Reporting Advisory Group (EFRAG)**



(source: <https://www.efrag.org/About/Facts>, retrieved on April 11th, 2024)

The first batch of 12 ESRS was adopted in July 2023, with others to follow. The first-time application of the ESRS is for the year 2024, meaning that the corresponding CSR information will be published in the spring of 2025.

The ESRS mark a significant shift ("big bang") in EU sustainability reporting because they are much more detailed and prescriptive than both prior EU requirements and other frameworks like GRI.

There are three types of ESRS (see Figure 2):

- **Cross-cutting ESRS:** these standards describe the fundamental requirements of EU sustainability reporting that apply to all sustainability information and topics. They are sector-agnostic, meaning they have to be applied by all companies, regardless of their sector of operation. We provide some more details below.
- **Topical ESRS:** these standards cover a specific sustainability topic. They are organised into three broad categories: environmental (E), societal (S), and governance-related (G). They are also sector-agnostic, meaning that they have to be applied by all companies, regardless of their sector of operation.
- **Sector ESRS:** these standards address sector specificities and are applicable by all companies within a given sector. The first batch of ESRS did not include Sector ESRS. The SR Board of EFRAG is currently working on a sector classification system and a first set of Sector ESRS (their adoption date is not yet fixed, as the SR Board is currently focusing on other priorities).

Figure 2 - The architecture of ESRS

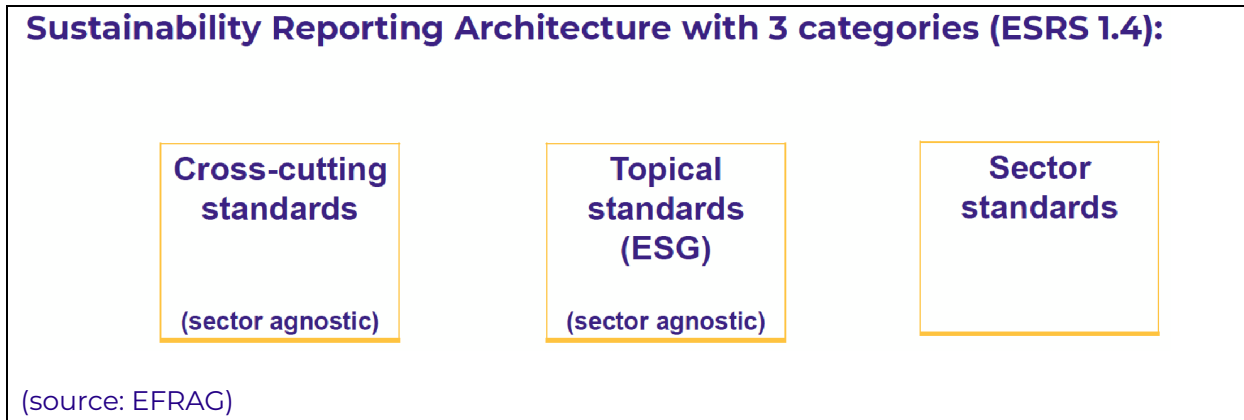
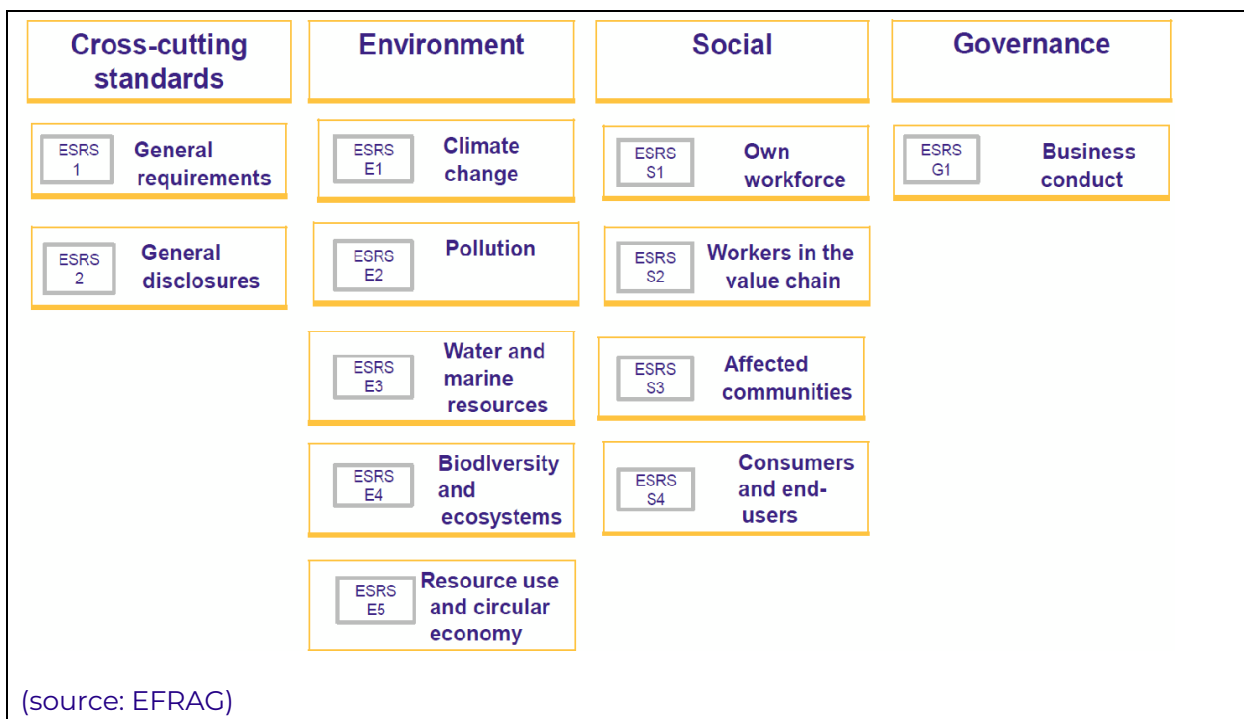


Figure 3 - The first batch of ESRS



The first 12 ESRS (see Figure 3) contain 1,102 disclosure items, with 823 mandatory and 279 optional (company choice). Among the mandatory disclosures, 177 are always mandatory, meaning they must be provided by all companies, while 646 are mandatory only if material.

In the following, we will focus on some fundamental sustainability reporting issues addressed in the cross-cutting standards ESRS 1 “General Requirements” and ESRS 2 “General Disclosures”.

ESRS 1.19 defines the fundamental qualitative characteristics (relevance and faithful representation) and the enhancing qualitative characteristics (comparability, verifiability and understandability), mirroring those for financial reporting in the IFRS framework for financial reporting. “Faithful representation” is particularly important, as it ensures balanced reporting of both positive and negative aspects, while sustainability reporting practices often exhibit a bias towards positive aspects (Hahn and Hahn, 2014), which this emphasis aims to counteract.



The characteristic of understandability requires the information to be comprehensible by “any reasonably knowledgeable user” (ESRS 1, Appendix B QC.16). In financial reporting, this refers to users with reasonable knowledge in the (limited) field of finance and accounting. In sustainability reporting, the “knowledgeable user” is much more difficult to define, given the variety of topics covered. Some users are more informed about environmental (E) issues, others about social (S), or Governance (G) aspects. Therefore, ensuring understandability across E, S, and G aspects presents a complex task for companies.

ESRS 1.21 requires evaluating whether a sustainability information or disclosure is material based on the “double materiality” concept, with the two dimensions (ESRS 1.37) of *financial materiality* (sustainability matters generating risks and opportunities that affect the company’s ability to generate value in the short, medium, and long term) and *impact materiality* (sustainability matters generating positive or negative impacts on people or the environment). The concept of double materiality has been intensively discussed (e.g., Giner et al., 2022; Hossfeld et al., 2022).

Similar to any sustainability reporting, the materiality assessment is crucial, as many disclosures are conditional on their materiality. A “materiality assessment” is a required activity for organisations to determine the scope of “sustainability matters” that should be reported under the CSRD. ESRS 1 provides further explanations on materiality and a specific implementation guidance “materiality assessment” is currently under development.

All ESRS disclosure requirements are structured into the following reporting areas (ESRS 1.12):

1. **Governance:** the company’s governance for monitoring, managing and overseeing impacts, risks, and opportunities (IRO);
2. **Strategy:** how the company’s strategy and business model interact with its material IRO;
3. **IRO management:** identification, materiality assessment, and management of IRO through policies and actions;
4. **Metrics and targets:** the company’s performance, including targets.

This structure draws heavily on the recommendations of the Task Force on Climate-related Disclosures (TCFD). The TCFD’s guidance is currently used by many companies worldwide, both voluntarily and to comply with existing sustainability reporting regulations, where applicable.

ESRS 2 “general disclosures” lists the general disclosure requirements for all sectors and across all ESG topics. It follows the same structure of reporting areas described before: Governance (with five sub-topics), Strategy (three sub-topics), IRO management (four sub-topics), and Metrics and targets (two sub-topics).

In addition, ESRS 2 requires information regarding the general basis of presentation of the sustainability reporting: whether the sustainability reporting is on a consolidated basis or not, the scope of consolidation (which group entities are included in the sustainability report), the extent to which the up- and downstream value chain is covered, and any changes in the basis of presentation compared to the previous year.

The issued ESRS standards for environmental (E), social (S), and governance (G) topics further specify disclosures within the above structure of four reporting categories (governance, strategy, IRO management, and metrics and targets.), although not all four categories apply to all topics. For example, ESRS E2 and E3 do not contain governance-related disclosure requirements.

# Which sustainability standards for which companies and when?

Table 1 provides a summary of the sustainability reporting obligations that apply to companies operating in the EU, according to the CSRD.

**Table 1 - Sustainability reporting in Europe: application date and standards to be applied**

Type of business <i>(EU Directive 2022/2464)</i>	Reporting standards applying	1 <sup>st</sup> Financial year	1 <sup>st</sup> reporting date
European large public-interest entities, and non-European public-interest entities meeting the 2 following criteria (Art. 5-2a): <ul style="list-style-type: none"> <li>• Average number of employees exceeds 500</li> <li>• Net turnover exceeds 50 m€ and/or balance sheet total exceeds 25 m€</li> </ul>	ESRS	2024	2025
Other European entities and other non-European public-interest and private entities that are "large", defined as meeting at least 2 of the following criteria (Art 5-2b): <ul style="list-style-type: none"> <li>• Average number of employees exceeds 250</li> <li>• Net turnover exceeds 50 m€</li> <li>• Balance sheet total exceeds 25 m€</li> </ul>	ESRS	2025	2026
European and Non-European SMEs listed on an EU stock market, except micro-undertakings (Art 5-2c) <ul style="list-style-type: none"> <li>• (micro-undertakings do not exceed at least 2 of the following criteria: Average number of employees: 10, net turnover: 900 k€, balance sheet total: 450 k€)</li> </ul>	LSME	2026 (option to postpone to 2028 - Art 19a-7 Accounting Directive)	2027 (2029)
Non-European companies that generate more than 150 million turnover in the EU and that do have a European subsidiary or branch whose net turnover exceeds 40 m€	ESRS or ESRS for non-European entities	2028	2029
Other SMEs	VSME	voluntary	voluntary

## Sustainability reporting requirements have already been relaxed for large companies

ESRS "operationalise" the disclosure requirements set out in the CSRD, and thus, they also build on double materiality. Consequently, companies must assess and identify what is material from both a financial and an impact (i.e., environmental and societal) perspective. This requires a comprehensive understanding of how sustainability issues affect their business and how their business, operations and activities impact the environment and society. The materiality assessment process is complex, and commonly involves stakeholder and employee surveys and expert panels. In addition to disclosure information on the topics identified as material, companies need to collect and analyse a wide range of data on both their financial performance and their environmental and social impacts. This often requires new data collection methodologies, increased data granularity and the ability to link financial and non-financial data.

The final version of ESRS issued by the European Commission in July 2023 differed in some ways from the EFRAG draft, for example by reduced disclosure requirements, delayed application of certain ESRS provisions, and the removal of the requirement for entities to justify their assessment of immateriality.

Since the publication of the first ESRS, several new changes have been introduced. As part of the EC's strong focus on simplifying rules for citizens and businesses across the EU, the EC has introduced several measures to reduce burdens on SMEs, including some provisions on sustainability reporting. These will also benefit large companies. In February 2024, the European Parliament and the Council agreed on the EC's proposal to postpone the deadline for the adoption of sector-specific ESRS by two years (from mid-2024 to mid-2026).

## **Roadmap for the LSME**

Capital market-oriented companies are always deemed “large” due to their capital market orientation (Accounting Directive, Art. 40). However, the EC clarifies that capital market-oriented small and medium-sized (SME) companies “should be given the possibility of reporting in accordance with standards that are proportionate to their capacities and resources, and relevant to the scale and complexity of their activities” (CSRD, recital 21). Conversely, large non-public-interest entities in the EU will need to apply “full” ESRS.

Hence, capital market-oriented SMEs do not need to apply “full” ESRS and EFRAG currently develops standards for listed small- and medium-sized enterprises (ESRS LSME, or in short, LSME). However, the number of capital market-oriented SMEs in the EU is rather small: Most capital market-oriented companies are large based on the size criteria; hence, the LSME will only be applicable by a relatively small number of companies in the EU. According to an EFRAG estimate, in 2023 there are 699 capital market-oriented SME (523 medium-sized, 176 small).<sup>1</sup>

The “proportionate reduction” in the sustainability disclosure requirements for SMEs is going to be achieved in two ways.

Firstly, capital market-oriented SMEs are not required to prepare their sustainability report on a consolidated basis, but “only” on an individual basis (i.e., no consolidated sustainability report), unless the capital market-oriented SME is a parent of “large group”. Secondly, compared to the “full” ESRS, the LSME are intended to come with a reduced number of disclosure requirements and data points. Many data points are only required to be disclosed “if applicable”, and some “may” be disclosed. According to EFRAG, the reduction is -48%, compared to “full ESRS and assuming that none of the “if applicable” and “may” data points are considered.<sup>2</sup> That still leaves around 600 data points and fairly complex standards for SMEs to cope with. EFRAG argues that most disclosure requirements and data points are either mandated by the CSRD or other EU laws, or are relevant for the users and/or the value chain dimension.<sup>3</sup>

Nevertheless, this approach would seem questionable (see, e.g., Beiersdorf et al., 2023). On the one hand, the broad reporting boundaries that comprise upstream and downstream value chains, in effect, require activities related to the SME's subsidiaries to be considered and included anyway. While the difference between individual and consolidated reports

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<sup>1</sup> See EFRAG (2023), Input Paper basis for conclusions LSME ESRS, agenda paper 03-02 prepared for the EFRAG SRB meeting of 28.6.2024 (available at [www.efrag.org](http://www.efrag.org), retrieved 11. April 2024), par. 15.

<sup>2</sup> See EFRAG (2024), LSME and VSME Overview. Overview for the CFSS Meeting on 17. January 2024 (available at [www.efrag.org](http://www.efrag.org), retrieved on 11. April 2024), p. 20.

<sup>3</sup> See EFRAG (2024) LSME and VSME Overview for the CFSS Meeting on 17. January 2024 (available at [www.efrag.org](http://www.efrag.org), retrieved on 11. April 2024), p. 8.

may be substantial in financial reporting, they are less pronounced in sustainability reporting. Sometimes, it will be merely a matter of classification. For example, subsidiaries' emissions would be classified as "own" (scope 1) in a consolidated report, but likely as scope 3 in an individual report, assuming that subsidiaries' activities are part of the SME's value chain. Or subsidiaries' workforce would be considered "own workforce" in a consolidated report, but "workers in the value chain" in an individual report, again assuming that subsidiaries' activities are part of the SME's value chain. Although the number and type of data points required to be disclosed for workers in the value chain are lower than for one's own workforce, taken together, there is only some "proportionate reduction" in the disclosure requirements.

On the other hand, it is questionable that individual sustainability reports will suffice for investors. Take, again, the example of "own workforce" vs. "workers in the value chain", with fewer information required for the latter. Recall further that the CSRD required sustainability reporting by capital market-oriented SMEs, inter alia, to make them eligible and attractive investment opportunities in order to ease their access to financing (CSRD, recital 21). But banks, for example, are required by European Banking Authority Guidelines to consider sustainability-related risks in their strategies and credit risk assessments.<sup>4</sup> Other investors, although not legally required, will likely consider sustainability-related risks as well. Last, but not least, all these investors may require sustainability information compliant with their own sustainability reporting requirements. Against this backdrop, it is very questionable that sustainability reporting on an individual basis will suffice for investors.

### **VSME: objective and structure**

Together with the LSME, EFRAG currently also discusses voluntarily applicable ESRS for SMEs. The target companies for these Voluntary ESRS (VSME ESRS, or short only VSME) are unlisted small and medium-sized companies that are outside the scope of the CSRD. Consequently, the CSRD does not set out any requirements. However, the EC sees the need and has asked for the timely development of a voluntarily applicable standard. Furthermore, the CSRD calls for non-capital market-orientated SMEs to "have the possibility of choosing to use [...] proportionate standards on a voluntary basis" (CSRD, recital 21).

The demand for sustainability information from unlisted SMEs is manifold and include, for example, large companies that require such data points from SMEs for their own sustainability reporting given that the reporting boundaries include their up- and downstream value chain (i.e., scope 3, compliance with human rights standards; Beiersdorf and Lanfermann, 2024). As mentioned above, banks are also required to consider sustainability-related risks in their strategies and credit risk assessments.<sup>5</sup>

The VSME therefore intends to address both the need for harmonisation from the perspective of SMEs and the need for sustainability information from the perspective of stakeholders. This objective (mapping the information requirements of lenders to SMEs and large companies as customers of SMEs) is explicitly defined as the objective of the discussed VSME. A "harmonisation" of the demand for sustainability information from unlisted SMEs could help to reduce the burden on SMEs and improve the comparability of SME sustainability information significantly. However, this can only be achieved if the VSME manage to achieve general acceptance among both preparers (i.e., unlisted SMEs) and the

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<sup>4</sup> See EBA (2020), Final Report Guidelines on loan origination and monitoring (EBA/GL/2020/06 as of 29.5.2020).

<sup>5</sup> See EBA (2020), Final Report Guidelines on loan origination and monitoring (EBA/GL/2020/06 as of 29.5.2020).

users/stakeholders of that information. It is therefore essential that the final VSME meet the needs of both preparers and users/stakeholders conceptually as well as in terms of content.

The VSME has a modular structure. The basic module may serve as the sole basis for an unlisted SME's sustainability reporting, or it can be combined with the narrative disclosures of the Policies, Actions and Targets (PAT) module and/or data points of the business partner (BP) module. The basic module can also be supplemented by individual disclosures from the PAT and/or BP module. This modular structure is intended to satisfy the heterogeneity of the undertakings (in size, employees, capacity etc.) across the different types of unlisted SMEs, ranging from companies that are just starting sustainability reporting (basic module) to companies that have already addressed the sustainability of their business and thus already have policies measures and targets in place (PAT module), and including companies that need to satisfy the demand for sustainability information from various business partners (BP module).

The basic module does not even require any materiality assessment. Instead, all basic module disclosures are required, some of which, however, only "if applicable".

**Table 2: Proposed disclosures in accordance with the Exposure Draft VSME basic module.**

<b>If applicable</b>	<b>Always to be reported on</b>
B2: Practices for transitioning towards a more sustainable economy	B 1: Basis for Preparation
B4: Pollution of air, water and soil	B 3: Energy and greenhouse gas emissions
B 5: Biodiversity linked to the exposure of the undertaking to biodiversity sensitive areas or land-use	B6: Water (total water withdrawal)
B6: Water (water consumption linked to production process)	B 7: Resource use, circular economy and waste management (annual waste generation by type and waste diverted to recycle or re-use)
B7: Resource use, circular economy and waste management where the "applicability" is narrowed down to the following formulation "if the undertaking operates manufacturing, construction and/or packaging processes, (...)"	B8: Workforce – General Characteristics breakdown point (a) by type of contract and (b) by gender
B 8: Workforce - General characteristics	B9: Workforce – Health and Safety
B 11: Workers in the value chain, affected communities, consumers and end-users	B 10: Workforce – Remuneration, collective bargaining and training
B 12: Convictions and fines for corruption and bribery linked to the existence of fines or convictions in the reporting period	

The most important conceptual difference between the PAT and BP modules and the basic module is the need to carry out a materiality analysis, based on double materiality as defined in the CSRD and the ESRS. However, the involvement of stakeholders is planned to be optional when assessing materiality. For specific disclosure requirements, the "if applicable" exemption is used also in the basic module.

While the PAT module requires narrative descriptions, the disclosure of Principal Adverse Impacts (PAI) Indicators is an important feature of the BP module. PAIs are particularly relevant for large companies given that the reporting boundaries include their up- and downstream value chain, and for financing institutions: According to the EU Sustainable Finance Disclosure Regulation, disclosures on investment decisions of financial market participants are based on information on PAIs in order to highlight potential adverse impacts on sustainability.

Table 3 provides an overview of PAI Indicators, excluding PAIs applicable to investments in sovereigns, supranationals and in real estate.

**Table 3: Principal Adverse Impacts (PAI) Indicators overview**

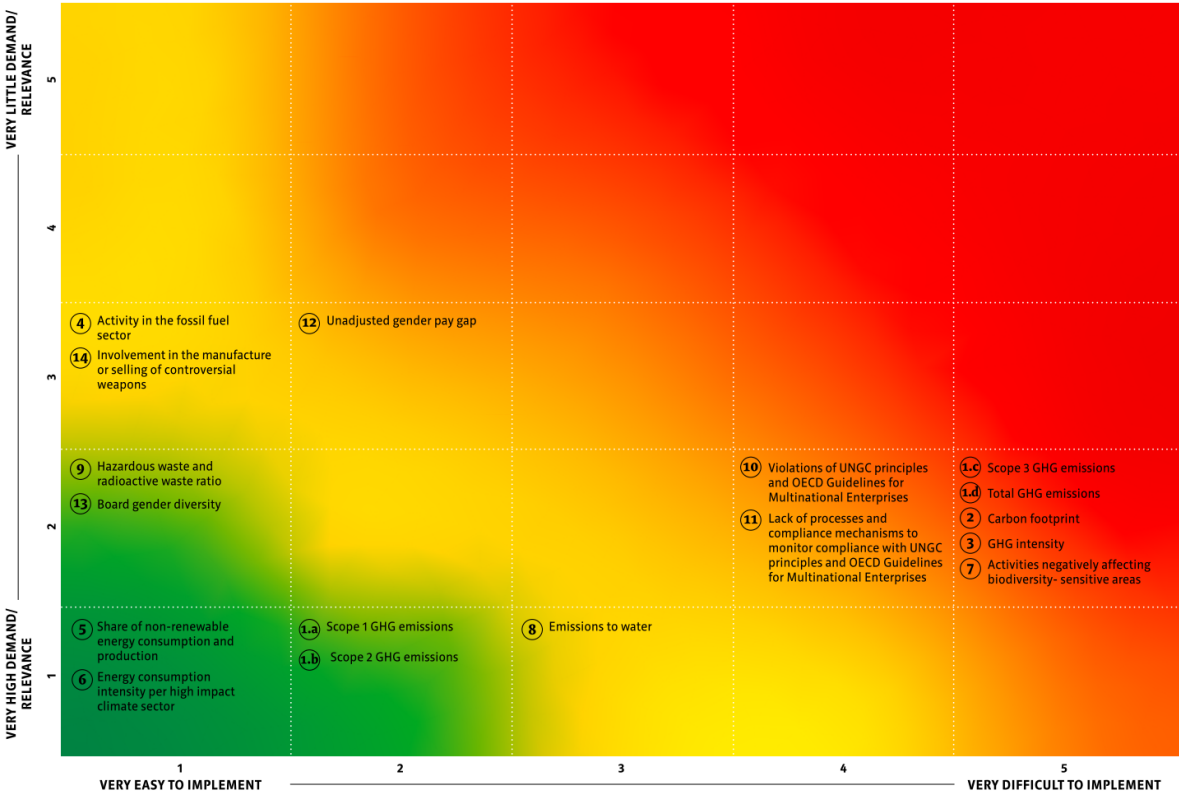
No.	CSR dimension	Sub-dimension	Adverse sustainability indicator	Metric
1	Environmental	Greenhouse gas emissions	GHG emissions	Scope 1-3 and total GHG emissions
2			Carbon footprint	Carbon footprint
3			GHG intensity of investee companies	GHG intensity of investee companies
4			Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector
5			Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources
6			Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector
7		Biodiversity	Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas

8		Water	Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average
9		Waste	Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average
10	Social and employee matters	Social and employee matters	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
11			Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/ complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
12			Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies
13			Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members
14			Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons

(Source: Commission Delegated Regulation (EU) 2022/1288, OJ L 196, 25.7.2022, p. 1-72.)

According to outreach activities conducted by the German standard-setter (DRSC) and the German Council for Sustainable Development, some of the PAIs pose significant implementation challenges for SMEs (see figure 4).

**Figure 4: Potential Adverse Impact Indicator Heatmap**



(source: DRSC/ German Council for Sustainable Development, 2024, p. 4.)

**“Value chain cap” and interplay with ESRS**

The CSRD stipulated that “full” ESRS may not specify disclosures that would require companies to obtain information from SMEs in their value chain that exceeds the information to be disclosed in accordance with the LSME. This restriction is known as the “value chain cap”.

Logically, it requires re-visiting and potentially revising the “full” ESRS after the LSME has been finalised. After finalisation of the LSME, all disclosures and data points regarding the value chain that are required under “full” ESRS, but not under the LSME, would need to be removed from the “full” ESRS. It follows that, the more comprehensive the LSME disclosures will be, the less relevance the value chain cap has, and consequently, the lower the potential of deleting disclosure requirements and data points from the “full” ESRS due to the value chain cap.

As mentioned above, however, the disclosure requirements and data points in the LSME are comprehensive, because EFRAG deems these disclosures to be mandated by law or to be relevant for the users and/or the value chain dimension. Hence, based on the current outline of the LSME, the value chain cap has very limited practical relevance and no major revision of the “full” ESRS would be necessary.



However, many companies in the value chain of large companies that are required to apply “full” ESRS will not be capital market-oriented SMEs, but most likely companies outside the scope of the CSRD. Hence, these companies are not required to prepare sustainability reports. They may, however, apply the VSME. In this scenario, the information to be prepared under the VSME may effectively limit the sustainability information that large companies may obtain when applying “full” ESRS. This would require large companies, i.e. customers of SMEs, to accept the VSME information as sufficient for their information needs. If that were the case, the VSME may de facto become a second (actually effective) value chain cap. If market acceptance of the LSME cannot be achieved, an alternative scenario is possible: a “trickle down” effect. This will result in the disclosures and data points required under “full” ESRS de facto defining the information that companies outside the scope of the CSRD will have to supply. If the trickle-down-effect unfolds its full impact, the market position of SMEs will worsen drastically; some of them might even be squeezed out of the market for lack of capacities to address these complex and extensive information needs. This will be the opposite of what the EU had envisioned for SMEs.

## Conclusion

The CSRD introduces significant changes (a “big bang”) in sustainability reporting, including a much broader scope, more detailed and specific disclosure requirements, and mandatory assurance. Among all the several companies involved, SMEs face particular challenges in complying with the new regulation, because limited resources (both financial and in terms of human capital, skills, and knowledge), but also due to their limited previous experience with sustainability reporting. The ESRS LSME offers a lighter version of the full ESRS specifically designed for listed SMEs, but the extent of reduction in disclosure requirements remains debatable. The VSME is a voluntary standard for non-listed SMEs, aiming to harmonise information needs from stakeholders and lenders in the context of non-listed SMEs. The long-term impact of the CSRD and ESRS especially on SME competitiveness and the potential unintended consequences are still unclear and will require further investigation.

The CSRD definitely represents a significant step towards more comprehensive and comparable sustainability reporting in the EU. While SMEs face challenges in complying with the new regulations, the development of SME-specific standards acknowledges their specific circumstances. Further research and ongoing dialogue are crucial to ensure a successful implementation of the CSRD that fosters transparency and sustainability throughout the value chain, while not hindering the competitiveness of European SMEs.

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## **[ ESG ratings: From fog to sunshine?**

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### **Abstract**

Companies increasingly communicate ESG ratings and investors increasingly use them. ESG ratings are useful for several reasons (as a tool to monitor ESG performance, for example) provided there is transparency regarding the meaning of the particular ESG rating (What does it rate? What is the methodology applied? etc.). Currently, transparency in this regard is rather weak as ESG rating agencies use multiple objectives, methodologies and scores. Regulators in multiple jurisdictions are trying to improve this situation. We briefly present the proposed EU Regulation on rating activities requiring authorizations, separation of rating activities and related business, communication, and transparency.

Keywords: ESG rating, rating objectives, rating methodologies, EU regulation on rating activities

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## ESG ratings: From fog to sunshine?

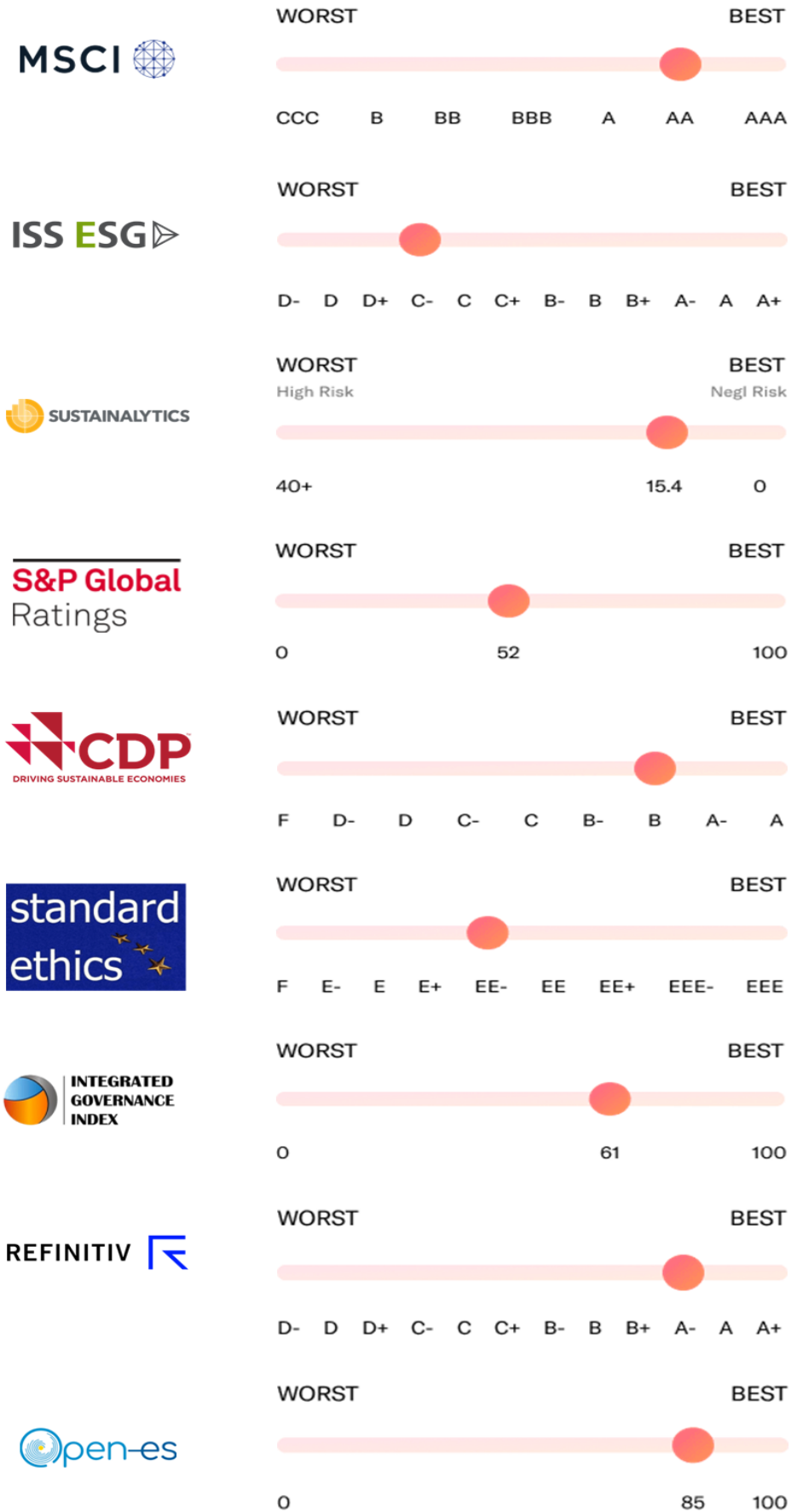
### Introduction

Browsing the website of the German car manufacturer BMW you can find in the “investor relations” section the credit ratings for BMW. In March 2024, the long-term rating is A for S&P and A2 for Moody’s, the short-term rating respectively A-1 (S&P) and P-1 (Moody’s). The two ratings indicate the same (low) credit risk class for BMW notwithstanding the rating agency.

On the same webpage, right next to these credit ratings, BMW also communicates four sustainability ratings: AA from MSCI ESG, A-list from CDP Climate Change, Prime, C+ from ISS ESG, and 24.8 from Sustainalytics. We notice first that the scale used is different and further enquiries show that these ESG ratings do not put BMW in one category but in several. AA from MSCI ESG is the second highest rating, A-list from CDP is the highest rating, 24.8 from Sustainalytics is a third-class rating. The confusion is complete when we look at ISS ESG: they consider BMW as “Prime” because their ESG performance is above the sector-specific threshold, which means that they fulfil ambitious absolute performance requirements (ISS ESG 2023), but at the same time C+ which is a medium rating (7<sup>th</sup> best rating)?

If we have a look at other companies from different industries, we obtain similar situations. Figure 1 presents the different ESG ratings for Illimity Group, an Italian high-tech banking group, headquartered in Milan (Italy) and listed in the STAR segment on the Italian Stock Exchange (Borsa Italiana). All the ratings refer to 2023, except CDP (December 2022) and Open-Es (July 2022). From this picture, it can be easily noted not only the big differences in the evaluations, but also the distinct scales and metrics used by the different ESG rating companies.

Figure 1 - Illimity Group ratings from different ESG rating companies



(Source: <https://www.illimity.com/en/sustainability/esg-rating-and-indices> - Last accessed: April 15th, 2024)

These examples clearly illustrate that the current ESG rating landscape is quite unorganised, with a multitude of ESG rating agencies (much more than credit rating agencies) who use very different scales, and opaque (What do rating providers actually rate? What are their methodologies? etc.). This lack of comparability is obviously a problem as they obscure, rather than clarify the situation of the rated company. The purpose of this paper is to shed some light on the current fog of ESG ratings and to show the “EU way” into the sunshine of more transparent and comparable ESG ratings.

## **The usefulness of ESG ratings**

An increased focus on issues such as climate change and employee rights violations has triggered a change in the business sentiment, requiring practitioners and academics to rethink the issue of corporate value creation and purpose. This has culminated in what is commonly referred to as stakeholder theory. According to this theory, the impact of business actions on a broader set of stakeholders, ranging from the nearby river and the neighbour to the investor, should be considered. However, measuring the impact of corporate operations on various stakeholders is tricky for various reasons, including limited data access to comprehensive information regarding companies' sustainability practices. Furthermore, the absence of a consistent measurement methodology makes an effective comparison across companies and industries challenging.

Several initiatives, including the Global Reporting Initiative in 1997, the Carbon Disclosure Project in 2000, the Sustainability Accounting Standards Board (SASB) in 2011, the Taskforce on Climate-related Financial Disclosures (TCFD) in 2015, and the Workforce Disclosure Initiative in 2016 have contributed to the development of measurement systems to monitor corporations and motivate them to act more sustainably. The established frameworks have led to a variety of proposed measures of corporate sustainability aiming at improving transparency and comparability. In parallel, index-providing rating agencies such as MSCI, Sustainalytics, RepRisk, or ISS have created their own ratings of corporate ESG performance.

ESG ratings are useful to various interested parties because they provide a measure of ESG-related activities that is quantifiable and thus supposedly allows for comparability of corporate ESG performance relative to benchmarks. Investors can apply ratings to better assess investment risks and vulnerability to potential regulatory tightening. In addition, ESG ratings help them screen the market for companies that align with their personal values and goals. Using Chinese publicly listed firms, Zhang et al. (2024) find that higher ESG ratings attract liquidity via increased market attention and transparency. Managers use ESG ratings to communicate sustainability-focused efforts to stakeholders if those ratings provide some sort of verification of these efforts. ESG ratings enrich well-performing companies with access to a broader pool of investments, for instance enabling them to issue specialised financial instruments such as Green Bonds. Regulators use ESG ratings to measure regulatory compliance or as a basis for new regulatory advancements. And, overall, ESG ratings contribute to solving ongoing issues such as the climate crisis by shifting market sentiment and attention towards those issues.

The above-described usefulness of ESG ratings however hinges on several factors affecting how ratings are compiled, communicated, and interpreted. An important assumption is that the underlying data is available and reliable. Companies reporting incomplete or misleading data can affect the accuracy and relevance of the ratings. The reliability of ESG ratings also hinges on an ESG rating consensus. For instance, Serafeim and Yoon (2023) find that the predictive power of ESG ratings significantly decreases in rating disagreement. Second, communication of ESG ratings and ESG-related activities must be unbiased, with both bad and good news being reported, avoiding the concern of greenwashing.

Lastly, ESG ratings will be most useful when stakeholders are willing to base their decisions on them. Investors focusing on long-term improvement in performance despite sacrificing short-term gains will receive the largest benefit from ESG ratings. Managers willing to adjust business processes and adopt changes in the organisational culture will most likely benefit from communicating ESG ratings to stakeholders. For instance, using evidence from Italian firms, Clementino and Perkins (2021) find a wide range of corporate reactions to being rated from conformity to resistance. Similarly, ESG ratings will have the highest utility in robust and transparent regulatory environments.

**The current situation of ESG ratings**

*Variations in stated objectives of ESG ratings*

The ESG rating industry is currently highly fragmented.

While initially, the purpose of ESG ratings was to provide a reliable and consistent measure of corporate impact on its stakeholders, no official definition exists (ESMA 2021). Notably, the lack of a coherent definition is described as part of the process of developing sound ESG ratings, "a logical progression of our field’s evolution and thinking. New issues emerge, the breadth and depth of our impacts are better understood, and we all want to know a little bit more." (Wallace 2020). ESG ratings merely represent the unbinding opinion of ESG rating agencies. In addition, there is no binding definition of the methodology to be applied. With over 600 different rating agencies operating on the market (ESMA 2021), it is no wonder that a variety of different methodologies and scores exist. According to Christensen et al. (2022), improvements in ESG disclosure and a higher availability of related information have contributed to an increasing diversity in ESG ratings.

This difference is illustrated in the following table, which compares the stated objectives of several ESG rating firms (Larcker et al., 2022).

**Table 1 – Examples of objectives of ESG ratings**

<b>Stated objectives of ESG rating</b>	<b>Assumptions behind the stated objectives of ESG rating</b>	<b>Examples from ESG rating companies</b>
Reduce risk	ESG quality improves financial performance by reducing ESG risks to a company’s business model or operations.	MSCI claims its rating “supports ESG risk mitigation and long-term value creation.”
		Sustainalytics measures “the degree to which a company’s economic value is at risk” due to ESG factors.
Predict returns	When calculating the ESG score of a company, the rating model will only use	HIP claims that its ratings “correlate with better returns for the same amount of risk”

Stated objectives of ESG rating	Assumptions behind the stated objectives of ESG rating	Examples from ESG rating companies
	information that significantly helps explain future risk-adjusted performance.	Arabesque says its approach “is all about identifying companies that are better positioned to outperform over the long term.”
Measure a company's environmental or social impact	ESG ratings assess a company's ESG impact across its entire operation.	ISS ESG Corporate Ratings “evaluate companies’ ESG-related risks, opportunities, and impact along the corporate value chain”.
Measure a company's transparency and commitment to ESG	ESG ratings are designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness.	“LSEG ESG scores reflect the underlying ESG data framework and are a transparent, data-driven assessment of companies’ relative ESG performance and capacity, integrating and accounting for industry materiality and company size biases”.
Provide a screen for ESG selection in support of responsible management	Scores allow investors to understand a company's exposure to, and management of, ESG issues in multiple dimensions.	FTSE Russell

### *Variations in ESG rating presentations*

ESG ratings are presented in various formats. Some companies such as MSCI use a 7-point scale from leader (AAA, AA) to laggard (CCC, B) with A-, BBB and BB labelled as average. Some companies (such as ISS ESG Corporate Rating) use a 12-point scale from A+ to D-. CDP, formerly known as the Carbon Disclosure Project, also uses a A+ to D- system, but if a company is invited to participate in the CDP rating and chooses not to respond, this company will receive an F score.

Another widely applied scale is a score from 1 to 10 (decile basis) and from 1 to 100 (percentile basis), where 10 (decile basis) and 100 (percentile basis) can either represent highest quality, best performance, most positive, most transparent (such as Bloomberg) or most negative, highest ESG risk, lowest disclosure quality (such as ISS ESG E&S quality score).



On the other hand, ESG ratings can be an indication of the level of risk. For instance, Sustainalytics categorises companies across five risk levels (scores) (figure2).

**Figure 2 - Morningstar Sustainalytics' ESG Risk Ratings**

Negligible	Low	Medium	High	Severe
0 - 10	10 - 20	20 - 30	30 - 40	40+

(Source: <https://www.sustainalytics.com/esg-data> - last access: April 15th, 2024)

Furthermore, when using the ESG ratings, investors need to carefully differentiate whether the rating is industry-adjusted or not. Industry-adjusted ratings allow investors to compare ESG quality across firms of the same industry but should not be used for the evaluation of firms from different industries. These ratings are sometimes referred to as “best in class”: a company gets a high rating if its ESG quality is comparatively high in the industry. That is how a company from a polluting industry (oil and gas, for example) can still get a top rating – if it has higher ESG quality than its industry peers. On the other hand, ESG ratings that are not industry-specific can be used for the evaluation of firms across industries. These ratings measure absolute ESG quality.

***Variations in methodologies***

To derive an overall ESG score, rating firms usually develop their own ESG rating frameworks and make individual assessments of the E, S, and G components separately. For instance, MSCI (2024) assesses the performance of a company on 33 ESG issues through public data, including media sources, government and NGO datasets, and the company’s own disclosures. The 33 ESG issues identified can be categorised as 33 subcomponents under three fundamental pillars of the rating frameworks: Environment Pillar (including climate change, natural capital, pollution and waste, environment opportunities accountable for 13 issues out of the 33 subcomponents), Social Pillar (including human capital, product liability, stakeholder opposition, social opportunities issues accountable for 14 issues out of the 33 subcomponents) and Governance Pillar (including corporate governance and corporate behaviour issues accountable for 6 issues out of the 33 subcomponents). These 33 subcomponents might be derived using statistical analysis of historical data or they may be hypothesised based on a theoretical relation. Only issues that MSI deems material to a company are scored. MSCI ESG Ratings research aims to answer two questions. The first question is: Of the negative externalities that companies in an industry generate, which issues may turn into unanticipated costs for companies in the medium- to long-term? The second question is: Conversely, which ESG issues affecting an industry may turn into opportunities for companies in the medium to long term?

While different rating companies employ different approaches to arrive at an overall ESG rating score, they all use a large number of input variables. Bloomberg covers more than 120 ESG indicators and does not customise its approach by industry or sector. On the other hand, ISS ESG’s E&S Disclosure quality score covers 380 environmental and social factors which vary by industry group. ISS also publishes an industry-adjusted Governance Quality Score that considers 200 factors related to board structure, compensation and remuneration, shareholder rights, and audit and risk oversight.

With more than 600 ESG ratings published globally, each with its own methodology, scoring, and target audiences, it can be hard and confusing for investors to know which ESG ratings to rely on.

## How to improve the usefulness of ESG ratings

As shown above, there is currently a clear lack of transparency of ESG rating methodologies and objectives, which results in reduced reliability. This lack of transparency impairs the usefulness of ESG ratings for the functioning of financial markets. There is also a risk of greenwashing, which could hamper the trust of investors in sustainable investments. Consequently, in several jurisdictions, such as the EU, the UK, Japan or India, proposals to regulate ESG rating activities and/or for a code of conduct are being discussed. In the following paragraphs, we focus on the EU situation.

An important part of the “European Green Deal” (2019) and the EU Action plan “Financing Sustainable Growth” (2018) aims to use financial markets to channel capital to sustainable investments. The EU Commission mandated a “Study on Sustainability - related ratings, data and research” that was published in November 2020. Based on the results of this study the “Strategy for financing the transition to a sustainable economy” (2021) announced policy initiatives on ESG ratings. In June 2023 the EU Commission published a proposal for an EU regulation “on the transparency and integrity of Environmental, Social and Governance (ESG) rating activities”. This ESG rating agency regulation takes example from the EU regulation 1060/2009 regarding credit rating agencies. The Council of the EU and the EU Parliament in February 2024 reached a provisional agreement on the proposed regulation (Council of the EU 2024). The text needs formal approval by both bodies before going through the formal adoption procedure.

The main elements of the proposed EU regulation to enhance the comparability and reliability of ESG ratings are:

- EU ESG rating agencies need to obtain authorization to operate from the European Securities and Markets Authority (ESMA). Non-EU ESG rating agencies either need an endorsement of their rating from an EU rating agency or can operate because of an equivalence agreement (discussed between ESMA and the relevant third-country authority). In case of violation ESMA has the power to impose penalties. Small, already existing rating agencies get temporary relief from the full authorization requirements to facilitate their market entry. The authorization to operate can be withdrawn or suspended. To obtain authorization ESG rating agencies must provide certain information such as the number of analysts involved in the ESG rating and their experience and training, or the expected market coverage of the ESG rating.
- ESG rating agencies will be subject to a principle of separation of business and activities, requiring either different legal entities for different activities (ESG ratings AND sustainability consulting services, credit ratings, or audit services for the same client) or clear separation measures (Chinese walls between the credit rating and ESG rating activities, for example) to avoid conflicts of interests.
- Financial market participants who use ESG ratings in their financial communication must provide information on their website.

Annex III of the proposed EU regulation lists the 30+ information items, covering the organisational set-up, the rating governance, and methodological details (for example, whether the E factor takes into account the Paris Agreement). This information should be disclosed for each rating product, meaning that Moody's, for example, needs to provide their 200 methodologies for their around 40 different ratings, or S&P around 350 methodologies, all updated every year. The methodology should be based on a double materiality approach. Information about models and key assumptions are also required here. The above information must be provided separately for E, S and G.

- Ratings can be provided for E, S and G separately (preferred by the EU) or for ESG altogether. In the latter case, the weight of the E, S and G part must be indicated.

Despite the above measures, it is likely that ESG ratings will not achieve the same degree of comparability as credit ratings. Indeed, the content of credit ratings is by its nature relatively standardised: every credit rating looks at financial statements-based profitability, solvency, and liquidity (plus country risk and other elements). Although different ratios with different definitions can be applied in these three areas, there is a common understanding about the meaning of profitability, solvency, and liquidity. This common understanding is more difficult to achieve for ESG ratings.

First, what is relevant (material) in the E, S, and G area depends on the stakeholders you consider. Whereas for credit ratings only creditors (short-term and long-term) are considered stakeholders, the potential ESG stakeholder scope is much wider and more diverse (unions, communities, clients, suppliers, etc.). Hence, it is more difficult to agree on a common understanding: Is gender equality more important for the S (or G?) score or are general working conditions (health and safety)?

Second, even if a common understanding of the material items could be achieved, for example, water consumption in the E area or corruption-avoiding rules in the G area, there would still be an issue about how to measure this factor: absolute water consumption or relative (per product, per tonne of production, per € of sales revenue, per € of gross margin); freshwater or saltwater consumption; consumption in water-stressed areas, areas with water-scarcity or areas with water-surplus, etc.

## **Conclusion**

While ESG ratings are undoubtedly growing in importance and attracting increasing attention from the markets, practitioners, and academics, the current landscape is undeniably confusing and fragmented, due to the lack of standardised methodologies, non-comparable differentiated scales, and diverging objectives among the different stakeholders. This ambiguity not only harms the usefulness of ESG ratings and their informative contribution to the market but could also potentially create a fertile ground for greenwashing practices, with further erosion of trust in sustainable investing.

However, some winds of change seem to be blowing away the current fog. The role of regulators and governments might be crucial in this circumstance. Some initiatives, like the proposed EU regulation on ESG rating activities, could lead the way to transparency and accountability. By mandating clear disclosures on methodology, mitigating conflicts of interest, and establishing oversight mechanisms, these regulations aim to bring much-needed sunshine to the foggy domain of ESG ratings.

However, the path forward is definitely not without its challenges. Unlike credit ratings that focus on the relatively standardised realm of financial statements, ESG ratings have to cope with their intrinsic complexity: from the application of the "materiality principle" to effective measures amongst different stakeholders.

Despite these challenges, the growing focus on ESG considerations at all levels requires increasing efforts towards more robust and reliable ESG ratings. At present, the future of ESG ratings is far from certain, but with ongoing efforts towards transparency and standardisation, they have the potential to emerge from the fog and illuminate the path towards a more sustainable financial system.

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## **Do Environmental, Social and Governance (ESG) regulations impact a country's potential to attract Foreign Direct Investments (FDI)?**

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### **Abstract**

This paper examines how environmental, social and governance (ESG) regulations can impact a country's attractiveness for foreign direct investments (FDI). The presence of ESG regulations is significantly correlated with higher FDI in high-income countries, and with higher FDI in emerging markets and developing economies (EMDE) when governments' policies are perceived as effective. The paper aims to shed new light on a country's FDI attraction potential related to the presence of country-level ESG regulations, providing additional opportunities for considerations of ESG regulations by policy makers.

Keywords: ESG; regulations; FDI; investment; emerging markets.

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# **Do Environmental, Social and Governance (ESG) regulations impact a country's potential to attract Foreign Direct Investments (FDI)?**

## **Introduction**

Existing literature and policy debates do not draw a firm conclusion on whether Environmental, Social and Governance (ESG) regulations incentivize or deter private investments. This paper contributes to the literature on the role of ESG regulations and to that on the role of policies in attracting Foreign Direct Investment (FDI). Results offer a new range of opportunities for policy makers when considering the impact of ESG regulations in conjunction with the general quality and effectiveness of their regulatory systems.

## **Literature on ESG regulations**

ESG regulations have recently been increasing in countries that are both FDI originators and receivers ; and pressure has been increasing for corporations and governments to face their responsibilities in matters of ESG. Singhania and Saini (2022) argue that the practice of disclosing non-financial ESG information has been rising due to several reasons, such as increasing visibility, informing customers, avoiding the risk associated with firm performance and achieving sustainability. However, notwithstanding the increase in the number of ESG regulations, the literature on how ESG regulations influence FDI has remained contained. Literature in this field generates from and heavily revolves around the pollution heaven hypothesis (PHH), which argues that polluting FDI flows where there are fewer or less stringent environmental regulations (Aliyu, 2005). However, empirical papers have failed to find definitive evidence of the PHH (Rezza, 2015).

Little is known about the direct effects of ESG regulations on FDI, also because of the lack of harmonized common measures of the level of ESG regulations. Due to growing interest in the topic, more data has become available. The United Nations (UN)-supported network of investors, called Principles for Responsible Investment (PRI), created a database that lists all ESG regulations around the world. Although not in relation to FDI, authors have explored UN PRI data. For example, Krueger et al. (2021) conclude that mandatory ESG disclosure regulations have beneficial informational and real effects on companies' financial performance. Bassen et al. (2013), based on an extensive literature review, also find a founded business case to highlight a positive relation between ESG criteria and corporate financial performance.

## **Literature on FDI attraction**

FDI can bring economic benefits to a receiving (host) country, for example through the creation of jobs and value addition, and potential spill-over effects into the economy, including technological knowledge, productivity, exporting performance, research and development investment, and human capital. Recognizing the role of FDI in an economy, academic research has explored its determinants, in other words those factors that make a country more or less attractive to FDI.

The research around FDI determinants has evolved over the last decades, and several determinants have been identified. Teixeira et al. (2017) identify four main motives for FDI: market-seeking, resource-seeking, efficiency-seeking and/or asset-seeking. Market-seeking FDI seeks markets to serve, and therefore is determined by the size and availability of the

markets that the multinationals are looking to exploit. Resource-seeking FDI seeks resources to use in the multinationals' production process, and therefore is determined by the availability of resources in the host country, for example natural resources. Efficiency-seeking FDI seeks efficiency of the production processes, and therefore generally seeks cheaper factors of production, for example a minimum level of skills provided at lower cost. Finally, asset-seeking FDI seeks existing assets abroad, and generally refers to mergers and acquisitions of existing companies. Finally, authors like Bénassy-Quéré et al. (2005) have introduced gravity models that consider geographical or cultural proximity between host and home country.

The literature on FDI determinants has also expanded on the role of rules and regulations that a host country government establishes, and how they impact a country's FDI attraction potential. Bailey (2018) explores several FDI determinants related to a host country's regulatory environment, including political stability, the rule of law, corruption, and democratic institutions. Other FDI determinants related to a host country's policies are macroeconomic stability and tax environment (Teixeira et al., 2017).

## **Econometric model and results**

This paper is a summary of ongoing research that argues that the presence of an ESG regulation framework can make a country more attractive to FDI. The hypothesis is tested through a panel data analysis with year and host-country fixed effects, with FDI inflows as the dependent variable, the presence of ESG regulations as the independent variable, and the controls for FDI attraction presented in the literature review above.

The independent variable is the presence of ESG regulations in the host country for every year between 2000 and 2022, sourced from the May 2022 release of the UN PRI database. The analysis includes ESG regulations that are already issued (not in progress), mandatory (not voluntary), and issued by governments and industry (i.e., stock exchanges and industry associations).

The hypothesis is supported for countries with a high-income level (HIC). In this case, the presence of ESG regulations is significantly positively related with FDI flows. This can be explained by the following reasons:

1. As discussed above, authors have found a positive relation between ESG disclosure requirements and financial performance. Therefore, one incentive that a multinational company may have in investing in countries with ESG regulations is that companies operating in such countries would have a better financial performance.
2. Another incentive could be linked to customers and governments requesting companies to pay increased attention to ESG matters, as discussed above. Therefore, another incentive for a multinational company to invest in a country with an ESG framework could be that the host country offers an environment better aligned with the expectations of the home country's stakeholders.
3. Finally, if a company has reasons to decide to actively comply with voluntary or mandatory ESG regulations, it would be easier for that company to invest in a country with an existing ESG framework; otherwise, the investing company would need to build an ESG framework of its own, increasing its transaction costs.

In the case of low- and middle-income countries (LMIC), interestingly the hypothesis is supported with some caveats. The presence of ESG regulations is significant and positively related to higher FDI only when interacted with government effectiveness. In other words,

the presence of ESG regulations and the perception of government effectiveness<sup>1</sup> are complementary in making a LMIC more attractive to FDI. Similarly, the presence of ESG regulations interacted with regulatory quality<sup>2</sup> is negatively significant, suggesting that in the presence of adverse regulations for private sector development, the presence of ESG regulations is counterproductive to attract FDI.

## Conclusion

The preliminary results presented in this paper, by looking at the perspective of a multinational company exploring multinational investments, provide new insights for policy makers when debating whether ESG regulations create a cost or an incentive for the private sector to invest. Policy makers may think that attracting FDI is easier in the absence of ESG regulations in line with the so-called PHH. However, this paper argues that ESG regulations, especially when coupled with a good perception of a country's policies, can enhance a country's FDI attractiveness, more in line with the literature that makes the business case for ESG regulations. The findings also provide additional background for multinational companies investing abroad regarding the elements to assess for their cross-border investment location decisions.

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<sup>1</sup> The measure of government effectiveness is sourced from the World Bank's World Governance Indicators, and refers to the perception of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.

<sup>2</sup> The measure of regulatory quality is sourced from the World Bank's World Governance Indicators, and refers to the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.



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## **How Organisations Can Engage in Degrowth-oriented Value Creation**

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### **Abstract**

The 2024 European elections and the integration of sustainability principles into business activities are pivotal for shaping a sustainable and equitable future for Europe. Ensuring and enhancing the European economy's capacity to generate value for hundreds of millions of Europeans will be vital in the coming decades. However, value creation is often defined narrowly in terms of economic efficiency and accumulation. But the notion of value creation may also be applied to organisations working towards a fair, participative, and ecologically sustainable society. What does this mean in concrete terms? A new study has mapped specific patterns of activity that create degrowth-oriented value.

Keywords: Sustainability transformation; degrowth; value creation; business models

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# How Organisations Can Engage in Degrowth-oriented Value Creation

## Introduction

How much is your cup of coffee worth? Forget about supposedly objective theories of value, which assume an intrinsic, calculable nature of value via metrics such as labour (hours harvesting beans) or energy (to roast them). Every definition of value is political. Or, as Mazzucato (2018: 23) pointedly expresses, the “definition of value is always as much about politics, and about particular views on how society ought to be constructed, as it is about narrowly defined economics.” Coffee, for example, can be produced in ways people consider fair or unfair. Ethical values such as fairness influence people's evaluations and their willingness to pay, even if the final product (e.g., coffee beans) is materially equivalent (Bürgin and Wilken, 2021; Froese et al., 2023). Value therefore depends on how much you, and all the other actors in the supply chain, treasure not only your morning caffeine shot but also, say, the livelihoods of producers.

We can refer to David Graeber (2013: 224), who noted that “the fact that we use the same word to describe the benefits and virtues of a commodity for sale on the market (the “value” of a haircut or a curtain rod) and our ideas about what is ultimately important in life (“values” such as truth, beauty, justice), is not a coincidence.” Thus, an organisation creates value when its activities and their implications —often products or services —are perceived by stakeholders as desirable. While prevailing concepts of value creation frame it as oriented towards economic efficiency, accumulation, and expansion, it does not mean that value creation cannot be oriented towards equality, participation, and ecological sustainability. These are core values of degrowth, defined as a “downscaling of production and consumption that increases human well-being and enhances ecological conditions and equity on the planet” (Research and Degrowth, 2024).

In 2024, the year of the European elections, these values become even more important. EU policies, such as those of the European Green Deal, share values such as ecological sustainability. Yet, they represent the idea of green growth. A key assumption of green growth is that economic growth can be decoupled from environmental impact. And indeed, a recent study, including eight European countries – inter alia, France, Germany, Belgium, and Denmark – reveals that absolute decoupling is happening (Vogel & Hickel, 2023): In high-income countries, CO<sub>2</sub> emissions are going down while GDP is growing. Yet, and this is key, the current rate of CO<sub>2</sub> emissions reduction falls significantly short of the rates needed to comply with the Paris Agreement: “At the achieved rates, these countries would on average take more than 220 years to reduce their emissions by 95%, emitting 27 times their remaining 1.5°C fair-shares in the process.” (Vogel & Hickel, 2023: 759). Moreover, CO<sub>2</sub> is only one of the nine planetary boundaries, six of which have already been crossed, and beyond ecological aspects, there are pressing social issues such as social equality and the resilience of democratic institutions (Chancel, Piketty, Saez, Zucman, & et al., 2022; Richardson et al., 2023).

This is why scholars, politicians, activists, and sustainability-pioneers from civil society and the business community are increasingly calling for degrowth. A recent culmination of this effort was the Beyond Growth 2023 Conference, organized by 20 members of the European Parliament, representing five different political groups. This conference aimed to stir movement beyond “the shortcomings of the social dimension of the Green Deal, and to focus on the steps required to build a more ambitious, more integrated and more effective strategy to the social-ecological transition in Europe” (Beyond Growth, 2023).

Now we wonder, what might degrowth mean for value creation and business models in Europe? By challenging the traditional notions of value and exploring new degrowth business model patterns, we recognise an inspiring new way for a future where economic activities contribute to human well-being and ecological sustainability. This paper aims to explore these connections and propose actionable insights for integrating degrowth principles into European business practices and policies.

## **Towards sustainable degrowth**

Europe, and indeed the whole world, faces unprecedented challenges due to unsustainable development. Crises such as climate change and biodiversity loss impose increasing constraints on social and economic development and put the resilience of companies and even whole economies to the test. Many companies are forced to innovate or even transform themselves to survive. Overall, this calls for new ways of doing business – or, put differently, new ways to create value (Dembek et al., 2023; Froese et al., 2023).

To be more ecologically sustainable and socially just, societies and economies must build on organisations and networks that create value for and with their stakeholders whilst also protecting their natural environment (Freudenreich et al., 2020). To achieve this, their business models must follow sustainability principles such as circularity, inclusiveness, or sufficiency (Lüdeke-Freund et al., 2018, 2022, 2024). Circularity aims to close production-consumption systems by making better and recurrent use of resources, waste, and leakage (Geissdoerfer et al., 2017). Offering repair services is a typical example. Building on Gossen et al. (2019), however, approaches such as circularity have limits. Sustainability also requires sufficiency, that is, “a strategy for reducing the consumption and production of end-use products and services through changes in social practices in order to comply with environmental sustainability while ensuring an adequate social foundation for all people” (Lage et al., 2024: 325). Correspondingly, recent debates have introduced ‘degrowth’ as a normative framing for strongly sustainability-oriented transformations of companies, industries, and national economies (Kallis, 2018; Kallis et al., 2018).

*Sustainable degrowth* is a transformative quest towards a more equitable, participatory, and growth-independent socio-economic setting, along with a reduced level of economic throughput, that together improve the quality of life while respecting planetary boundaries (Kallis et al., 2018; Research and Degrowth, 2024). Accordingly, research on degrowth explores how core degrowth values such as ecological sustainability, equality, and participation can be realized in practice. It highlights principles such as sufficiency, circularity, and mutual care, as well as the often-ignored fact that our economy includes local sharing, repairing and self-provision, unpaid family care, and many other non-market activities. This comprehension of values, principles, and economic activities beyond merely monetary and reciprocal transactions is essential in order to imagine, creatively experiment with, and implement new solutions to pressing sustainability challenges (cf. Gümüşay and Reinecke, 2024).

We therefore argue that the current situation, in which companies around the world are forced to rethink their ways of doing business, together with the notion of sustainable degrowth, can inspire new and better business models for sustainability. In light of a sustainable degrowth vision, governments, civil society actors, and businesses can rethink their approaches to doing business and use sustainability principles such as circularity or sufficiency as an inspiration for reviving and redesigning business activity. The question then is: How to capture and develop knowledge about alternatives to current economic models that facilitates communicating, collectively ideating, and realising business model innovations for sustainable degrowth?

In this context, the concept of 'business model pattern' offers a heuristic device to systematically capture knowledge of experience-based best practice solutions for sustainable degrowth. Building on Christopher Alexander's conception of patterns (Alexander et al., 1977), a sustainable business model pattern "describes an ecological, social, and/or economic problem that arises when an organisation aims to create value, and it describes the core of a solution to this problem that can be repeatedly applied in a multitude of ways, situations, contexts, and domains. A sustainable business model pattern also describes the design principles, value-creating activities, and their arrangements that are required to provide a useful problem–solution combination" (Lüdeke-Freund et al., 2018: 148). Consequently, we define degrowth business model patterns as actionable blueprints characterized by their adherence to degrowth principles and their focus on activities addressing circumstances that degrowth-oriented stakeholders – who share and apply core degrowth values of ecological sustainability, local and global equality, and conviviality and participation – deem problematic.

## **How organisations practice value creation**

Having introduced some general considerations related to moving towards sustainable degrowth, we can now present the more practical side of things. Specifically, to illustrate how organisational activities can become the key to establishing new forms of value creation we refer to degrowth business model patterns. The pattern collection developed by us (Froese et al., 2023) can serve as an inspiring and actionable toolbox for practitioners who want to orient their value-creating activities towards sustainable degrowth. To develop this pattern collection, we conducted a systematic literature review, focusing on case studies. As a result, we identified 39 patterns organised into seven groups. While the patterns are described in detail in the original research paper (Froese et al., 2023), below we provide a brief overview of the main themes these patterns support, along with a few case examples.

### ***Group 1: Overcoming economic growth dynamics***

In line with values of conviviality and participation, this group's central value creation potentials lie in preventing undesired commodification and growth drivers (e.g. debt) while serving customers' needs, financing high ecological and social standards, and building long-term relationships. Furthermore, in terms of strategic decisions aligned with values of local and global equality, the patterns focus not on profit-oriented pricing but on covering true costs. Corresponding patterns are 'Real cost pricing' and 'Building personal customer relationships' (Froese et al., 2023). Case examples include the Artisans Association of Coffee Farmers of Rio Intag in Ecuador, an association engaged in communicating that their premium prices represent no more than actual and fair costs, as well as regional networks of local, alternative currencies that support local cooperation and prevent financial speculation.

### ***Group 2: Engaging consumers in sufficiency-oriented 'prosumption'***

Value creation resides in developing production processes oriented towards community and quality, especially to help people appreciate the effort and energy put into making things, as well as their use value. The pattern 'Promoting sustainability-oriented learning and engagement' (Froese et al., 2023), for instance, can be realized by providing education courses where participants learn to upcycle broken products or ferment foods. Another example is Som Energia, a Catalan energy cooperative that raises awareness about individual consumption and encourages energy savings.

### *Group 3: Joining forces in rewarding and mutual collaboration*

Patterns of this group aim to establish social ecosystems that encourage and empower stakeholders to jointly take responsibility for themselves and their environment. Froese et al. (2023) list patterns such as 'Engaging in values-based business relations' and 'Doing business in local actor networks'. Real-world examples include mission-driven networks of organizations that jointly raise a political voice for climate protection, or cooperative sales networks like Istanbul Birlik, an association of 34 fishing cooperatives with 2,500 fishermen.

### *Group 4: Equalising inequalities*

To facilitate more equitable access to needed products and services, the degrowth-oriented value proposition of this group relies on redistributing resources and support from public institutions or affluent populations to disadvantaged ones. Corresponding patterns are, among others, 'Redistributing profits' and 'Cross-subsidising' (Froese et al., 2023). Examples are the Welsh Renewable Energy Investment Club, a citizen energy cooperative, and the Bike Kitchen in Malmö, Sweden, where profits from specialised repair courses cover the cost for participants who could not otherwise access the open bike workshop.

### *Group 5: Open and decentral creativity*

The value creation logic of this group involves making social and material technologies and resources accessible in non-commercial ways. The goal is to advance them through the 'wisdom of the crowd' and counter the negative impact of private ownership of critical resources (e.g., seed patents). The patterns of this group include 'Sharing and developing knowledge openly' and 'Utilising commons-based licences' (Froese et al., 2023), of which the Creative Commons non-profit organisation's different licences are a prominent example.

### *Group 6: Shrinking, slowing and extending resource cycles*

Clearly emphasizing ecological sustainability, the patterns in this group entail activities such as offering shared access to products rather than ownership, using full life-cycle analysis in product designs, and offering unlimited repair services. These activities turn the dominant logic of sourcing low-cost materials in take-make-waste resource streams on its head. Second-hand clothing shops are one real-world example, as are open bicycle repair shops.

### *Group 7: Democratic, purpose-driven, and transparent governance*

In a critique of hierarchical and untransparent power relations, the focus of this group is on conviviality and participation. Organisations can, for instance, aim for 'Governing with stakeholder representatives' and 'Accounting transparently and purpose-oriented' (Froese et al., 2023). In line with these patterns, community-supported agricultural organisations, or energy cooperatives like Som Energia apply inclusive decision-making methods to promote their shared vision.

## **Example – Coproduction and prosumption**

To give a brief illustration, a concrete degrowth business model pattern we propose in Group 2 is 'Supporting coproduction and prosumption' (Froese et al., 2023). In research on degrowth, Bloemmen et al. (2015), for instance, present a corresponding case of community-supported agriculture. The pattern becomes meaningful in a socio-economic

context in which citizens are considered as mere consumers of what companies produce, while intermediaries, such as supermarket chains, are positioned between these two parties.

The *problem* is that this form of economic relation and practice does not convey non-material and non-monetary forms of value creation. It disconnects consumers from the conditions of production. Furthermore, it puts producers in fierce competition with each other, making individual producers vulnerable to poor local conditions (e.g., a dry season).

A *solution* is to share the risk with local citizens who pay a fixed yearly amount, regardless of the success of the production (e.g., the harvest yield). Moreover, local citizens engage in local economic activities (e.g., harvesting or food delivery), build social connections, learn from each other, and spend leisure time, for instance, in a green environment. As a result, economic relationships are diversified, monetary exchanges are, to a certain degree, deprioritised, and consumers turn into 'community prosumers.' This reduces producers' workload and frees up time to invest in the quality of organisational processes.

## **Conclusion**

The 2024 European elections and the integration of degrowth principles into business models and value creation processes are crucial for shaping a sustainable and fair future for Europe. The current EU policies, while progressive, often emphasise green growth, which assumes that economic growth can be decoupled from environmental impact. However, the recent findings on CO<sub>2</sub> emissions indicate that the rate of reduction is insufficient to meet the Paris Agreement targets, and several planetary boundaries have already been crossed (Richardson et al., 2023; Vogel & Hickel, 2023). This underscores the need for a more radical transformation in how we perceive and create sustainable value.

A broad knowledge base about the forms that sustainability-oriented and degrowth-oriented value creation can take has been developed in several research projects conducted at ESCP (e.g., Froese et al., 2023; Lüdeke-Freund et al., 2018, 2022, 2024). This knowledge base, consisting of various patterns, can serve as a source of inspiration and a tool to help companies develop better business models. Apart from that, business model patterns can function as empowering communicative devices as they make expert knowledge understandable and useful for laymen. This can essentially contribute to making business model design processes more democratic and inclusive. Moreover, collecting, discussing, and sharing patterns can greatly contribute to the perceived and actual diversity of our economy.

The research presented in this paper shows that sustainable degrowth challenges the value-creation logic of modern capitalistic organisations and economies not just rhetorically, but also on the ground, in many practical ways. Degrowth-oriented organisational value creation is about engaging with others to actualise the core values of equality, participation, and ecological sustainability. Indeed, following Kallis (2018), the desired transformation is initially about a change in cultural values, interpersonal relations, and democratic social institutions, which subsequently translates into implications such as sustainable resource consumption and well-being.

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## **Biodiversity in Agri-Food Systems and the Role of Accounting for Biodiversity**

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### **Abstract**

Amid the escalating concerns over biodiversity loss and its repercussions, a paradigm shift in global agri-food systems becomes imperative. This study investigates the effectiveness of agri-food practices that support biodiversity in addressing environmental challenges and ensuring food production sustainability for current and future generations. The increasing concern about biodiversity loss underscores the urgency of transforming global agri-food systems. Realizing the full potential of these practices requires robust (and innovative) biodiversity accounting methods. By integrating ecological conservation with economic objectives, biodiversity accounting serves as a critical tool to enhance transparency, accountability, and sustainability in agri-food systems. Ultimately, the paper advocates for concerted efforts in incorporating biodiversity considerations into business strategies to build a resilient, equitable, and sustainable future.

Keywords: Biodiversity, Biodiversity accounting, Biodiversity measurement, Agri-Food systems,

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# Biodiversity in Agri-Food Systems and the Role of Accounting for Biodiversity

## Introduction: the concept of “Biodiversity”

The term "biodiversity" covers the vast array of living organisms that inhabit our planet, spanning diverse environments. While the term "biodiversity" is relatively new, its essence has long been recognized under the name "biological diversity" (derived from the ancient Greek words "*bios*" meaning "life" and "*logos*" meaning "*principle*"). The term "biodiversity" was coined in the 1980s, coinciding with a growing awareness of the threats facing the natural world.

Biodiversity manifests at three distinct yet interconnected levels:

1. **Genetic Diversity:** This refers to the intricate collection of genetic information encoded within the genes of individuals within a species.
2. **Species Diversity:** This encompasses the richness of species inhabiting a specific geographical area, including the intricate relationships among these species.
3. **Ecosystem Diversity:** This refers to the variety of environments that support diverse life forms, such as oceans, forests, rivers, caves, deserts, etc...

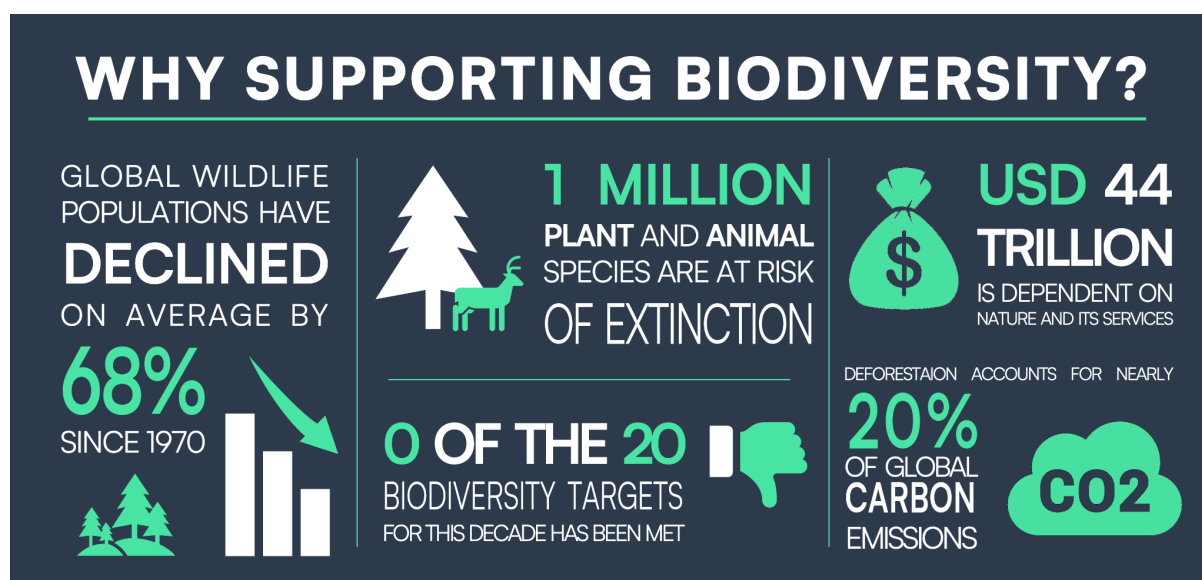
While the term "biodiversity" is often used to refer to species diversity, it is crucial to recognize the interconnectedness of all these three levels. Each species possesses a unique genetic code and interacts with its specific ecosystem in articulated and complex ways.

As complex systems, all three levels of biodiversity exhibit intricate relationships. Alterations to any single element, whether a gene, a species, or in the ecosystem, can have a strong impact and significant consequences for the entire system. While these mutations are frequently considered as the source of evolution, they usually present significant challenges and undesirable consequences.

## Biodiversity decline and its linkages with Agri-Food Systems

Biodiversity encompasses the variety of life on our planet, including animals, plants, fungi, and microorganisms such as bacteria. This diversity is not just a feature of our natural world but the very foundation that supports human life and the global economy. Recent research by the World Economic Forum (WEF, 2020) highlights that over half of the world's GDP (around USD 44 Trillion) is moderately or highly dependent on nature and its services, which include: provisioning services such as food and water; regulating services that affect climate and diseases; supporting services like nutrient cycles; and cultural services that provide recreational benefits and spiritual enrichment. This highlights the immense economic value rooted in biodiversity. Yet, this essential asset is under threat. Data from the global assessment made by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES, 2019) show that global wildlife populations have declined by an average of 68% since 1970, and we are witnessing the relentless erosion of nature that has led to the irreversible loss of essential species, habitats, and crops. One million plant and animal species are now at risk of extinction, echoing an alarm for immediate action to preserve the vital diversity of life. Figure 1 offers a summary of this data.

Figure 1. Biodiversity: Key Statistics and the Economic Imperative for Action.



Source: authors elaboration, adapted from [www.wartsila.com/insights](http://www.wartsila.com/insights)

As we face systemic risks such as climate change, water scarcity, and biodiversity collapse, the need for sustainable practices within the agri-food systems becomes ever more critical. In particular, following extreme weather events, critical change to Earth systems, biodiversity loss and ecosystems' collapse, and natural resources shortages are perceived among the top 4 major global risks in a 10-year period (WEF, 2024). Biodiversity's role in agri-food systems is thus profound and multifaceted, extending well beyond the direct production of food (FAO, 2022). It underpins ecosystem services that are vital for agriculture, including but not limited to, water purification, soil health, and pest regulation, all of which are essential for sustainable agricultural practices and food security. Moreover, biodiversity is instrumental in providing a broad spectrum of resources beyond food, such as medicinal ingredients, fibers for textiles, biological sources for fuels, wood products, and other essentials, all derived from various biological sources. However, the agri-food sector also significantly impacts biodiversity (UNEP, 2021). Intensive agricultural practices, land use changes, and chemical use disrupt natural habitats and can lead to a cascade of negative effects, such as the clearing of forests, the division of natural habitats, the decline of species diversity, and the usurpation of land. These pressures further reduce species diversity and weaken the ecosystems' ability to provide essential services. However, the impacts on biodiversity are not limited to the production phase. Indeed, while the upstream stages like agriculture, fishing, and raw material extraction are typically associated with the most substantial impact on biodiversity, it's important to recognize that significant impacts also occur within the downstream stages of the agri-food value chain. The distribution and consumption of agri-food products not only lead to greenhouse gas emissions but also contribute to biodiversity loss through the generation of waste (e.g. packaging) which pollutes natural environments, while transportation can facilitate the spread of invasive species over long distances.

Historically, economic stimuli have largely promoted the expansion of commercial activities, frequently at the expense of environmental integrity, rather than the conservation or rehabilitation of ecosystems. However, the integration of the diverse benefits of ecosystem functions and nature's contributions to humanity into economic considerations has demonstrated potential for improved environmental, economic, and social outcomes. This holistic approach in economic planning is beginning to show that recognizing and valuing the full spectrum of nature's services can align development with ecological sustainability. Indeed, transitioning toward regenerative approaches has the potential to generate USD 10

trillion and boost job opportunities (WEF, 2020). Recognizing the urgent need to address biodiversity loss, international agreements and strategies such as the EU Biodiversity Strategy for 2030 and the UN's Sustainable Development Goals have been implemented. These initiatives aim to protect and restore natural habitats and promote sustainable practices within industries, including agriculture, that heavily rely on and impact biodiversity. Furthermore, the Kunming-Montreal Global Biodiversity Framework adopted in 2022 by 196 countries at the United Nations Biodiversity Conference highlights a global commitment to reversing biodiversity loss through integrated actions that include sustainable business practices and financial investment in nature conservation.

## **Addressing Agri-Food Challenges: The Role of Biodiversity-Friendly Practices in Enhancing Sustainability and Profitability**

The intensification of agricultural practices such as monoculture, excessive pesticide use, and deforestation poses significant threats to biodiversity, subsequently impacting food security and human well-being. These practices have led to a profound alteration of the global environment: about 75% of the land surface has been significantly transformed by human activities, 66% of ocean areas face increasing cumulative impacts, and over 85% of wetlands have been lost (IPBES, 2019). The tropics, highly biodiverse regions, experienced a loss of 32 million hectares of primary or recovering forest between 2010 and 2015. Even areas showing an increase in forest cover often involve the establishment of monocultures, which do not support diverse ecosystems or restore original biodiversity levels.

The practice of monoculture, growing a single crop over a large area, exacerbates the vulnerability to pests and diseases, leading to greater reliance on chemical solutions. Excessive pesticide use in response to these vulnerabilities not only poses health risks but also leads to pesticide resistance, reducing soil biodiversity and contaminating water sources. Meanwhile, deforestation for agricultural expansion results in habitat loss, carbon release, and disruption of water cycles, further endangering the sustainability of agri-food systems and the ecosystems they rely on.

The loss of biodiversity from these human-driven changes has devastating consequences. For example, about half of the live coral cover on coral reefs has disappeared since the 1870s, with losses accelerating due to climate change and other anthropogenic pressures. Similarly, the average abundance of native species in most major terrestrial biomes has declined by at least 20%, primarily since 1900, affecting ecosystem processes and, by extension, nature's contributions to people. These compounded changes are leading to an acceleration in species extinction rates, already tens to hundreds of times higher than historical averages over the past 10 million years.

To counteract these negative impacts, promoting biodiversity within the whole agri-food system through sustainable practices is crucial. In doing so, it is important to bear in mind the role played also by food distribution and consumption phases. In the realm of agri-food business, embracing biodiversity-friendly practices presents not only an ethical alignment with global sustainability goals but also a strategic advantage in the marketplace. Diverse farming practices such as crop rotation, cover cropping, integrated pest management, agroforestry, and organic farming are increasingly recognized not merely as ecological necessities but as core components of innovative business models in agri-food systems.

**Crop Rotation and Cover Cropping:** These techniques improve soil health through natural processes such as nitrogen fixation and organic matter addition, which enhance soil fertility and structure. This leads to lower dependency on chemical inputs like fertilizers and

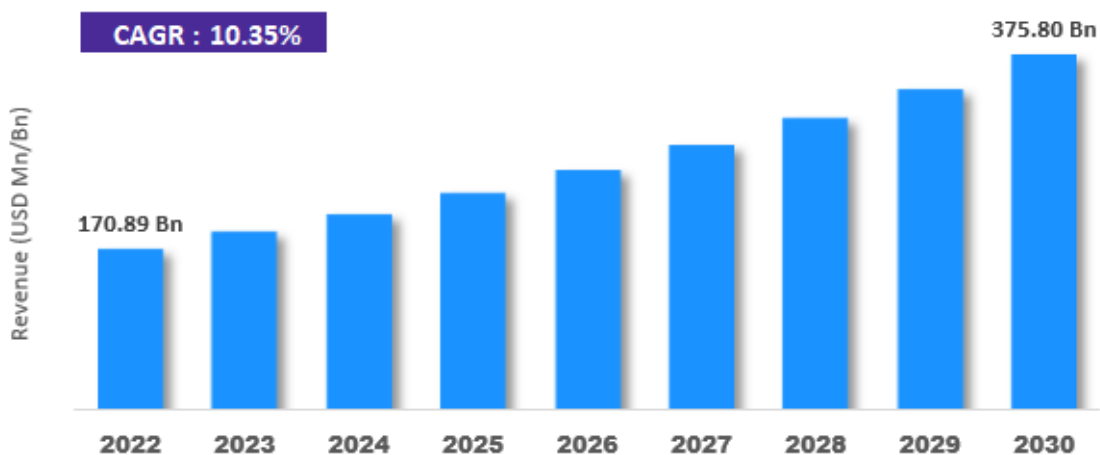
herbicides, reducing operational costs. Moreover, healthier soils support higher yields and better-quality crops, appealing to markets that favor premium, sustainably grown products.

**Integrated Pest Management (IPM):** IPM reduces the need for chemical pesticides by combining biological control techniques, the use of resistant varieties, and proper pest monitoring. This approach not only decreases the cost associated with chemical inputs but also mitigates the risk of developing pesticide resistance. Implementing IPM can lead to improved crop performance and access to markets that require compliance with strict pesticide regulations, thus enhancing the agri-business's competitive edge.

**Agroforestry:** Incorporating trees and shrubs into agricultural landscapes does more than just enhance habitat connectivity and biodiversity. It also stabilizes microclimates and moderates environmental stresses on crops, which can lead to more stable yields. From a business perspective, agroforestry can diversify income sources through the production of additional goods such as fruit, nuts, or timber. This diversification helps buffer farmers against market and crop failures, ensuring a more stable income stream.

**Organic Farming:** As consumer demand for organic products continues to rise (figure 2), transitioning to organic farming can open lucrative market opportunities. Organic products typically command higher prices in the market, reflecting consumers' willingness to pay a premium for goods perceived as healthier and more environmentally friendly. Moreover, organic certification can serve as a branding tool, distinguishing a business in the crowded agri-food market.

Figure 2. Global Organic Farmer Market Expected Growth (2022-2030)



Source: zionmarketresearch.com

Beyond these practices, innovative water management and perennial cropping can further enhance the sustainability and profitability of agri-food systems. Efficient water use and perennial crops reduce operational disruptions caused by water scarcity and soil degradation, issues that are becoming increasingly prevalent due to climate change.

Adopting these biodiversity-friendly practices allows businesses not only to meet regulatory standards and reduce environmental impact but also to position themselves favorably in a market that increasingly values sustainability. By integrating ecological health into their business models, agri-food companies can achieve better overall performance and resilience, ensuring long-term profitability and alignment with global sustainability trends.

In conclusion, the strategic incorporation of biodiversity-friendly practices in agri-food systems is not just about ecological conservation but about reaping tangible business

benefits — reduced costs, compliance with regulations, access to new markets, and increased consumer loyalty — all of which contribute to a robust business model in today's competitive environment.

## **The role of accounting in promoting biodiversity conservation and regeneration efforts within Agri-Food Systems**

Environmental accounting, established as a field of study, examines the interplay between accounting entities and society, reflecting concerns over the environmental ramifications of economic growth (Schaltegger et al., 2013). However, very little attention has been paid to specific challenges like biodiversity loss and its measurement.

Highlighting the urgent need for sustainable biodiversity conservation, through this article we underscore the vital role of accounting mechanisms. These frameworks are essential for quantifying, monitoring, and managing the wide spectrum of natural assets on our planet. With the anticipated rise in demand for food and beverages in the coming years, businesses are urged to embrace innovative approaches to gain deeper insights into and effectively manage their impacts and dependencies on natural resources, including biodiversity.

Accounting offers itself as an instrument to accurately assess the value of ecosystems, species, and genetic diversity, shedding light on their importance for both ecological stability and human well-being. This, in turn, enables decision-makers to prioritize conservation efforts, allocate resources effectively, and track the impact of interventions over time (Jones and Solomon, 2013). Furthermore, several scholars have highlighted the emancipatory potential of biodiversity accounting (Atkins and Maroun, 2018). This notion emphasizes the significance of accounting practices and reporting mechanisms in raising stakeholders' awareness and promoting biodiversity conservation efforts, advocating for greater transparency and accountability in corporate impacts on biodiversity (Jones and Solomon, 2013).

Every strategy, project, and activity aiming at conserving or restoring biodiversity requires careful monitoring through measurement. Biodiversity measurement systems tailored for the agri-food industry aim to comprehensively understand how agricultural practices and supply chain operations impact on biodiversity. These systems collect and analyze data on variables such as land use, water consumption, pesticide application, and habitat conservation efforts, enabling agri-food companies to assess their biodiversity footprint. Additionally, they incorporate metrics for evaluating ecosystem health, species richness, and genetic variation, facilitating the tracking of biodiversity changes over time and across different scales, from local farms to global supply networks. The literature on biodiversity measurement and reporting encompass various innovative approaches to measuring and disclosing biodiversity related information.

Companies can decide to disclose biodiversity related information by adopting a series of guidelines that help them to understand what kind of metrics to use and how to report in their disclosure. One such example is the guideline provided by the Global Reporting Initiative (GRI). In line with the milestones outlined in the Kunming-Montreal Global Biodiversity Framework, this Standard will assist organizations in gaining deeper insights into the factors contributing to biodiversity decline, pinpointing areas within their value chain where impacts are most pronounced, and devising strategies for effective management. Concerning measurement tools, a useful instrument available to the agri-food sector and capable of enhancing the monitoring and disclosure of biodiversity-related information is the ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure)

Approach. This methodology offers users an overview of how economic activities could rely on or affect natural capital. Additionally, it offers qualitative materiality ratings for both dependencies and impacts, aiding users to identify areas that might require immediate action. One final example includes the MSCI's Nature and Biodiversity Metrics, introduced in 2023. These metrics feature more than 110 data points related to nature and biodiversity, encompassing factors like deforestation and biodiversity-sensitive areas. Its purpose is to assist clients in assessing and disclosing risks and opportunities associated with nature and biodiversity.

Towards the improvement of the restoration and regeneration of biodiversity, organizations are increasingly aware of the strategic relevance of accounting and reporting their impacts and dependencies on biodiversity. However, biodiversity accounting presents significant challenges that, so far, have limited its application. Initially, biodiversity accounting faces hurdles due to the limitations of traditional accounting methods, which primarily concentrate on financial metrics and fail to encompass the environmental impacts of organizational operations. Consequently, this necessitates the development of novel measurement techniques capable of assessing biodiversity. Additionally, a fundamental challenge revolves around determining "what" to measure. Given the multifaceted and expansive nature of biodiversity, it becomes challenging to discern the appropriate metrics that accounting should employ (Boiral, 2016). Various frameworks have attempted to provide guidelines on metrics and indexes that should be used at the corporate level to account for and report on biodiversity-related aspects (e.g. GRI, 2024) Despite that, the specificity of each sector, business, and geographical context makes it hard to find standardized and widely recognized metrics that businesses can apply.

Furthermore, the discourse surrounding biodiversity measurement has historically been marked by a schism between two perspectives. This division revolves around the question of whether biodiversity accounting should incorporate financial valuations and be translated into monetary terms. Some scholars advocate for the inclusion of financial measures, suggesting that assigning monetary values to biodiversity can support its recognition within traditional economic frameworks and help conservation efforts through market mechanisms (Nedopil, 2023). On the other hand, an opposing viewpoint believes that "reducing" biodiversity to monetary terms omits its intrinsic value and leads to commodification, aggravating environmental degradation. This reasoning underscores the complexity of biodiversity accounting and the multidisciplinary approach needed, including ethical, philosophical, and practical dimensions.

## **Conclusion**

In conclusion, the interplay between biodiversity and agri-food companies underscores the imperative of embracing regenerative practices within agri-food systems, as well as biodiversity monitoring, and integration into accounting systems. As pivotal actors in the global food system, agri-food companies hold strong influence over ecosystems and biodiversity. This paper advocates that by comprehending the interactions between agri-food system practices and biodiversity, companies can strategically manage resources, mitigate negative impacts, and bolster ecosystem services. Furthermore, incorporating biodiversity measurement into accounting systems strengthens corporate dedication to sustainability, empowering agri-food businesses to fulfill their role as environmental stewards through emancipatory biodiversity accounting.



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## **Navigating business resilience in turbulent times: Integrating extra-financial value for strategic success**

Unveiling the potential of key value indicators in enhancing strategic decision-making and stakeholder acceptability

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### **Abstract**

How to reconcile financial performance and ecological and societal commitments? Under societal and regulatory pressure, firms must navigate turbulent times and create value for their stakeholders and the environment while maintaining competitiveness. The Corporate Sustainability Reporting Directive (CSRD) in Europe, effective as of January 2024, requires them to evaluate extra-financial value reflecting their broader impact across their ecosystem and its stakeholders. While some activists argue that financial performance and extra-financial value are irreconcilable – exemplified by recent laws in Texas and Florida banning state ESG investing – we introduce alternative extra-financial value indicators complementing financial ones, and analyze their relationships on a panel of 126 firms to shed light on this apparent dichotomy. By evaluating how extra-financial value influences financial performance, firms can make more informed strategic decisions to reach the optimal configuration. In this way, they can conjointly meet extra-financial commitments and financial performance, and turn a regulatory constraint into an strategic opportunity enhancing competitiveness.

Keywords: Strategic Value Alignment; Extra-Financial Indicators; Integrated Performance; Stakeholders Acceptability; Value-Driven Strategy

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## **Navigating business resilience in turbulent times: Integrating extra-financial value for strategic success**

Unveiling the potential of key value indicators in enhancing strategic decision-making and stakeholder acceptability

### **Why do firms benefit from measuring value ?**

The Corporate Sustainability Reporting Directive (CSRD) sheds light on previously overlooked extra-financial outcomes, such as diversity initiatives, workforce satisfaction, biodiversity preservation, and anti-corruption efforts. Its dual materiality underscores the need to analyze the reciprocal relationship between companies and stakeholders by integrating both extra-financial and financial value into a comprehensive performance model. This presents an opportunity for companies to assess the alignment of their strategy with the value they aim to create and for who. Value becomes a strategic focal point, transcending the mere alignment with financial performance and encompassing all impact issues and stakeholder contributions.

Central to this is the question of valuing the extra-financial: determining whether and to what extent extra-financial assets and outcomes influence the financial performance of companies. This approach can provide firms with competitive advantages by evaluating comprehensively their strategic capacity (extra-financial resources & competences such as innovation or intellectual capital), showcasing their contribution to the eco-societal transition, measuring and makes traceable the outcomes stakeholders derived from their activity and their responsiveness to their expectations (notion of impact and dual materiality<sup>1</sup>). This can be achieved through the use of extra-financial value indicators corresponding to strategic objectives and prioritized by the firm and its stakeholders, such as intrapreneurial culture, customer loyalty, scientific excellence, brand reputation, societal impact, and more.

Enriching the performance model with extra-financial value indicators along with financial ones can help firms to address both financial performance and impacts competitively. First, they compel companies to recontextualize their strategic objectives, considering the role of extra-financial dimensions in performance (Medne A, et al., 2022). They enable the valorization of under-utilized dormant assets (intangible ones such as intellectual capital), providing a more comprehensive understanding of the firms' global value and performance. Armed with more information and being able to quantify and track them multidimensionally, managers can counter uncertainty and identify weak signals.

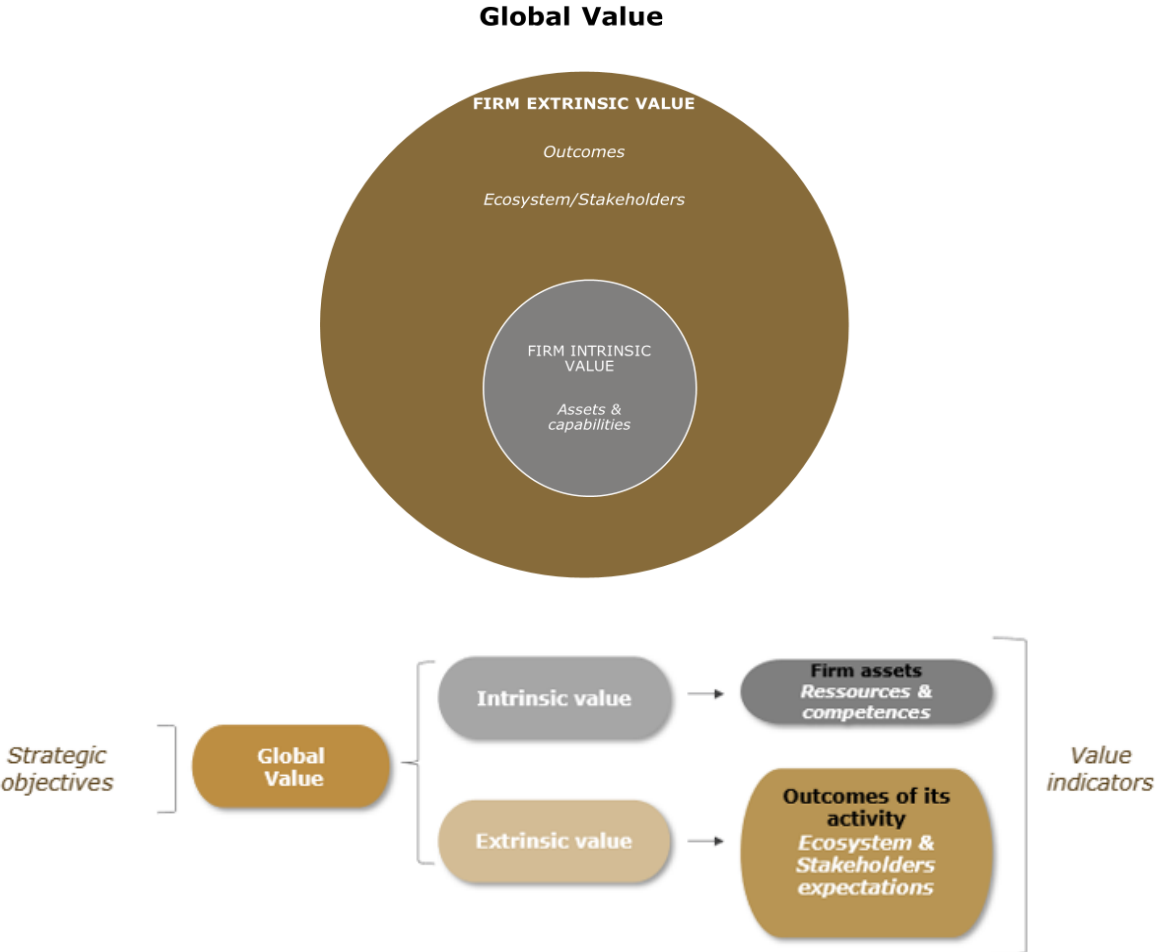
Second, by comparing value indicators with the company's strategic objectives, it becomes easier to identify discrepancies between strategy and its execution, and implement proactive decisions, thereby pinpointing areas for improvement to build resilience (Porter & Kramer, 2018). For instance, if a company's strategy aims to increase its societal impact but indicators of employment contribution show a decline, it means there is a misalignment between strategy and execution. This misalignment could stem from issues within the strategy itself, its implementation, or both, which can be identified by measurable value indicators which have been prioritized (key value indicators, KVIs). Thus, key value indicators score the achievement of prioritized strategic objectives of firms considered embedded into an ecosystem of stakeholders (cf Polanyi, 1964). In this perspective, the intrinsic value of a

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<sup>1</sup> While the concept of value and the broader realm of extra-financial factors extend beyond traditional sustainability concerns, we argue that they constitute the predominant portion when considering business priorities.

firm, associated with its material & immaterial assets, interacts with the extrinsic value, which pertains to the outcomes of the firm for its stakeholders within the broader ecosystem. Together, these components contribute to the overarching global value created by the firm (cf *Conceptual model* below inspired from Freudenreich et al., 2020; Froese, T. et al., 2023; EFRAG, 2021).

**Conceptual model of firm value**



Third, key value indicators facilitate acceptability among stakeholders. They enable the convergence between firms' strategic objectives and their stakeholders' by comparing their respective priorities and identifying the potential discrepancies which could jeopardize the strategy's execution. Decisions and actions such as trade-offs, reorientation of the strategy, convergence workshops gathering stakeholders and firm decision-makers, pedagogy, can be implemented to realize the objectives alignment and obtain acceptability and support from all stakeholders in the execution of the strategy (De Oliveira et al., 2019).

**Complementarity of KVIs with KPIs: An integrated model for strategic performance management**

In order to assess whether a company is effectively executing its strategy and managing impacts on stakeholders (material issues) while achieving performance, as required by the CSRD (double materiality in a reciprocal relationship between company and stakeholders), KVIs should complement performance indicators in an integrated model. By measuring their correlations, the company can analyze the interdependencies between different areas

and activities of the business and the execution of the strategy. For example, it may have a high ROE, but correlated with a negative biodiversity footprint or employee loyalty, or focus on revenue variations without considering customer attrition. For the reputation KVI, the resulting KPI may focus on outcomes of projects and concrete actions taken to improve reputation, such as participating in roundtables or philanthropy; however, reputation depends on other factors besides these projects, such as the unique quality of a product. Hence the importance of measuring KVIs to understand what contributes to reputation and not just listing actions taken in a given year in order to develop new actions. The underlying idea is that there is no unique bijection between one factor and one performance result, and KVIs contribute to enlarge the universe of factors to consider (multi-attribution). For strategic execution, the combination of KVIs and KPIs provides a comprehensive performance management tool aligned with strategic objectives.

**Complementarity between Key Value Indicators and Key Performance Indicators**

	KPI	KVI
Field of application	The company's operational activities _ Measures how a company operates to deliver value to stakeholders	The company's strategic assets_ Measures how a company creates and delivers value to its stakeholders
Approach	Descriptive - answers the how: is the company effectively generating value?	Reflexive - answers the why and for what: for what purpose does the company want to create value, for whom, what mission does it fulfil and to create what type of value?
For who	Stakeholders restricted to the most important (at the very least, only investors)	Broader stakeholders (employees, suppliers, NGOs, environment, shareholders, business community, assessors, etc.)
Logic	Evaluation focused on financial results and ROI	Assessment based on the satisfaction of stakeholders' expectations and their tangible and/or intangible benefits
Metric	Tangible and visible _ operational	Tangible (visible) & intangible
Final materialization	Financial capital	Tangible and intangible capital with a strong emotional and symbolic component
Goal	Optimising and orchestrating resource allocation	Valuing all the company's capabilities (resources & skills) as an indicator of growth potential benefiting all stakeholders
Vision	Downstream _ relates to achieving stakeholder alignment with strategic objectives through activities and the TOM (Target Operating Model)	Upstream _ refers to the strategic alignment of stakeholders with strategic priorities
Object of assessment	Extrinsic value: effectiveness of the TOM in terms of the operational results of the targeted and concrete actions undertaken.	Intrinsic value: transformation of all types of capital into tangible and intangible wealth. Emotional and symbolic dimension.
Time scale	Over a limited period (exploiting the current value creation model)	Medium to long term (develop and realise value creation potential)
Examples	-Distance travelled between customer/plant warehouse - Carrier load factor	-CO2 emissions/carbon footprint

By enabling a multidimensional analysis of company performance, the complementarity of KVs/KPIs allows for strategic choices to balance profitability with sustainability and satisfy both performance objectives and commitments to the transition. For example, should a company set a CO2 emissions cap even if it means losing 3 percentage points of revenue in the short term in hopes of gaining more in the medium to long term through energy efficiency and the resulting reputational effect? How much is it willing to lose in profitability without gaining extra-financial value? To find this balance and make trade-offs, it is important to materialize extra-financial value and measure how it influences financial performance.

## The impact of KVs on financial performance

To address this point, we ran a case study with a multinational company (pilot company) belonging to the agrochemical industry. A preliminary qualitative phase made of semi-directive interviews and workshops with several stakeholders (prioritized by the management) led us to retain a set of KVs from a pre-defined grid built from literature review and secondary sources (e.g: OECD, firms CSR reports). We selected the KVs which can be proxied by available data, accounting for the lack of clear conception of value indicators and of accurate data. We draw from proxies indications into empirical studies on extra-financial and sustainable issues and secondary sources. We realized a benchmark across 126 companies on a 5-year range and ran a multivariate regression.

Building on literature review, we aggregated the KVs prioritized by the respondents into 8 dimensions encompassing global value of the company: Cash, Assets, Costs, Resilience, Legitimacy, People, Planet. Accounting for the lack of exact data and difficulty to operationalize extra-financial value, we retained complete data on a couple of proxies KVs available for each dimension and ran several models for each year. Resilience is measured by financial resilience proxies (liquidity ratios and net debt/EBITDA, gathered from Orbis) and innovation potential (a composite indicator of granted patents/submitted patents and R&D expenses), and Legitimacy is proxied by perceived value by suppliers (short-term debt granted by suppliers) and shareholders (company value as found in Orbis database).

### Regression of selected key indicators of value for the year 2021 on Net result in Agrochemical industry

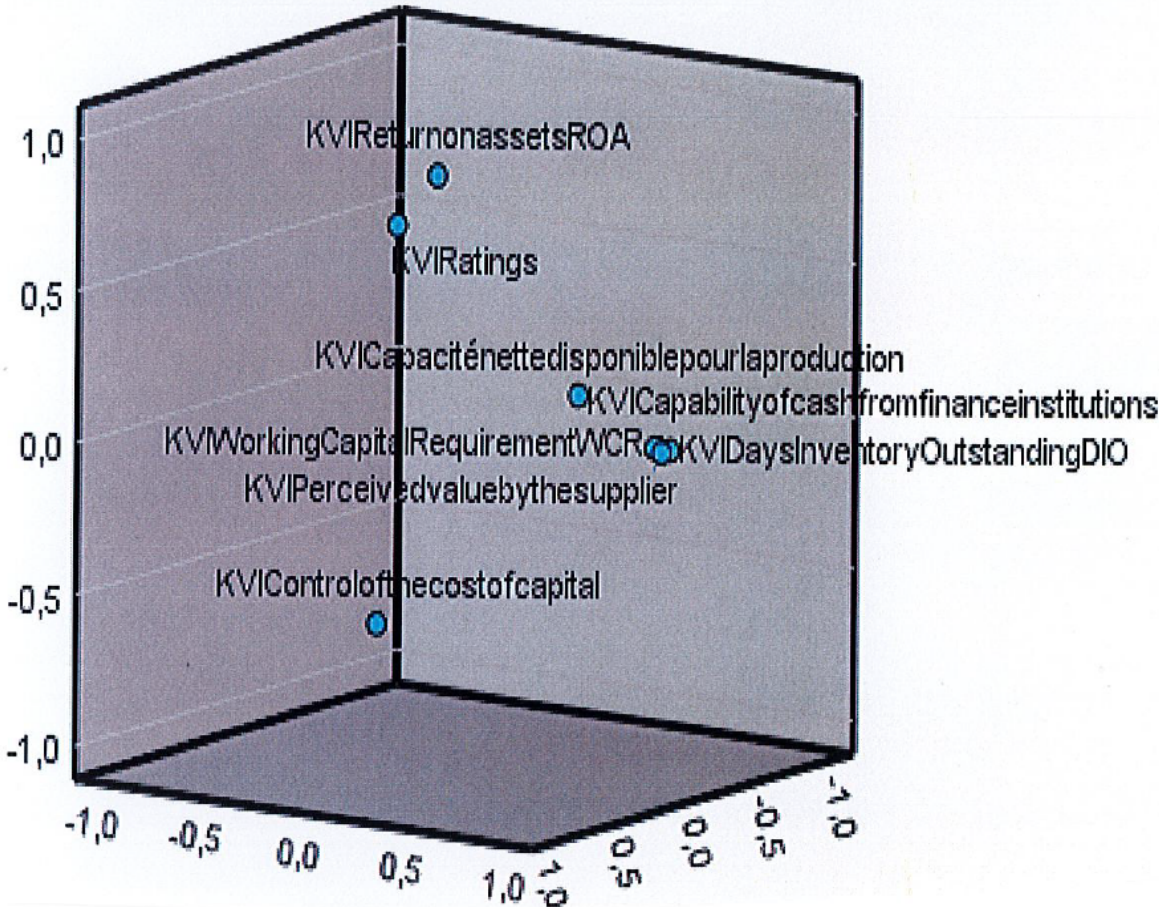
		Coefficients	Standard error	T statistic	Probability	Lower limit for confidence level = 95%	Upper limit for confidence level = 95%
	Constant	67780,5274	6017080,09	0,01126469	0,99118331	-12931331	13066891,8
Resilience	KVI Net debt vs EBITDA	-8939,2364	26040,2537	-0,3432853	0,73687187	-65195,784	47317,3116
	KVI ROI of innovation projects	-67371,453	175327,085	-0,3842615	0,7069966	-446142,59	311399,687
	KVI Ratings	-944080,72	2271787,57	-0,4155673	0,68450427	-5851979,4	3963817,95
	KVI New R&D projects that has been launched successfully	8563231,86	18562756,1	0,46131252	0,65219799	-31539165	48665628,3
Legitimacy	KVI Perceived value by the supplier	-0,2087964	0,25588851	-0,8159663	0,42921753	-0,7616099	0,34401712
	KVI Trust perception Enterprise value	0,12586726	0,03548953	3,54660238	0,00357963	0,04919679	0,20253773

As represented above, we find that for the year 2021 among the KVIs tested, Legitimacy proxied by value perceived by shareholders impacts most significantly and positively the net result; this finding holds consistently across the span of five years. This is not surprising given the pivotal role of key stakeholders perceptions and satisfaction in driving financial performance. So this reinforces the imperative for businesses to prioritize key stakeholder trust in their strategic decision-making processes.

While our results are limited because of the lack of accurate and complete data, they indicate an interesting avenue for research to develop new proxies to operationalize extra-financial value and analyze the historical variation of its impact on financial performance depending on the measures retained.

To complement our linear regression analysis, we performed a principal components analysis (PCA). The results can be visualized on a graph that shows how the companies can be segmented by groups segmentation criterion for identifying homogeneous groups of enterprises based on the primary KVIs that elucidate their net results. As represented in the graph below for the year 2021, a first Axis “Operational excellence” made of the KVIs Days Inventory Outstanding and Capability of cash from finance institutions characterize companies whose net result is mostly explained by their operational excellence; a second Axis “Capital Efficiency” built on control of the cost of capital and return on assets, expressing the firm's ability to effectively manage capital resources to generate optimal returns, capturing both the aspect of controlling costs associated with capital and maximizing returns on assets.

**Principal Component Analysis on a selection of key value indicators on a sample of 126 firms from the agrochemical industry, 2021**



Thereby, the KVI's can be leveraged to identify strategic groups and take strategic decisions in terms of positioning and potential for differentiation based on value indicators instead of the usual performance indicators. Thereby, companies may pivot on a value-based Blue Ocean Strategy maximizing the value dimensions where they have a significant competitive advantage compared to competitors and widen the gap.

## Conclusion

This paper contributes to the ongoing discourse surrounding business strategy and performance by proposing a comprehensive framework that aligns firm strategies with stakeholder expectations. Our analysis underscores the potential for firms to integrate extra-financial considerations into their strategic decision-making processes, thus enhancing long-term success within their ecosystems. By fostering stakeholder acceptability and engagement through a strategic approach to value modeling and indicators, firms can effectively navigate the complexities of the modern business landscape. Ultimately, the recognition of firms as embedded within broader stakeholder networks is essential for enhancing resilience and successfully navigating the ecological transition in today's dynamic business environment.

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## **Advertising Deconsumption: An Irreconcilable Paradox? A Look Back On Ademe's Dévendeur Campaign**

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### **Abstract**

This paper examines the intriguing paradox of employing traditional marketing strategies to advocate for deconsumption, using ADEME's "Dévendeur" campaign as a key example. At the heart of this study is a shift in how we think about marketing: from pushing products to promoting reduced consumerism. The "Dévendeur" campaign serves as a focal point, questioning whether such initiatives are mere anomalies or if they herald a new paradigm in marketing. It also examines the potential of advertising to foster new consumption imaginaries. The paper finds that promoting deconsumption through marketing is a challenging but possible endeavor, conditional to adopting specific strategies. This study enriches the ongoing conversation on sustainable marketing's capacity to address critical global challenges. It provides strategic recommendations for advertisers and marketers on how to craft new consumption imaginaries that align with sustainable practices.

Keyword: Sustainable Marketing, Advertising, Demarketing, Deconsumption, Sustainability

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# **Advertising Deconsumption: An Irreconcilable Paradox? A Look Back On Ademe's Dévendeur Campaign**

## **Introduction**

In the middle of Black Friday this past November 2023, ADEME (Agence de la transition écologique) and the French Ministry for Ecological Transition launched an advertising campaign encouraging consumers... not to consume. The initiative has set social networks ablaze, stirred controversy among professionals and divided the government. Here's a look back at the polarizing campaign and what it means for advertising and marketing deconsumption and sustainable lifestyles.

In an era where consumer culture dominates, the traditional paradigms of marketing and advertising are being called into question. There is a pressing need to rethink how advertising functions and the role it plays in promoting sustainable and responsible consumption patterns. This call for reevaluation sets the backdrop for the innovative "Dévendeur" campaign launched by ADEME in November 2023, which serves as a crucial example in understanding these dynamics.

The concept of deconsumption, vital in today's resource-strained world, challenges the foundational principles of traditional marketing, which typically encourages continual consumption. Deconsumption pushes for a cultural shift towards reducing consumption, reusing, and recycling, presenting a stark contrast to the growth-driven models that many economies and businesses rely upon. This shift is not just environmentally crucial but also has profound economic and social implications. Reducing consumption can alleviate pressure on dwindling natural resources, mitigate environmental degradation, and foster a more equitable distribution of resources.

In this paper, we explore the paradoxical challenge of using traditional marketing techniques and advertising strategies to promote deconsumption. By examining the "Dévendeur" campaign by ADEME, we delve into how advertising can communicate the principles of sustainable consumption and the necessity of a reduced consumption lifestyle. We also address critical questions about the campaign's impact: Is it merely an anomaly, or does it herald a new narrative in consumer culture? Can advertising effectively promote new consumption imaginaries that are crucial for sustainable development?

## **From Traditional Marketing to New Consumption Paradigms**

### *The "Dévendeur", a case of demarketing?*

More than 50 years ago, Kotler and Levy, two marketing professors, advanced for the first time the idea of demarketing in an article titled "Demarketing, yes demarketing" published in the Harvard Business Review. The word, composed of the prefix "de-", reverses the meaning of the word "marketing": demarketing refers to all the marketing tools that can limit or discourage demand for a category of products. An organization, whether public or private, may have an interest in cooling demand for the consumption of a product or service among some or all of its consumers, temporarily or permanently. The two authors identify three forms of demarketing: general, selective, or ostensible. General demarketing aims to discourage demand that globally exceeds a company's production capabilities. Selective demarketing is the same idea but targets a consumer segment: for image reasons, an alcohol brand may undertake campaigns to not encourage minors to drink. The third form

is ostensible demarketing: it's about creating a desire for consumption under the guise of discouraging it. For example, advertising that a concert is sold out pushes to create frustration in the consumer and aims to instill the idea that "next time, I will have to get there earlier." Demarketing creates scarcity to stimulate an even greater desire. This trick is omnipresent in the luxury industry: waiting years to have the honor of buying a Birkin bag from Hermès perpetuates a feeling of exclusivity. These three forms have the same instrumental aim: to cool demand to later awaken the volcano of desire.

This notion of strategically reducing demand through demarketing directly informs the foundation of ADEME's "Dévendeur" campaign, which introduces an innovative approach to encouraging sustainable consumer behaviors. By advocating for the thoughtful reconsideration of purchases, the campaign employs a form of selective and general demarketing to address environmental concerns, making it a practical application of Kotler and Levy's concepts in the modern context of sustainability. The intended effect is to prompt viewers to question themselves: What are the alternatives to making yet another purchase? How can I turn to more "responsible" options? In this way, the campaign is not about moralizing purchasing behavior but rather about encouraging individuals to think about the consequences of their consumption and to spark a broader debate in society. At a time when a recent scientific study estimates we have only a 5% chance to meet the Paris Agreement targets and stay below a +2°C increase, ADEME acts as a spokesperson for a philosophy of moderation. This campaign could serve as an example of societal demarketing that supports a new consumption model.

### *Promoting new consumption paradigms*

Following the thread of reducing consumption for environmental benefits, the concept of deconsumption emerges as a complementary strategy. Deconsumption, which focuses on the intentional reduction of consumption and purchasing behavior, is driven by the increasing recognition of the environmental impact of overconsumption. This shift towards more conscious consumption practices aligns with the broader goals of sustainable consumption and production, aiming to mitigate environmental degradation while promoting a better quality of life. Cherrier (2009) explores deconsumption motivations, providing insights into the various factors that inspire individuals and communities to adopt more sustainable lifestyles. The "Dévendeur" campaign's encouragement of repairing, reusing, or choosing reconditioned products embodies the principles of deconsumption by presenting alternatives to new purchases, thus directly contributing to the reduction of environmental impact.

Sustainable consumption and production, as a holistic framework, incorporates both the demarketing and deconsumption strategies presented in the "Dévendeur" campaign. This approach seeks to balance economic development with environmental welfare and social equity, emphasizing the need for systemic changes in the way societies produce and consume goods and services. Jackson (2009) argues for a paradigm shift towards economies that prosper without relying on continuous growth, suggesting that true sustainability requires transformative changes in consumption patterns and production processes.

Within this framework, ethical marketing and anti-consumerism are critical. Ethical marketing, which prioritizes transparency and the societal and environmental impacts of products, offers a pathway for businesses to contribute positively to sustainable development goals. Smith (1990) highlights the role of ethical marketing in aligning business practices with broader societal values, including sustainability and consumer well-being. Similarly, anti-consumerism challenges the prevailing culture of excess and

advocates for a more mindful approach to consumption that considers the long-term impacts on the planet and human societies. The "Dévendeur" campaign's approach, which encourages consumers to question their need for purchases and consider their environmental footprint, reflects anti-consumerist principles by promoting a shift away from traditional consumer-driven models towards more sustainable practices.

In synthesizing these concepts, the "Dévendeur" campaign emerges as a multifaceted strategy designed to foster sustainable consumption and even questions consumption itself through the innovative application of demarketing, supported by the underlying principles of deconsumption, sustainable production, ethical marketing, and anti-consumerism. This comprehensive approach not only addresses the immediate goal of reducing unnecessary consumption but also contributes to the broader objective of transitioning towards more sustainable consumption and production patterns. By leveraging marketing tools to encourage responsible consumer behaviors, the campaign offers valuable insights into the potential for marketing and advertising strategies to practically drive ecological transitions.

### **The Dévendeur Campaign, an example of advertising deconsumption**

The ADEME "dévendeur" campaign, launched by the French Agency for Ecological Transition on November 14th, 2023, marks a groundbreaking shift in marketing strategies aimed at encouraging more conscious consumer behavior. Through a series of advertisements such as "Le dévendeur et le smartphone" ("The un-salesperson and the smartphone"), "Le dévendeur et le lave-linge" ("The un-salesperson and the washing machine"), "Le dévendeur et la ponceuse" ("The un-salesperson and the sander") and "Le dévendeur et le polo" ("The un-salesperson and the polo shirt"), the campaign introduces a novel concept: the "Dévendeur" or "Un-salesperson." This fictional character, appearing in various buying scenarios - whether online or in-store - advises customers to reconsider their purchases. Instead of promoting sales, the Dévendeur suggests repairing existing items, opting for refurbished products, or even abstaining from buying altogether, highlighting both financial savings and environmental preservation.

The campaign's message is ingeniously framed in a light-hearted, yet impactful manner. The character's upbeat demeanor contrasts with the customers' puzzled reactions, who expect typical sales advice rather than a suggestion to rethink their consumption habits. This strategy effectively surprises viewers, mirroring their potential realization about their own buying behaviors. By presenting a twist on the conventional sales narrative, the campaign cleverly prompts viewers to question their need for new products and consider more sustainable alternatives such as borrowing or renting.

#### ***Triggering mixed feelings***

The campaign's approach to challenging overconsumption through humor and practical advice resonates strongly with viewers, as evidenced by its substantial online engagement. Within six months, the campaign videos on YouTube amassed over 3.47 million views, with overwhelmingly positive feedback. Moderation on social media platforms needs to be taken into account of course, but this still indicates a significant public approval and engagement, further validated by hundreds of supportive comments on social media, where users commended the initiative and encouraged wider sharing.

Despite its popularity among the public, the campaign has not been without controversy. The enthusiastic online reception contrasted sharply with the skepticism and backlash from business unions. "We demand an immediate withdrawal by the ADEME, failing which we

will consider legal action for commercial disparagement”, announced the Textile and Fashion Unions (l'Alliance du Commerce, l'Union des Industries Textiles (UIT) et l'Union française des industries Mode et Habillement (UFIMH)) (Source: Capital & AFP, 23/11/2023). Business unions and government officials argued that the campaign may inadvertently harm physical retailers and favor online shopping, highlighting a complex dialogue about the balance between economic interests and environmental sustainability.

### ***A unique advertising campaign***

The ADEME "Dévendeur" campaign marks a significant evolution in anti-consumption initiatives, distinguished by its government sponsorship, which differentiates it from private sector campaigns such as Patagonia's 2011 demarketing efforts and REI's #OptOutside. While Patagonia challenged consumerism by urging customers to reconsider purchases, potentially sacrificing sales for environmental messaging, ADEME's approach benefits from governmental authority, broadening its influence and aiming for more profound societal changes.

Unlike commercial campaigns, ADEME's initiative leverages its public status to advocate for rethinking consumer habits, promoting less consumption and more sustainable choices directly to citizens. This strategy moves beyond influencing individual brand preferences to embedding sustainable practices into societal norms, positioning environmental responsibility as a collective duty supported by governmental action. This represents a significant step in using public influence to foster a culture of sustainability.

By flipping traditional advertising on its head, the campaign leverages reverse psychology, engaging storytelling, and positive framing to encourage a shift in consumer behavior towards more environmentally friendly practices. This approach, which contrasts sharply with typical promotional tactics, has effectively captured the audience's attention by challenging the necessity of consumption. Its success in engaging its target audience in an innovative way is enhanced by its alignment with their environmental and social values, and by maintaining a positive and humorous tone that avoids guilt-tripping. This not only distinguishes the campaign but also empowers consumers, providing valuable lessons for marketing and advertising professionals looking to inspire change in consumer behaviors.

### ***Private sector examples of radical demarketing***

As we demonstrated earlier, the source of the message is of tremendous importance. ADEME benefits from governmental authority but what about private companies that want to go even beyond simple demarketing efforts displayed by Patagonia for instance?

Some brands adopt an even more radical approach to demarketing by choosing not to engage in promotional initiatives altogether or by significantly limiting their use. For instance, Dr. Bronner's, known for its organic soaps and personal care products, prioritizes sustainability and ethical sourcing over traditional advertising, relying heavily on word-of-mouth and community advocacy to promote its products. Similarly, Basecamp, a project management software company, embraces a minimalistic advertising approach, depending heavily on the robustness of its product and positive user experiences for organic growth. Cards Against Humanity, the game company, employs anti-conventional marketing tactics that use humor and social stunts to critique consumer culture instead of traditional ads. This approach not only aligns with their unconventional brand persona but also engages customers who appreciate a critical take on societal norms.

Brands like Loom and Veja practice an even more radical approach by deliberately refraining from traditional advertising. Loom, for instance, focuses on creating durable garments and directly communicates its values of sustainability and ethical labor practices without relying on conventional marketing campaigns. Similarly, French brand Veja, known for its eco-friendly sneakers, prioritizes transparency and ethical sourcing, and limits its advertising to foster a culture of mindful consumption rather than impulsive buying. These brands challenge the traditional business model by proving that a company can be successful and grow through word-of-mouth and quality products alone, without the need for persuasive advertising.

This radical form of demarketing aligns with a broader consumer awareness trend, where the perceived integrity and ethical stance of a brand significantly influences purchasing decisions. These cases add a valuable dimension to the discussion on sustainable marketing strategies, illustrating that profound market impact can be achieved even with minimal promotional efforts.

### *Private sector examples of radical demarketing*

As we demonstrated earlier, where the message originates from is of major importance. ADEME benefits from governmental authority but what about private companies that want to go even beyond simple demarketing efforts displayed by, say, an actor such as Patagonia for instance?

Some brands adopt an even more radical approach to demarketing by choosing not to engage in promotional initiatives altogether or by significantly limiting their use. For instance, Dr. Bronner's, the quirky California-based organic soap company, prioritizes sustainability and ethical sourcing over traditional advertising, relying heavily on word-of-mouth and strong community advocacy to promote its products. They are not scared to be outspoken about issues like legalizing plant medicines (such as psilocybin). It is not a mere hippie brand however, as celebrities from Bobbi Brown to Lady Gaga have endorsed their products, all without paying any of these endorsements or any traditional advertising, according to Dr. Bronner's President, Michael Bronner (Dahl, 2019).

Brands like Loom and Veja practice an even more radical approach by deliberately refraining from traditional advertising. The goal is not to advertise to sell less, because this can be counter-intuitive for a company, but to refrain from advertising altogether to deter audiences from consuming more. These brands use the budget they would have otherwise allocated to marketing and advertisements to improve their supply chain, the sustainability and affordability of their products. Loom, for instance, focuses on creating durable garments and directly communicates its values of sustainability and ethical labor practices without relying on conventional marketing campaigns. Similarly, French brand Veja, known for its eco-friendly sneakers, prioritizes transparency and ethical sourcing, and limits its advertising to foster a culture of mindful consumption rather than impulsive buying. These brands challenge the traditional business model by proving that a company can be successful and grow through word-of-mouth and quality products alone, without the need for persuasive advertising at all.

This radical form of demarketing aligns with a broader consumer awareness trend, where the perceived integrity and ethical stance of a brand significantly influences purchasing decisions. These cases add a valuable dimension to the discussion on sustainable marketing strategies, illustrating that profound market impact can be achieved even with minimal or even no promotional efforts.

## **Promoting deconsumption: strategic recommendations**

When asking the question: “Can advertising be used to promote deconsumption?”, it is important to remember that when a public body like ADEME leads a campaign like this one, its approach and reception can differ significantly from campaigns initiated by private companies. If you are a marketer and advertiser reading this, you must be wondering how it is at all possible to lead advertising and marketing campaigns that preach for consuming less?

It is true that public bodies like ADEME benefit from inherent trust and authority due to their focus on the public good, which enhances consumer receptiveness to their campaigns aimed at sustainability and reduced consumption. These initiatives, aligned with public policy and funded by taxpayer money, can pursue extensive campaigns without the pressure of generating financial returns. In contrast, private companies often face scepticism about their motives, as their actions might seem profit-driven. This is why private actors interested in engaging in such initiatives are often ethical brands, for instance French textile brands Asphalte or Angarde.

Whether it is ethical brands or more classical businesses, if they opt for marketing to promote new ways of consuming, they must navigate the delicate balance between profit and sustainability, which can complicate their messaging to consumers. Private entities also need to consider the financial return on investment for their campaigns, limiting their scale or scope compared to publicly funded campaigns. This contrast highlights the distinct challenges and advantages public bodies and private companies face in promoting sustainable practices.

So how can advertisers and marketers navigate similar strategies, akin to ADEME's campaign?

### ***Authenticity in messaging***

Advertisers must genuinely commit to sustainability, transparently communicating product impacts and improvement efforts to build trust, steer clear of superficial CSR promotions and greenwashing. It's crucial to establish strategic coherence by taking a clear stand on sustainability issues before launching campaigns that question consumption habits.

### ***Innovative campaigns***

Like ADEME's "Dévendeur," advertisers should seek innovative ways to engage consumers. This could mean employing storytelling that emphasizes the joy of simplicity, using reverse psychology, or highlighting the emotional and practical benefits of deconsumption, clearly showing what is in it for people. Creativity in messaging can help capture their imagination and encourage reflection on consumption habits.

### ***Consumers as decision makers***

Engaging consumers by appealing to their intelligence and decision-making capabilities is crucial. Recognizing them as active participants in sustainability empowers them to make informed choices, effectively positioning them as key decision-makers in their consumption journey.

### ***Highlighting desirable alternatives***

Presenting desirable alternatives to traditional consumption, such as borrowing, leasing, or purchasing refurbished products, offers consumers practical options for aligning their actions with their values. Advertisers can showcase these alternatives as not only environmentally friendly but also as lifestyle enhancements, tapping into the deep desires of consumers. Making the transition appealing is the key.

### ***Collaboration with influencers***

We all know the power influencers have on shaping consumers' desires, so partnering with influencers who are credible voices in sustainability can lend authenticity and extend the reach of campaigns. Their endorsement and example can inspire their followers to consider new consumption paradigms, making them see these alternatives as trendy and the "cool" thing to do.

### ***Education and positive framing***

Educating consumers about the impacts of their choices and framing messages positively can empower them to make informed decisions. Explaining why they have to change and what are the benefits of doing so, avoiding guilt-tripping and instead celebrating the positive outcomes of sustainable choices; all these can encourage participation in the new consumption imaginaries.

### ***Tackling consumer scepticism***

To counteract scepticism, transparency is paramount. Marketing firms should advocate for and practice transparency in their campaigns, clearly communicating the sustainable efforts and clear outcomes of their initiatives. Using data and real-life case studies can help illustrate the tangible benefits of sustainability-focused campaigns and counteract scepticism.

### ***Balancing creativity with sustainability messages***

Crafting messages that are both creative and effectively communicate sustainability can be challenging. Agencies should therefore invest in creative talent who are as skilled as they are passionate about sustainability, and can think outside the traditional advertising box to develop compelling narratives that resonate with environmentally conscious consumers.

### ***Dealing with economic pressures***

Economic constraints often prioritize short-term gains over long-term sustainability goals. Agencies can address this by demonstrating how sustainability-driven campaigns can lead to brand differentiation, open new market segments, and build long-term customer loyalty, potentially offsetting initial costs with greater brand value and market share.



### *Being aware of industry push back*

The transition toward deconsumption often meets resistance from sectors benefiting from high consumer spending, as we saw with the ADEME campaign, creating tension and challenging marketers to convince stakeholders of long-term benefits over immediate economic interests. Agencies could engage in a dialogue with stakeholders to address concerns, highlighting successful case studies where sustainable practices have led to financial and reputational gains. Advocating for incremental changes rather than radical shifts can also help ease the transition for hesitant sectors, showing that sustainability can be integrated gradually into existing business models and content creation.

### *Building alliances with other brands*

One approach to addressing these points is to launch a collective communication initiative, where several brands join forces and pool their budgets. The idea would be to collectively promote more sustainable consumption practices to consumers (e.g. bulk, rental rather than purchase..). This kind of project could be led by brands operating in the same market, within existing trade associations (such as the FEBEA in France for the cosmetics industry), or who share the same vision of the economy such as the “Mouvement Impact France”.

By addressing underlying barriers and leveraging enablers, advertising firms can create impactful campaigns that promote sustainability and new consumption paradigms. These strategies not only advance social and environmental goals but can also establish these companies as innovative leaders in the industry, providing a competitive edge.

## **Conclusion**

So, can advertising promote new consumption imaginaries and make them desirable? Well, yes, and also no. It depends largely on contextual factors distinguishing public from private sector motivations and approaches. While public campaigns such as ADEME's can leverage authority and a non-profit motive to promote sustainability, the private sector faces the challenge of balancing profit with ethical messaging, often leading to scepticism if not carefully managed. The role of innovative marketing strategies is crucial in driving the transition towards new consumption patterns. However, resistance from traditional consumption-driven sectors remains significant. To navigate this, it is imperative for industries to demonstrate the tangible benefits of sustainable consumption not just for the environment but for consumers themselves, ensuring that the shift away from greenwashing is authentic and rooted in genuine consumer benefit.

Despite the backlash, ADEME's pioneering efforts have set the stage for this transition, showcasing that deconsumption need not be about loss but about gain in quality and sustainability. The innovative aspect of their campaign lies in its messaging approach; creating a narrative that avoids guilt while promoting thoughtful consumption. This strategic communication shift is crucial in a landscape where traditional demarketing often manipulates consumer desire through scarcity and fear.

As criticism of growth accelerates, ADEME's campaign exemplifies how deeply political the narrative of consumption is. Behind the media buzz, there are entrenched institutions and economic interests that such campaigns only begin to challenge. The current legislative debates over "ultra-fast fashion" in the French Assemblée nationale (National Assembly), proposing a “bonus-malus” system and potential advertising bans, echo ADEME's messaging. The French government is paving the way, now it is the marketers' role to pick

up the torch. The new sustainable marketing message is not about buying green anymore, it is: "If you want to be sustainable, buy less." The political resolve held against industry pushback with this campaign, which could mark a significant step towards shifting consumption patterns and a sustainable future.

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## Illustrations

### Spot « le dévendeur et le polo »



Le spot de la campagne "Dévendeur" dédiée à l'habillement - Ademe

## Spot « Le dévendeur et le lave-linge »



Le dévendeur et le lave-linge

ademe  
21,8 k abonnés

1 k 1 k Partager Télécharger Enregistrer

995 k vues il y a 4 mois  
Parce que les dévendeurs n'existent pas, posons-nous les bonnes questions avant d'acheter.  
Réparez plutôt que racheter sur epargnonahorsressources.gouv.fr...afficher plus

120 commentaires

## Commentaires des utilisateurs de la plateforme Youtube :



Rechercher



@j.e.a.n il y a 4 mois

Je ne pensais pas dire cela un jour, mais pour une fois, je trouve que l'argent public est utilisé à bon escient avec ce spot, pour un message utile.

66 Répondre



@user-wt6pb6rc2b il y a 4 mois

Il faudrait finalement que ce métier de dévendeur existe. Ou plutôt que les conseiller-es-clients ne soient pas juste vendeurs mais aussi dévendeurs.

34 Répondre



@yacalouer il y a 4 mois

Bravo l'ADEME pour cette campagne 🌟 La location est une des solutions pour une consommation plus libre et responsable. Et pour louer, il y a Yacalouer 😊

11 Répondre



@lemniskate\_ayd il y a 4 mois

Quelle audace de faire cette campagne ! Merci !


8 Répondre

Spot « le dévendeur et le smartphone »



Le dévendeur et le smartphone

 **ademe**  
31,8 k abonnés [S'abonner](#)

 805  [Partager](#) [Télécharger](#) [Enregistrer](#) 

## **[ « La seule constante est le changement »**

Philippe Houzé

Président du conseil d'administration de l'ESCP BS et des Galeries Lafayette,  
Vice-président du conseil d'administration de Carrefour

### **Résumé**

Philippe Houzé, Président non exécutif d'ESCP Business School et Président de l'EESC ESCP, c'est-à-dire l'entité juridique d'ESCP en France, détaille les enjeux de transformation pour les « business schools » en lien avec les évolutions de la société, dans une conversation avec Léon Laulusa, Directeur Général d'ESCP et Valérie Moatti, Professeur et ancienne Doyenne de la faculté. Philippe Houzé est par ailleurs Président des Galeries Lafayette depuis plusieurs décennies après avoir dirigé plusieurs entreprises du groupe dont l'enseigne Monoprix. Il est également Vice-Président non exécutif de Carrefour depuis près de 10 ans.

## « La seule constante est le changement »

### Valérie Moatti

D'après votre expérience de grand dirigeant d'entreprises, et votre position de Président d'ESCP, qu'est-ce qu'une « *business school* » de premier plan au niveau mondial ?

### Philippe Houzé

Une école de commerce de premier plan devrait inspirer et servir la société. Il s'agit de former des futurs leaders, entrepreneurs responsables et engagés, « *accountables* » pour impacter positivement notre planète, nos sociétés et nos organisations.

Cela implique de cultiver plusieurs éléments clés, au premier rang desquels une faculté d'excellence. Il importe en effet de posséder une solide réputation d'excellence académique, de recherche et d'innovation qui exige un corps professoral de haut niveau, diversifié et international. De plus, une école de premier plan attire de façon sélective des étudiants de qualité, aux profils variés et internationaux et bénéficie d'un réseau mondial actif d'anciens élèves. Par ailleurs, elle lie des partenariats avec les entreprises et contribue significativement à la vie économique en favorisant notamment la création d'entreprise et l'entreprenariat. Enfin, les « *business schools* » de premier rang doivent faire preuve d'un engagement sans failles sur les questions ESG (Environnementales, Sociales, de Gouvernance).

Les classements jouent un rôle significatif dans l'évaluation de la position d'une *business school* dans le paysage mondial, mais ce ne sont pas les seuls critères, car certaines dimensions sont difficilement comparables.

Il me semble qu'il faut mettre davantage l'accent sur les indicateurs d'impact, tels que la capacité à créer des entreprises et à lever des fonds. Ce sont des domaines dans lesquels nos anciens élèves excellent : ESCP est ainsi la première école de commerce en Europe pour la levée de fonds en volume et en nombre par nos anciens élèves, et 7 licornes tech sur les 34 françaises ont été fondées par les diplômés de l'ESCP.

## **La capacité à faire émerger l'esprit d'entreprendre et la créativité est l'un des rôles majeurs d'une grande « *business school* ».**

### Valérie Moatti

Quelles sont selon vous les principales évolutions à venir ?

### Philippe Houzé

Nous nous attendons à une évolution continue dans le domaine de l'éducation. Cela peut impliquer une plus grande intégration de technologies comme l'IA générative dans les méthodologies d'apprentissage, un passage à des expériences d'apprentissage plus personnalisées et expérientielles, une importance accrue accordée à la durabilité et à l'éthique dans les programmes de management, et un accent croissant sur les approches interdisciplinaires pour relever des défis mondiaux complexes.

Ma vision est que la seule constance est le changement, donc nous devons rester en constante adaptation : rien n'est gravé dans la pierre, tout se renouvelle quotidiennement. Notre capacité à innover et à fournir à nos étudiants les outils pour innover dans leur manière d'apprendre est cruciale. Nous coproduisons des connaissances avec la faculté, les étudiants et les entreprises, nous concevons de nouveaux modèles et nous les expérimentons. Le rôle d'une *business school* est d'être un laboratoire d'expérimentation pour la société. C'est ce que nous faisons depuis plus de 200 ans à l'ESCP.

## **La seule constance est le changement. L'éducation doit permettre une adaptation et une innovation continue.**

### **Valérie Moatti**

On parle de plus en plus de l'impact des *business schools*. Quelle importance y accordez-vous et que mettez-vous derrière ce terme ?

### **Philippe Houzé**

«Avoir un impact » pour une école de commerce signifie avoir une responsabilité vis-à-vis des jeunes que nous formons, qui ne réussiront pas seulement dans leur carrière au sens strict, mais seront aussi des leaders socialement responsables et qui contribuent positivement à la société.

Cela implique également de mener des activités de recherche qui abordent les défis urgents des entreprises et de la société, de collaborer avec l'industrie et le gouvernement pour stimuler l'innovation et la croissance économique, de promouvoir des pratiques éthiques et des initiatives de durabilité. Plus spécifiquement, j'encourage à développer davantage d'indicateurs d'impact sur la société tel que le bilan carbone, l'inclusion, la diversité mais aussi le respect de l'autre.

Prenons un exemple concret tiré de l'actualité. Face aux dérives intellectuelles observées au cours des dernières semaines, notamment à Sciences Po ou dans certaines universités américaines, il me paraît fondamental d'éviter l'infiltration politique et la manipulation par des groupes qui cherchent à propager la violence, la stigmatisation et même le négationnisme. Les écoles doivent être des lieux de débats sains et contrôlés et de préservation et développement de la connaissance et non le lieu d'émergence de groupuscules extrémistes et violents qui s'attaquent à d'autres étudiants. Ces institutions font preuve d'une absence de *leadership* pour avoir laissé se développer ce type de situation. Le *leadership* d'une école contribue à son impact et à sa réputation.

A l'inverse, développer l'impact d'une école est un cycle vertueux : les étudiants formés selon un haut standard académique et avec un esprit responsable contribueront positivement à la société et, à leur tour, deviendront des modèles pour les générations futures.

## **Développer l'impact d'une école est un cercle vertueux.**

### **Valérie Moatti**

Passons maintenant au niveau européen. Pensez-vous qu'il y ait un modèle éducatif des « *business schools* » européennes ?

### **Philippe Houzé**

Au niveau européen, les *business schools* mettent souvent l'accent sur l'héritage académique riche, la diversité linguistique et culturelle, la perspective mondiale et la collaboration transfrontalière. L'Europe devrait jouer un rôle crucial dans la promotion des valeurs européennes d'ouverture, d'inclusivité, de durabilité et de responsabilité sociale. L'Europe occupe également une position unique entre les États-Unis et l'Asie, caractérisée par une tradition éducative ancrée dans des valeurs humanistes et la promotion de la pensée critique. C'est ce mélange qui a jusqu'à présent favorisé l'innovation et le succès des champions européens. La concurrence mondiale est intense, dans un contexte de défis géopolitiques significatifs. L'UE doit certainement renforcer davantage l'innovation et la recherche. Nous avons besoin d'une approche holistique pour encourager la création et le développement d'entreprises en Europe.



## Valérie Moatti

Si l'on passe maintenant au niveau français, quels sont selon vous les atouts clés et les spécificités des écoles de commerce à la française ?

## Philippe Houzé

Les principaux atouts du système éducatif français, y compris les écoles de commerce comme l'ESCP, sont le fruit d'une longue histoire d'excellence académique, avec un fort accent sur la connaissance théorique combinée à une application pratique, des cursus professionnalisants et une réputation mondiale pour l'innovation et la créativité. Cela est également lié à la singularité des classes préparatoires françaises qui offrent une solide culture générale, une approche multidisciplinaire et une méthode de travail très rigoureuse. Les défis pour l'avenir de l'éducation en France et pour les écoles de commerce incluent l'adaptation aux avancées technologiques et aux besoins du marché, l'amélioration de la compétitivité internationale et la gestion des questions de neutralité carbone et d'inclusivité.

## Valérie Moatti

En tant que grand chef d'entreprise, comment voyez-vous l'avenir des écoles de commerce ? Pensez-vous que le paysage de l'enseignement du management puisse se recomposer et voir émerger de nouveaux acteurs ?

## Philippe Houzé

Je ne vois pas de risques majeurs quant à la place des écoles de commerce dans le futur. Je pense que les bouleversements toucheront davantage aux diplômés avec en particulier le déclin déjà amorcé du MBA et le renforcement des *bachelors* comme celui de l'ESCP. Les jeunes sont de plus en plus pressés et souhaitent accéder à de très bonnes formations qui leur permettent d'être employables très jeunes. En parallèle, on devrait assister à un développement de l'*executive education* et du *lifelong learning*.

Je suis depuis longtemps inspiré par le Professeur de marketing Philippe Kotler. Son approche du client est très utile dans la distribution mais peut aussi être déclinée dans le contexte des écoles de commerce. Il a écrit récemment un article que j'ai trouvé très intéressant, sur ce qu'il qualifie de « *Zero customer* » ou « client zéro ». Parmi les différentes dimensions, il parle de « *zero patience* » ou « zéro patience » qui renvoie à la difficulté qu'ont les clients à attendre. Elle est aussi observée chez les étudiants qui veulent être diplômés de plus en plus rapidement. Une autre dimension est « *zero boundaries* » ou « zéro frontières » par référence à la disparition des frontières entre la distribution digitale et physique. De même, ce phénomène est en cours dans l'éducation où l'enseignement en ligne et physique se mêlent de plus en plus. La focalisation sur la soutenabilité et le « Net zéro » est aussi très pertinent pour l'éducation. D'autres dimensions telles que la « disparition du milieu » -pour faire émerger les extrêmes du luxe et du très accessible-, la disparition de la loyauté ou le remplacement de la « *share of wallet* » ou « part de portefeuille » au profit de la « *share of life* » ou « part de vie » mériterait possiblement d'être déclinés dans le contexte des « *business schools* ».

L'avenir de la formation en management sera probablement façonné par les avancées technologiques en cours, la géopolitique et l'évolution des attentes sociétales. Il est essentiel pour les écoles de commerce de continuer à innover et à adapter leurs programmes d'études, leurs méthodes d'enseignement et leurs agendas de recherche pour rester pertinents et avoir un impact significatif dans le paysage en constante évolution. C'est pourquoi à l'ESCP nous avons prévu de renforcer notre expertise dans ce que nous appelons les « LIGhTS ». Au-delà des disciplines de gestion, nos recherches, programmes et projets se concentreront principalement sur ces domaines qui façonnent la société d'aujourd'hui et de demain : Leadership Inclusif, Innovation et Entrepreneuriat, humanisme comme valeur centrale, Technologie et *deep tech* et Soutenabilité.

## **« L'intensité de la recherche est un facteur de rayonnement de l'enseignement supérieur »**

Daniel Mouchard,  
Professeur en Sciences politiques  
Président de Sorbonne-Nouvelle,  
partenaire ESCP - Sorbonne Alliance

### **Résumé**

Comment les établissements d'enseignement supérieurs de premier plan peuvent-ils conserver leur rôle dans un monde en évolution rapide, où les savoirs deviennent vite obsolètes, ou se voient concurrencer par les *fake news*? L'excellence repose sur l'articulation entre recherche et formation, et sur la capacité de la recherche à offrir des instruments de décryptage pour accéder au savoir. Le Pr. Daniel Mouchard, Professeur des Universités en Sciences Politiques et Président de Sorbonne-Nouvelle, détaille les enjeux de formation, de diffusion de la recherche comme bien public, et même de démocratie, dans une conversation avec Régis Coeurderoy, Professeur et Doyen associé à la recherche ESCP et Valérie Moatti, Professeur et ancienne Doyenne de la faculté. Sorbonne-Nouvelle est partenaire d'ESCP à travers Sorbonne Alliance.

## « L'intensité de la recherche est un facteur de rayonnement de l'enseignement supérieur »

### Valérie Moatti

D'après votre expérience et votre position de Président d'Université, qu'est-ce qu'un établissement d'enseignement supérieur de premier plan ?

### Daniel Mouchard

Ce qui fait le cœur des missions de l'enseignement supérieur, c'est la formation et la recherche. Cela peut sembler une tautologie mais il est important que cela reste au cœur d'un établissement de premier plan. Cela veut dire viser l'excellence des formations dans ses domaines de force et l'excellence de la recherche, et aussi faire vivre intensément l'articulation formation-recherche. Ce lien unique entre formation et recherche est au cœur de l'enseignement supérieur, et doit le rester. Cette intégration est aussi ce qui différencie nos établissements d'autres organismes de formation.

De nouvelles missions, liées à celles-ci, deviennent des urgences impérieuses. D'abord, il est capital d'intégrer la transversalité d'un certain nombre d'enjeux majeurs pour nos étudiantes et étudiants dans un monde de plus en plus instable et incertain. Il s'agit notamment des enjeux de transitions multiples et de soutenabilité. Cela comprend aussi les enjeux liés à l'activité professionnelle, qui sont de plus en plus importants face à l'incertitude, l'accélération d'un certain nombre de phénomènes et les évolutions des marchés du travail. Cela impose aux établissements de premier plan de répondre à une demande de personnalisation de l'accompagnement en donnant une forte lisibilité et une forte visibilité à la trajectoire professionnelle.

En même temps, ce n'est pas du tout incompatible avec une souplesse des formations : à la Sorbonne Nouvelle et à l'ESCP nous offrons un socle de compétences qui doit pouvoir être actualisé en permanence. La capacité à être non seulement dans la formation initiale mais aussi dans la formation tout au long de la vie distingue les établissements de premier rang. L'enjeu est aussi sociétal si je m'inspire de la pensée du grand philosophe Hartmut Rosa qui parle d'accélération sociale sous différentes formes, qu'elles soient informationnelles, professionnelles etc. L'enseignement supérieur doit être capable de répondre à ce défi par des dispositifs de formation qui actualisent en permanence les compétences, les savoirs. Il s'agit donc aussi de répondre à une obsolescence de plus en plus rapide de certains savoirs et à la diffusion de *fake news*.

## L'impact : donner aux étudiants les clés pour naviguer la société

### Régis Coeurderoy

Les pressions d'accélération du savoir menacent-elles le monopole de la connaissance qu'a longtemps eu l'enseignement supérieur ?

### Daniel Mouchard

Effectivement, il y a une prolifération très importante de la production de contenus de toutes sortes, ainsi qu'une dissémination beaucoup plus forte : ceci est notamment lié à l'espace public numérique. En revanche, ce qui reste pour moi le point fort de l'enseignement supérieur est son adossement profond à la recherche. De là vient sa capacité à offrir des instruments de décryptage et de différenciation de tous ces savoirs extrêmement disséminés dont la solidité scientifique peut être très variable. Nous serons

toujours là pour donner des outils pour s'orienter, une sorte de « GPS du savoir » pour reprendre une formule très pertinente de François Taddéi, directeur du Learning Planet Institute.

### **Valérie Moatti**

On parle beaucoup d'impact de l'enseignement supérieur et des business school. Que mettez-vous derrière ce terme ?

### **Daniel Mouchard**

Si on se tourne du côté des étudiants dans un premier temps, l'impact consiste repenser la notion même de compétence et d'apprentissage. Le socle de compétences reste majeur et doit rester profondément enraciné dans l'académique au bon sens du terme, c'est-à-dire fondé sur la recherche. Mais ce que demandent les étudiants est de plus en plus varié. Il ne s'agit pas seulement de la maîtrise de telle ou telle discipline académique mais aussi des compétences pour se projeter dans le monde. Nous leur donnons une sorte de boîtes à outils qu'ils peuvent utiliser dans différents univers, afin de défendre un certain nombre d'enjeux qui leur tiennent à cœur.

Ensuite, l'impact repose sur la capacité à fournir des environnements favorables au développement des projets.

Pour la communauté académique, la notion d'impact est notamment liée à la réflexion sur la dissémination du savoir et le rôle de la médiation scientifique. La notion de science participative est au cœur de ce qu'on doit faire aujourd'hui.

## **La recherche, un bien public, et un enjeu de coopération internationale**

### **Régis Coeurderoy**

Comment vous voyez l'articulation entre recherche et enseignement pour les acteurs de premier plan?

### **Daniel Mouchard**

Pour ce qui est de l'enseignement supérieur, l'intensité de la recherche et la capacité à partager est un facteur de rayonnement. La recherche est d'abord et avant tout un bien public, et non quelque chose qu'on monopolise. Cela n'empêche pas qu'elle puisse faire l'objet de valorisations économiques, bien évidemment. Il y a un lien intense entre formation et recherche ; cela veut dire que la recherche irrigue les formations; cela veut dire aussi qu'il y a une dimension très importante de formation par la recherche. Les méthodologies de la recherche, les questionnements éthiques et déontologiques de la recherche doivent être au cœur des formations.

Un autre point indispensable est l'internationalisation. Développer des connexions internationales passe par la mobilité étudiante, enseignante, etc. mais concerne aussi de l'activité même de recherche et de formation. Il faut qu'elle soit internationalisée, c'est-à-dire irriguée en permanence par tout ce qui se fait au niveau international en matière de recherche, de publication, etc.

L'excellence scientifique, c'est un bien public et donc un bien partageable. C'est un enjeu de compétition sur le plan intellectuel, mais sur le plan sociétal, c'est un enjeu de coopération et de partage.

## L'enseignement supérieur, vecteur d'intégration européenne

### Valérie Moatti

Y-a-t-il selon vous un modèle européen d'enseignement supérieur ?

### Daniel Mouchard

Je ne suis pas un spécialiste des systèmes éducatifs *stricto sensu*, mais j'ai l'expérience des alliances d'universités européennes. D'abord, les modèles sont très variables, du point de vue de la structure de financement, du statut des enseignants-chercheurs, du rapport public-privé, de la présence ou non d'organismes de recherche distincts des universités... Mais il y a aussi des convergences en termes d'objectifs et de transversalité.

Par exemple, nous travaillons dans l'université européenne dont fait partie la Sorbonne Nouvelle (YUFE – Young Universities for the Future of Europe), sur un Bachelor européen en « *Urban Sustainability* ». Les enjeux de soutenabilité, les enjeux de projection dans le monde social sont présents dans tous les pays. Du coup, cela crée des convergences, non pas en termes de modèles d'éducation, mais plutôt en termes de pratiques et d'attentes, ainsi que de valeurs européennes.

Globalement, les systèmes éducatifs européens sont soumis à une tension extrêmement forte, que ce soit par la diffusion *des fake news* ou par l'ensemble des mutations du savoir, ou par la menace sur les libertés académiques, qui est très forte dans certains pays, y compris au sein de l'Union européenne.

L'enjeu est de défendre ces valeurs fondamentales du monde académique, et plus largement, celles qui portent l'intégration européenne. Évidemment, l'enseignement supérieur est un pilier de l'intégration européenne. Le programme Erasmus est souvent cité comme un programme très visible et à fort impact.

J'utilise souvent le concept développé par Fritz Scharpf, celui de la légitimation par les *outputs*, par rapport à une légitimation électorale traditionnelle par les *inputs*, c'est à dire la transaction électorale, etc. Erasmus en est un exemple typique. Peu de programmes européens ont autant d'impact.

### Valérie Moatti

Quel est le rôle de la France dans le paysage de l'enseignement supérieur européen ?

### Daniel Mouchard

La France a joué un rôle clé. Son modèle a des points forts et elle a une capacité d'initiative dans l'intégration européenne. Je rappelle que l'« Université Européenne » est une initiative au départ française, lancée et mise en forme par le président Emmanuel Macron.

Au-delà des programmes européens, le modèle français se caractérise par la force de la recherche publique et la capacité à maintenir une recherche fondamentale de haut niveau, fondée sur des moyens récurrents. Aussi, le statut des enseignants-chercheurs garantit l'indépendance, protège d'un certain nombre de pressions – en tout cas plus efficacement que d'autres statuts.

Et puis, derrière tout cela, il existe une connexion profonde entre le système d'enseignement supérieur et les valeurs républicaines démocratiques fondatrices du système français. Le système public de recherche rend possible les convergences, rend possible un socle solide de recherche fondamentale et ce statut protecteur est indispensable pour la production sereine du savoir.

Tout cela fait la force du modèle français et doit être préservé et consolidé. Je pense que cela peut inspirer des expériences européennes.

### **Régis Coeurderoy**

Aux États-Unis, on a vu émerger dans l'enseignement supérieur ce qu'on appelle l'« Ivy League », quelques grandes universités dominantes autour desquelles se structure le reste de l'écosystème universitaire. Voyez-vous une évolution équivalente émerger en Europe, à un rythme différent ?

### **Daniel Mouchard**

Les systèmes restent très nationaux. Les universités européennes sont très en mode projet. Je ne vois pas venir d'évolution structurelle culturelle, régionale, du modèle qui irait vers une convergence et qui dégagerait un phénomène comparable à celui de la Ivy League.

Il existe des universités qui ont un rayonnement particulier dans tous les pays européens et qui peuvent communiquer entre elles. Des réseaux d'universités de recherche intensive existent déjà. Elles ont un rayonnement et captent des financements. Mais il y a peu de convergence, d'intégration institutionnelle. Aux États-Unis, il y a une très grande hétérogénéité aussi.

### **Valérie Moatti**

Pourrait-on envisager que des leaders, nationaux au départ, émergent au niveau européen ?

### **Daniel Mouchard**

Le modèle de financement européen de la recherche fait émerger, *de facto*, des leaders, au sens où ils captent les financements et l'activité scientifique. Le modèle ERC génère cela. Obtenir des ERC est devenu un objectif stratégique pour tous les établissements qui veulent, justement, rentrer dans ce « club ». Mais ce n'est pas exactement une structure institutionnelle parce qu'on reste quand même sur du financement de projet.

Il y a des effets de taille aussi, de masse critique. Beaucoup de choses rentrent en jeu. Qu'il y ait un système où se dégage de l'excellence, personne ne va être contre sur le plan scientifique, parce que, par définition, l'excellence scientifique est fondée sur la compétition et on a besoin de l'excellence scientifique. Mais, avec le besoin d'une exigence démocratique tout aussi forte.

Et c'est plus que jamais indispensable compte tenu de la situation politique que traverse le continent européen. Il y a un enjeu de démocratie qui n'est pas seulement de démocratisation scientifique mais de démocratie tout court. C'est absolument indispensable. Donc, il ne faudrait pas que la concentration de l'excellence, qui est, encore une fois, stimulante sur le plan intellectuel, soit incompatible avec cette exigence démocratique de diffusion du savoir et d'irrigation.

## **[ Europe – Afrique : le voyage apprenant pour découvrir ensemble le leadership responsable**

Caroline Verzat\*  
Nathalie Prime\*

ESCP Business School

### **Résumé**

Cet article rend compte de l'expérience pédagogique du voyage d'études en Afrique déployé avec des étudiants du Nord et Sud de l'Option Innovation Responsable en Afrique (IRA). Fondé sur une pédagogie transformative au développement durable, les résultats d'une analyse qualitative du Carnet de voyage rédigé par les étudiants et enseignants suggèrent un impact important de la pédagogie du voyage apprenant sur la transformation personnelle fondée sur une éthique de la considération (Pelluchon, 2018).

Mots clés : Innovation responsable, Afrique, éducation au développement durable, pédagogies transformatrices, Art.

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## **Europe – Afrique : le voyage apprenant pour découvrir ensemble le leadership responsable**

### **Introduction**

Le temps est à la redéfinition des fondamentaux des relations entre l'Afrique et l'Europe (Mbembe, 2021), partenaires naturels et historiques, pour mieux affronter ensemble les grands défis civilisationnels posés par le dépassement des limites planétaires dans un contexte d'accélération et de crises tous azimuts sans précédent. Ainsi l'Union Africaine et l'Union Européenne (2017) appellent à un changement de paradigme fondé sur un véritable dialogue d'égal à égal : « *We emphasize our common interest and opportunity for a paradigm shift to an even stronger, mutually beneficial partnership in the spirit of shared ownership, responsibility, reciprocity, respect and mutual accountability and transparency.* » (p.1).

Développée dans le cadre de la Chaire Innovation Responsable en Afrique (IRA) soutenue par les groupes panafricains Axian et Attijariwafa group, l'Option de spécialisation de master 2 IRA de l'ESCP répond à cet appel dans le contexte de l'éducation supérieure en management. Mobilisant une pédagogie de la transformation (Mezirow, 1978, Wals et Blewitt, 2010), cette option trouve son point d'orgue dans le voyage d'études en Afrique pour découvrir ce que signifie être un leader responsable pour l'Afrique. Le voyage apprenant pourrait-il constituer une forme « d'utopie vertueuse » (Pelluchon, 2020) déconstruisant les rapports de domination intériorisés entre les deux continents et détrônant la primauté économique au profit d'une vision plus généreuse mettant en exergue la responsabilité sociale et écologique de ces futurs leaders ?

Nous partageons ce retour d'expérience éducative en commençant par expliquer le contexte du voyage et le questionnement qu'il a fait naître. Puis le récit du voyage à proprement parler prend le format d'un carnet de voyage élaboré par l'une des auteures à partir de ses dessins sur le motif. Nous expliquons alors la méthodologie utilisée pour analyser son impact sur les étudiants tel qu'il se donne à voir dans les récits de retour d'expérience élaborés à l'issue du voyage, et détaillons les résultats qui ressortent de l'analyse. Une quatrième partie est dédiée à la discussion de ces résultats avant de conclure sur les points marquants, mais aussi les limites de cette aventure et ses possibles prolongements.

### **Un voyage d'études en Afrique : dans quel cadre et pourquoi ?**

#### *Contexte*

La première édition du programme de l'Option IRA s'est déroulée entre septembre et décembre 2023 à ESCP Business School, en partenariat avec 5 universités africaines (Institut Supérieur du Management à Dakar, Sénégal (ISM), Institut National Polytechnique Houphouët-Boigny, Yamassoukro, Côte d'Ivoire (INPHB), École Nationale Supérieure Polytechnique de Yaoundé, Cameroun (ENSPY), École nationale supérieure de statistique et d'économie appliquée d'Abidjan, Côte d'Ivoire (ENSEA) et Université Catholique d'Afrique Centrale, Yaoundé, Cameroun (UCAC). Le programme a réuni 9 étudiants issus de ESCP en Master 2 et 9 étudiants boursiers de la Chaire issus des 5 universités africaines partenaires également en Master 2. Au total, 8 nationalités étaient représentées parmi les 18 étudiants (France, Italie, Suisse, Chine, Côte d'Ivoire, Bénin, Sénégal, Cameroun).



L'option IRA a pour objectif de former des leaders pour l'Afrique dans une optique de développement durable. Elle inclue des cours d'entrepreneuriat, de marketing, de finance, de leadership interculturel, de logistique, d'économie digitale, de gouvernance institutionnelle. Les cours sont donnés par des professeurs ESCP en partenariat systématique avec des professeurs africains. L'option inclut aussi un projet artistique métaphore de l'entrepreneuriat nommé Art Thinking, (Bureau, 2019) et un projet interculturel en binômes d'étudiants Nord-Sud. Ce projet interculturel vise à nourrir une rencontre authentique entre un étudiant ESCP et un étudiant africain, en échangeant au départ des romans, puis en organisant ensemble des visites culturelles et citoyennes à Paris et à Dakar et finalement, en racontant ensemble cette rencontre de manière créative lors de la dernière soirée du voyage (danse, sketch, diaporama...). L'ensemble de l'option se déroule sur 3 périodes entre septembre et décembre représentant des moments pédagogiques successifs : un mois de cours en présentiel à Paris, puis sept jours de voyage d'études au Sénégal, enfin deux mois de stage en alternance en Afrique, avec la fin des cours en ligne.

### ***Questionnement***

Plusieurs questionnements ont guidé notre observation de l'impact du voyage d'études en Afrique sur chacun des étudiants du programme en commençant par une réflexion sur la pédagogie de la "grande transition" (Renouard *et al.*, 2020), notamment dans les écoles de commerce (Prime, 2021). On observe ainsi l'émergence d'une (troisième) vague pédagogique où le répertoire initial des pédagogies transmissives (les connaissances sont supposées connues par les professeurs et seront apprises par les étudiants) et instrumentales (les connaissances sont ciblées pour équiper les étudiants de compétences pour l'avenir de leur profession via leurs spécialisations) est complété par des pédagogies qui adressent directement la transformation ou l'émancipation des étudiants en traitant de leur manière de faire l'expérience du monde (la subjectivité, la contextualité) et du rapport au pouvoir (qui sait quoi ?) (Papenfuss *et al.*, 2019).

L'utilisation du voyage dans l'éducation transformatrice n'est pas nouvelle car c'est un levier de changement : le voyageur se transforme à travers les relations qu'il crée et les empreintes qu'il laisse, aboutissant à une transformation de soi et du monde. Le dispositif de voyage d'études en Afrique a ainsi été déployé en octobre 2023 sur une semaine. Il combinait un mix d'activités précises et rythmées, entre exposition aux réalités économiques, culturelles et écologiques du Sénégal, long moments en commun dans les trajets en bus et lors des repas, et restitutions collectives systématiques tous les soirs autour des 4 questions suivantes: qu'est-ce qui s'est bien passé aujourd'hui ? Moins bien passé ? Qu'est-ce que j'ai appris ? Avec quoi je repars ce soir, qu'est-ce que je vais en faire ? Dans l'option IRA, le voyage a pris une véritable dimension apprenante.

Nous présentons ci-dessous le carnet de voyage illustré puis nous cherchons à identifier quels sont les thèmes de la transformation personnelle provoquée par le voyage apprenant sur l'innovation responsable en Afrique.

## Le voyage

Programme	
	
<p>Maison des esclaves sur l'île de Gorée      Logo de Wave      Masque du musée T. Monod      Visite au Port de Dakar      Réveil à l'Écolodge de Simal      Girafes à la réserve de Fathala</p>	
<b>Jour 1</b> – Visites historiques	Confrontation au passé esclavagiste à Gorée et visite du monument emblématique de la renaissance africaine
<b>Jour 2</b> – Visites de startups innovantes à Dakar	Rencontres chez Wave (startup leader du mobile money), ElleSolaire (entreprise sociale visant l' <i>empowerment</i> des femmes par la formation à l'entrepreneuriat et la distribution de lampes solaires), Soft Skills Académie (formation au leadership innovante au sein de l'Institut Supérieur du Management) et Baobab+ (distribution d'énergie et accès au digital dans les villages, filiale du groupe de microfinance Baobab)
<b>Jour 3</b> – Visites culturelles	Trajet en TER vers Diamniadio, tour de la ville nouvelle, visites du musée d'art africain Théodore Monod et de la galerie d'art africain contemporain Fakhoury à Dakar.
<b>Jour 4</b> – Visites économiques	Visite du port autonome de Dakar (3 <sup>ème</sup> port d'Afrique), rencontres avec l'équipe d'innovation, RH et RSE de Free Sénégal, et avec un membre de la communauté Mourides (investissement islamique).
<b>Jour 5</b> – Rencontres dans les villages	Rencontres avec les femmes entrepreneures de la boulangerie de village Mburu, découverte de l'écosystème de la mangrove (réserve de Somone), traversée du delta du Saloum, nuit dans une case à l'écolodge de Simal.
<b>Jour 6</b> – Visites écologiques	Visite de la réserve de Fathala (lions, girafes, antilopes, zèbres, rhinocéros, phacochères) et retour à Dakar.
<b>Jour 7</b> – Visite urbaine et soirée de retour d'expérience finale.	Visite du chantier de l'institut Goethe (architecture innovante écologique à base de briques de terre compressée). Partage des expériences interculturelles des étudiants avec les partenaires présents à Dakar.

## Analyse de l'impact du voyage à partir des témoignages des étudiants

### Méthodologie

Le projet de carnet de voyage est né pendant le voyage d'études à partir des dessins de Caroline sur le motif, mais aussi des commentaires spontanés des étudiants tout au long du séjour, répétant que cette expérience était une « *life-changing experience* ». Les enseignantes leur ont alors demandé d'écrire un témoignage d'une page répondant peu ou prou aux deux questions suivantes : 1) En quoi ce voyage d'études constitue-t-il une expérience qui change la vie ? 2) Comment vais-je transformer cette expérience pour devenir un leader innovant et responsable ?

Nous avons reçu 18 récits personnels de longueur et de style variés allant d'un poème de 240 mots à un récit lyrique écrit à la 3<sup>ème</sup> personne comportant 699 mots. Nous avons conduit une analyse qualitative inductive manuelle du contenu de ces récits suivant la méthode Gioia (Gioia et al, 2013) sur NVivo. Le regroupement thématique des codes de 1<sup>er</sup> niveau aboutit à l'identification de 8 thèmes marquants pour les étudiants, ensuite classés en fonction de leur occurrence dans le corpus.

### Résultats

Le tableau ci-dessous recense les 8 thèmes et leur représentation au sein de l'échantillon, selon le genre et l'origine des étudiants.

Thème	Nombre et % de mots dans le corpus (total 8552 mots)	Nombre d'étudiants ayant mentionné ce thème	dont ... parmi les 5 femmes africaines	dont ... parmi les 5 femmes ESCP	dont ... parmi les 4 hommes africains	dont ... parmi les 4 hommes ESCP
1. Une transformation personnelle	1660 (19%)	17	5	4	4	4
2. Rencontre avec des entrepreneurs africains inspirants	1408 (16%)	14	4	2	4	4
3. Confrontation à l'histoire de l'Afrique, passé esclavagiste et futur rédempteur	1409 (16%)	11	3	1	4	3
4. Réveil des émotions	1031 (12%)	11	5	2	2	2
5. Émergence d'une fraternité	814 (10%)	11	5	3	2	1
6. Sensibilisation aux défis écologiques	693 (8%)	7	2	1	2	2
7. L'art guide la transformation	227 (3%)	3	1	1	1	0
8. Devenir un leader responsable	1310 (15%)	15	5	5	3	2

**Thème 1. La transformation personnelle** constitue sans surprise le premier sujet des récits. 13 étudiants évoquent une expérience profonde qui change leur vision du monde à la fois au niveau personnel et professionnel. Plus convenus, 4 étudiants habitués à voyager se disent quand même surpris. Plusieurs rencontres et expériences sont à l'origine de ces découvertes.

**Thème 2. La rencontre avec des entrepreneurs africains** a fortement inspiré les étudiants. 14 d'entre eux racontent leur admiration pour ces entrepreneurs dont les innovations rendent crédibles la possibilité d'un modèle de développement alternatif durable, à la fois inclusif et frugal. Ces rencontres alimentent une vision optimiste du potentiel de l'Afrique et permettent de dépasser les traumatismes du passé.

**Thème 3. La confrontation à l'histoire de l'Afrique, à son passé esclavagiste et à son futur rédempteur** a marqué de nombreux étudiants. Selon le genre et l'origine, ce thème prend une couleur sensiblement différente. 6 récits évoquent la visite de la maison des esclaves à Gorée comme un moment déterminant, incitant à revoir les rapports de domination issus du colonialisme en vue d'un co-développement équilibré. Du côté des hommes ESCP domine l'indignation. Les récits africains exaltent davantage la résilience, vu le potentiel et les richesses du continent.

**Thème 4 : Le réveil des émotions.** Un certain nombre de récits associent de manière explicite l'apprentissage aux émotions, en particulier chez les 5 étudiantes africaines. Beaucoup d'émotions positives apparaissent particulièrement liées à la qualité des échanges entre étudiants.

**Thème 5 : L'émergence d'une fraternité** se donne à voir dans 11 récits (dont 8 féminins) qui mentionnent le sentiment d'avoir construit ensemble une véritable famille. La fraternité émerge de la profondeur des débats et des rencontres entre des cultures si différentes dans un climat de bienveillance et d'écoute.

**Thème 6 : Sensibilisation aux défis écologiques.** L'écologie - pourtant au cœur du programme - a été moins commentée. 7 étudiants sans distinction notable de genre ou d'origine mettent en avant l'urgence de préserver l'environnement. Plusieurs éléments les ont marqués à ce sujet pendant le voyage : la visite des réserves naturelles, le constat de la pollution et la rencontre avec les entrepreneurs engagés pour les énergies renouvelables.

**Thème 7 : l'art guide la transformation.** La poésie de l'un des récits manifeste une claire sensibilité artistique. L'art et la culture faisaient partie des intentions du voyage, mais ils n'ont été que marginalement associés par les étudiants au processus de transformation personnelle dans les récits. 3 étudiants évoquent le rôle des visites culturelles. En particulier, une étudiante raconte une prise de conscience saisissante auprès d'un artiste de Gorée.

**Thème 8 : Devenir un leader responsable.** De fait, le voyage a permis à tous les étudiants de construire une définition de l'innovation responsable et d'y projeter leur avenir. Pour la grande majorité des étudiants (15/18) suite à ce voyage transformateur, la notion de responsabilité signifie essentiellement une attitude : être courageux, à l'écoute et au service des autres dans une perspective de recherche du bien commun. En rupture avec cette vision généreuse, 3 étudiants de ESCP associent le leader responsable à une vision entrepreneuriale de nature économiste axée sur le développement d'opportunités de business et la profitabilité.

## **Discussion des résultats :**

### **le voyage apprenant... l'éthique de la considération**

Le retour d'expérience pédagogique du voyage en Afrique de cette première promotion de l'option IRA suggère d'abord que celui-ci est un instrument puissant de transformation personnelle (au moins dans le déclaratif post-voyage). Or celle-ci articule largement les principes d'une éthique de la considération (Pelluchon, 2018) qui ambitionne la transformation du monde contemporain dévoré par l'économisme à partir de la transformation du rapport à soi. Nous mettons en exergue ci-dessous quelques points marquants de cette éthique constatés pendant le voyage :

1. Le voyage, en tant qu'expérience corporelle du déplacement hors des zones de confort, qui fait prendre conscience de la matérialité et de la fragilité de notre existence en tant que vivant, et ce en dépit des conditions logistiques excellentes. L'importance des émotions soulignée dans les récits témoigne de l'ancrage des apprentissages dans les sensations et perceptions subjectives.
2. L'humilité comme méthode, par la reconnaissance de la vulnérabilité et la réalisation de l'égalité inhérente à tous les êtres humains. L'île de Gorée a profondément ébranlé chacun, et représente un marqueur imprégnant la compréhension d'autres thèmes (l'émergence d'une fraternité, la découverte des potentiels de l'Afrique).
3. Le voyage offre des possibles relationnels inédits qui sont autant de vécus émotionnels qui élargissent le soi. On prend conscience que l'existence n'est que relationnelle, que vivre, c'est vivre de, vivre avec et si possible vivre pour.
4. La fraternité vécue au cours du voyage et les visions du monde des entrepreneurs africains sont de l'ordre de ce que C. Pelluchon nomme la convivance : je ne suis pas seul au monde, mais je suis en continuation et je dois intégrer les intérêts des autres humains et vivants dans l'intérêt de tous.
5. L'appréciation esthétique donne le sentiment d'une communion avec les autres, et la nature a été particulièrement abordée lors de la rencontre de l'artiste à Gorée, lors de la nuit à l'écologie et dans une certaine mesure, avec les animaux de la réserve de Fathala.
6. L'éthique de la considération est alignée avec l'éco-féminisme, parce qu'elle insiste sur la corporéité et la vulnérabilité davantage valorisés par les femmes en général. Dans notre corpus, les récits féminins et en particulier ceux des étudiantes africaines apparaissent, de fait, sensiblement différents des récits masculins : Les émotions, la fraternité et l'attitude du leader responsable courageux et au service y sont davantage représentés.

Nous avons cependant constaté lors du voyage qu'il y avait au moins trois obstacles à la mise en place d'une telle démarche éthique. D'abord (et toujours), les écrans ou la dispersion futile du soi qui tuent l'attention, base de l'éthique de la considération. Tous les étudiants ont eu du mal à lâcher leur smartphone. Ensuite, pour une minorité d'étudiants, l'humilité comme méthode n'a pas bien fonctionné. Ils n'ont pas toujours réussi à adopter une posture reconnaissant la vulnérabilité des autres et leur devoir de considération vis-à-vis du groupe. Enfin, le rapport aux animaux pendant la visite de la réserve a révélé deux sens de l'éthique irréconciliables, celui du point de vue des Africains, qui associe la réserve à une vertu écologique (préserver les espèces menacées et maintenir les écosystèmes naturels) et le point de vue d'un certain nombre d'Européens, qui associe la réserve à une logique de domination économiste (dompter les lions pour maximiser la valeur touristique de « marcher avec des lions »).

## Conclusion

Ce qui était un parti pris idéologique dans l'intention du programme pédagogique de l'option s'est révélé comme un pari pertinent. L'expérience vécue dans un contexte d'altérité africaine avec une forte intensité de questionnement réflexif produit des effets marquants. Les étudiants sont allés bien au-delà d'une translation touristique et académique (quand on ne voyage pas vraiment, car on se déplace avec son milieu d'origine et vers des milieux comparables à laquelle les étudiants européens de l'ESCP sont habitués, par exemple lors des « voyage d'étude » proposés par de nombreuses institutions, en formation première comme en formation permanente). Faisant l'expérience de leur continent avec des non-Africains, les étudiants africains ont apporté une authenticité, une générosité et une fraîcheur qui a contaminé le groupe. La mise en récit chargée d'émotions semble instaurer un ancrage de soi nouveau plus soucieux des autres et du monde. Comme le soulignent Biancofiore et Barniaudy, (2024) le récit des émotions vécues en lien avec la crise écologique de l'anthropocène peut transformer la relation au vivant. C'est en partie ce qui s'est passé ici. Les récits ne sont néanmoins pas exempts d'une certaine exaltation propre aux voyages exceptionnels. Il faudrait interroger les étudiants de manière longitudinale pour compléter cette analyse à chaud et voir dans quelle mesure la transformation est durable.

Enfin, ce type d'initiative pédagogique transformative pourrait être décliné à profit dans deux directions. D'abord, dans les programmes qui cherchent à travailler la co-construction et la coopération interculturelle « à impact », notamment celle qui permet d'avancer la résolution des problèmes complexes de développement durable (transcrits dans les ODD) qui sont largement « locaux » (Prime et Usunier, 2018), et nécessitent de croiser des perspectives multiples dont on ne prend conscience que par une expérience de terrain et un dialogue entre parties prenantes. Ensuite, le voyage apprenant n'a pas besoin de se dérouler à des milliers de kilomètres et peut avoir lieu sous des formes variées, par exemple un service civique ou toute autre activité « de considération » qui remet du lien entre l'apprenant et le monde qui l'entoure.

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## **L'Europe en quête de vision : l'urgence d'un leadership transformationnel**

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### **Résumé**

Cet article introductif de l'entretien de Jean Pierre Raffarin pose la question du leadership transformationnel de l'Union Européenne dans un monde en crise. Ayant la complexité comme élément constitutif de son identité, située à mi-chemin entre l'approche américaine et chinoise du leadership, l'Union Européenne doit sa particularité à sa diversité qui est à la fois un atout et un frein à la définition d'une vision stratégique, mobilisatrice, et source d'inspiration pour tous ses citoyens. Quelles sont les priorités actuelles de l'Europe ? réguler, faire émerger le compromis, promouvoir un leadership transactionnel fondé sur une rationalité contrôlée plutôt que transmettre une vision transformative de son présent. Pourtant, c'est cette vision du futur laquelle, lorsqu'elle est partagée, contribue à créer le leadership transformationnel qui ouvrira la voie à un impact durable de l'Europe sur l'échiquier mondial. Comment créer cette vision ? Comment la rendre commune à toutes les parties prenantes de l'Union Européenne ? quelle orientation lui donner ? Ce sont les questions auxquelles cet article et l'interview de Jean-Pierre Raffarin tentent de répondre.

Mots clés : Union Européenne, complexité, polyculture, leadership transactionnel, leadership transformationnel, vision

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## **L'Europe en quête de vision : l'urgence d'un leadership transformationnel**

Notre monde est en crise, il est même cassé (da Empoli, 2024). L'urgence écologique, la guerre, la fracture sociale, et la peur quant à l'essor de l'IA (S. Altman, 2023), sont quelques-unes parmi les giga-menaces (Rubini, 2022), auxquelles nous faisons face actuellement. Ces menaces sont communes à notre humanité et comme Edgar Morin (1987) le décrit dans son ouvrage *Penser l'Europe*, elles sont complexes, et diffuses, génératrices de stratégies de repli sur soi et de division.

Jamais dans l'histoire moderne le besoin de coopération internationale n'a été aussi urgent car ces menaces communes ne tiennent pas compte des frontières nationales ou des continents. Le changement climatique concerne tous les habitants de la Terre, la terreur d'une IA non régulée (H. Micheron, 2024) concerne tous les habitants de la Terre.

### **Face à cette urgence que fait l'Europe et quel est son rôle sur l'échiquier planétaire ?**

Située géographiquement entre les Etats-Unis et la Chine, elle perpétue ce positionnement d'entre-deux dans ses pratiques politiques et sociales, tout comme dans son style de leadership prônant une approche plus complexe que celle des Etats-Unis et plus directe que celle de la Chine.

L'Union Européenne est une construction unique en son genre, un Phénix né du désir partagé de paix, un désir qui dépassait lors de sa création les divisions des communautés nationales qui sont à l'origine de sa polyculture. C'est cette polyculture qui donne à l'Europe sa particularité et sa richesse mais qui constitue également sa plus grande difficulté dans l'élaboration d'une vision commune. C'est ce que Morin (1987) appelle, le nœud gordien paradoxal de l'identité européenne, une identité qui surgit de la division et du conflit et dont l'Europe tire une bénédiction mais qui est en même temps sa malédiction puisque les états-nations qui la composent sont rétifs à « toute instance supérieure qui les subordonnerait ».

De cette complexité en sort une culture de négociation permanente, une volonté de régulation et une recherche de compromis incessante qui fait partie de son ADN et qui peut être parfois à l'origine d'une lenteur dans la prise de décision. Ainsi, décrire l'Europe dans sa complexité n'est pas une tâche difficile, mais peut-on décrire la nature de son leadership ? Est-il fédérateur de ses états-nations ? Est-il une expression de sa culture de compromis ? Repose-t-il sur des valeurs communes ou sur une vision partagée ? A-t-il enfin une portée mondiale et laquelle ?

### **Du leadership transactionnel au leadership transformationnel fondé sur la vision**

Le leadership est un processus d'influence qui consiste en la capacité d'un individu de guider un groupe d'autres individus vers la réalisation d'un but commun. A la recherche de l'efficacité dans la réalisation de cet objectif une théorie largement connue définit deux styles de leadership à la fois très proches et radicalement différents: le leadership transactionnel et transformationnel (Bass, 1985).

Le premier est fondé sur la rationalisation et sur l'échange entre le leader et ses collaborateurs qui poursuivent minutieusement leurs objectifs car à destination ces derniers auront une récompense. Le leadership transactionnel consiste alors en une démarche rationnelle entre agents interdépendants dont l'action repose presque intégralement sur le respect des règles. Dans cette démarche la destination de l'action importe peu si ce n'est que par la récompense promise et par la satisfaction de ses objectifs personnels souvent matériels. La confiance qui lie les deux parties, le leader et le groupe, est rationnelle et repose sur la possibilité de sanction en cas d'absence de respect des règles et de récompense en cas contraire (Lewicki, 2006)

Proche de ce style quant à l'importance donnée à l'action collective, le leadership transformationnel vise au contraire à la transformation du groupe par l'intériorisation de l'objectif poursuivi. L'idée fondamentale est que la destination est plus importante que les règles. Dans le cadre de ce style le leader mobilise ses collaborateurs à travers sa légitimité reconnue et sa vision (Rafferty & Griffin, 2004), il transforme durablement leurs attitudes en leur insufflant une motivation qui va au-delà du simple respect des règles et ceci grâce à un objectif supérieur, ambitieux et stimulant et une considération personnalisée pour chacun d'eux.

Si on applique cette grille de lecture au leadership européen, on se rend vite compte que la construction européenne est le terrain d'un leadership transactionnel plutôt que transformationnel.

La construction européenne, complexe et diverse, repose sur un ensemble de règles et sur la culture du compromis. Elle considère ses états-nations comme des agents rationnels qui connaissent les règles à respecter, règles qu'ils ont contribué à élaborer lors des négociations parfois longues et complexes. Cependant, ce leadership de rationalité qui unit les états-nations ne peut donner lieu à une identité commune, à un *vouloir-vivre* et un *vouloir-être* européens (Morin 1987) qui transformerait leurs attitudes face aux défis du monde et qui les conduirait à dépasser leurs tentations de repli identitaire pour embrasser une cause européenne.

Une récente étude de Dupont & Oberthür (2016) confirme ce constat et souligne la difficulté de l'Europe à définir et à décliner une vision commune : grâce à l'analyse de l'évolution du leadership européen sur la question des réglementations internationales en matière de changement climatique (COP 21) les deux chercheurs arrivent à la conclusion que malgré la volonté du Conseil Européen d'exercer un leadership transformationnel, la difficulté pour les états-nations de dépasser leurs divergences et de parvenir à un accord compromet la mise en application de ce style de leadership. Est-ce parce que la menace ressentie est d'importance inférieure aux enjeux nationaux ? Ou est-ce plutôt que la récompense promise importe moins que la crainte des réglementations trop contraignantes ?

Quoi qu'il en soit, la question qui se pose à nous et celle de notre avenir, de ce destin commun qui donnera lieu au *vouloir-vivre*, et au *vouloir-être* européens qui seront l'âme de l'Europe et son esprit fondé sur ses valeurs humanistes.

Pour que le leadership européen existe, il ne pourra être que transformationnel et durable et pour cela il faudra déterminer une vision qui motivera ses membres à transformer leurs sociétés (Godelier, 2019) et qui leur permettra ainsi de faire face aux défis planétaires actuels.

Cette vision résultera d'une urgence commune, tel l'enjeu du changement climatique, d'un destin commun reconnu comme tel et ne sera pas le fruit d'une régulation ou d'une négociation bien que sa déclinaison en des actions concrètes devra tenir compte de la culture et de la réalité de chacun. En effet, il ne sera pas question de faire fi de nos

différences, au contraire, il faudra accepter la symbolique propre et la vérité de chaque étonation afin que le leadership de l'Europe dépasse le stade d'une simple déclaration d'intention.

Vous l'aurez compris, le devoir qui s'impose à nos dirigeants européens dans la tourmente mondiale actuelle consiste à mettre de côté leurs particularismes et préférences nationales au profit d'un leadership européen, fédéral et transformationnel, à partir d'une vision prioritaire et distinctive. Ça sera la seule façon de donner du poids et un sens à l'action de l'Europe et de générer ainsi la confiance et l'adhésion de toutes ses parties prenantes.

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**« La destination de l'Europe, c'est d'être exemplaire sur le changement climatique »**

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Ancien premier ministre et sénateur,  
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**Résumé**

Ancien de l'ESCP et à ce titre très engagé dans la vie de l'École, Jean-Pierre Raffarin s'est exprimé sur le leadership tant personnel qu'europpéen. Il insiste sur la vision nécessaire pour rassembler autour d'une destination partagée.

## « La destination de l'Europe, c'est d'être exemplaire sur le changement climatique »

### **Maria Koutsovoulou**

Vous êtes un leader mondialement reconnu, quel a été votre chemin ? D'après vous, comment devient-on leader ?

### **Jean Pierre Raffarin**

Je crois que **le leader à un moment donné a une expérience qui lui fait penser qu'il peut être leader. C'est une expérience qui peut arriver à n'importe quel moment de la vie.** Cela m'est arrivé quand j'étais dans une des meilleures écoles de commerce du monde, l'ESCP. J'avais créé les Tribunes ESCP et, tel un guide de montagne conduit son groupe jusqu'à destination, je me suis rendu compte qu'on a conduit ensemble ce groupe de jeunes étudiants qui voulaient de l'expression orale, qui voulaient des lectures, qui voulaient de la confrontation, et on a atteint notre destination. **Le leadership c'est cette capacité à atteindre une destination. Ma définition du leadership « c'est une force motrice qui incarne une compatibilité entre la destination et le chemin »** Il n'y a pas de leader sans vision ! Mais il n'y a pas de leader non plus qui ne soit pas capable de trouver le bon chemin qui mène à la bonne destination ! Il y a un moment où l'on se dit « ah ! je suis écouté ! », « ah ! j'avais distingué ce qui est important ! », « ah ! mais finalement je sais les mobiliser », « ah ! finalement j'ai des éléments de leadership ! ». Donc c'est cette conscience interne qui fait qu'un moment vous vous dites « tentons l'expérience ! ».

### **Régis Coeurderoy**

Par la suite, dans vos expériences professionnelles, est-ce qu'il y a certains moments clé où l'exercice du leadership vous a permis de résoudre des conflits, d'avancer dans des situations, de faire avancer la stratégie ?

### **Jean Pierre Raffarin**

J'ai eu une grande chance dans ma vie : j'ai eu des bons patrons, des patrons qui étaient des leaders, des gens qui me faisaient grandir ! Dans ma vie professionnelle j'ai fait des rencontres très émouvantes. Ainsi, Lionel Stoleru était un grand mathématicien, un polytechnicien mais il était aussi un poète, un écrivain, un musicien, il faisait beaucoup de politique. Il avait compris que je pouvais l'aider et donc j'ai profité de ce génie qu'il était. Parmi mes autres patrons, il y a eu des personnalités internationales : Abdou Diouf le Président du Sénégal, qui après Senghor a réussi à avoir une sagesse profonde ; c'était quelqu'un qui dominait l'immédiat en permanence. L'immédiat c'était sa science, il savait prendre de la distance, il n'a jamais été bousculé par l'immédiat ! Il avait cette profondeur permanente d'analyse qui lui permettait de trouver les clés pour faire avancer son prochain coup.

**Dans le conflit, le leadership est naturellement une capacité importante parce que c'est une force.** Mais attention, la force ne doit pas être violente, ni arrogante. Lorsqu'un leader arrive autour d'une table on le voit arriver. Par définition, il est perçu comme tel par les autres donc il faut qu'il sache manier la discrétion. Tout est une question de dosage et aussi probablement d'attention aux autres. Le charisme, est-ce de l'inné ou de l'acquis, est-ce que cela s'apprend ? C'est très complexe. Personnellement je trouve que tout le monde peut améliorer son charisme. Il y a deux attitudes importantes, la première c'est l'assurance ! Quand on prend la parole c'est parce qu'on a quelque chose à dire, qu'on croit ce qu'on dit, qu'on est capable d'incarner ce qu'on dit. Donc le message du leader est un message d'assurance. **Mais il faut de l'assurance conjuguée à de l'attention aux autres, c'est très important.** Les jeunes aujourd'hui disent « *il ne me calcule pas* », il faut calculer les autres !

## **Maria Koutsovoulou**

Pensez-vous qu'il y a un style de leadership européen particulier et quels sont ses attributs ?

## **Jean Pierre Raffarin**

Je pense que certaines caractéristiques de leadership pourraient être qualifiées de leadership européen. **Il y a des leaders européens qui ont des choses en commun.** D'abord regardons les trois continents qui sur ce sujet ont une grande expérience : le continent américain, la Chine et l'Europe. Sur le continent américain, aux États-Unis principalement, si vous allez dans les grandes écoles, les grandes universités vous trouvez des milliers de livres sur le leadership parce que le leadership est quelque chose qui s'apprend! Quand monsieur Obama entre dans une salle il ne fait pas comme on fait souvent en France, à savoir saluer tout le monde avec un salut général, non, lui il salue chaque personne en la pointant du doigt ; c'est une technique qu'il a apprise, il s'est lui-même beaucoup préparé à l'exercice de ses responsabilités. Aux États-Unis on apprend tout, on apprend à conduire une réunion, à faire rire les gens, à créer des relations. C'est ouvert à toutes les catégories sociales, on voit par ailleurs dans la presse des propositions de stages de formation « apprenez à parler », « apprenez à vendre », « apprenez ceci ou cela ». Donc, **aux États-Unis l'acquis est très important.**

En **Europe**, les choses sont plus complexes. **Le Général de Gaule a résumé de manière magnifique son travail sur le leadership dans son ouvrage *Le fil de l'épée*.** Il y démontre qu'il faut à la fois au chef un don façonné par le métier, donc il faut un don ce qui est plutôt de l'inné, mais façonné par le métier, le métier qui est plutôt de l'acquis. Donc c'est un peu ça l'Europe. Même s'il y a dans le don ce qu'on appelle le charisme et que de mon point de vue le charisme se travaille, il y a la nécessité du savoir-faire, du métier de l'artisan, du jardinage des idées pour obtenir une efficacité dans l'action.

**Donc en Europe, je dirais qu'il y a cette double approche qui me fait penser que le meilleur mot pour caractériser cette situation c'est la complexité.** Cette complexité fait que le leadership en soi n'est pas une valeur, ce peut être un outil performant ou un outil de dérive dangereux mais pas une valeur. Pour ceux qui savent rendre compatible leur destination et le chemin, c'est une technologie qui permet de rendre les choses efficaces. Mais pour cela le leadership ne doit pas être une forme de simplisme, une forme de réduction de la pensée. Le leadership est une approche dense en termes de pensée, ce n'est pas une approche d'improvisation, c'est un travail en profondeur. Et donc en Europe, si vous prenez un Helmut Kohl, une Madame Merkel, un Nicolas Sarkozy, un Draghi, un Aznar, ou naturellement aujourd'hui un Emmanuel Macron vous voyez que le leadership de tous ces leaders démocratiquement élus repose sur deux piliers que les Chinois appelleraient le Yin et le Yang. Ils se disent « *attention, c'est positif mais il y a certains limites* » ce qui signifie « *attention! je dois conduire mais je dois faire attention aux autres, pour être mobilisés il doivent avoir confiance en moi et je veux avoir confiance en eux* ». Ils cherchent toujours cette complexité, signifiant la prise en compte de l'environnement, de ce qui est périphérique à la décision, à l'action. La pensée européenne tient compte de l'environnement du projet autant que du projet. Edgar Morin, grand penseur de la complexité, dit toujours que « **dans l'action il faut penser à la conséquence de l'action** ». Son engagement écologique vient de cette idée-là, que le processus post-action est aussi important que le processus action. Donc le leadership européen, c'est la prise en compte de la complexité de la décision.

Comme je parle de Yin et Yang on pourrait s'interroger sur le leadership chinois et asiatique. En Chine Xi Jinping n'est pas tout à fait conforme à la vision que pouvait avoir un Confucius de l'exercice du pouvoir, lequel devrait être discret, voire secret. **Aujourd'hui la Chine cherche à développer une stratégie de pouvoir dans une direction conforme à l'état du**

**monde aujourd'hui.** Précédemment, dans l'histoire de la Chine, le chef est secret, l'Empereur est dans la cité interdite, personne ne le voit, il n'est pas sur les plateaux de télévision, il n'écrit pas de livres, il fait travailler les autres, il organise le travail de tout le monde dans son équipe qui est là pour protéger le chef, le chef ne s'expose pas. Chez nous le chef s'expose, le leader est devant un groupe tandis qu'en Chine le leader est dans le groupe, il organise le groupe, il fait travailler le groupe mais le leader n'est pas forcément en super-exposition. Quand vous recevez une délégation chinoise le premier qui vous serre la main n'est pas le chef. Le chef est dans le groupe mais ne se présente pas en tant que tel. Si vous avez un peu d'expérience vous allez le détecter puisque vous allez apercevoir qu'ils parlent en tenant compte de la réaction du chef. Le chef est là mais les autres protègent le chef. Je l'ai souvent dit à Nicolas Sarkozy et au Président Macron, « attention, les institutions françaises sont des institutions qui protègent le Président ». Il faut un Premier Ministre pour protéger le Président : quand les choses vont mal on change le Premier Ministre et on garde le Président, on est à la fois dans ce pays souverainiste, avec un homme en charge de l'essentiel, et on est en même temps régicide, on veut lui couper la tête et si c'est possible aussi la tête de son épouse. Donc nous avons trouvé les institutions qui protègent le Président, puisque dans notre logique en Europe on expose beaucoup plus notre chef que ne le fait le Chinois d'une manière traditionnelle. **Dans l'histoire du monde le leadership est vécu différemment au niveau européen parce que nous sommes une culture démocratique, le chef naturellement étant toujours en liaison avec sa légitimité qui vient de son élection.** Naturellement c'est à partir de ce travail électoral qu'il gagne sa puissance pour ensuite sculpter cette légitimité et gagner encore plus en puissance, gagner en intelligence, gagner en pouvoir, gagner en responsabilité.

Je pense que le leadership européen, par rapport à l'évolution américaine qui va vers un peu plus de simplicité voir de simplisme et par rapport à un Xi qui garde globalement le secret du pouvoir, est un leadership complexe, un leadership pour lequel il faut essayer de limiter un peu l'exposition des leaders. En effet, globalement aujourd'hui les leaders avancent de plus en plus comme des personnalités extraordinairement puissantes ; or dans un monde médiatique la puissance est parfois le début de la fragilité.

### **Maria Koutsovoulou**

Vous avez évoqué la complexité comme LE qualificatif du leadership européen en évoquant la relation entre l'action et la conséquence. À quels défis fait face le leadership européen ? Est-ce que cette complexité lui donnerait aussi une certaine lenteur dans l'action ? Autrement dit, comment se situe aujourd'hui le leadership européen dans les enjeux mondiaux ?

### **Jean Pierre Raffarin**

**Le leadership européen doit se définir.** On peut le caractériser par sa complexité mais la complexité concerne sa propre identité, pas sa destination. Quelle est la destination du leadership européen ? La destination première évidente était la construction de la paix. Au fur et à mesure des temps cette mobilisation pour la paix, cette cause, cette vision, ce projet, s'est affadit puisqu'au fond la paix apparaissait assurée pour l'éternité. Or aujourd'hui la guerre est de retour. On mesure donc combien on a été naïf de croire que la paix était éternelle. Les opinions publiques aujourd'hui ont pris l'habitude de considérer que la paix est quelque chose de normal et qu'on ne peut pas avoir comme première ambition la paix. Oui la paix c'est notre oxygène mais on n'a pas comme objectif seulement de respirer. Que faisons-nous ? Quelle est notre cause ?

Notre cause, on l'a choisie au départ par la stratégie économique de construire ensemble un marché. On a construit le premier marché du monde avec des règles pour que ce marché soit le plus ouvert possible et qu'en même temps il soit régulé pour éviter d'avoir des gens qui viennent troubler les équilibres de ce marché, d'où la politique de concurrence.

Dans un monde dont la régulation était la pensée dominante, nous avons l'ONU, mais à côté d'autres outils de régulation : on a créé l'OMC, la FAO, l'OMS, l'UNESCO, un certain nombre d'outils multilatéraux. Nous avons un monde dont l'universalisme consistait à être d'accord pour réguler et on a créé des agences de régulation. Même la Chine est venue adhérer à l'OMC.

Aujourd'hui, nous sommes dans une compétition d'Etats, autant dire de retour à une situation de Pays-Puissance « moi je suis la Chine! », « moi je suis la Russie! », « moi je suis l'Iran ! », « moi je suis l'Arabie Saoudite! », « moi je suis la Turquie! », « moi je suis les États-Unis ! »... Tout le monde annonce sa propre force, se crée des réseaux, les BRICS d'un côté et le G7 de l'autre, avec une dialectique difficile. On est aujourd'hui non plus dans une recherche de régulation mais dans une logique de domination par le rapport de force! Dans ce contexte-là, notre marché n'est pas vraiment une puissance. Heureusement, notre marché a toujours sa force, qui est sa capacité économique, mais elle ne nous donne pas une puissance sur les autres. Je crois qu'il nous faut une cause, il nous faut une perspective, pensez aux jeunes Chinois, aux jeunes Africains, *à quoi sert l'Europe ?*

**Je pense que le problème de l'Europe aujourd'hui c'est la cause de l'Europe, la destination, l'Europe a un problème de leadership.** Elle a un problème de leadership de ses idées, il n'y a pas d'idée dominante suffisante. Certes il y a l'idée de démocratie mais nous ne travaillons pas suffisamment à son amélioration. Dans la démocratie il y a des faiblesses et les régimes autoritaires les utilisent, en 50 ans de vie politique je n'ai jamais vu une réunion par exemple avec les Allemands, les Israéliens, les Brésiliens, avec les Indiens, pour parler de la démocratie, pour se dire *« Comment pourrait-on améliorer nos démocraties? »*

Finalement les citoyens ne sont pas très contents des démocraties puisqu'ils ne vont pas vraiment voter, le taux de participation est trop faible. **Ce qui veut dire qu'une démocratie qui est faite pour les citoyens mais à laquelle les citoyens ne participent pas est une démocratie fragile**, et nous ne nous ne travaillons pas à un renforcement collectif, international des démocraties. Il faut alors trouver quelque chose pour que l'on puisse dire **vraiment c'est une spécificité de l'Europe !**

Je pense que puisque la COP décisive pour le changement climatique s'est tenue en France c'est à dire en Europe. Nous devrions être le continent qui pense le plus possible à la protection de la planète. Le monde aujourd'hui se divise partout mais il a un sujet de consensus chez les jeunes, c'est la défense et la protection de la planète. **Notre génération a eu comme vision de protéger l'humanité grâce à une perspective de coopération en général, les jeunes aujourd'hui veulent protéger l'humanité par la protection de la planète. C'est peut être un nouvel humanisme, nous voulions protéger l'humanité en protégeant la personne eux ils disent « il faut protéger l'humanité en protégeant d'abord la planète »**. Et ce qui est très intéressant c'est que cette pensée chez les jeunes est la même à Singapour, à Shanghai, à Bangalore, à San Francisco ou dans le Poitou. Ce qui peut sauver l'Europe c'est qu'à un moment cette jeunesse, arrivant aux postes de responsabilité, va porter une idée majeure. Ce qui manque actuellement à l'Europe, c'est un leadership de sa priorité, de sa perspective, la réponse à la question *à quoi sert l'Europe*. Et bien soyons pour le monde entier le lieu où nous serons le plus en avance sur la lutte contre le changement climatique!

Notre destination pour moi c'est d'être exemplaire au niveau mondial sur le changement climatique. Faisons en sorte que nous soyons de ce point de vue-là respectés. Il n'y a pas de leader qui ne soit pas respecté. Il faut qu'on soit respecté par le jeune Chinois, par le jeune Africain, par le jeune Américain et par les autres.



### **Régis Coeurderoy**

De ce point de vue là, est-ce que vous pensez qu'il est possible, on a parlé de leader en Europe, français, allemands, etc., est qu'on peut imaginer vraiment des leaders européens qui parleraient à l'ensemble de l'Europe ou est-ce qu'il y a trop de fragmentation ?

### **Jean Pierre Raffarin**

Je pense que les fragmentations sont nombreuses et elles sont utiles dans la mesure où elles partie de notre identité. Il ne faut pas rêver d'un patron européen unique - ce serait un dictateur. Il faut accepter la logique de complexité, la négociation, le compromis, la discussion, être autour de la table. La complexité impose aux leaders de montrer qu'ils sont capables de construire un chemin qui va nous protéger !

**Je crois que sur le changement climatique un leader qui proposerait une mobilisation européenne, qui donnerait aux jeunes de l'Europe entière le droit à la parole, la libération de cette parole.** Cette personne-là serait écoutée et aurait la possibilité de montrer un chemin. Une cause apparait, c'est le consensus sur le changement climatique, c'est le consensus sur l'environnement et la politique a besoin de consensus. Il faut faire en sorte qu'on ait la volonté d'aller ensemble dans une même direction, « aimer ce n'est pas se regarder l'un l'autre, c'est regarder ensemble dans la même direction » disait Saint Exupéry. C'est pour ça que la situation n'est pas désespérante, elle le serait s'il n'y avait pas de consensus, si nous n'étions que morcelés. Mais faisons confiance aux sociétés civiles, regardons aujourd'hui les richesses non exploitées ; je vois par exemple qu'en matière de conflit la place des femmes dans la négociation ou dans la médiation est très faible. Or ce sont souvent des personnes très adaptées à la médiation et à la résolution des conflits. On a des formidables progrès à faire parce qu'il y a des volontés de consensus. Aujourd'hui vous voyez que des jeunes Américains, des jeunes Chinois sont d'accord sur la planète! Les enfants d'abord ! Telle est la même idée à Washington qu'à Pékin ou ailleurs, et c'est ça le levier politique de l'avenir! C'est là où le leadership est indispensable mais c'est un leadership qui a une perspective, qui a une vision, qui a un chemin. En Europe nous avons montré à un moment de notre histoire notre capacité de leadership de la négociation y compris de la coopération internationale et du multilatéralisme, on a montré ce chemin, tous ensemble. Actuellement on voit bien que cette démarche de tous autour de la table rencontre beaucoup de difficultés de moyens et une absence de fin, une absence de perspective. Reprenons le problème par le début, définissons la destination, puis traçons le chemin. C'est ce qui construit le leader.

### **Maria Koutsovoulou**

Et donc, le message optimiste est celui de la jeunesse qui seront les futurs citoyens du monde

### **Jean Pierre Raffarin**

C'est un consensus à faire exister, à faire émerger. Il faut mobiliser un ensemble de jeunes sur cette nécessité de protéger la planète parce qu'ils sont les premiers exposés et au fond ils doivent prendre conscience de tout ça, et je crois qu'ils en sont conscients. Il faut montrer la nécessité d'une pensée mondiale sur le sujet ; mais quand vous écoutez le discours de Xi Jinping lorsqu'il signe l'accord de Paris et que vous voyez Biden revenir à l'accord de Paris après que Trump en soit sorti, cela montre qu'il y a des sujets sur lesquels on peut être d'accord. Bien sûr qu'il faut des Nations, des volontés, des langues, des cultures ; mais il faut aussi des perspectives qui dépassent les murs des frontières. Cette perspective, c'est à mon avis la place de l'humanité dans cet espace cosmique. Cela touche les jeunes puisque ça touche leur vie. Donc, il ne faut surtout pas être désespéré de la vie politique. Ce n'est pas parce qu'aujourd'hui la politique n'est pas à la hauteur de ce qu'on attendait qu'il faut être désespéré. De tout façon la politique c'est la seule réponse à la violence. On a fait de la

politique pour que les gens ne se battent pas. À partir du moment où les gens se battent, c'est qu'il faut repenser notre politique, donc **les choses s'ouvrent aujourd'hui pour une nouvelle réflexion sur la politique.**

**Maria Koutsovoulou/Régis Coeurderoy**

Merci beaucoup monsieur le Premier Ministre.

## **[ La souveraineté européenne : clarifier les objectifs<sup>1</sup>**

Jean-Louis Bourlanges\*

ESCP Business School

### **Abstract**

Pour parler formellement de souveraineté européenne, il faudrait clarifier la question des frontières de l'Union, de ses compétences, et de son système décisionnel. Or ces questions ne sont pas encore clarifiées. Il faut donc entendre aujourd'hui l'objectif de la souveraineté européenne dans un sens d'abord matériel, qui est nécessaire dans un monde de plus en plus fragile et fragmenté : celui d'une Europe plus indépendante sur le plan géopolitique, économique et technologique.

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<sup>1</sup> Ce texte est la retranscription de propos tenus lors d'une conférence à l'ESCP le 29 février 2024

## La souveraineté européenne : clarifier les objectifs

Parler de souveraineté européenne est un paradoxe. La souveraineté se définit, selon Jean Bodin, comme un pouvoir qui n'est lié que par lui-même. Cela supposerait que l'Union européenne puisse répondre enfin à trois questions fondamentales : Qui ? Quoi ? Comment ?

Qui en fait partie ? Quelles sont les frontières ultimes de l'Union ? Faut-il privilégier une vision géographique étendue, ou le point de vue des valeurs et des principes (la démocratie et l'état de droit), ou l'acceptation d'une discipline fédérale dans l'organisation des pouvoirs ? L'Union européenne est une école de rigueur et de discipline et la réponse devra sans doute être un mélange des trois approches. Mais tant que cette question qui distingue l'intérieur et l'extérieur restera dans le flou, il manquera une identification essentielle pour les citoyens européens.

Quelles doivent être les compétences de l'Union ? Celles-ci se sont étendues selon une logique peu rationnelle qui a cherché à traduire le principe de subsidiarité (la prise de décision au niveau de son efficacité maximale) mais qui a contourné l'égoïsme des États. Le résultat est un manque de lisibilité. Il faudrait pouvoir dire que nous devons faire ensemble ce que les États ne peuvent faire seuls, tout en laissant les États mener les politiques qu'ils souhaitent quand ils ne sont pas d'accord entre eux (par exemple en matière énergétique, dans le choix du nucléaire).

Comment doivent être prises les décisions ? Sans être un État fédéral qui aurait « la compétence de la compétence », comme disent les Allemands, l'Union européenne prend ses décisions sur un mode fédéral, supranational et aussi démocratique, avec une Commission qui joue le rôle d'un gouvernement, un Conseil des États qui vote en général à la majorité qualifiée (la majorité qualifiée étant une majorité qui inclut alors que la majorité simple oppose), un Parlement européen transnational qui représente les citoyens européens, une Cour de justice qui assure le respect du droit (celui des traités mais aussi le droit dérivé produit par les institutions), et une Banque centrale européenne qui gère la monnaie unique. Il importe de systématiser ce mode de décision qui permet d'associer l'Union et les États dans une organisation fédérale d'États souverains.

Il faudrait répondre à ces trois questions pour atteindre véritablement la « souveraineté européenne » comme la prône le président Emmanuel Macron depuis 2017. Or dans le système actuel, ce concept a une portée politique plutôt que juridique. L'Europe souveraine, qui a fini par s'imposer dans le langage au niveau européen, se rapproche en vérité de la notion d'Europe indépendante promue par le général de Gaulle en son temps, une Europe qui ne subit pas la loi d'autrui et qui vise à assurer son indépendance géopolitique par rapport aux menaces extérieures, son indépendance économique, son indépendance technologique.

C'est un objectif fondamental dans le contexte de la menace islamiste et russe, et du recul des valeurs démocratiques. Le projet d'une Europe qui ne tourne pas le dos à l'universalisme de ses principes, à l'ouverture et à la paix, mais qui assume l'enracinement de ses valeurs dans son territoire, se pose désormais dans des termes nouveaux.

## **Conclusion**

Pour que l'une des plus belles pages de l'histoire européenne ne se referme pas, l'enjeu est aujourd'hui d'empêcher la fragmentation géopolitique et le recul de la liberté.

Selon le mot de Périclès rapporté par Thucydide, « il n'est pas de bonheur sans liberté, ni de liberté sans vaillance ». C'est pourquoi la souveraineté doit être au cœur de nos combats.

## **[ Le rôle des marques en temps de crise**

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### **Abstract**

Il est généralement considéré que les périodes de turbulence détournent l'attention des consommateurs des préoccupations vues comme superficielles telles que les marques et la consommation de luxe. La recherche révèle cependant de manière paradoxale que les marques bien établies peuvent servir de piliers de stabilité pendant les périodes d'incertitude. Pour explorer ce paradoxe, nous puisons dans la littérature existante afin de démontrer comment les efforts marketing déployés par les marques établies aident non seulement les individus à naviguer à travers l'incertitude, mais dirigent également leur attention vers des questions sociétales fondamentales souvent négligées en temps de crise.

Mots clés: Marques, Crise, Développement durable

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# Le Rôle des Marques en Temps de Crise

## Introduction

Tout au long de son histoire, l'Europe a subi de nombreuses périodes de crise, que ce soit des bouleversements politiques, des crises économiques ou encore des troubles sociaux. Plus récemment, le XXI<sup>e</sup> siècle a vu l'Europe faire face à une vague d'événements tragiques : crise des réfugiés de 2015, pandémie de COVID-19, résurgence de conflits géopolitiques ... (Wernli et al., 2023). Paradoxalement, ces moments éprouvants révèlent le rôle souvent sous-estimé mais essentiel des marques établies, définies comme celles qui ont construit une notoriété et une confiance claire dans l'esprit des consommateurs (Muthukrishnan et al. 2009), qui peuvent devenir des forces de stabilité en période de crise. Pendant la Seconde Guerre mondiale par exemple, General Motors et Ford ont transformé leurs usines pour produire des tanks, des projectiles et des bombardiers. Plus récemment, durant la crise du Covid-19, de nombreuses marques ont activement participé à la lutte contre la pandémie. L'équipementier sportif Bauer a suspendu ses lignes de production pour fabriquer des visières de protection à destination des professionnels de santé ; des géants de la mode tels que H&M, Gap et Zara ont confectionné des masques et des blouses médicales ; la distillerie Pur Vodka a produit du gel hydro-alcoolique ; enfin, Playmobil a exploité son savoir-faire pour créer le premier masque naso-buccal réutilisable.

Le rôle des marques s'étend cependant bien au-delà de la production d'équipement. Cet article passe en revue la recherche antérieure pour montrer comment les multiples dimensions de ce rôle : renforcer la confiance et rassurer les consommateurs, stabiliser le marché, innover et s'adapter aux nouvelles tendances, contribuer aux politiques de durabilité, et prendre position sur des enjeux politiques. Ce faisant, nous étudions particulièrement le rôle des marques de luxe et la façon dont elles peuvent incarner la résilience, contribuer à la préservation du patrimoine, soutenir des actions philanthropiques et enfin, agir comme des acteurs de *soft power* sur la scène diplomatique internationale.

## Le rôle des marques établies lors des périodes de turbulence

### *Contribuer à la confiance des consommateurs et à la sécurité ontologique*

Les périodes de turbulence engendrent des niveaux élevés d'insécurité perçue, pouvant être composée de menaces économiques, environnementales ou professionnelles, ainsi que par la restructuration des institutions sociales classiques. Cela conduit à une insécurité ontologique, définie comme l'incapacité d'un individu à maintenir un sentiment de continuité face aux événements de sa vie (Campbell et al., 2020). Face à cette réalité, certaines marques établies ont réussi à consolider la confiance de leurs consommateurs, renforcée par des décennies d'engagement à fournir une qualité et des valeurs constantes (Smit et al., 2007). Lorsque les consommateurs établissent des connexions profondes et solides avec ces marques, celles-ci deviennent des sources essentielles de gratification, renforçant la confiance en soi et œuvrant à l'interprétation du sens de la vie (Tian & Belk, 2006). La recherche en culture de consommation montre que les individus désirent un bien en partie pour sa capacité symbolique à exprimer un statut social ou à construire et maintenir une identité personnelle. Ainsi, en temps de crise, les marques établies peuvent agir comme des phares de stabilité, les consommateurs ayant tendance à se rapprocher des objets et symboles familiers auxquels ils font confiance. Ce capital confiance fonctionne

comme un tampon psychologique contre l'incertitude, donnant aux consommateurs le pouvoir de prendre des décisions d'achat avec plus de conviction.

### ***Ramener l'équilibre sur le marché***

Que ce soit sous forme de changements dans l'intensité concurrentielle, de perturbations du marché ou de discontinuités technologiques (Chung & Low, 2017), les crises accroissent la fréquence et l'imprévisibilité des mouvements sur les marchés. Les marques établies ont acquis une plus grande résistance à la turbulence du marché grâce à des facteurs tels qu'une plus grande fidélité des consommateurs, une différenciation plus claire, une agilité innovante ou une supériorité de la chaîne de valeur (Rego et al., 2022). Alors que les marques émergentes peuvent avoir du mal à s'imposer au milieu de l'incertitude, les marques établies tirent parti de leur réputation, de leurs ressources, de leur connexion avec les consommateurs et de leur connaissance institutionnelle pour maintenir leur avantage concurrentiel. Par conséquent, la présence de marques établies sur un marché national ou régional peut contribuer à stabiliser les systèmes économiques en période de turbulence. En assurant un flux régulier de biens et de services, les marques établies réduisent la volatilité du marché, atténuant ainsi l'impact des chocs économiques.

### ***S'adapter à travers l'innovation***

Les périodes de turbulence, bien qu'elles représentent des risques importants pour la survie de nombreux acteurs économiques, peuvent également constituer des opportunités pour l'innovation. En effet, dans les moments difficiles, les marques cherchent à faire preuve de résilience en cherchant à s'adapter aux nouvelles conditions du marché ou en générant de nouvelles opportunités (Eggers, 2020). Elles doivent alors se réinventer pour être en phase avec l'évolution du marché et rester à l'écoute des consommateurs en perte de repères. Que ce soit par la diversification des produits, la transformation numérique ou les partenariats stratégiques, les marques établies puisent dans leurs viviers de ressources pour rester innovantes. L'exemple de la Covid-19 est représentatif de la manière dont les acteurs clés de l'enseignement supérieur ont pu innover par l'adoption rapide des outils numériques pour l'apprentissage à distance et l'interaction de masse.

### ***Contribuer activement aux politiques RSE***

La recherche suggère que la résistance à la complexité des crises sociales et politiques passe par une écologie environnementale, économique et sociale renouvelée et un changement radical de conduite des affaires (Idowu et al., 2017). Dans ce contexte, les marques établies se trouvent devant une opportunité unique de manifester leur engagement envers la responsabilité sociale des entreprises (RSE) et de contribuer positivement à la société. En mettant en œuvre des initiatives philanthropiques, des programmes de sensibilisation communautaire et des pratiques marketing durables, ces marques mobilisent leur influence et leurs ressources pour impacter significativement les communautés avec lesquelles elles interagissent. Cet impact est d'autant plus important que, lorsqu'une crise frappe, les États et les gouvernements ont tendance à se retirer des engagements environnementaux, souvent dans l'idée (fautive) que cela peut apaiser les tensions sociales. Moins affectées par les changements politiques, les entreprises qui ont investi de manière significative dans la transformation de leurs modèles d'affaires à long terme sont en position de changer durablement les pratiques. (Corral-Verdugo et al., 2009). Par exemple, au cours du mandat présidentiel de M. Trump de 2016 à 2020, qui a mené à l'annulation de nombreuses lois axées sur la durabilité, certaines marques établies ont renforcé leur engagement envers la durabilité. Ainsi, Patagonia a ainsi versé à des œuvres



caritatives les 10 millions de dollars économisés grâce aux réductions d'impôts et Starbucks s'est engagé à embaucher 10 000 réfugiés en réaction aux changements de politique migratoire.

### ***Prendre position sur des enjeux politiques***

Les marques établies exercent souvent une influence au sein de leurs industries respectives et au-delà. En période d'instabilité, cette influence peut aller jusqu'à définir les tendances du marché, les comportements des consommateurs et le discours public. En prenant une position proactive sur des questions clés, en plaidant pour un changement positif et en montrant l'exemple, les marques établies peuvent entraîner une action collective, inspirer l'innovation et catalyser la résilience sociétale (Sibai et al., 2021). Par exemple, Starbucks a démontré son engagement envers l'inclusion LGBTQIA2+ à travers des initiatives telles que des soins de santé inclusifs aux États-Unis, le support juridique au Brésil et son plaidoyer d'entreprise pour l'égalité matrimoniale aux États-Unis. L'Oréal Paris combat activement le harcèlement de rue avec son programme "Stand Up", en partenariat avec l'ONG Right to Be, pour former près d'un million de personnes dans 41 pays sur la manière sécuritaire d'intervenir dans des situations de harcèlement de rue (le nombre total de personnes à former étant de 1,5 million). Ces efforts illustrent comment les marques établies peuvent utiliser leur influence pour favoriser le changement sociétal et renforcer l'engagement des consommateurs dans les enjeux de bien-être public

### **Les spécificités des marques de luxe en temps de crise**

Alors que les produits de luxe peuvent sembler associés à des besoins superficiels, et donc perçus comme incongruents avec les difficultés et les sacrifices induits par les crises politiques et sociales, la recherche montre que les marques de luxe sont particulièrement bien positionnées pour jouer un rôle crucial en temps d'incertitude.

### ***Incarner la résilience à travers le prestige***

En période de bouleversements, les marques de luxe peuvent incarner la résilience. En effet, les individus en quête de confort et de stabilité peuvent se tourner vers des valeurs refuge à travers la possession d'objets de luxe. Posséder des produits de luxe peut fournir un sentiment de statut et de sécurité, réaffirmant l'identité et le statut social. Que ce soit à travers la mode, la beauté ou les offres *lifestyle*, les marques de luxe peuvent continuer à attirer les consommateurs en quête de stabilité par le biais de l'auto-gratification (Rosier, 2011). L'effet rouge à lèvres est un exemple frappant : en période de difficultés, les consommateurs s'offrent souvent de petits luxes plus abordables. Ce comportement, communément appelé *mood boost* permet une échappatoire gratifiante, offrant à la fois une indulgence personnelle et un renforcement de la confiance en soi. Ainsi, les marques de luxe fournissent un confort psychologique pendant les périodes difficiles.

### ***Préserver le patrimoine culturel***

Les marques de luxe entretiennent historiquement des liens profonds avec le patrimoine culturel et l'artisanat, qui peuvent être particulièrement valorisés en période d'instabilité (Cooper et al., 2015). Dans les régions affectées par les conflits, les marques de luxe peuvent jouer un rôle dans la préservation des compétences artisanales traditionnelles et le soutien aux communautés locales.

### ***Fournir un soutien humanitaire et philanthropique***

Les marques de luxe se montrent capables de mobiliser leurs ressources et leur influence pour soutenir les efforts humanitaires lors de crises (Sipilä et al., 2021). Que ce soit à travers des dons directs, des campagnes de financement, ou des partenariats avec des organisations d'aide internationale d'urgence, les marques de luxe peuvent avoir un impact significatif sur les communautés en péril. Par exemple, en 2022, Kering a effectué un don important à l'Agence des Nations Unies pour les réfugiés (UNHCR) en vue de soutenir l'Ukraine. Cette contribution a suivi diverses actions entreprises directement par ses Maisons pour aider les communautés locales touchées par le conflit. En démontrant un engagement envers la responsabilité sociale et la philanthropie, les marques de luxe peuvent aider à soulager la souffrance et contribuer aux initiatives de construction de la paix. Autre exemple, lors de la pandémie de Covid-19, les marques de luxe ont participé à l'effort de lutte collectif, LVMH, Balenciaga, Gucci, et Prada jouant un rôle clé dans la production de masques pour les hôpitaux.

### ***Affirmer un pouvoir diplomatique par le soft power***

Les marques de luxe peuvent également servir de vecteurs pour des initiatives de *soft power* lors de conflits ou de crises (Rose, 2016). À travers des programmes d'échange culturel, des collaborations internationales, et des ambassadrices/ambassadeurs de marque, les marques de luxe peuvent favoriser le dialogue et la compréhension entre les nations. Les marques de luxe peuvent utiliser leur influence culturelle et commerciale pour soutenir des initiatives diplomatiques et de *soft power*. Par exemple, la haute couture française, historiquement mise en valeur comme un outil de diplomatie commerciale basée sur le prestige, a contribué à façonner l'image internationale de la France. Ainsi, en transcendant les frontières politiques et en promouvant des valeurs partagées, les marques de luxe contribuent à construire des ponts et à favoriser les actions de bonne volonté. Par exemple, Tory Burch et le PDG de la marque éponyme, Pierre-Yves Roussel, se sont engagés à verser conjointement 250 000 dollars de fonds personnels et de l'entreprise pour soutenir les efforts humanitaires au Moyen-Orient par des dons au Comité international de la Croix-Rouge et à l'Alliance pour la paix au Moyen-Orient (ALLMEP).

## **Conclusion**

Les marques établies, et de surcroît, les marques de luxe, peuvent jouer un rôle de premier plan en période de turbulences. En contribuant à la confiance et de stabilité, en impulsant l'innovation et l'impact sociétal, en offrant des symboles de prestige et de résilience et du soutien humanitaire et culturel, ces marques servent de piliers de résilience au milieu de l'incertitude. Elles inspirent la confiance des consommateurs en œuvrant pour rétablir la stabilité du marché et la résilience sociétale. Enfin, ces marques peuvent tirer des bénéfices significatifs de l'exercice de ce rôle : elles obtiennent un avantage concurrentiel même en période de récession économique ou de volatilité du marché, tout en instaurant un climat de confiance qui soutient l'activité économique. De ces observations découle un nouvel agenda de recherche sur les modèles et pratiques marketing, non seulement pour les marques bien établies mais également pour celles qui aspirent à se forger une crédibilité et une notoriété.

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## **Quel monde du travail pour demain ? Regards sur quatre tendances clés**

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### **Résumé**

Le monde du travail est en pleine mutation. Dans cet article, loin de prétendre à l'exhaustivité, nous nous sommes interrogées sur les fondamentaux du travail salarié : une activité qui s'exerce dans un lieu sous le regard de sa hiérarchie, entouré d'un collectif de travail. Chacune de ces dimensions a été passablement chahutée au cours des dernières années. Nous faisons l'hypothèse que ces transformations vont nous conduire à repenser le travail et les pratiques de demain : la généralisation du travail à distance (le où), le développement de la semaine de 4 jours (le quand), le renforcement de la surveillance électronique (le comment) et l'arrivée des travailleurs de demain (avec qui). Partant de nos observations sur ces sujets, nous proposons différentes pistes de réflexion pour réinventer le monde du travail de demain.

Mots clés : futur du travail, flexibilité, digital, hybride, communauté

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## Quel monde du travail pour demain ? Regards sur quatre tendances clés

Le travail salarié, c'est d'abord du temps passé dans un lieu sous le regard de la hiérarchie. Cette conception traditionnelle du travail salarié, instaurée lors de la révolution industrielle, peine à être dépassée aujourd'hui. Pourtant les conditions d'exercice du travail ont sensiblement évolué. Ce monde industriel stable, où l'entreprise s'engageait peu ou prou à récompenser la loyauté de ses collaborateurs en leur garantissant si ce n'est une carrière tout du moins un emploi, a été remplacé par un monde post-industriel. Il s'agit désormais de développer l'employabilité des salariés... employabilité qui pourra s'exercer *dans* mais également *hors* de l'entreprise. La promesse est donc aujourd'hui bien différente.

Dans le monde industriel, le salarié de référence, c'est l'ouvrier. Le lieu de travail ? C'est l'usine. L'activité s'opère à un poste de travail clairement défini et inamovible. On peut de ce fait établir un lien direct entre le temps passé à l'usine et la productivité individuelle et collective. Dans le monde post-industriel, du fait de l'arrivée des technologies mobiles, mais également de la mondialisation et de l'éclatement des collectifs qui en découle, le salarié de référence, c'est le cadre (ou le *knowledge worker / manager* pour les anglophones). Les lieux de référence, ce sont les sièges sociaux ou les centres de R&D. Et la présence des salariés dans un même espace-temps ne nous dit rien d'autre que le fait qu'ils sont... présents. Dans le monde post-industriel, il est illusoire de vouloir évaluer la performance à l'aune du temps passé dans le lieu de travail. Et pourtant, cette pratique est encore bien présente.

Dans ce contexte, il est indispensable de questionner le travail d'aujourd'hui pour imaginer celui de demain, plutôt que de tenter de dupliquer un modèle obsolète dans un nouvel environnement. Où, quand, comment et avec qui travaillons-nous ? Quatre transformations majeures nous semblent emblématiques de ces bouleversements : la généralisation du travail à distance (le *où*), le développement de la semaine de 4 jours (le *quand*), le renforcement de la surveillance électronique (le *comment*) et l'arrivée des travailleurs de demain (avec *qui*). Partant de nos observations sur ces sujets, nous proposons quatre pistes de réflexion.

### **Le travail à distance questionne le lieu de travail**

Historiquement, les bureaux ont été conçus comme des lieux centralisés où l'activité du salarié s'effectue sous le regard de sa hiérarchie. Les lieux de travail s'inspirent alors du modèle de l'usine, qu'il s'agisse du travail de bureau pour les employés ou des écoles pour les élèves. La supervision est directe, les interactions synchrones. Ce modèle répond à une organisation hiérarchique simple et parfaitement codifiée. Avec la mondialisation des systèmes productifs, mettant à distance lieux de décision et lieux de production, le fonctionnement de l'entreprise devient des plus opaques (Galambaud, 2014). La démultiplication des équipes projets - que l'utilisation du numérique a permis de rendre "virtuelles" - a brouillé la structure simple de l'entreprise d'hier. Aujourd'hui, force est de constater que la complexité organisationnelle règne au sein des grandes entreprises où les rapports de subordination peuvent à la fois être hiérarchiques et fonctionnels. Certains peinent d'ailleurs à identifier les membres de leurs équipes !

La décentralisation qui découle de ces transformations a un impact direct sur les espaces de travail. Le développement des outils numériques a facilité le développement des

bureaux satellites<sup>1</sup> et du *coworking*. Petit à petit, à mesure que la communication et la coordination peuvent s'effectuer virtuellement, le travail se libère de son lieu d'exercice. Pourtant, peu d'entreprises étaient friandes du travail à distance, plébiscité par les salariés bien avant sa démocratisation. En effet, les risques en matière de sécurité des données, la crainte que les employés ne travaillent pas lorsqu'ils sont éloignés de leur espace de travail, ont longtemps bloqué le développement du télétravail. Cependant, en 2020, le confinement a forcé les dirigeants à accepter le travail à distance, faute d'alternative. Cette expérience insolite a permis de confirmer que nombre d'activités étaient susceptibles de s'exercer à distance, grâce à l'utilisation des outils numériques. En France, on est ainsi passé de 7% des salariés travaillant partiellement à distance en 2019 à 34% en 2022. Alors que le télétravail s'opérait exclusivement depuis le domicile du salarié, il est aujourd'hui de plus en plus fréquent de laisser une réelle latitude dans le choix du lieu, même si, dans la majorité des cas, on demandera au salarié de rester en France pour exercer son activité professionnelle.

Si le travail à distance a permis de s'affranchir des contraintes spatiales, il reste encore de nombreux progrès à faire pour en capter le plein potentiel. La transition vers le travail à distance a été brutale, d'où la tentation de faire à distance ce que l'on faisait en présentiel. La flambée des risques psychosociaux à laquelle nous assistons est associée notamment à une suite ininterrompue de réunions à distance, plus contraignantes et plus fatigantes que les réunions en présentiel (apparition du terme "*zoom fatigue*"). La tentation de réaliser plusieurs tâches en même temps (le fameux "*multi-tasking*") est renforcée par la distance avec le collectif de travail. On navigue ainsi aujourd'hui dans un environnement où les normes restent à définir (droit à la déconnexion, mode de fonctionnement des équipes, choix des outils, etc.).

Pour être vertueux, le travail hybride demande d'être pensé et organisé. D'ailleurs de plus en plus de voix s'élèvent pour remplacer le terme *hybride*, renfermant de nombreuses réalités contrastées par celui de *distribué*, permettant de mieux décrire l'organisation spatiale du travail. Dans cette réflexion, l'espace de travail n'est qu'une des trois dimensions à prendre en considération. La flexibilité spatiale doit être accompagnée d'une montée en autonomie des salariés, dans un contexte de "sûreté psychologique" (Edmonson & Mortensen, 2021). Sans cela, les atouts de cette transformation inédite risquent de ne pas perdurer. Il faut donc penser à la fois l'*espace* de travail, le *temps* de travail et le *lien de subordination*, car toute transformation de l'un influencera les deux autres.

## **La semaine de quatre jours questionne le temps de travail**

La question du temps de travail est loin d'être nouvelle. Depuis le 19e siècle, le temps passé à travailler ne cesse de décroître. On est passé de 2 230 heures par an en France en 1950 à environ 1 600 en 2023. Cette tendance à la baisse s'observe dans de nombreux pays occidentaux. Aux États-Unis par exemple, on est passé de 2 300 en 1950 à 1 700 en 2023. Une diminution de l'ordre de 30%. La productivité quant à elle ne cesse d'augmenter. Aux États-Unis, elle aurait progressé de plus de 240 % depuis 1950. Comme le remarque [Nick Bloom](#), seulement un dixième de la croissance de la productivité depuis 1950 s'est traduit en réduction du temps de travail. Les neuf dixièmes restants ont simplement permis de produire davantage.

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<sup>1</sup> Un bureau satellite est un espace de travail qui appartient à l'entreprise mais qui n'est pas le lieu auquel est rattaché le salarié. Il est utilisé lorsque le bureau « de rattachement » est éloigné du domicile ou de la mission exercée. Dans ce contexte, le salarié n'est ni avec ses collègues, ni avec ses managers.

Forte de ce constat, la remise en question du temps de travail a le vent en poupe. La semaine de quatre jours semble gagner du terrain aussi bien en Europe qu'aux États-Unis. Solution viable ou fausse bonne idée ? A vrai dire, la semaine de quatre jours revêt différentes facettes (Amsallem & Léon, 2023). Parle-t-on d'une semaine de quatre jours ou d'une semaine *en* quatre jours ? [Nick Bloom](#) fait le parallèle avec le monde fantastique d'Harry Potter. Ainsi, il existerait une version "moldue" de la semaine de quatre jours... mais aussi une version "magique", merveilleuse, et sans doute plus difficile à atteindre. Cette formule magique consiste à travailler pendant 4 jours, être payé sur 5 jours et produire l'équivalent de 5 jours de rendement. Toutefois, pour que cette option "magique" réussisse, un travail préliminaire conséquent doit être réalisé - ce qui prend de six mois à un an (d'après le témoignage de l'entreprise [LITA](#)).

Après le lieu et le temps de travail, il reste un troisième pilier à étudier : celui du lien de subordination. Traditionnellement, le manager surveille ses collaborateurs dans un même espace-temps, celui des bureaux ou de l'usine. Qu'en est-il aujourd'hui ? Remettre en question le lieu et le temps de travail requiert de réfléchir à la manière dont on travaille, et comment on mesure le résultat. C'est là que se pose la question de la surveillance.

## **La surveillance électronique questionne le lien de subordination**

La discipline salariale, c'est du temps passé dans un lieu. Si j'échappe au temps et au lieu, j'échappe à la discipline. Surveiller électroniquement ses collaborateurs (leur temps de travail, le nombre de connexions, etc.) est assimilé à un manque de confiance envers ses collaborateurs. Aujourd'hui, comme le soulignent Cousineau, Ollier-Malaterre et Parent-Rocheleau (2023), l'utilisation de la surveillance électronique remet au centre des débats la question de l'intimité et du contrôle social. Ce sont ces limites entre la vie privée et la vie au bureau que l'on va devoir définir. Pourtant, il nous semble également intéressant de s'interroger sur d'éventuels bienfaits de cette surveillance. En effet, ce qui enferme protège. On pourrait fort bien imaginer, pour certains postes, que cette surveillance facilite le droit à la déconnexion, tout comme la sirène de l'usine indiquait la fin des heures de travail ?

À une époque où les technologies pénètrent largement notre vie, les notifications incessantes des courriers électroniques et des réseaux sociaux deviennent "les bourreaux de notre société" (Cardon & Casilli, 2015). Comme le souligne Antonio Casilli (2015) nous ne sommes plus soumis à des donneurs d'ordres mais à des notifications. Ces alertes constituent une *to do list* à laquelle nous devons répondre. Il s'agit à ses yeux d'une forme de *subordination technique*. Elle va de pair avec un autre phénomène, celui de *sur-subordination*, le fait d'être tracé par des applications mobiles en permanence. Avec le numérique s'opère un changement de paradigme qui brouille les frontières entre le consommateur « employé » et le consommateur « production ». La pandémie et la multiplication du télétravail n'ont fait que renforcer ce brouillage entre espace privé et espace public. Dans la série [Severance](#), le réalisateur Dan Erickson imagine une entreprise utilisant une procédure médicale pour segmenter les souvenirs des employés. Lorsqu'un employé est au travail, il ne se souvient pas de sa vie ni du monde extérieur. Lorsqu'il n'est pas au travail, il n'a aucune idée de ce qui s'est passé pendant qu'il travaillait. Il vit deux vies différentes. La justification de ce processus est bien de protéger la vie privée des employés. Il s'agit alors de se demander, jusqu'où ? Jusqu'où protéger, jusqu'où surveiller ?

Une autre question se pose alors : est-ce que toutes les générations auront la même manière de gérer cette frontière désormais fragilisée ?

## Une nouvelle génération ou un nouveau rapport à l'entreprise

De nombreux débats sur les différences générationnelles sont issues de l'émergence de la génération Y, née entre 1980 et 2000. Consultants et journalistes s'emparent de cette "nouveau" et, rapidement, on verra apparaître la génération Z puis la génération Alpha. En entreprise cohabitent aujourd'hui quatre générations : les boomers (proches de la retraite), les X (nés entre 1965 et 1980), les Y et les Z. D'aucuns s'interrogent sur la réalité d'une fracture générationnelle, car aucune recherche scientifique sur le sujet n'a été à même de la démontrer. Il est en revanche avéré que les différences de classe sociale pèsent bien davantage que l'âge sur le devenir et les attentes de chacun. Cependant le fait de nommer une génération et ses ambitions possède une valeur performative. Certains considèrent que toute génération née avec une technologie saura la maîtriser et possèdera de ce fait un avantage compétitif sur les autres.

Les technologies mobiles et l'économie des plateformes ont amené avec elles la création de nouvelles formes de travail rémunéré que le salariat traditionnel peine à appréhender. Les nomades digitaux en constituent l'exemple le plus emblématique. Ces individus combinent un mode de vie nomade, où l'on se déplace régulièrement sans posséder de domicile, en travaillant grâce à l'utilisation des technologies. Le nombre de nomades digitaux a triplé aux États-Unis depuis 2018. Plus de 70% d'entre eux ont moins de trente ans. Leurs destinations de prédilection s'appellent Lisbonne, la Thaïlande, Bali, les Canaries... Ils choisissent leurs lieux de travail, leur temps de travail et le mode de supervision qui leur convient. Bien évidemment, ce modèle reste limité car il est aussi porteur de risques et d'incertitudes. Mais de nombreux pays voient dans cette population une possibilité de développer leur économie locale. Alors que seulement deux pays proposaient à l'origine des visas pour les nomades digitaux (l'Estonie en 2020 et le Portugal en 2022), ils sont aujourd'hui près de 40 (avec l'arrivée de l'Italie en avril 2024). Cependant, à nos yeux, l'essor des nomades digitaux est le reflet d'une aspiration qui transcende les générations : celle d'un équilibre renouvelé entre vie privée et vie professionnelle. La semaine de quatre jours peut également être lue sous ce prisme.

Nous avons choisi dans cet article de ne pas traiter de l'IA générative. Cela étant, nous la considérons comme l'un de ces nouveaux "travailleurs" avec laquelle tout un chacun devra apprendre à travailler. Le collectif de demain ne sera pas constitué uniquement d'êtres humains. Et cela reste également à construire.

### Conclusion : vers une nouvelle forme d'engagement ?

Les mutations que nous venons d'évoquer requièrent de porter un regard différent sur les enjeux des entreprises. En effet, ces transformations du rapport à l'espace, au temps et à la discipline interrogent les pratiques de management traditionnelles, telles que l'accueil et l'intégration au sein d'une équipe, ou encore la montée en compétences et le partage de connaissances au sein de l'organisation. Les questions de transparence et d'équité reprennent une place centrale. La reconnaissance d'un travail que l'éloignement rend moins visible devient dès lors un enjeu fort pour les organisations de demain. Dans ce contexte, la question de l'engagement au travail n'a jamais été aussi centrale, mais elle mérite d'être étudiée différemment. En effet, il est vraisemblable que *le lieu d'engagement* ne soit plus l'entreprise mais des communautés qui seront soit à l'intérieur de l'entreprise, soit à l'extérieur.

Ce nouveau rôle joué par les communautés pourrait expliquer l'essor des espaces de *coworking* et de *co-living*. L'un des objectifs de ces deux espaces est bien de créer une



communauté forte, *intentionnelle* - pas seulement une communauté dans le sens américain d'individus d'une même origine ethnique, sociale ou d'habitants d'un même quartier. Une communauté intentionnelle désigne « un groupe de personnes qui ont choisi de vivre ou de travailler ensemble afin de réaliser un idéal commun. Plus encore, même si ce n'est pas tout, elles partagent un terrain ou un espace d'habitation » (Lallement, 2015, p. 110). Dans le *coworking*, l'objectif n'est pas uniquement de trouver un espace de travail adapté aux besoins du moment mais également de lutter contre l'isolement propre au télétravailleur. Certains espaces affichent une volonté d'aider tout un chacun à développer son réseau. La mise en œuvre d'événements (conférences, moments festifs, etc.) a clairement pour objectif de resserrer les liens entre les occupants du lieu, de leur offrir une autre communauté que celle à laquelle le travail salarié les avait habitués. L'espace de vie évolue également avec le *co-living*, ce nouveau mode de vie en collectivité. Dans ces maisons partagées, chacun jouit d'un espace privé (*a minima* sa chambre) mais les espaces de vie sont partagés. Originaire de la côte ouest des États-Unis, ce phénomène se développe depuis quelques années en Europe. Certaines entreprises étudient du coup la possibilité de réconcilier le monde d'aujourd'hui et de demain au travers des "*corporate nomads*". Ces salariés adopteraient le mode de vie des nomades digitaux. L'avenir nous dira si Fernandez-Araoz (2022) avait raison lorsqu'il affirme que ces parcours représenteront "une option de carrière qui, selon moi, deviendra de plus en plus populaire - et attrayante - dans les années à venir".

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## Discrimination, inclusion et technologies de santé : La FemTech à l'aune de la donnée et de l'accès à l'innovation

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« Ma revendication en tant que femme c'est que ma différence soit prise en compte,  
que je ne sois pas contrainte de m'adapter au modèle masculin. » **Simone Veil**

### Résumé

L'évolution de la prise en compte de la santé des femmes a récemment permis l'essor de la *FemTech* (contraction de *Female Technology*), jusqu'à devenir l'un des domaines d'activité les plus prometteurs de l'actuelle décennie dans le domaine de la santé. Ceci étant et malgré son indéniable potentiel, la *FemTech* se heurte toujours à d'importants obstacles en termes d'accès à la donnée et de disponibilité de l'information, traduction pertinente, selon nous, d'une discrimination historique, de modes de représentations sociétaux délétères et d'une carence des politiques publiques de santé à l'égard des femmes. La *FemTech*, qui se place aujourd'hui à l'intersection de la science, de l'innovation et d'une évolution sociétale a, comme tout autre domaine des sciences de la vie, un besoin fondamental de données complètes, actualisées et fiables pour que l'innovation dans le domaine puisse se faire jour dans les meilleures conditions possibles. L'évolution rapide et l'usage de technologies en santé ces dernières années ont ouvert de nouvelles possibilités et des opportunités inédites en matière de diagnostic, de suivi et de traitement des patientes. Nos investigations, exploratoires par nature, posent un premier jalon vers une meilleure compréhension des modes de représentation socio-politiques et des dynamiques complexes liées à l'architecture de l'information comme aux modalités d'accès des patientes à l'innovation en santé. Les pratiques discriminatoires ici mises en exergue masquent plusieurs facteurs favorables à une meilleure prise en compte de la *FemTech* et à une inclusion mieux gérée de la santé féminine au sein des politiques publiques : prise de conscience et emphase médiatique accrues, montée en puissance des fonds d'investissement à impact, accès facilité au financement privé, meilleure représentation des femmes aux postes de décision au sein des industries de santé.

Mots-clés : *FemTech*, santé de la femme, discrimination, inclusion, accès à l'innovation, *Big Data*

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## Discrimination, inclusion et technologies de santé : La FemTech à l'aune de la donnée et de l'accès à l'innovation

### Introduction

*The National Academy on Women's Health Medical Education* définit la santé des femmes comme une démarche intégrant le dépistage, le diagnostic et la prise en charge des affections qui sont propres aux femmes, plus fréquentes, plus graves chez les femmes et/ou dont les manifestations, les facteurs de risque ou les modes d'intervention sont différents entre hommes et femmes<sup>1</sup>.

Des avancées dans la compréhension des besoins spécifiques des femmes, l'étude par le prisme féminin de pathologies mixtes non genrées, ainsi qu'une diminution de tabous, ont récemment transformé la manière dont la société aborde la santé féminine. La très récente étude réalisée en janvier 2024 par McKinsey montre que l'amélioration de la santé des femmes pourrait non seulement profiter au bien-être de millions de femmes, mais également accroître l'économie mondiale d'au moins mille milliards de dollars par an en 2040<sup>2</sup>.

Dans ce contexte, la *FemTech* (contraction de *Female Technology*) s'est largement développée -à l'intersection des nouvelles technologies, d'un dynamisme entrepreneurial spécifique et d'un bouleversement sociétal vis-à-vis de la santé féminine.

Selon les prévisions de Statista publiées en août 2022, la santé numérique devrait croître de plus de 60% entre 2021 et 2025 pour atteindre une valeur totale de 78 milliards d'euros sur le plan mondial. Près de 10% de ce marché sera alors dédié à la santé de la femme<sup>3</sup>.

Parallèlement, l'intelligence artificielle (IA) en santé participe à la révolution en cours, offrant des solutions toujours plus poussées à la prise en charge thérapeutique des patientes. Ces solutions nécessitent un recours massif à la donnée pour pouvoir être efficaces et pertinentes.

Le rapport McKinsey en partenariat avec EIT Health met en exergue le potentiel que possède l'IA de transformer les soins de santé en améliorant les résultats, le parcours de soins tout autant que l'efficacité des personnels de santé : gain de temps dans la prise en charge des patients, diminution de la pression administrative sur les professionnels, réduction des tâches répétitives, détection plus fiable et précoce notamment, productivité et efficacité accrues du corps médical, accès à des soins de qualité pour un nombre croissant de personnes<sup>4</sup>.

Symptomatique de l'engouement pour le domaine mais aussi de la complexité et de l'augmentation des données disponibles, les startups *FemTech* dédiées à des solutions de santé numérique ont bénéficié d'une augmentation de 105 % de leur financement au niveau mondial en 2020<sup>5</sup>.

A ce titre, de récentes approches de *machine learning* ont été financées, destinées à classifier des cohortes en fonction de phénotypes de santé féminine<sup>6</sup>. Plusieurs études illustrent une évolution positive d'approches automatisées et sophistiquées dans le domaine, ayant pour objet de composer des cohortes de patientes pertinentes.

Parmi d'autres exemples, Davidson et Boland ont ainsi décrit comment l'utilisation de ces modèles pouvait améliorer l'issue favorable de grossesses difficiles <sup>7</sup>. Chia-Yu Su et al se sont intéressées à la prédiction de diabète gestationnel ou de pré-éclampsie <sup>8</sup>.

Condition *sine qua none*, la composition, l'ingénierie et l'accès à des bases de données sophistiquées, fiables et disponibles représentent des prérequis au succès d'aventures entrepreneuriales et à l'exploitation fondée de ces approches innovantes pour la santé des femmes.

## **Ce qui nuit à la santé des femmes : facteurs psychologiques, historiques et sociaux**

Aujourd'hui encore, une *sédimentation historique* de trois complexités combinées explique la difficulté à prendre compte les spécificités féminines dans la santé et à construire des bases de données indispensables à des traitements dédiés : biais cognitifs, charge mentale et précarité illustrent des inégalités persistantes qui ont des implications directes sur un manque flagrant de données relatives à la santé féminine et entravent, en retour, une prise en charge adaptée.

**1. Les biais cognitifs** dans l'étude de la santé des femmes représentent le premier et le plus important obstacle à une analyse renseignée et une meilleure prise en compte de la santé des femmes. Les biais cognitifs implicites sont des préjugés (notamment sexistes) automatiques et inconscients. Ils peuvent se manifester de diverses façons dans les comportements, consciemment ou inconsciemment des discriminations exprimées<sup>9</sup>. Les biais surviennent, en particulier, dans le champ thérapeutique à des moments où l'on doit prendre une décision ou porter rapidement un diagnostic. Les individus y ont recours pour simplifier un environnement monde social complexe et le rendre plus compréhensible et prévisible <sup>10,11</sup>.

Dans la pratique et à leur corps défendant, certains médecins peuvent faire montre de biais implicites et le domaine de la santé des femmes n'y échappe pas. Certaines études montrent que le genre du patient influe directement sur le diagnostic posé. John B. McKinlay et al., par exemple, se sont penchés sur les maladies cardiaques. A symptôme équivalent, les femmes ont deux fois moins de chance que les hommes de se voir poser un diagnostic de maladies coronariennes pour un diagnostic de maladie mentale <sup>12</sup>.

La très récente intelligence artificielle (IA) n'échappe pas au phénomène : les algorithmes sont souvent conçus de manière non genrée, ne prenant nullement en considération les possibles différences sur la santé et les maladies entre sexes. Les data scientists en charge d'entraîner les algorithmes dans le domaine de la santé sont eux-mêmes parfois victimes de biais de ce type, produisant, en retour, des modèles, des réponses et des résultats sous-optimaux <sup>13</sup>.

Programmes de formations et de sensibilisations sont heureusement plus fréquemment dispensés aux professionnels de santé et aux étudiants désormais pour une pratique médicale plus juste et équitable.

**2. La charge mentale**, second frein d'une santé féminine mieux investiguée, impacte négativement l'état de santé d'ensemble des femmes <sup>14</sup>.

Pour paraphraser la sociologue Monique Haicault, la charge mentale peut se comprendre comme le poids du travail invisible de gestion et d'organisation des tâches quotidiennes et domestiques, ou l'effort requis pour répondre à des imprévus. Elle englobe aussi les

complexités cognitives mobilisées par le fait de devoir simultanément gérer deux espaces dissociés, le familial et le professionnel. Enfin, la charge mentale mobilise les capacités d'empathie, de disponibilité nécessaire à l'état physique et moral d'une famille <sup>15</sup>.

L'enquête réalisée par Ipsos révèle que 63% des femmes considèrent être touchées par une charge mentale délétère, contre 36% seulement des hommes. 61% des hommes déclarent ne pas avoir conscience de la charge mentale de leurs compagnes car ils l'associent essentiellement à un surmenage professionnel et non domestique.

Les femmes, elles, comprennent cette charge mentale comme le fait de devoir penser à plusieurs choses en même temps : les rendez-vous chez le docteur de leurs enfants, les couches à acheter avant de rentrer et le mail indispensable à envoyer au directeur général avant 19h <sup>16</sup>.

En plus d'être un risque pour sa santé mentale, d'exacerber le risque d'agressivité envers son entourage, la charge mentale d'un individu impacte négativement sa santé globale et sa prise en charge. Une étude conduite par Axa Prévention souligne que 81% des Françaises se préoccupent de la santé de leurs proches davantage que de la leur et 38% d'entre elles seulement font des bilans de santé périodiques. Perçue comme une tâche supplémentaire, le suivi de leur santé ne passe alors qu'au dernier plan de leurs priorités. Les répercussions sur leur santé sont désastreuses, parfois irréversibles, et l'information disponible et collectée concernant des pathologies spécifiques en est appauvrie <sup>17</sup>.

**3. La précarité** représente le troisième et dernier frein à 'un accès serein et renseigné des femmes à leur propre santé. Selon le Haut Conseil à l'Égalité, la précarité se comprend comme l'absence de sécurités multiples -notamment celle de l'emploi- permettant aux personnes et aux familles d'assumer leurs obligations personnelles, familiales et sociales et de jouir de leurs droits fondamentaux. Les femmes représentent plus de la moitié des personnes pauvres et 70% des travailleurs pauvres en Europe. 85% des familles monoparentales sont des femmes et un tiers de ces familles sont en situation précaire. Phénomène complexe et multiforme, la précarité ne convoque pas seulement des questions financières mais des pratiques sociales et individuelles. L'accès à la contraception illustre bien ce phénomène : 6,5% des ouvrières n'ont pas recours à la contraception contre seulement 1,6% des cadres féminins <sup>18</sup>.

## **Où sont les données sur la santé des femmes ?**

Les données de santé jouent un rôle majeur dans l'amélioration de l'état de santé et de bien-être des populations. À l'ère de la santé numérique, elles sont plus que jamais au cœur de l'efficacité thérapeutique et des modèles économiques dans les sciences de la vie. Les chercheurs, professionnels de santé, industriels pharmaceutiques, entrepreneurs sont continuellement en quête de données de qualité pour accélérer l'innovation et la puissance des applications thérapeutiques ou de diagnostics.

En 2019, l'OMS a, pour la première fois, désagrégé les données individuelles par sexe, démontrant des inégalités entre genres tout en mettant en lumière plusieurs corrélation entre sexe et d'autres facteurs de disparités tels que l'âge, l'origine ethnique, l'orientation sexuelle, l'identité de genre, le pouvoir d'achat ou la localisation géographique, susceptibles de biaiser de façon importante les résultats obtenus<sup>19</sup>.

Le retard cumulé des investigations et de l'analyse concernant la santé de la femme forme aujourd'hui un tableau d'ensemble marqué par un manque flagrant de données sur l'intégralité de la chaîne de valeur liée au domaine : depuis la définition même de la santé

féminine, en passant par le diagnostic, le suivi, l'intégration épidémiologique, jusqu'à la traduction des connaissances transformées en développements biotechnologiques et en applications concrètes. Ce manque patent de données se répercute directement sur le diagnostic et la prise en charge de la santé féminine comme sur celui, crucial, de l'innovation en santé.

Les *startups* impliquées dans le domaine doivent, aujourd'hui encore, produire leurs propres données de santé, ne pouvant que rarement s'appuyer sur une donnée viable, aisément accessible et non biaisée. Cela augmente considérablement le temps et les coûts de recherche et développement induits et l'accès des patientes à l'innovation.

L'étude conduite par McKinsey a récemment mis en avant cinq recommandations majeures pour répondre au problème <sup>20</sup> :

- Reconnaître l'importance du genre dans la définition et le traitement d'une maladie.
- Renforcer les incitations à collecter, anonymiser et partager des données à chaque étape de la chaîne de valeur des données concernant la santé des femmes.
- Améliorer la production et l'utilisation de données spécifiques au sein du système de santé.
- Financer de nouveaux projets liés aux données dédiées à la santé des femmes.
- Repenser les métriques épidémiologiques en mettant en avant les disparités liées aux différences entre sexes.

Parallèlement, le collectif *Femmes de Santé* a émis plusieurs recommandations pour une stratégie nationale sur le sujet à destination du gouvernement français. Le collectif recommande une étude systématique par questionnaire à remplir par la patiente, le médecin généraliste, le pharmacien, la sage-femme pour qu'une donnée de qualité puisse voir le jour sur les symptômes des femmes dans les maladies genrées et mixtes. *Femmes de santé* recommande également le recours systématique à des cohortes de femmes au sein des études cliniques -y compris pour les maladies mixtes <sup>21</sup>.

## **L'intégration progressive des femmes dans les essais cliniques comme métaphore d'une meilleure inclusion**

L'évolution récente de facteurs scientifiques et sociétaux ont heureusement permis l'intégration progressive des femmes au sein des études cliniques. Retenons que, jusqu'à la fin du XX<sup>ème</sup> siècle, les femmes ont été légalement exclues des essais cliniques !

En cause, les fluctuations hormonales du cycle menstruel, la prise de moyens contraceptifs pouvant fausser les résultats et, plus encore, les risques d'un essai liés à une potentielle grossesse. Le dosage du médicament testé était alors calculé pour les hommes, impliquant des complications chez les femmes à l'usage clinique deux fois supérieures <sup>22</sup>.

Ce n'est qu'en 1993 aux États-Unis puis en 1997 en France que l'inclusion des femmes dans les études cliniques est devenue obligatoire<sup>23</sup>. Cette inclusion a mis en évidence des différences concernant l'expression et l'évolution de nombreuses maladies, des réponses aux traitements différentes en fonction du sexe.

Aujourd'hui encore et bien que la participation des femmes aux essais cliniques ait augmenté de façon générale, les femmes sont toujours sous-représentées pour certaines

pathologies. A titre d'illustration, une analyse dirigée par la Fondation américaine pour la recherche sur le sida en 2016 comptait seulement 11% de femmes dans les essais cliniques<sup>24</sup>.

En plus d'être plus compliquées à recruter que les hommes – notamment, nous l'avons vu, à cause d'une précarité ou d'une charge mentale généralement supérieures - certains essais cliniques excluent nombre de femmes du fait de possibles grossesses.

Plusieurs laboratoires pharmaceutiques ont des critères précis et restrictifs d'inclusion des femmes sous contraceptif : certains imposent que les femmes, pour pouvoir participer aux essais, aient recours à deux moyens contraceptifs non médicamenteux *a minima* (préservatif et stérilet par exemple)<sup>25</sup>. Or, la pilule reste aujourd'hui le moyen de contraception le plus utilisé par les couples. Selon Statista, 52,6% des femmes ont utilisé la pilule comme unique moyen contraceptif avant leur grossesse <sup>26</sup>.

Les médecins peuvent parfois eux-mêmes choisir de limiter l'inclusion de femmes dans les études pour éviter tout danger sur un éventuel fœtus. Même si l'idée de départ, généreuse, vise à protéger une possible descendance, la grossesse ne protège malheureusement pas contre la plupart des pathologies et certaines conditions se développent spécifiquement pendant la grossesse. De ce fait, les femmes enceintes devrait prendre le risque d'un traitement qui n'aura pas été testé et étudié sur une cohorte spécifique de femmes enceintes. Notons que, parallèlement, les risques sur la spermatogenèse ne sont jamais évoqués comme possible critère d'exclusion pour un homme en âge de procréer.

Alors que la recherche clinique est essentielle pour comprendre les maladies et développer de nouvelles approches thérapeutiques, la recherche fondamentale en amont joue un rôle tout aussi crucial et encore mal pris en compte à l'aune de la santé des femmes.

Il se trouve que la recherche fondamentale a d'ordinaire recours à des études sur animaux-modèles avant de poursuivre les études sur une cohorte humaine. Un biais de genre est souvent constaté lors de ces expérimentations où les animaux mâles -moins chers- sont plus couramment investigués que les femelles <sup>27</sup>.

L'une des différences mises en cause pour justifier cette différence d'investigation par genre est la production d'oestrogènes -difficilement prise en compte dans les variables cliniques. Lorsque les sujets sont des femelles, les tests sont réalisés de préférence en dehors de la période de règles ou d'ovulations -au moment même où les différences hormonales entre mâles et femelles sont les plus basses <sup>28</sup>.

La compréhension des mécanismes fondamentaux du vivant est indispensable pour orienter les applications médicales ultérieures. DeMeo et al., dans un article publié dans *The Lancet*, ont pu démontrer l'influence de facteurs génétiques, épigénétiques et hormonaux du sexe biologique sur la physiologie et l'évolution de la maladie. Dans cette étude sont analysées les influences fondamentales du genre comme facteur de modification des principales causes de décès et de morbidité <sup>29</sup>.

Une étude publiée dans *Nature Communication* s'est appuyée sur 234 traits quantitatifs et qualitatifs chez des souris mâles et femelles. Les auteurs ont pu démontrer que 57% de ces traits quantitatifs et 10% des traits qualitatifs étaient différemment impactés en

fonction du sexe <sup>30</sup>. Pour contrer ces biais, des structures de recherches spécifiquement dédiées ont été créées dans plusieurs pays <sup>31</sup>.

En 2003, l'INSERM a, par exemple, officiellement créé un groupe de travail sur l'égalité entre femmes et hommes en santé <sup>32</sup>.

## **Quelques pistes pour une inclusion plus affirmée de la *FemTech* au sein de l'écosystème de l'innovation en santé**

Pour répondre aux limitations de l'accès des femmes à l'innovation en santé tout autant que pour favoriser un développement de la *FemTech* plus affirmé, cinq solutions nous paraissent aujourd'hui pouvoir être privilégiées :

- 1. Investir dans la recherche** : allouer des ressources financières pour soutenir la recherche fondamentale et clinique sur les pathologies féminines aussi bien que sur les pathologies mixtes en réalisant des études genrées. Encourager l'allocation de bourses et la mise en place d'équipes de recherche dédiées. La Fondation pour la Recherche sur l'Endométriose (FRE), par exemple, a d'ores et déjà commencé à œuvrer dans ce sens.
- 2. Promouvoir les problématiques de santé féminine, encore trop souvent taboues, auprès des politiques** : trouver les leviers idoines pour inciter les politiques à aborder activement ces questions. Encourager les collectifs lobbyistes tels que *Femmes de Santé* par un travail de collaboration entre professionnels et bénévoles tout au long de la chaîne de valeur de la santé féminine.
- 3. Promouvoir l'égalité aux postes de décision au sein de l'écosystème de santé** : favoriser activement l'égalité d'accès aux postes de direction entre hommes et femmes, au sein des industries de santé (le mouvement est désormais clairement engagé) mais aussi chez les investisseurs. Dans le même temps, encourager la diversité des rôles pour une meilleure compréhension des besoins et des opportunités.
- 4. Créer un label *FemTech médical*** : envisager la mise en place d'un label spécifiquement dédié aux entreprises médicales de la *FemTech*. Ce statut devrait ainsi garantir la qualité scientifique des produits développés et leur contribution à l'amélioration de la santé des femmes afin de distinguer les *FemTech* médicales *stricto sensu* des *FemTech* liées au bien-être. Notons qu'un tel label ne devrait pas être non plus antinomique d'une meilleure intégration du domaine sur le long terme vis-à-vis d'autres initiatives technologiques en santé. Il est primordial qu'une *FemTech-MedTech* puisse ainsi être également identifiée comme *MedTech*, une *FemTech-BioTech* comme *Biotech*, indépendamment de leurs spécificités originelles.
- 5. Démystifier la santé féminine par des campagnes de communications massives auprès du grand public** : lancer des campagnes de sensibilisation visant à démystifier les sujets tabous liés à la santé des femmes (discussions ouvertes dans les médias, collaboration entre associations de patients et influenceurs en santé, campagnes publicitaires de sensibilisation, etc.), le but étant de promouvoir le dialogue et l'éducation du grand public. A l'instar des actions entreprises auprès des politiques, un lobbying actif peut aussi s'envisager dans ce domaine.



## Conclusion

Nos résultats, exploratoires par nature, posent un premier jalon vers une meilleure compréhension des modes de représentation socio-politiques et des dynamiques complexes liées à l'architecture de l'information comme aux modalités d'accès des femmes à l'innovation en santé.

De façon symptomatique, le capital-risque, principale source de financement des startups *FemTech*, est également confronté à plusieurs contraintes : difficulté d'accès à une information spécifique et dédiée, imprécision terminologique du secteur, sur-féminisation du domaine, discrédit des startups *FemTech* mises à même échelle que des startups orientées sur le bien-être, manque de reconnaissance politique de problématiques spécifiques à la santé des femmes, pénurie de talents.

Après avoir analysé les freins encore posés à son développement rapide et harmonieux, nous avançons cinq recommandations pour que la *FemTech* puisse naturellement trouver la place qui devrait lui revenir au sein du système de santé: davantage investir dans une recherche dédiée ; convaincre les politiques de l'importance de certaines questions liées à la santé des femmes ; créer un label *FemTech médical* ; encourager l'égalité des genres parmi les décideurs au sein de l'écosystème de santé ; faire mieux connaître la santé féminine par des campagnes d'envergure auprès du grand public.

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## **[ Ne plus avoir peur de la religion en entreprise pour en voir les vertus ?**

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### **Abstract**

Il existe désormais une diversification des croyances en Europe malgré l'histoire culturelle chrétienne. Cette évolution fait émerger des revendications religieuses assorties de peurs persistantes et de visions négatives du religieux. Le monde professionnel n'est pas exempt de ces crispations. Nous proposons de revenir sur les deux facettes des faits religieux au travail. D'un côté, la volonté des individus à être eux-mêmes dans toutes les sphères de leur vie oblige les entreprises à se saisir de ce sujet, parfois avec difficultés, et à chercher des régulations. D'un autre côté, nous mettons en lumière une lecture plus positive de l'intégration de ces questions religieuses dans le monde du travail, en l'envisageant sous les angles de la performance, du bien-être physique et/ou psychologique et de l'amélioration des relations interpersonnelles.

Mots clés : Identité religieuse ; Discrimination ; Inclusion ; Perspective positive ; Paradigme.

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## Ne plus avoir peur de la religion en entreprise pour en voir les vertus ?

### Introduction

“C'est en Europe que l'on trouve le plus grand nombre de pays où les attaques contre les biens sont liées à la religion en 2020” (Pew Research Center, 2023). Chaque attaque ou dégradation de lieux publics donne lieu à des débats mais aussi accroît les peurs et suspicions à l'égard de la religion et de ceux qui y adhèrent. La religion est, et a toujours été, un sujet sensible au sein des pays ou aux niveaux individuels (Gaillard, Galindo & Honoré, 2022). Les débats médiatiques et politiques sur le port de tenues pouvant être qualifiées de religieuses refont ainsi régulièrement l'objet de toutes les attentions dans les écoles françaises.

Les pays européens ont cependant des conceptions parfois très éloignées de la place de la religion dans la société. L'étude du Pew Research Center (2018) souligne par exemple que le rapport à la religion entre les pays d'Europe de l'Est et ceux d'Europe de l'Ouest diffère. Les premiers sont par exemple moins nombreux à vouloir accueillir des musulmans ou des juifs dans leur famille ou leur quartier comparés aux pays de l'Ouest. Ils sont également plus divisés quant à la séparation de l'État et du religieux, là où la majorité des pays de l'Ouest estiment pour la plupart que la religion et le gouvernement doivent être séparés. Malgré ces différences de conception, l'article 9 de la Convention Européenne des Droits de l'Homme (CEDH) garantit la liberté de pensée, de conscience et de religion à tous, tant au niveau de la société que dans les entreprises.

Ce sujet s'est aussi imposé dans un autre espace, celui des entreprises. Si certains secteurs d'activité exigent une neutralité des salariés (l'État Belge ou encore le secteur public en France) associée à une invisibilisation du religieux, les entreprises privées ont des libertés plus étendues et rencontrent des difficultés persistantes de gestion du fait religieux. Des affaires emblématiques ont marqué le monde du travail en France, en Allemagne ou en Autriche, conduisant parfois à la saisine de la Cour de Justice de l'Union Européenne pour contester l'interdiction de porter le voile sur le lieu de travail. Ces exemples montrent la complexité de la gestion du religieux qui est le plus souvent perçue sous l'angle du négatif et peut parfois conduire à des conflits ou à des surmédiatisations des faits, mais qui, dans la majorité des cas, ne pose pas de problèmes majeurs (Rapport de l'OFRE, 2023 ; Gaillard et al., 2022).

Nous articulons notre Impact Paper autour de cette vision contrastée du sujet de la religion au travail, en présentant tout d'abord les problématiques et les tensions rencontrées ou ressenties face à l'expression religieuse au travail, puis en montrant qu'au-delà des peurs et appréhensions, la religion peut être porteuse de nouvelles promesses et engendrer des effets individuels et organisationnels.

### La religion source de peurs et de tabous dans les entreprises .

La religion dans le monde professionnel est entourée de nombreuses incertitudes voire de craintes.

On lui reconnaît depuis toujours une place centrale dans l'identité de beaucoup d'individus (e.g. Hicks, 2003). Alors qu'elle relève du *forum internum* ou du for intérieur, elle peut aussi être manifestée de manière volontaire verbalement ou à travers le port de certains signes ou objets religieux et ainsi appartenir au *forum externum* (for extérieur) (Ragins, 2008). Du fait du caractère au départ invisible de la religion, il est très difficile de prévoir ce

dévoilement, qui peut dépendre de facteurs intimes, d'interactions personnelles, des lieux et des relations de travail ou d'une évolution de la place de la foi dans la vie de la personne. Tout croyant s'engage dans un calcul coûts/bénéfices des risques associés à ce dévoilement (Jones et King, 2014) avec des stratégies souvent singulières. Afficher sa religion est alors souvent considéré comme risqué et à l'origine d'une stigmatisation voire d'exclusion (e.g. Kreiner et al., 2006).

La diversification des croyances engendre aussi de nombreuses craintes dans les entreprises. La pratique religieuse passe par l'extériorisation de certains signes religieux comme la kippa, le voile, la croix ou le turban Sikh. Cette visibilité implique une confrontation à la diversité des manifestations, dans des contextes européens marqués par le christianisme et où les pratiques religieuses différentes sont plus ou moins facilement acceptées. Des questionnements apparaissent comme par exemple, est-ce qu'en France, un employeur peut demander à l'une de ses salariés de ne pas porter le voile pour répondre à la demande d'un de ses clients, ou est-ce qu'en Angleterre un policier ou militaire Sikh peut porter un turban au travail ? La croissance du nombre de croyants, d'autres religions que le christianisme, amène ainsi certaines personnes à craindre les demandes et attentes de ces « autres » croyants, tandis que ces derniers doivent faire face à des conséquences sur leur santé et leurs manières de vivre leurs valeurs (e.g. Tarakeshwar et al., 2003).

Ces incertitudes et craintes engendrent trois types de risques organisationnels :

- le risque d'exclusion d'une partie des croyants de l'entreprise, lesquels pourraient se sentir non accueillis dans des structures où la stigmatisation et la défiance sont patentées ;
- la discrimination quand on ne sait pas, ou on ne veut pas, répondre aux nouvelles demandes de ces « autres » salariés ;
- la réputation est aussi engagée, quand les difficultés et le manque de repères conduisent les salariés à faire connaître la situation problématique à l'extérieur de l'entreprise.

À côté de ces trois risques organisationnels, un autre risque concerne les managers. En première ligne face à ces questions, ils peuvent répondre avec leurs propres croyances à des convictions aux demandes des membres de leurs équipes s'ils ne sont pas aidés et outillés.

C'est donc souvent une vision négative et anxiogène qui est véhiculée par la question religieuse en entreprise, que ce soit dans la littérature dédiée ou dans les médias. Les difficultés à accepter la présence de signes religieux au travail ou à aménager les temps et lieux de travail sont autant de symboles des errements ou du manque de réactivité de certaines entreprises à un moment donné. Cette vision est d'autant plus prégnante qu'une culture du secret entoure ce sujet. Même les organisations qui définissent une politique générale et au service de leurs managers, rechignent à la communiquer et à être citées en exemple, ce qui entretient le caractère sensible, tabou et périlleux à gérer la religion dans le monde professionnel.

Malgré ces points négatifs et la crainte des faits religieux au travail, la perception des comportements des salariés pratiquants au travail reste globalement positive. 65% des répondants à l'enquête de l'OFRE (2023) considèrent que les faits et comportements ne gênent pas la bonne réalisation du travail, exemple de la France. Il est dès lors possible de ne pas associer uniquement une vision négative à ce sujet, et de faire face à ces questionnements sans les considérer systématiquement comme un élément négatif. Il s'agit alors de chercher à trouver le moyen de valoriser la diversité religieuse plutôt que de la craindre.

## **La religion porteuse de nouvelles promesses au-delà des entreprises.**

Les effets positifs de l'expression religieuse au travail peuvent agir selon nous à trois niveaux : au niveau des salariés, de l'entreprise et du management.

Tout d'abord, les salariés ont de plus en plus besoin d'authenticité, ce qui signifie qu'ils ont besoin d'être eux-mêmes au travail. Ils attendent que leurs valeurs fondamentales soient reconnues dans toutes les sphères de leur vie, notamment dans le monde du travail (Javadizadeh et al., 2023). Nos recherches sur les femmes musulmanes portant le voile et sur les catholiques pratiquants en France soulignent l'importance de la religion dans le concept de soi des individus interrogés. Par exemple, les femmes portant le voile n'hésitent plus à révéler leur identité tout au long du processus d'accès à l'emploi et ensuite dans l'emploi, en recherchant une entreprise accueillante qui partage les mêmes valeurs d'inclusion.

Les effets positifs sont alors potentiellement multiples (Héliot et al., 2020). La religion devient à la fois une source de bien-être et un recours face à des difficultés professionnelles, quand une épreuve peut être surmontée grâce à la religion. Elle permet aussi une meilleure reconnaissance et estime de soi. Elle augmente également le sentiment d'appartenance au groupe et plus largement à l'organisation (Ragins, 2008). La littérature montre enfin que, bien que la dissimulation d'une identité jugée importante pour un individu soit bénéfique dans certains contextes, à long terme ses effets se révèlent plus dommageables que la révélation (Jones et King, 2014).

Au niveau des organisations, il est important de noter que, pour qu'une perception positive de l'expression religieuse au travail soit admise, les entreprises doivent faire preuve d'une politique active (Héliot et al., 2020). Il s'agit à la fois de reconnaître l'identité des salariés sans en exclure d'emblée certains sur la base de leurs croyances. L'inclusion des salariés discriminés à cause de leur religion ou leur religiosité, vraie ou supposée, doit être pensée puis implémentée. Les bénéfices peuvent être nombreux. Donner un espace aux questions religieuses, tout en veillant à ne pas favoriser le prosélytisme, permet de déminer les sujets tabous et les tensions qui pourraient survenir entre salariés. Les salariés en ressentent alors les bénéfices. Ils vivent une expérience de congruence entre leur identité religieuse et l'entreprise (Héliot et al., 2020). Certains d'entre eux trouvent aussi une identité commune ou obtiennent plus de soutien social, ce qui améliore les relations de travail, augmente la cohésion sociale au sein de l'entreprise, et pas seulement entre les salariés ayant une même confession religieuse (Ragins, 2008). La possible pratique religieuse sur le lieu de travail réduit également les intentions de départ et le turnover au sein des entreprises. En effet, il a été montré que dans des cas de dissimulation et de menace identitaire, l'intention de quitter l'entreprise augmente dans le but de se préserver de cette menace et d'être soi-même (Javadizadeh et al., 2023).

De plus, à l'heure où les informations, vraies ou fausses, circulent vite sur les réseaux sociaux, l'inclusion de la religion au travail peut avoir un effet positif sur l'image des entreprises. Elle devient ainsi, contrairement aux cas souvent médiatisés, un levier réputationnel. L'affichage d'acceptabilité des manifestations religieuses motive l'intention de nouvelles candidatures et l'attractivité de l'entreprise de la part de croyants (King et Franke, 2017) mais aussi d'autres personnes sensibles plus largement à cette vision inclusive.

C'est notamment le cas des entreprises Action, Technip Energies ou encore H&M. Elles donnent la possibilité à leurs salariés de porter un signe religieux au travail, notamment pour les postes directement en contact avec la clientèle. Et leur choix de politique d'entreprise n'est pas sans conséquences. En France, Action a dû faire face à des pressions

(de clients ou encore de maires de certaines villes) lui demandant d'interdire le voile aux salariées qui le portent.



**Image 1. L'inclusion : Le groupe Action a opté pour le choix de l'inclusion en affichant des salariées portant le voile sur leur site officiel.**

De son côté, l'entreprise Technip Energies célèbre la journée des droits des femmes en envoyant un message clair sur son réseau social professionnel (LinkedIn) : « *As we celebrate International Women's Day, we believe that diversity and inclusion are not just values we uphold, they are critical drivers of innovation and success in our business* ». Elle accompagne ce message d'une image notant l'acceptabilité des tenues religieuses au travail. Cela renvoie un signal fort aux futurs candidats mais également aux salariés eux-mêmes : venez comme vous êtes, l'entreprise est ouverte à l'expression de vos identités au travail.



**Image 2. L'entreprise Technip Energies célèbre le jour des droits des femmes en affichant son acceptabilité de la religion au travail.**

Enfin, au niveau managérial, prendre en considération la religion au travail, c'est adopter une stratégie anticipatoire qui limite les conflits entre salariés et managers. Lorsque la politique d'entreprise à l'égard de ce sujet est claire, le manager sait ce qu'il a à faire. Il se retrouve moins seul, moins démuni face aux différentes situations qu'elles soient conflictuelles ou non. Il n'a pas à inventer des solutions, mais à connaître les recours pour gérer de manière apaisée le sujet. Cela limite alors les discriminations indirectes au sein des équipes, à l'égard de ceux qui ne croient pas ou ne veulent pas dévoiler leurs croyances, et qui potentiellement subiraient les aménagements arbitraires décidés par leurs managers. Cela permet aussi à certains managers de savoir qu'ils peuvent apporter du soutien social aux salariés désireux d'opter pour le dévoilement de leur identité religieuse (Jones et King, 2014). Considérer l'expression religieuse au travail de manière positive permet finalement d'envisager une gestion apaisée du fait religieux par le management.



Ainsi, l'expression religieuse au travail permet d'envisager un scénario positif porteur de :

- performance professionnelle, puisque les individus sont reconnus dans leurs valeurs fondamentales et seraient plus disposés à s'investir au travail ou à respecter un certain code éthique ;
- performance managériale, quand les managers ont des réponses et des recours face aux faits religieux qu'ils rencontrent ;
- performance organisationnelle, dans la mesure où les entreprises trouvent de nouvelles sources d'attractivité, de fidélisation et de réputation.

## **Conclusion**

L'objectif de cet *Impact Paper* est de dépasser la vision passionnée et clivante de l'expression religieuse au travail. Sujet d'autant plus important suite aux événements mondiaux récents et dont les entreprises doivent plus que jamais se saisir, afin d'éviter les conséquences négatives qui pourraient découler de sa non-gestion ou d'une gestion trop hâtive et réactive.

Sans être naïves ou idéalistes, et en reconnaissant l'existence de cas difficiles à gérer, nous cherchons ici à nuancer le propos en considérant l'autre versant du sujet. Le but n'est pas de faire la promotion de l'expression religieuse au travail mais de se concentrer sur ses aspects positifs, très souvent oubliés des analyses. Nous avons souligné que la non-intégration de l'identité religieuse au travail peut entraîner des conséquences négatives à différents niveaux de l'organisation : individuel, organisationnel et managérial. De manière symétrique, l'expression religieuse au travail peut aussi avoir des effets positifs à chacun de ces différents niveaux. Et nous avons souhaité ici les repérer et les analyser.

Notre étude met à jour plusieurs implications organisationnelles et managériales. Tout d'abord, les entreprises doivent faire preuve d'une politique active d'inclusion et ne pas nier l'existence de la question religieuse dans la sphère professionnelle. La non-reconnaissance des identités religieuses au travail peut conduire à des stigmatisations, des discriminations à l'égard de pratiquants mais aussi à des intentions de départ. Une politique d'inclusion passe par l'intervention des dirigeants pour affirmer la posture de leur entreprise sur ce sujet. Des moyens doivent aussi être dédiés à des formations et des outils de gestion pour informer tous les salariés sur ce qu'il est possible de faire dans le contexte du travail et les manières de répondre à des attentes en gardant une posture managériale. Si elle est communiquée sur les réseaux sociaux, cette politique doit être précise et assumée pour éviter toute déviance informationnelle. Et s'il faut apprendre à intégrer la diversité religieuse, il faut aussi savoir poser des limites à celles et ceux qui s'engageraient vers des comportements prosélytes ou qui les empêcheraient d'exercer leurs missions.

Après les expériences et les tâtonnements passés sur ce sujet, espérons donc que les politiques et pratiques sauront faire de la religion un sujet de management (presque) comme un autre.

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## **Quand l'intelligence artificielle transforme les ressources stratégiques en ressources ordinaires**

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### **Abstract**

Pour les entreprises, une des principales conséquences de la généralisation de l'intelligence artificielle est la transformation de nombreuses ressources stratégiques (sources d'avantage concurrentiel) en ressources ordinaires (accessibles à tous les concurrents). Cette "déstratégisation" des ressources constitue un bouleversement majeur par rapport aux théories et aux pratiques établies en stratégie d'entreprise. On assiste ainsi à un déplacement de l'avantage concurrentiel, qui réside moins dans la détention de ressources et compétences créatrices de valeur, rares, inimitables et mobilisées par les organisations (pour reprendre le modèle VRIO de Barney), mais bien plus dans le contrôle des systèmes d'intelligence artificielle capable de les générer. Cela risque de fragiliser tout particulièrement les acteurs européens face à leurs équivalents américains et asiatiques, tant que l'Europe n'aura pas fait émerger une IA susceptible d'assurer son indépendance stratégique.

Mots clés : ressources stratégiques, modèle VRIO, IA génératives

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## Quand l'intelligence artificielle transforme les ressources stratégiques en ressources ordinaires

La stratégie consiste à notamment à déterminer comment une entreprise peut bénéficier d'un avantage concurrentiel, qui se mesure le plus souvent par sa capacité à dégager une rentabilité durablement supérieure à celle de ses concurrents. Historiquement, deux interprétations sur la manière d'obtenir cet avantage concurrentiel se sont succédé :

1. Pour Michael Porter et les tenants de la « stratégie déduite », issue de l'économie industrielle, il s'agit avant tout d'identifier les structures de l'industrie (ses facteurs clés de succès) et de s'y adapter mieux que les concurrents. Dans cette optique – qui n'est pas sans rappeler le paradigme darwinien – la stratégie est avant tout une démarche conditionnée par l'externe (Porter, 1985)
2. À l'inverse, pour celles et ceux qui, à l'image de Edith Penrose (1959), Birger Wernerfelt (1984) ou Jay Barney (2010), s'inscrivent dans la démarche de la « stratégie construite », les entreprises qui disposent d'un avantage concurrentiel sont celles qui détiennent des capacités stratégiques, c'est-à-dire des ressources uniques et des compétences distinctives, susceptibles de modifier des industries existantes, voire de construire des industries nouvelles. Dans cette optique, généralement appelée « approche par les ressources » ou « Resource-Based View », la stratégie est avant tout une démarche conditionnée par l'interne.

Si la démarche porterienne reste souvent privilégiée par les praticiens, la recherche en stratégie s'est essentiellement concentrée sur l'approche par les ressources, avec notamment les travaux de C.K. Prahalad et Gary Hamel (1990) sur les compétences fondamentales, ceux de David Teece (1991) sur les capacités dynamiques ou ceux de Steven Lippman et Richard Rumelt (2003) sur les microfondations.

Or, les fondements mêmes de l'approche par les ressources sont ébranlés par la récente irruption des intelligences artificielles génératives telles que ChatGPT et Dall.E d'OpenAI, Copilot de Microsoft, Gemini de Google ou Llama de Meta. En effet, ces IA génératives sont susceptibles de banaliser les ressources stratégiques qui sous-tendent l'avantage concurrentiel de nombreuses entreprises, que ce soit dans le conseil, le droit, l'information, la santé ou l'éducation.

Il est particulièrement instructif de s'interroger sur cette « déstratégisation des ressources ». En rebattant les cartes stratégiques, l'IA générative peut significativement déplacer les sources d'avantage concurrentiel. Cette question est particulièrement aigüe pour les entreprises européennes, du moins tant que l'Europe ne se sera pas dotée d'une véritable souveraineté technologique en la matière.

### L'approche par les ressources en pratique : le modèle VRIO

Le modèle le plus couramment utilisé pour déterminer le caractère stratégique d'une ressource ou d'une compétence est le modèle VRIO, proposé par Jay Barney (2010). Selon ce modèle, pour procurer un avantage concurrentiel durable, une ressource ou une compétence doit satisfaire simultanément quatre conditions, qui forment l'acronyme **V, R, I, O** :

**Valeur** : la ressource ou la compétence doit créer un surcroît de valeur pour les clients, c'est-à-dire justifier un prix légitime supérieur aux coûts, ce qui permet de dégager un profit.

**Rare :** la ressource doit être rare. Si la plupart des concurrents la détiennent aussi, elle ne pourra pas sous-tendre un avantage concurrentiel.

**Inimitable :** la ressource doit aussi être inimitable, ou au moins difficilement imitable par les concurrents actuels ou potentiels, faute de quoi l'avantage qu'elle procure ne sera pas pérenne.

**Organisation :** l'entreprise doit être organisée de manière à utiliser cette ressource. Il est en effet sans intérêt de détenir une ressource stratégique si l'on est incapable d'utiliser son potentiel.

Barney propose ainsi un test pratique permettant de juger de l'intérêt stratégique d'une ressource, qu'il s'agisse d'une technologie protégée, d'une marque réputée d'une implantation privilégiée, d'un accès prioritaire à des matières premières, d'un réseau relationnel unique ou encore de ressources humaines particulièrement talentueuses :

- Une ressource qui ne satisfait aucune des conditions VRIO (ni créatrice de valeur, ni rare, ni inimitable, ni mobilisée par l'organisation) entraîne un désavantage concurrentiel. Elle n'a a priori aucun intérêt stratégique, même si l'on peut identifier certaines entreprises qui parviennent à faire reposer leur succès sur la détention de ressources ordinaires (Fréry et al., 2015)
- Une ressource créatrice de valeur, mais ni rare, ni inimitable, ni mobilisée par l'organisation, assure la parité avec les concurrents. On parle en ce cas de ressource ou compétence seuil : la détenir est nécessaire, mais elle ne procure aucun avantage concurrentiel.
- Une ressource créatrice de valeur et rare, mais ni inimitable, ni mobilisée par l'organisation assure un avantage concurrentiel ponctuel. Tôt ou tard, les concurrents seront capables de l'imiter, ce qui en fera une ressource ou une compétence seuil.
- Une ressource créatrice de valeur, rare, inimitable, mais non mobilisée par l'organisation est un véritable gâchis stratégique. Il s'agit d'une pépite non exploitée, perdue par exemple au fin fond d'une filiale et donc la direction générale ignore même l'existence.
- Enfin, une ressource créatrice de valeur, rare, inimitable et mobilisée par l'organisation est une source d'avantage concurrentiel durable. À ce titre, elle peut être qualifiée de ressource ou compétence stratégique.

Ce test VRIO est présent dans quasiment tous les manuels de stratégie et couramment enseigné dans les cours de la plupart des écoles et universités.

À titre d'illustration, on peut considérer qu'un cabinet de conseil international du type McKinsey, BCG ou Bain détient deux principales ressources stratégiques :

1. La qualité de ses consultants, issus des meilleures formations, qui font preuve d'une disponibilité sans faille et de capacités intellectuelles méticuleusement vérifiées. Ces ressources humaines sont à la fois créatrices de valeur pour les clients (qui acceptent de payer des honoraires très élevés pour en disposer), rares (comme le prouve le taux de sélectivité à l'embauche de ces cabinets), inimitables (sauf bien entendu si l'on parvient à débaucher les meilleurs éléments, mais le niveau de rémunération très élevé proposé par les cabinets stars permet de limiter ce risque) et mobilisées par l'organisation (les procédures que déploient ces cabinets en termes de recrutement, d'évaluation, de formation, de promotion, de sélection et même de relations avec les anciens consultants sont toutes au service de l'exploitation de ce capital humain).
2. L'expérience accumulée au cours de très nombreuses missions avec une très forte diversité de clients, de contextes et de pays. Afin que le cabinet ne soit pas stratégiquement dépendant des individus qui détiennent cette expérience, celle-ci

prend le plus souvent la forme de démarches d'analyse parfaitement rodées et de bases de données continuellement actualisées. Cette expérience est clairement valorisée par les clients (ils savent qu'en faisant appel à ces cabinets ils peuvent mobiliser des savoir-faire dont ils ne disposent pas en interne), rare (très peu de cabinets la détiennent), inimitable (elle n'est pas copiable par les concurrents) et mobilisée par l'organisation (qui veille à en faire bénéficier ses consultants).

Ces deux ressources VRIO contribuent fortement à la réputation de ces prestigieux cabinets, et elles leur procurent un avantage concurrentiel significatif. Ce sont incontestablement des ressources stratégiques. On pourrait mener une analyse du même type, et identifier les ressources VRIO correspondantes, pour des institutions financières, des établissements d'enseignement supérieur, des services de santé, des cabinets d'avocats ou des groupes de médias.

Or, les IA génératives sont susceptibles de bouleverser les résultats de ces analyses en s'attaquant aux différentes dimensions du test VRIO.

## **Les IA génératives et la « déstratégisation » des ressources**

Même si elles n'en sont encore qu'à leur phase d'émergence, les IA génératives peuvent d'ores et déjà contester la nature stratégique de certaines ressources et compétences. Cet impact est perceptible à chacun des niveaux du VRIO :

- **Valeur** : en permettant à tout un chacun de facilement disposer de compétences jusque-là réservées à des experts, les IA génératives transforment des ressources stratégiques en simples ressources seuils, voire en ressources ordinaires, dont la valeur menace de s'effondrer. Rappelons que plusieurs fournisseurs d'IA génératives, dont ChatGPT, proposent une version gratuite.
- **Rare** : les IA génératives sont largement accessibles. ChatGPT a ainsi atteint le seuil d'un million d'utilisateurs seulement cinq jours après son lancement le 30 novembre 2022. Un an plus tard, il comptait plus de 180 millions d'utilisateurs dans le monde, qui lui soumettaient plus de 10 millions de requêtes par jour. De même, Microsoft entend proposer Copilot à tous les utilisateurs de Windows, alors que Google intègre son IA dans ses smartphones Pixel depuis fin 2023.
- **Inimitable** : par nature, les prompts soumis aux IA génératives sont imitables. On peut même demander aux IA elles-mêmes de les rédiger. De très nombreux services de ce type sont apparus sur Internet en seulement quelques mois.
- **Organisation** : toutes les grandes entreprises, toutes les administrations publiques, tous les établissements d'enseignement supérieur, toutes les banques ou tous les cabinets de conseil, conscients de l'impact considérable des IA génératives, ont entamé une réflexion approfondie sur la question. Leur organisation devra nécessairement évoluer pour permettre à cette innovation de libérer tout son potentiel.

Pour reprendre l'exemple des deux ressources stratégique des grands cabinets de conseil (qualité des consultants et expérience accumulée), l'impact est déjà significatif :

- **Qualité des consultants** : en septembre 2023, des chercheurs de la Harvard Business School, de la MIT Sloan School of Management, de la Wharton School de l'université de Pennsylvanie et de l'université de Warwick, ont mené une expérience auprès de 758 consultants du BCG (Dell'Aqua et al., 2023). Selon cette étude, les consultants qui ont utilisé ChatGPT dans leurs missions ont obtenu des résultats 40 % meilleurs que ceux des consultants qui n'en disposaient pas. Qui plus est, ce sont les consultants les moins qualifiés qui ont bénéficié des gains de performance les plus significatifs. Les plus qualifiés, à l'inverse, ont peu progressé. Cette étude tend ainsi à montrer que pour un cabinet de conseil, il n'est plus nécessairement indispensable de recruter des profils

exceptionnels : l'IA générative a le pouvoir de niveler vers le haut les compétences de tous les consultants, les rendant ainsi moins rares et plus aisément imitables.

- **Expérience accumulée** : des cabinets de conseil d'un nouveau genre mobilisent l'IA pour contourner l'expérience accumulée par leurs concurrents établis. Par exemple, plutôt que de faire appel à leurs consultants historiques pour conduire leur réflexion stratégique, plusieurs grandes entreprises françaises (dont Orange, les Galeries Lafayette, L'Oréal, Danone ou EDF) ont fait appel à la startup Descartes & Mauss, fondée en 2021, qui se présente comme « la première plateforme reposant entièrement sur l'IA pour automatiser le processus de prise de décision ». Selon un des dirigeants concernés, les recommandations stratégiques sont de qualité équivalente à celles que produisent les grands cabinets, mais elles sont obtenues beaucoup plus rapidement, ce qui permet un pilotage stratégique beaucoup plus réactif. Descartes & Mauss parle d'un délai divisé par 10 et d'un coût divisé par 5. La ressource stratégique constituée par l'expérience accumulée des grands cabinets de conseil en stratégie semble donc imitable grâce à l'IA.

On voit ainsi que l'IA a la capacité de « déstratégiser » des ressources, ce qui a pour conséquence de réduire significativement l'avantage concurrentiel de certains acteurs établis. Or, ceux-ci auront d'autant plus de mal à effectuer cette mutation que – contrairement aux nouveaux entrants – ils devront d'abord se séparer des actifs qui ont fondé leur succès avant de réallouer leurs investissements vers des solutions reposant sur l'IA. Comme souvent en stratégie, des barrières à l'entrée patiemment établies risquent de devenir des prisons, enfermant les concurrents historiques dans des approches désormais obsolètes.

Dans ce mouvement général de banalisation des ressources, en tous cas celles qui reposent sur des compétences intellectuelles, la situation des entreprises européennes est particulièrement problématique.

## **L'Europe face au risque de déclassement stratégique**

En effet, la déstratégisation des ressources intellectuelles provoque un déplacement de la source de l'avantage concurrentiel : c'est désormais la possession et le contrôle des systèmes d'IA génératives – qu'il s'agisse de la détention des données ou de la construction des modèles permettant de les traiter – qui devient la plus stratégique de toutes les ressources. Or, à ce jeu, l'Europe est particulièrement mal dotée, notamment par rapport aux États-Unis et à la Chine.

Soucieuse de protection de la vie privée (ce qui est tout à fait légitime d'un point de vue éthique), l'Europe limite l'accès aux données personnelles de ses citoyens dans des proportions considérables par rapport à ce que font les États-Unis (au nom de la libre entreprise) ou la Chine (au nom du contrôle étatique de la population). De fait, même si certains acteurs de l'IA générative réussissent à émerger en Europe – comme Mistral AI en France –, ils voient leur capacité d'apprentissage bridée par une réglementation beaucoup plus restrictive que celle à laquelle leurs concurrents américains ou chinois sont confrontés, ce qui ne manque pas de créer un désavantage concurrentiel. La législation sur l'intelligence artificielle (ou AI act) adoptée par l'Union européenne en mars 2024 au nom de la protection des individus est ainsi considérée par certains observateurs comme une entrave à l'émergence de géants européens en la matière.

De plus, les investissements disponibles en Europe restent modestes par rapport à ce qui se fait ailleurs. À titre d'exemple, Mistral AI a réussi à lever 105 millions d'euros seulement quatre semaines après sa fondation en mai 2023, puis de nouveau 450 millions au bout de 9 mois, ce qui lui a permis d'atteindre une valorisation de 2 milliards en moins d'un an, un record pour une licorne européenne. Cependant, OpenAI est valorisée à 86 milliards de

dollars, et son dirigeant Sam Altman a annoncé un projet d'investissement titanesque de 7 000 milliards pour fabriquer des cartes graphiques permettant de s'extraire de la dépendance à celles de NVidia. Au total, comme l'a souligné le rapport de la Commission de l'Intelligence Artificielle remis au Président Emmanuel Macron en mars 2024, les montants investis dans l'IA aux États-Unis sont 20 fois supérieurs à ceux investis en France, soit 3 à 4 fois plus quand on rapporte au nombre d'habitants. Au regard de la déstratégisation des ressources provoquée par l'IA, un tel écart ne peut que se traduire par une érosion de l'avantage concurrentiel des entreprises européennes.

Au total, étant donné que l'IA provoque une banalisation des ressources stratégiques historiques, bientôt remplacée par la nécessité de détenir et de contrôler les grands modèles d'IA eux-mêmes, l'Europe s'expose à un risque majeur de déclassement. Tant qu'elle ne se sera pas dotée des moyens réglementaires et financiers lui permettant d'assurer sa souveraineté technologique en matière d'IA, l'Europe risque de voir la position stratégique de ses entreprises s'éroder. Gageons que les décideurs politiques européens auront la clairvoyance et la volonté d'éviter ce fiasco.

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## **Comment accélérer la transition écologique des cosmétiques en Europe et en France ?**

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### **Résumé**

L'indispensable transition écologique et le respect des engagements pris par l'Europe et l'État français nécessitent l'introduction de transformations radicales dans les comportements des consommateurs/citoyens, des entreprises et de l'action publique dans tous les secteurs de l'économie et de la société. Afin de comprendre comment émergent les initiatives innovantes en faveur de l'environnement, nous avons étudié les motivations et les contraintes des principaux acteurs et leurs influences réciproques dans le secteur des cosmétiques. Pour lever les freins à la transition écologique du secteur, et rendre les pratiques vertueuses des entreprises plus efficaces et mieux partagées, nous avons analysé l'importance d'une action coordonnée de la part des principaux acteurs, soutenue par les institutions nationales et supranationales.

Mots clés : produits cosmétiques, transition écologique, régulation publique, normes sociales, incitations financières

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# Comment accélérer la transition écologique des cosmétiques en Europe et en France ?

## Introduction : L'impact environnemental du secteur et la nécessité d'accélérer sa transition écologique

Le secteur des cosmétiques<sup>1</sup> regroupe les produits de beauté et hygiène personnelle (soins de la peau, capillaires, maquillage, parfums, hygiène personnelle).

En 2022<sup>2</sup>, le marché européen représente 88 milliards d'euros, alors que ceux des États-Unis et de la Chine s'élèvent respectivement à 97 et 71 milliards. Au sein du marché européen des cosmétiques, l'Allemagne représente 14,3 milliards d'euros, suivi de la France avec 12,9 milliards et l'Italie avec 11,5 milliards.

En 2022, la production de l'industrie européenne des parfums et cosmétiques est portée par de grandes entreprises comme l'Oréal, leader mondial, suivi par Unilever mais elle est également le fait de plus de 8 500 PME dont 1 389 en France (Xerfi, Juin 2023).

Selon la FEBEA (la Fédération des entreprises de la Beauté), le chiffre d'affaires des entreprises du secteur cosmétiques en France aurait atteint 30,4 milliards d'euros en 2022. La France est le premier pays exportateur au monde, avec un chiffre d'affaires de 19 milliards d'euros. Plus de deux tiers de ces exportations sont vendues en Europe, même si les États-Unis, en forte croissance, confortent leur position de premier pays au monde acheteur de cosmétiques français.

Selon l'étude Quantis (2020), la contribution du secteur aux émissions globales de gaz à effet de serre (GES) serait comprise entre 0.5% et 1.5%. Dans le détail, 40% des émissions proviennent de l'utilisation des produits, 20% du packaging, 10% des matières premières, 10% des transports, 5% d'autres achats, 5% des opérations de production, 5% des matériaux de présentation aux points de vente, et 5% de la fin de vie des produits.

Mais les émissions de GES ne constituent pas le seul impact sur l'environnement. Outre le changement climatique, il faut aussi prendre en compte l'impact sur la biodiversité, la pollution de l'eau et l'appauvrissement des ressources non renouvelables dans les différentes phases du cycle de vie des produits. L'impact sur la biodiversité est important en amont, par l'exploitation des ressources naturelles (et en particulier de l'eau) et l'appropriation du vivant (à travers l'occupation des sols et la déforestation) mais aussi en aval notamment en ce qui concerne les pollutions liées au packaging et aux plastiques.

La réduction de l'impact considérable du secteur des cosmétiques sur l'environnement rend nécessaire des transformations profondes au cours de la prochaine décennie, qui impliquent notamment des changements de comportements et des initiatives nouvelles de la part des trois principaux acteurs économiques : les citoyens/consommateurs, les entreprises et l'État. Leur identification et les modalités de leur déploiement constituent le principal objectif de notre papier.

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<sup>1</sup> Selon la définition du Code de la santé publique (Article L5131-1) : « On entend par produit cosmétique toute substance ou mélange destiné à être mis en contact avec les parties superficielles du corps humain ... ou avec les dents et les muqueuses buccales, en vue, exclusivement ou principalement, de les nettoyer, de les parfumer, d'en modifier l'aspect, de les protéger, de les maintenir en bon état ou de corriger les odeurs corporelles. »

<sup>2</sup> Socio-economic contribution of the European cosmetics industry, Cosmetics Europe 2022

## **Les nouvelles tendances de la consommation de cosmétiques**

Après une forte baisse - en volume - en 2020 (-15%), et une reprise en 2021 (+7%) et 2022 (+9%), le secteur des cosmétiques devrait poursuivre sa croissance au cours des prochaines années, selon les prévisions d'Euromonitor International (2022).

Dans un contexte macroéconomique très tendu (crise énergétique, suite de la pandémie, inflation, guerre en Europe et au Moyen-Orient et autres menaces géopolitiques), la recherche du bien-être personnel a été identifiée comme l'élément destiné à avoir l'impact le plus durable sur les consommateurs de produits cosmétiques dans le futur. De plus en plus de consommateurs déclarent adopter des comportements soucieux des contraintes environnementales, voire des comportements de sobriété (Euromonitor International, 2022) et 64% des consommateurs essaient d'avoir un impact sur l'environnement par leurs actions quotidiennes en 2023 (Euromonitor International, 2023).

Les jeunes générations s'orientent particulièrement vers les marques naturelles, expérientielles, communautaires et internationales, vers les produits transparents, non toxiques, éthiques et soutenables et vers le « No/Low make-up » (Euromonitor International, 2021).

Néanmoins, les produits naturels et bio ne constituent globalement en 2023 qu'environ 10% des ventes du secteur (Euromonitor International, 2023). La demande en cosmétiques bio et naturels s'est principalement développée en Amérique du Nord (49% des ventes mondiales en valeur) et en Europe de l'Ouest (39%), en 2018, selon Ecovia Intelligence (Xerfi, juin 2023). L'Europe se caractérise par une importance des labels avec 60% des produits cosmétiques naturels et bio certifiés, contre seulement 11% en Amérique du Nord (Xerfi, Juin 2023).

On constate cependant, dans le secteur comme dans d'autres, la présence d'un *gap* entre les déclarations des consommateurs, qui expriment leur préférence pour des produits durables, et leurs choix effectifs, toujours en grande partie en faveur de produits traditionnels (Ochs, 2022).

Le développement de la consommation des cosmétiques bio ne suffira pas à soutenir la décarbonation du secteur et réduire leur impact sur la biodiversité, sur l'eau et les ressources non renouvelables, aux échéances souhaitées par le gouvernement français. Ces objectifs devront être poursuivis également par les entreprises, à travers des innovations vertes, et soutenus aussi par des incitations des autorités publiques en direction des consommateurs et des entreprises.

## **Les comportements des entreprises en Europe et en France**

La réorientation des investissements vers les technologies vertes est désormais perçue comme une nécessité par les entreprises et ce, afin d'améliorer la durabilité de leurs activités, réduire les coûts énergétiques et/ou différencier leur offre. La différenciation est néanmoins ralentie par leur dépendance au sentier - avec la difficulté d'investir pour créer des compétences nouvelles - et limitée par la taille encore modeste des segments des consommateurs sensibles aux thématiques environnementales (Aghion et al 2020).

D'où la priorité accordée à la réduction des émissions obtenue grâce aux innovations portant notamment sur l'utilisation des ressources, dans les différentes phases du cycle de vie des produits existants (Bom et al. 2019, Varadarajan 2015). Selon le rapport Kahn et al. (2021), en France, l'optimisation des processus industriels est fréquente et les bonnes

pratiques les plus rencontrées concernent la production d'énergie d'origine renouvelable ou les actions visant à améliorer l'efficacité énergétique. Hors énergie, il s'agit surtout d'améliorer le cycle de l'eau pour en diminuer la consommation.

Le rapport Kahn et al. (2021) met également en avant les bonnes pratiques des entreprises concernant les conditionnements. Elles travaillent notamment sur les emballages recyclés ou recyclables, des changements de matériaux ou des produits rechargeables. En amont, les entreprises recherchent de plus en plus d'ingrédients naturels, d'origine végétale ou biologique, en favorisant, si possible, les achats de proximité. En aval, les actions d'optimisation des transports sont moins fréquentes et encore moins les initiatives concernant la réduction de l'impact des points de vente, ou visant l'évolution du comportement des consommateurs. Les démarches d'écoconception ou de participation à des initiatives relatives à l'affichage environnemental sont plus rares, du fait d'une méconnaissance de ses enjeux de la part des petites entreprises (Kahn et al., 2021).

L'enjeu pour les entreprises est également de développer la désirabilité des cosmétiques bio et naturels et, ainsi allier performance et sensorialité. Cette démarche constitue ainsi, de plus en plus, une variable de marketing incontournable (Quantis, 2020).

Il faut cependant souligner que la circularité rencontre des limites spécifiques au secteur, où les produits non consommés, à l'instar des médicaments, ne sont pas recyclables (contrairement aux emballages), et il ne peut pas exister pour eux, de seconde main.

Passer d'innovations environnementales épisodiques ou marginales à une vraie politique systématique d'innovations vertes implique des changements importants : d'autres types de produits, d'autres façons d'utiliser un produit (par exemple les cosmétiques solides), de réduire le packaging, d'utiliser plus longtemps une même quantité de produit, voire de réduire le nombre des produits que nous utilisons aujourd'hui.

Tout cela implique un engagement fort à long terme vers la création de nouveaux modèles d'affaires (circulaires et collaboratifs).

### ***Des innovations plus durables grâce à la collaboration au sein de la filière***

Ces innovations plus systémiques impliquent une approche basée sur l'analyse complète du cycle de vie des produits (Rocca et al. 2022, Derdouri, 2023). L'ACV permet aux entreprises de quantifier l'impact environnemental global d'un produit (sur le réchauffement climatique, mais aussi sur la biodiversité – par la pollution de l'eau, le packaging et les déchets – et sur l'appauvrissement des ressources naturelles, notamment de l'eau et des sols occupés), de façon aussi objective que possible, d'optimiser la conception d'un produit dans une démarche d'écoconception, et enfin, de mettre en œuvre un affichage environnemental.

Les entreprises devraient considérer plus souvent la collaboration dans la *supply chain* et les investissements technologiques (Euromonitor International, 2023). Les innovations durables dépendent ainsi de la capacité de la filière à créer des écosystèmes impliquant les plus importantes parties prenantes. Cette approche « *stakeholders* » serait plus favorable à la poursuite des Objectifs de développement durable au niveau aussi de la stratégie et de la gouvernance des entreprises (Beck et Ferasso, 2023).

L'industrie cosmétique est déjà structurée par des associations professionnelles importantes aux niveaux européen et français. Cosmetics Europe (qui représente l'industrie cosmétique au niveau européen) a lancé, en décembre 2022, « *Commit for our Planet* », afin de soutenir les entreprises européennes dans la transition écologique. En France, la FEBEA,

membre de Cosmetics Europe, et Cosmed (qui représente plus spécifiquement les TPE-PME et ETI) ont mis en place plusieurs initiatives pour réduire l'impact environnemental des entreprises du secteur (par exemple, le guide des bonnes pratiques sur la biodiversité de la FEBEA).

D'autres initiatives communes émergent, parmi lesquelles on peut citer l'outil SPICE (Sustainable Packaging Initiative) développé par L'Oréal et Quantis pour mesurer l'impact des packagings.

Les politiques de *clusters* viennent également soutenir la dynamique collaborative au sein de la filière des cosmétiques ainsi que sa transition écologique. L'industrie cosmétique européenne est structurée autour du Global Cosmetics Cluster-Europe qui regroupe 6 *clusters* majeurs européens<sup>3</sup> dont le pôle de compétitivité français COSMETIC VALLEY, qui est l'un des fondateurs et l'un des acteurs incontournables de l'innovation au sein de la filière cosmétiques en France, en Europe mais également dans le monde.

Cependant, malgré l'intérêt des consommateurs pour les innovations vertes, les innovations des entreprises et les initiatives sectorielles ne semblent pas suffisantes pour entraîner le secteur tout entier sur un parcours de réduction à la fois des émissions de CO<sub>2</sub> - susceptible d'atteindre les objectifs de réductions des GES en 2030 – comme de l'impact sur la biodiversité et de l'appauvrissement des ressources naturelles. La régulation publique s'avère ainsi indispensable pour accélérer la transition écologique des cosmétiques.

## **La régulation publique et les normes sociales dans le secteur :**

### **« *hard law* » et « *soft law* »**

#### ***La « hard law » : entre réglementation européenne et réglementation nationale.***

Au titre des réglementations qui ciblent les produits cosmétiques, on trouve en première ligne les règlements européens.

Le Règlement UE N° 1223/2009 du 30 novembre 2009 - dit Règlement « cosmétique » - relatif aux produits cosmétiques a pour objectif prioritaire de garantir la sécurité du consommateur à travers le contrôle de la composition, la fabrication et la commercialisation des produits. Mais ce règlement ne traite ni de l'impact environnemental des produits cosmétiques sur le réchauffement climatique, ni de celui sur la biodiversité et l'appauvrissement des ressources naturelles.

Le Règlement UE No 655/2013 du 10 juillet 2013 établit les critères communs précis auxquels les allégations relatives aux produits cosmétiques doivent répondre pour pouvoir être utilisées, à savoir : leur conformité avec la législation, leur véracité, leur sincérité, leur équité.

L'industrie cosmétique est également concernée par le Règlement n° 1907/2006 du 18 décembre 2006 (REACH)<sup>4</sup>, qui fournit un cadre législatif complet pour les substances chimiques fabriquées, importées, commercialisées et utilisées en Europe telles quelles, ou dans des mélanges ou des produits. Cette législation vise au remplacement des substances les plus dangereuses par des substances alternatives plus sûres, lorsqu'elles existent. La révision de la directive REACH devait avoir lieu en 2023 afin de « *promouvoir des substances*

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<sup>3</sup> <https://globalcosmeticscluster.eu/>

<sup>4</sup> Règlement n° 1907/2006 du 18 décembre 2006 (REACH) concernant l'enregistrement, l'évaluation et l'autorisation des substances chimiques, ainsi que les restrictions applicables à ces substances (REACH), instituant une agence européenne des produits chimiques.

*chimiques durables* », entre autres en renforçant et rationalisant les contrôles des produits chimiques. Mais face aux pressions des industriels chimiques, la Commission a décidé de renvoyer la révision de REACH *sine die*.

La toute nouvelle directive 2024/825<sup>5</sup> a vocation à offrir aux consommateurs les moyens d'agir en faveur de la transition verte et contre l'éco-blanchiment grâce à une meilleure information et une meilleure protection contre les pratiques déloyales. Ses dispositions doivent entrer en vigueur à compter du 27 septembre 2026.

Applicable depuis le 1er janvier 2024, la Directive européenne *Corporate Sustainability Reporting Directive*<sup>6</sup> fixe de nouvelles normes et obligations de reporting extra-financier. Elle concerne les grandes entreprises et les PME cotées en bourse, donc le secteur des cosmétiques, avec une application progressive en trois temps. Son objectif est d'encourager le développement durable au sein des entreprises.

La France n'est pas en reste puisque, outre les dispositifs du code de la consommation et du code de la santé auxquels est soumis le secteur de la cosmétique, la loi n°2020-105 Antigasillage pour une économie circulaire (AGEC) du 10 février 2020 a introduit plusieurs mesures qui concernent cette industrie. Elles ciblent, entre autres, des mesures d'affichage concernant les indications et les modalités de tri sur les emballages (par exemple logo Triman), renforcent l'information sur les qualités et caractéristiques environnementales des produits (sur leur packaging ou en ligne), posent certaines interdictions, comme par exemple celles d'utiliser des huiles minérales sur les emballages, d'éliminer leurs invendus non-alimentaires, d'utiliser la mention légale « biodégradable », « respectueux de l'environnement » ou toute mention équivalente sur les produits et les emballages.

Ces réglementations assurent un bon niveau de protection de la santé des consommateurs, mais avec une prise en compte encore insuffisante des enjeux environnementaux du secteur. Certes la création d'une « étiquette environnementale » pour afficher l'impact, notamment sur le climat, des produits que nous consommons va dans le bon sens mais à ce jour elle n'a toujours pas été mis en œuvre<sup>7</sup>.

### ***La « soft law » : une autre normativité***

Pour mémoire, des initiatives ont été lancées, au niveau européen, comme « *Commit for ouPlanet* » de Cosmetics Europe et au niveau français, avec la FEBEA afin de réduire l'impact environnemental du secteur. Ces initiatives se sont traduites par des normes « souples » d'adoption de bonnes pratiques par les entreprises.

Les labels font également partie de la « *soft law* ». Obtenir un label fait appel à une démarche volontaire et ne relève d'aucune obligation légale. Ils recouvrent des réalités très différentes.

Les labels s'appuient, en règle générale, sur un cahier des charges dont le respect des critères conditionne son obtention (ou son retrait) par l'organisme public ou privé qui l'a créé, et sur le signe (nom et identité graphique) qui le porte. C'est une autorité

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<sup>5</sup> DIRECTIVE(UE) 2024/825 DU PARLEMENT EUROPÉEN ET DU CONSEIL du 28 février 2024 modifiant les directives 2005/29/CE et 2011/83/UE pour donner aux consommateurs les moyens d'agir en faveur de la transition verte grâce à une meilleure protection contre les pratiques déloyales et grâce à une meilleure information.

<sup>6</sup> DIRECTIVE (UE) 2022/2464 DU PARLEMENT EUROPÉEN ET DU CONSEIL du 14 décembre 2022 dite CSRD et modifiant le règlement (UE) no 537/2014 et les directives 2004/109/CE, 2006/43/CE et 2013/34/UE en ce qui concerne la publication d'informations en matière de durabilité par les entreprises.

<sup>7</sup> Article 2 de la loi n°2021-1104 du 22 août 2021 dite Climat et Résilience.

indépendante qui est chargée de vérifier (voire de certifier) que les critères de labellisation sont satisfaits (ECOCERT, AFNOR...).

Outre les labels revendiquant la qualification de bio ou naturel en cosmétiques, ce qui implique que 100 % des ingrédients ou matières premières soient biologiques ou contenir 100 % d'ingrédients certifiés AB ou Eurofeuille<sup>8</sup>, on trouve aussi les labels environnementaux. L'agence française de la transition écologique, l'ADEME, en a listé plus d'une centaine. Pour chaque catégorie de produits, dont les produits hygiène et beauté, elle suggère les meilleurs labels, comme ECOCERT Cosmos, COSMEBIO Cosmos, Ecocert Cosmétique écologique et biologique, Nature et Progrès, ou l'Écolabel Européen<sup>9</sup> qui, par ailleurs, est peu utilisé par les entreprises du secteur.

Dans le cadre de la nouvelle directive 2024/825/UE l'utilisation des labels de durabilité sera également réglementée, et seuls les labels de durabilité fondés sur des systèmes de certification officiels ou établis par des autorités publiques seront autorisés dans l'UE, ce qui devrait permettre d'assainir le paysage des labels en particulier, en supprimant ceux qui ne font l'objet d'aucune certification par un organisme tiers.

## **Conclusion : mieux réguler pour mieux produire et consommer**

L'ensemble des acteurs reste malgré tout concentré sur le bien-être. La question des impacts environnementaux et du gaspillage est encore insuffisamment traitée.

Sur la base de nos analyses, nous pensons qu'une transformation de la régulation actuelle s'impose pour accélérer la transition écologique du secteur. Elle devrait viser trois objectifs : 1) Améliorer et mieux diffuser l'information sur l'impact environnemental global des cosmétiques, 2) Accroître la responsabilité des fabricants des cosmétiques et, enfin, 3) Orienter les investissements des entreprises cosmétiques vers plus de durabilité.

**1)** Afin d'améliorer l'information disponible sur l'impact environnemental des cosmétiques, il serait opportun :

- de créer un standard européen d'analyse de cycle de vie des produits et soutenir sa diffusion en particulier auprès des PME et TPE.

- d'investir massivement dans des programmes de recherche européens, en utilisant ce standard commun, afin de mesurer l'impact environnemental global des produits (comme des matières premières et des composants) dans toutes les phases de leur cycle de vie, et définir des objectifs d'amélioration basés sur la science (Bom et al. 2020). Les *clusters* nationaux et le Global Cosmetics Cluster-Europe sont adaptés pour porter ces programmes de recherche.

Afin de mieux diffuser l'information aux consommateurs, deux autres actions seraient déterminantes :

- faire avancer les travaux relatifs à l'affichage environnemental, en s'appuyant sur l'Eco Beauty Score et l'écolabel Européen pour les cosmétiques.

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<sup>8</sup> La DGCCRF a détaillé sa doctrine de contrôle en précisant l'étiquetage attendu d'un produit faisant référence au « bio ».

<sup>9</sup> Il a été institué par le règlement (CE) n° 66/2010 du 25 novembre 2009 établissant le label écologique de l'UE qui s'applique aux cosmétiques depuis 2015. Il a été révisé en 2021 pour en étendre son exigence et son périmètre aux cosmétiques non rinçables.

- développer l'information et l'éducation des consommateurs sur les pratiques de sobriété tout en les incitant au retour des emballages aux points de vente.

**2)** La filière cosmétique, non comprise pour le moment dans les filières à responsabilité élargie des producteurs (REP) (hormis les huiles minérales et synthétiques), pourrait en faire partie. Ce qui permettrait aux producteurs d'organiser la prévention et la gestion de déchets issus de ces produits en fin de vie.

L'Europe devrait aussi remettre à l'agenda la révision de la directive REACH afin de la compléter d'objectifs environnementaux clairs et notamment faire aboutir les propositions françaises visant à améliorer l'articulation entre les règlements cosmétiques REACH et les pratiques de classification, étiquetage, emballage (CLP).

**3)** Le troisième objectif implique de favoriser les investissements durables et les pratiques innovantes des entreprises visant à réduire tous les impacts néfastes des entreprises.

Des mesures incitatives efficaces - de type « *soft law* » - pourraient aussi être prises, visant notamment les objectifs suivants :

a) La diffusion plus importante des pratiques d'éco-conception, en prenant en compte les principes du développement durable durant tout le cycle de vie d'un produit, en attendant le futur règlement européen sur l'éco-conception. En effet le 30 mars 2022, une proposition de règlement sur l'éco-conception des produits durables a été adoptée et publiée par la Commission européenne et approuvée par le Parlement et le Conseil le 4 décembre 2023. Le futur règlement a pour objectif d'étendre l'obligation d'éco-conception à des produits non énergivores et d'aborder les aspects clés de la durabilité, de la réparabilité et de la recyclabilité des produits. Les produits cosmétiques seront donc concernés.

b) Le renforcement de l'action des écosystèmes vers la transition écologique avec la diffusion des meilleures pratiques d'éco-conception et le soutien des projets collaboratifs de recherche mobilisant les PME traditionnelles du secteur à travers une politique de filière. On peut souligner à ce propos, qu'à travers leur très riche réseau, les entreprises françaises disposent de ressources importantes à tous les niveaux de la chaîne de valeur du secteur, ce qui favorise leur coordination et leur leadership dans la poursuite des innovations pour la transition écologique.

c) L'intégration des stratégies de durabilité dans l'organisation, dont notamment l'introduction d'une gouvernance durable des entreprises

Ces mesures permettraient de soutenir une croissance plus qualitative axée sur la sobriété et la réduction du gaspillage en allant au-delà de la logique du « *care* » pour réellement intégrer la protection de l'environnement, de la biodiversité et des ressources non renouvelables, dans la stratégie des entreprises, à travers notamment l'éco-conception et l'analyse du cycle de vie des produits.

Il s'agit ainsi de gérer, au niveau européen mais également national, l'équilibre entre régulation et incitations. De la régulation pour soutenir des objectifs de transition écologique et donner de la visibilité aux acteurs mais également des incitations afin de pousser ces mêmes acteurs à devenir mieux-disant.



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## **[ Faire de la publicité pour la déconsommation : un paradoxe irréconciliable ? Un retour sur la campagne Dévendeur de l'Ademe**

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### **Résumé**

Cet article examine le paradoxe étonnant de l'usage de stratégies marketing traditionnelles pour promouvoir la déconsommation, en utilisant la campagne "Dévendeur" de l'ADEME comme exemple. Cet article met en lumière un changement dans notre façon de penser le marketing : de la promotion de produits à la réduction de la consommation. La campagne "Dévendeur" sert d'illustration et nous amène à nous demander si de telles initiatives sont de simples anomalies ou bien si elles annoncent un nouveau paradigme dans le marketing. Elle amène également à questionner le potentiel de la publicité à diffuser de nouveaux imaginaires de consommation. L'article observe que, bien que constituant un défi, la promotion de la déconsommation par le biais du marketing et de la publicité reste réalisable sous certaines conditions. Cet article nourrit la conversation sur la capacité du marketing durable à relever des défis contemporains critiques. Il se termine par des recommandations stratégiques pour les publicitaires et les marketeurs qui voudraient façonner de nouveaux imaginaires de consommation à travers leurs campagnes.

Mots clés : Sustainable Marketing, Advertising, Demarketing, Deconsumption, Sustainability

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# **Faire de la publicité pour la déconsommation : un paradoxe irréconciliable ?**

## **Un retour sur la campagne Dévendeur de l'Ademe**

### **Introduction**

En plein Black Friday en novembre 2023, l'ADEME (Agence de la transition écologique) et le Ministère français de la Transition écologique ont lancé une campagne publicitaire encourageant les consommateurs... à ne pas consommer. L'initiative a enflammé les réseaux sociaux, suscité la controverse parmi les professionnels et divisé le gouvernement. Retour sur cette campagne contestée et ce qu'elle signifie pour la publicité, le marketing et l'avenir des modes de vie durables.

À l'ère où la culture de la consommation domine encore, les paradigmes traditionnels du marketing et de la publicité sont pourtant remis en question. Il est urgent de repenser le fonctionnement de la publicité et le rôle qu'elle joue dans la promotion de modèles de consommation durables et responsables. Cet appel à l'introspection et à la réévaluation constitue la toile de fond de la campagne innovante "Dévendeur" lancée par l'ADEME en novembre 2023, qui sert d'exemple pour comprendre ces dynamiques.

Le concept de déconsommation, ou de sobriété, vital dans le monde actuel contraint par les ressources, défie les principes fondamentaux du marketing traditionnel, qui encourage la consommation perpétuelle. La déconsommation prône donc un changement culturel profond vers la réduction de la consommation, présentant un contraste frappant avec les modèles axés sur la croissance dont dépendent de nombreuses économies et entreprises. Ce changement n'est pas seulement essentiel pour l'environnement, mais il a également d'importantes implications économiques et sociales. Réduire la consommation peut soulager la pression sur les ressources naturelles en diminution, atténuer la dégradation environnementale et favoriser une distribution plus équitable des ressources.

Dans cet article, nous explorons un défi paradoxal : utiliser des techniques de marketing traditionnelles et des stratégies publicitaires pour promouvoir la déconsommation. En examinant la campagne "Dévendeur" de l'ADEME, nous plongeons dans la manière dont la publicité peut communiquer les principes de la consommation durable et la nécessité d'un mode de vie à consommation réduite. Nous abordons également des questions cruciales sur l'impact de la campagne : celle-ci est-elle simplement un épiphénomène ou annonce-t-elle un nouveau récit dans la culture de consommation ? La publicité peut-elle promouvoir efficacement de nouveaux imaginaires de consommation si essentiels pour l'avenir de nos sociétés ?

### **Du marketing traditionnel aux nouveaux paradigmes de consommation**

#### *Le « Dévendeur », un cas de démarketing ?*

Il y a plus de cinquante ans, Kotler et Levy, deux professeurs de marketing, présentaient pour la première fois l'idée de démarketing dans un article intitulé « Demarketing, yes demarketing » publié dans la Harvard Business Review. Le terme, formé du préfixe « dé- », inverse le sens du mot « marketing » : le démarketing fait référence à l'ensemble des outils marketing qui peuvent limiter ou décourager la demande pour une catégorie de produits. Une organisation, qu'elle soit publique ou privée, peut trouver un intérêt à modérer la demande de consommation d'un bien ou service chez certains ou tous ses consommateurs,

de manière temporaire ou permanente. Les deux auteurs distinguent trois formes de démarketing : général, sélectif ou ostensible. Le démarketing général vise à décourager une demande qui dépasse globalement les capacités de production d'une entreprise. Le démarketing sélectif suit la même idée mais cible un segment de consommateurs : pour des raisons d'image, une marque d'alcool peut mener des campagnes pour ne pas encourager les mineurs à boire. La troisième forme est le démarketing ostensible : il s'agit de créer un désir de consommation sous couvert de le décourager. Par exemple, annoncer qu'un concert est complet peut frustrer le consommateur et instiller l'idée que « la prochaine fois, je devrai arriver plus tôt ». Le démarketing crée un manque pour susciter un désir encore plus grand. Cette astuce est omniprésente dans l'industrie du luxe : attendre des années pour avoir l'honneur d'obtenir un sac Birkin de chez Hermès perpétue un sentiment d'exclusivité. Ces trois formes ont le même but instrumental : refroidir la demande pour réveiller plus tard le volcan du désir.

Cette notion de réduction stratégique de la demande par le démarketing informe directement les fondements de la campagne « Dévendeur » de l'ADEME, qui propose une approche novatrice pour encourager des comportements de consommation durables. En prônant une réflexion approfondie avant l'achat, la campagne utilise une forme de démarketing sélectif et général pour répondre aux préoccupations environnementales, constituant ainsi une application pratique des concepts de Kotler et Levy dans le contexte moderne du développement durable. L'effet recherché est de faire naître des questions chez le spectateur : Quelles sont les alternatives à un achat supplémentaire? Comment me tourner vers des options plus “responsables”? En ce sens, la campagne ne cherche pas à moraliser un comportement d'achat mais à faire réfléchir les individus sur les conséquences de leur consommation et provoquer un débat plus large dans la société. A l'heure où une récente étude scientifique évalue à 5% la probabilité que nous atteignons les objectifs de l'Accord de Paris et que nous restions sous la barre des +2°C, l'ADEME se fait le porte parole d'une logique de sobriété. Cette campagne pourrait être un exemple de démarketing sociétal au service d'un nouveau modèle de consommation.

### ***La promotion de nouveaux paradigmes de consommation***

Suivant la logique de réduction de la consommation, le concept de déconsommation émerge comme une stratégie évidente et complémentaire. La déconsommation, qui se concentre sur la réduction intentionnelle de la consommation et des comportements d'achat, est motivée par la reconnaissance croissante de l'impact environnemental de la surconsommation. Ce virage vers des pratiques de consommation plus conscientes s'aligne avec les objectifs plus larges de consommation et de production durables, visant à atténuer la dégradation environnementale tout en promouvant une meilleure qualité de vie. Cherrier (2009) explore les motivations de la déconsommation, offrant un aperçu des divers facteurs qui inspirent les individus et les communautés à adopter des modes de vie plus durables. La campagne « Dévendeur », qui encourage la réparation, la réutilisation ou le choix de produits reconditionnés, incarne ces principes de déconsommation en présentant des alternatives aux achats neufs.

La consommation et la production durables, entendues comme cadre holistique, intègrent les deux stratégies de démarketing et de déconsommation présentées dans la campagne « Dévendeur ». Cette approche cherche à équilibrer le développement économique avec le bien-être environnemental et la justice sociale, soulignant la nécessité de changements systémiques dans la manière dont les sociétés produisent et consomment des biens et des services. Jackson (2009) plaide pour un changement de paradigme vers des économies qui prospèrent sans dépendre d'une croissance continue, suggérant que la véritable durabilité

nécessite des changements transformateurs dans les modèles de consommation et les processus de production.

Dans ce cadre, le marketing éthique joue un rôle essentiel. Le marketing éthique, qui privilégie la transparence et les impacts sociaux et environnementaux des produits, offre un moyen pour les entreprises de contribuer positivement aux objectifs de développement durable. Smith (1990) souligne le rôle du marketing éthique dans l'alignement des pratiques commerciales avec des valeurs sociétales plus larges, incluant la durabilité et le bien-être des consommateurs. L'approche de la campagne «Dévendeur», qui encourage les consommateurs à remettre en question leurs besoins d'achats et à considérer leur empreinte environnementale s'inscrit dans cette démarche.

En synthétisant ces multiples concepts, la campagne « Dévendeur » se révèle comme une stratégie multifacette conçue dans le but de promouvoir une consommation durable et particulièrement de remettre en question la consommation en elle-même à travers l'application innovante du démarketing, les principes sous-jacents de déconsommation, de production durable et de marketing éthique. Cette approche holistique vise non seulement à réduire la surconsommation mais contribue également à l'objectif plus large de transition vers des modèles de consommation et de production plus durables. En utilisant les outils de marketing pour encourager des comportements de consommation responsables, la campagne offre des éclairages précieux sur le potentiel des stratégies marketing et de publicité pour mener à bien la transition écologique de façon concrète.

## **La campagne "Dévendeur", un exemple de publicité pour la déconsommation**

Lancée le 14 novembre 2023, la campagne "Dévendeur" de l'ADEME marque un tournant révolutionnaire dans les stratégies marketing visant à encourager un changement de comportement chez les consommateurs. À travers une série de publicités telles que « Le dévendeur et le smartphone », « Le dévendeur et le lave-linge », « Le dévendeur et la ponceuse » et « Le dévendeur et le polo », la campagne introduit un concept novateur : le "Dévendeur". Ce personnage fictif, apparaissant dans divers scénarios d'achat, que ce soit en ligne ou en magasin, conseille aux clients de repenser leurs achats. Au lieu de pousser à acheter, le Dévendeur suggère de réparer les objets existants, d'opter pour des produits reconditionnés, voire de s'abstenir d'acheter tout court, mettant en avant les économies financières et la protection de l'environnement.

Le message de la campagne est amené de manière ingénieuse, à la fois légère et percutante. L'attitude positive du personnage contraste avec la réaction perplexe des clients, qui s'attendent à des conseils de vente classiques plutôt qu'à une incitation à repenser leurs habitudes de consommation. Cette stratégie surprend, efficacement, les spectateurs. En apportant une touche originale au récit commercial traditionnel, la campagne incite habilement les spectateurs à remettre en question leurs propres comportements d'achat et leurs besoins de nouveaux produits pour envisager des alternatives plus durables telles que l'emprunt ou la location

### *Une réception mitigée*

L'approche de la campagne qui conteste la surconsommation à travers l'humour et des conseils pratiques a fortement résonné auprès des spectateurs, comme en témoigne le fort engagement en ligne. En six mois, les vidéos de la campagne sur YouTube ont accumulé plus de 3,47 millions de vues, avec des retours majoritairement positifs. Bien sûr, la

modération sur les réseaux sociaux doit être prise en compte, mais cela indique néanmoins une approbation et un engagement du public significatifs, confirmés par des centaines de commentaires de soutien sur les réseaux sociaux, où les utilisateurs ont salué l'initiative et encouragé son partage.

Malgré sa popularité auprès du public, la campagne n'a pas été exempte de controverses. L'accueil enthousiaste en ligne contraste fortement avec le scepticisme et les réactions négatives des syndicats d'entreprises. « Nous demandons à l'Ademe son retrait immédiat, faute de quoi nous envisagerons une action en justice pour dénigrement commercial », ont annoncé les syndicats du textile et de la mode (l'Alliance du Commerce, l'Union des Industries Textiles (UIT) et l'Union française des industries Mode et Habillement (UFIMH)) (Source : Capital & AFP, 23/11/2023). Les syndicats d'entreprises et les responsables gouvernementaux ont soutenu que la campagne pourrait involontairement nuire aux petits commerçants en faveur des achats en ligne, mettant en lumière un débat complexe sur l'équilibre entre les intérêts économiques et la durabilité environnementale.

### ***Une campagne publicitaire unique en son genre***

La campagne de l'ADEME marque une évolution majeure dans les initiatives de déconsommation. En effet, elle se distingue par son soutien gouvernemental, ce qui la différencie des campagnes du secteur privé que l'on a pu voir auparavant telles que celles de Patagonia - "Don't buy this jacket" - en 2011 ou l'initiative #OptOutside de REI. Alors que Patagonia défiait le consumérisme en incitant les clients à repenser leurs achats, sacrifiant potentiellement les ventes au profit de l'environnement, l'ADEME bénéficie de l'autorité gouvernementale, élargissant son influence et visant des changements sociétaux plus profonds.

Contrairement aux campagnes commerciales, l'initiative de l'ADEME utilise son statut public pour plaider en faveur d'une réflexion sur les habitudes de consommation des citoyens dans leur ensemble, promouvant moins de consommation et des choix plus durables. Cette stratégie va au-delà de la simple influence sur les préférences de marque pour intégrer des pratiques sobres et écologiques dans les normes sociétales. La responsabilité environnementale devient un devoir collectif soutenu par l'action gouvernementale. Encore une fois, cela représente une étape significative dans l'utilisation de l'influence publique pour favoriser la transition écologique et culturelle.

La campagne renverse totalement le rôle de la publicité traditionnelle, en utilisant la psychologie inversée, un storytelling innovant et engageant, et un message positif loin des discours culpabilisateurs que l'on a l'habitude de voir. Cette approche, qui contraste fortement avec les tactiques promotionnelles typiques, a efficacement capté l'attention du public en remettant en question la surconsommation. Ils ont réussi à engager leur public cible de manière innovante et créative tout en faisant appel à leurs valeurs écologiques, le tout sur un ton positif et humoristique qui évite de culpabiliser. Cela distingue non seulement la campagne, mais responsabilise également les consommateurs, offrant des leçons précieuses aux professionnels du marketing et de la publicité qui cherchent à inspirer un changement dans les comportements des consommateurs.

### ***Exemples de démarketing radical dans le secteur privé***

Comme démontré précédemment, la provenance du message revêt une importance capitale. L'ADEME bénéficie de l'autorité gouvernementale, mais qu'en est-il des entreprises privées qui souhaitent aller bien au-delà des simples efforts de démarketing affichés, par exemple, par Patagonia ?

Certaines marques adoptent une approche encore plus radicale du démarketing en choisissant de ne pas s'engager du tout dans des initiatives promotionnelles ou en limitant considérablement leur utilisation. Par exemple, Dr. Bronner's, la marque californienne excentrique de savons biologiques, privilégie la durabilité et l'approvisionnement éthique par rapport à la publicité traditionnelle, en s'appuyant fortement sur le bouche-à-oreille et la communauté pour promouvoir ses produits. De ce fait, ils n'ont pas peur de s'exprimer ouvertement sur des questions telles que la légalisation des plantes médicinales (comme la psilocybine). Ce n'est pas simplement une marque de "hippies", car des célébrités comme Bobbi Brown et Lady Gaga ont promu leurs produits sur leurs réseaux personnels, sans que ces promotions ni aucune publicité traditionnelle ne soient rémunérées, selon Michael Bronner, le président de Dr. Bronner's (Dahl, 2019).

Des marques comme Loom et Veja adoptent une approche encore plus radicale en s'abstenant délibérément de toute publicité traditionnelle. L'objectif n'est pas de ne pas faire de publicité pour vendre moins, car cela peut être contre-intuitif pour une entreprise, mais de s'abstenir de toute publicité pour dissuader les consommateurs de consommer davantage. Ces marques utilisent le budget qu'elles auraient autrement alloué au marketing et à la publicité pour améliorer leur chaîne d'approvisionnement, la durabilité et l'accessibilité de leurs produits. Loom, par exemple, se concentre sur la création de vêtements durables et communique directement ses valeurs de durabilité et de pratiques de travail éthiques sans recourir à des campagnes de marketing conventionnelles. De même, la marque française Veja, connue pour ses baskets écologiques, privilégie la transparence et l'approvisionnement éthique, et limite sa publicité pour favoriser une culture de consommation réfléchie plutôt que des achats impulsifs. Ces marques remettent en question le modèle commercial traditionnel en prouvant qu'une entreprise peut réussir et croître grâce au bouche-à-oreille et à la qualité de ses produits, sans avoir besoin de publicité.

Cette forme radicale de démarketing s'aligne sur une tendance plus large de la prise de conscience des consommateurs, où l'intégrité perçue et la position éthique d'une marque influencent fortement les décisions d'achat. Ces cas ajoutent une dimension précieuse à la discussion sur les stratégies de marketing durable, illustrant qu'un impact profond sur le marché peut être atteint même avec des efforts promotionnels minimaux voire inexistantes.

## **Promouvoir la déconsommation : recommandations stratégiques**

Lorsqu'on se pose la question : « La publicité peut-elle être utilisée pour promouvoir la déconsommation ? », il est important de se rappeler que lorsqu'un organisme public comme l'ADEME mène une campagne de ce type, son approche et son accueil peuvent différer considérablement de ceux des campagnes initiées par des entreprises privées. Si vous êtes un marketeur ou un publicitaire, vous vous demandez probablement comment il est possible de mener des campagnes de publicité et de marketing qui prêchent la ralentissement de la consommation. Comment est-ce possible ?

Il est vrai que des organismes publics comme l'ADEME bénéficient d'une confiance et d'une autorité inhérentes en raison de leur mission d'intérêt général, ce qui renforce la réceptivité des consommateurs à leurs campagnes pour la transition écologique. Ces acteurs, alignés sur les politiques publiques et financés par l'argent des contribuables, peuvent mener des campagnes à plus grande échelle sans la nécessité de retours financiers. En revanche, les entreprises qui ont une démarche écologique et communiquent dessus font souvent face au scepticisme du public, car leurs actions peuvent sembler motivées par le profit. C'est pourquoi les acteurs privés qui s'engagent dans de telles initiatives sont souvent des

marques éthiques par nature, comme les marques textiles Asphalte ou Angarde par exemple.

Qu'il s'agisse de marques éthiques ou d'entreprises plus classiques, si elles souhaitent utiliser le marketing pour promouvoir de nouvelles façons de consommer, elles doivent toutes naviguer entre profit et durabilité, ce qui peut compliquer leur message auprès des consommateurs. Les entreprises doivent également considérer le retour sur investissement financier de leurs campagnes, limitant leur échelle ou leur portée par rapport aux campagnes financées publiquement. Ce contraste nous montre clairement les défis et avantages différents que les organismes publics et les entreprises privées rencontrent lorsqu'ils cherchent à communiquer sur la transition.

Alors, comment les agences de publicité et de marketing peuvent-elles utiliser des stratégies similaires à celles de la campagne de l'ADEME ?

### ***Rester authentique***

Les publicitaires doivent s'engager sincèrement en faveur de la transition, communiquer de manière transparente sur les impacts des produits et leurs efforts pour établir la confiance, éviter la communication superficielle du rapport RSE et ne pas tomber dans le greenwashing. Il est essentiel d'établir une cohérence stratégique en prenant d'abord une position claire sur les questions de durabilité avant de lancer des campagnes qui questionnent la surconsommation.

### ***Innover dans le fond et la forme***

À l'image du "Dévendeur" de l'ADEME, les publicitaires devraient chercher des moyens innovants pour engager les consommateurs. Cela peut être par l'utilisation de récits qui mettent en avant la joie de la simplicité, de la psychologie inversée, ou en soulignant les bénéfices émotionnels et pratiques de consommer moins mais mieux. Il faut montrer clairement ce que les gens y gagnent, créer un message créatif et original peut aider à capturer l'imagination de l'audience et les encourager dans une réflexion sur leurs habitudes de consommation.

### ***Placer les consommateurs comme décideurs***

Il est crucial de capter l'intérêt des consommateurs en faisant appel à leur intelligence et à leur capacité de décision. Les reconnaître comme participants actifs dans la durabilité les responsabilise à faire des choix éclairés et les positionne ainsi comme acteurs clés dans leur parcours de consommation.

### ***Mettre en avant des alternatives désirables***

Présenter des alternatives désirables à la consommation traditionnelle, telles que l'emprunt, la location ou l'achat de produits reconditionnés, et rendre ces alternatives, ces nouveaux modes de vie, aussi irrésistibles que possible. Les publicitaires peuvent présenter ces alternatives non seulement comme écologiques mais aussi comme des moyens de vivre mieux, exploitant ainsi les désirs profonds des consommateurs. Le véritable enjeu est de rendre la transition écologique séduisante, car c'est la clé.



### ***Collaborer avec les influenceurs***

Nous connaissons le pouvoir des influenceurs sur les désirs des consommateurs, donc s'associer avec des influenceurs crédibles en matière de durabilité peut apporter de l'authenticité et étendre la portée des campagnes. Leur soutien et leur exemple peuvent inspirer leurs abonnés à considérer de nouveaux paradigmes de consommation, les faisant percevoir ces alternatives comme branchées.

### ***Éduquer en restant positif***

Éduquer les consommateurs sur les impacts de leurs choix et formuler les messages de manière positive peut les responsabiliser à prendre des décisions informées. Expliquer pourquoi ils doivent changer et quels sont les bénéfices de le faire, en évitant de les culpabiliser et en célébrant plutôt les résultats positifs des choix durables, peut encourager l'adhésion aux nouveaux imaginaires de consommation.

En abordant les obstacles et en exploitant les facilitateurs, les agences de publicité peuvent créer des campagnes impactantes qui promeuvent la durabilité et de nouveaux paradigmes de consommation. Ces stratégies, en plus de faire avancer les objectifs sociaux et environnementaux, peuvent également établir ces entreprises comme des leaders innovants dans l'industrie, offrant un avantage concurrentiel.

### ***Répondre au scepticisme des consommateurs***

Pour contrer le scepticisme, la transparence est essentielle. Les agences de marketing devraient promouvoir et pratiquer la transparence dans leurs campagnes, en communiquant clairement les efforts de durabilité et les résultats concrets de leurs initiatives. L'utilisation de données et d'études de cas réelles peut aider à illustrer les avantages tangibles des campagnes axées sur la durabilité et à contrer le scepticisme.

### ***Jouer sur l'équilibre entre créativité et messages de durabilité***

Élaborer des messages qui combinent créativité et communication efficace de la durabilité est un véritable challenge. Il est donc essentiel pour les agences d'investir dans des talents créatifs qui sont autant compétents que passionnés par les questions environnementales, capables de dépasser les conventions de la publicité traditionnelle pour créer des narratifs qui touchent un public conscient des enjeux écologiques.

### ***Faire face aux pressions économiques***

Face aux contraintes économiques, les bénéfices à court terme sont souvent privilégiés par rapport aux objectifs de durabilité à long terme. Les agences peuvent corriger ce déséquilibre en montrant les avantages des campagnes axées sur la durabilité. Ces initiatives peuvent contribuer à différencier la marque, ouvrir de nouveaux segments de marché et renforcer la fidélité des clients à long terme, compensant ainsi potentiellement les coûts initiaux par une plus grande valeur de marque et une part de marché accrue.

### ***Anticiper la résistance de l'industrie***

La transition vers la déconsommation se heurte souvent à la résistance de secteurs qui profitent de niveaux élevés de dépenses des consommateurs, comme le démontre la campagne de l'ADEME. Cette situation génère des tensions et présente un défi pour les

marketeurs : convaincre les parties prenantes des avantages à long terme par rapport aux bénéfices économiques immédiats. Les agences pourraient engager un dialogue avec ces acteurs afin de dissiper leurs inquiétudes, en présentant des études de cas où les pratiques durables ont mené à des gains financiers et en termes de réputation. Prôner des changements progressifs plutôt que des bouleversements radicaux peut également aider à faciliter la transition pour les secteurs réticents, démontrant que la durabilité peut être intégrée progressivement dans les modèles d'affaires et les processus créatifs existants. Ces stratégies contribuent non seulement à atteindre des objectifs sociaux et environnementaux, mais elles peuvent également positionner ces entreprises comme des leaders innovants dans l'industrie, leur conférant ainsi un avantage concurrentiel.

### *Créer une alliance de marques*

Pour parer aux points mentionnés précédemment, une idée pourrait être de lancer une initiative de communication collective avec une alliance de plusieurs marques mettant en commun leurs budgets. L'objectif serait de porter une initiative de communication collective avec une alliance de plusieurs marques qui mettraient ainsi leur budget en commun, pour promouvoir collectivement des pratiques de consommation plus durables auprès du consommateur (par exemple le vrac, la location plutôt que l'achat). Ce genre de projet pourrait être porté par des marques qui opèrent sur le même marché, au sein de syndicats professionnels existants (comme la FEBEA dans la cosmétique), ou qui partagent la même vision des enjeux économiques au sein de structures comme le Mouvement Impact France.

C'est en abordant les obstacles et en tirant profit des opportunités que les agences de publicité pourront créer des campagnes impactantes qui promeuvent de nouveaux paradigmes de consommation. Ces stratégies, en plus de faire avancer les objectifs sociaux et environnementaux, peuvent également établir ces entreprises comme des leaders innovants dans l'industrie et leur offrir un avantage concurrentiel.

## **Conclusion**

La publicité peut-elle donc promouvoir de nouveaux imaginaires de consommation et les rendre désirables ? La réponse est oui... et non. Cela dépend beaucoup du contexte qui distingue les secteurs public et privé et donc leurs motivations et leurs approches. Alors que les campagnes publiques comme celle de l'ADEME peuvent exploiter leur autorité et s'appuyer sur leur but non lucratif pour promouvoir la transition écologique, les secteurs privés, eux, doivent jongler entre profit et engagement, ce qui peut souvent conduire au scepticisme si cet équilibre n'est pas minutieusement géré. Le marketing est un outil majeur pour la transition vers de nouveaux modèles de consommation. Cependant, la résistance des secteurs traditionnellement axés sur la consommation reste de taille. Pour naviguer dans ce contexte, il est impératif pour les industries de démontrer les avantages tangibles de la consommation durable non seulement pour l'environnement mais aussi et surtout pour les consommateurs eux-mêmes.

Malgré les réactions négatives, les efforts de l'ADEME ont préparé le terrain pour cette transition, montrant que la déconsommation ne doit pas être vue comme une perte mais comme un gain en termes de qualité et en durabilité. L'aspect innovant de la campagne réside dans son approche de communication ; elle crée un récit qui évite la culpabilisation tout en promouvant une consommation réfléchie. Ce changement stratégique de communication est très important dans un paysage où le démarketing traditionnel manipule souvent le désir des consommateurs à travers la rareté et la peur.

Alors que les critiques de la croissance s'intensifient, la campagne de l'ADEME illustre à quel point le récit de la consommation est profondément politique. Derrière le buzz médiatique, il y a des institutions enracinées et des intérêts économiques que de telles campagnes commencent à peine à remettre en cause. Les débats législatifs actuels sur "l'ultra-fast fashion" à l'Assemblée nationale française, proposant un système de bonus-malus et des interdictions publicitaires, font écho au message de l'ADEME. Le gouvernement français a ouvert la voie, c'est désormais aux marketeurs de reprendre le flambeau. Le nouveau message du marketing durable n'est plus d'acheter plus "green", mais plutôt : « Si vous voulez être écolo, achetez moins. » La détermination politique face à la résistance, pourtant ferme, de l'industrie dans le cadre de cette campagne pourrait marquer une étape importante vers un changement des modèles de consommation et une véritable transition écologique et culturelle.

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<https://communication-responsable.ademe.fr/campagne-de-lademe-posons-nous-les-bonnes-questions-avant-dacheter>

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<https://theconversation.com/sobriete-versus-surconsommation-pourquoi-les-devendeurs-de-lademe-sont-polemiques-218728>


## Illustrations

### Spot « le dévendeur et le polo »



Le spot de la campagne "Dévendeur" dédiée à l'habillement - Ademe

### Spot « Le dévendeur et le lave-linge »



**Le dévendeur et le lave-linge**

ademe  
37,8 k abonnés

1 k 1 k Partager Télécharger Enregistrer

995 vues il y a 4 mois  
Parce que les dévendeurs n'existent pas, posons-nous les bonnes questions avant d'acheter. Réparez plutôt que racheter sur [sparignonsnosressources.pouv.fr](http://sparignonsnosressources.pouv.fr)...[afficher plus](#)

120 commentaires

### Commentaires des utilisateurs de la plateforme Youtube :



Rechercher



@j.e.a.n il y a 4 mois

Je ne pensais pas dire cela un jour, mais pour une fois, je trouve que l'argent public est utilisé à bon escient avec ce spot, pour un message utile.

66 Répondre



@user-wt6pb6rc2b il y a 4 mois

Il faudrait finalement que ce métier de dévendeur existe. Ou plutôt que les conseiller-es-clients ne soient pas juste vendeurs mais aussi dévendeurs.

34 Répondre



@yacalouer il y a 4 mois

Bravo l'ADEME pour cette campagne 🌞 La location est une des solutions pour une consommation plus libre et responsable. Et pour louer, il y a Yacalouer 😊

11 Répondre



@lemniskate\_ayd il y a 4 mois

Quelle audace de faire cette campagne ! Merci !

8 Répondre

*Spot « le dévendeur et le smartphone »*



Le dévendeur et le smartphone



ademe  
21,8 k abonnés

S'abonner

805



Partager

Télécharger

Enregistrer



971 k vues · il y a 4 mois

Parce que les dévendeurs n'existent pas, posons-nous les bonnes questions avant d'acheter. Achetez reconditionné plutôt que neuf sur [epargnonanosressources.gouv.fr](http://epargnonanosressources.gouv.fr)...afficher plus