

## Teaching Note

### Case 2.1 Global Knowledge Management at Danone (A) (abridged)

#### Case synopsis

Danone (<http://www.danone.com>) was a global food retailer selling a variety of food products such as dairy products and beverages. Danone implemented a concept called the Networking Attitude to accelerate knowledge sharing in a company. This case discusses how Danone managed internal knowledge effectively to respond to the market faster than other larger competitors and what were the challenges faced by the company.

#### Suggested assignment questions

We suggest the instructor assigns the following questions or similar ones derived from them.

1. What is your assessment of the company's knowledge management?
2. What are the most important knowledge management challenges faced by the company? What does the company need to do well to succeed?
3. What is your assessment of the Networking Attitude initiative?
4. What should the company do next? Which of the three options (go wider, go deeper, go richer) do you recommend? Why?
5. How does the CEO's approach to leading Danone affect your recommendation?
6. Can you suggest some of the concepts or theories in this chapter, which you can employ to analyze the case? Show how you apply them to the case analysis.

#### Case analysis

We expect the students to be able to identify key concepts and theories in the chapters, which directly relate to learning and knowledge management, and apply them to answering the following questions.

1. What is your assessment of the company's knowledge management?

Danone's knowledge management improved learning capability in the company. It specifically focused on creating culture and environment to share knowledge among employees, which makes Danone be a learning organization. By utilizing know-hows and knowledge of employees worldwide, the company was able to understand and solve the operational problems rapidly. This contributed to enhancing the company's competitive advantage by making the company respond to the market quickly than other competitors do.

2. What are the most important knowledge management challenges faced by the company? What does the company need to do well to succeed?

Although Danone's informal approach to knowledge management fitted well with its decentralized structure and entrepreneur culture, it was not sufficient to manage the knowledge systematically. For instance, relying heavily on the informal knowledge sharing was less effective in certain environments (e.g., time lack, cultural difference). In Danone, there was a lack of formalized tools such as IT systems or incentive mechanisms to support knowledge sharing. Although incorporating formal approaches could have negative impacts on the voluntary knowledge sharing to a certain extent, a proper balance between formal and informal approaches might be necessary to sustain and expand knowledge sharing in the long-term.

3. What is your assessment of the Networking Attitude initiative?

The Networking Attitude was generally successful since it supported the company to have a culture of knowledge sharing. As Mougin mentioned, sharing among employees was not a natural activity and the company had to find a way to encourage people to share. By utilizing various informal social tools (e.g., Marketplace, Message-in-a-bottle) in the Networking Attitude initiative, the company was able to nurture the culture in which the managers work in networks and share knowledge actively. Therefore, the initiative facilitated the company to break silos between employees and to absorb and combine knowledge in the company. But as discussed in Question 2, the initiative can be further supplemented by formalized approaches. Utilizing formalized approaches effectively would be especially necessary if the Networking Attitude initiative is to be expanded (e.g., Deeper, Wider, Richer).

4. What should the company do next? Which of the three options (go wider, go deeper, go richer) do you recommend? Why?

- Deeper: More employees

This option means that the company expands the Networking Attitude internally, including more functions and lower level employees in the company. This option can empower employees, facilitate more cross-functional communications and foster alignment between senior management and employees. But there could be language barriers among employees and the non-managers might not create sufficient value compared to costs for this option.

- Wider: Outside the company

This option means that the company expands the Networking Attitude to supply chain partners, including suppliers, consumers, and retailers. By sharing knowledge with supply chain partners, Danone can solve supply chain problems more efficiently, build stronger relationships with partners and understand the market more deeply. But in order for this option to be successful, the supply chain partners also need to have a culture of information sharing and its benefits should not leak to other competitors.

- Richer: Innovation

This option means that company creates new knowledge, process, or products through the Networking Attitude. By facilitating more innovations, Danone can stay competitive in the market and encourage innovative thinking among employees. But this option should be

complemented with proper organizational supports (e.g., evaluation and incentive systems) because it requires substantial time and resources of participating employees.

5. How does the CEO's approach to leading Danone affect your recommendation?

In Danone, the CEO maintained decentralization strategy that gave high responsibility to managers. The CEO was also committed to maintaining close touch with local markets, which allowed the company to move quickly. This strategic direction facilitates each of three options. Deeper option can become more important under the decentralization structure because this option facilitates more inter-functional communications. The company's emphasis on marketing and sales with less senior management attention to manufacturing, supply chain and purchasing also makes the deeper option necessary to reduce inter-functional conflicts. Wider option that involves more collaboration with customers is also attractive in that CEO aimed to stay close to local markets. Richer option is also important for Danone because it can lead to more innovations for its products and processes. This can support Danone's competitive strength, which is to respond to changes in the market rapidly.

6. Can you suggest some of the concepts or theories in this chapter, which you can employ to analyze the case? Show how you apply them to the case analysis.

(1) Learning and learning capability (refer to Chapter 2.1): e.g., In what respect would the knowledge management initiatives (e.g., the Networking Attitude) contribute to Danone's learning capability?

- Learning: a process through which a company identifies, analyzes, and internalizes complex cause-and-effect relationships for operations problems.
- Learning capability: an ability to enhance the performance through applying its learning to solving real-world managerial problems.

By sharing best practices and know-hows on similar issues, employees would be able to identify, analyze and understand the cause-and-effect relationship in managerial problems more effectively. Hence, knowledge management initiatives would increase Danone's learning capability.

(2) Chain of capability (refer to Chapter 2.5.3): e.g., How would the Danone's knowledge management initiatives influence its basic capability, process capability and system level capability?

- The basic capability consists of overall knowledge and experience (e.g., culture, employees' general understanding of production process).
- The process (control) capability focuses on an individual function and process.
- The system level capability relates to capabilities such as responsiveness, lead-time, quality, design, and NPD capability that customers can observe.

The Networking Attitude initiative was designed and implemented to create a culture of knowledge sharing and change the employees' perceptions on sharing. Therefore, it would improve the basic capability of the company. As knowledge and know-hows are accumulated and shared actively among the employees, they would be able to improve the company's individual process, leading to higher process capability. Continuous improvements in each function and process through knowledge management would then increase Danone's system level capability in the long-term.