

# Marketing international

Marchés, cultures et organisations

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2<sup>e</sup> édition



## Questions

1. What are the three organisational challenges of international business development?
2. What is the impact of increased linguistic diversity in multinationals? How can it be taken into account to make it an advantage?
3. What are the advantages of project-based structures and network structures compared to traditional structures?
4. How is control influenced by cultural factors?
5. What is the impact of cultural factors on the management of international teams? Take some examples.

## Business Case : Eranove : Water, electricity and green economy in sub-Saharan Africa

After consulting with employees of its subsidiaries, Eranove (formerly known as Finagestion Group) has been established. More than 7,800 African managers, engineers, supervisors, and workers specialized in electricity, water, and sanitation have come together to mark the beginning of a new era. The new era signifies a great opportunity for young African nations to witness the transfer of technology, to meet the growing demand for skilled professionals, to enhance economic and political governance, and to organize financial markets. In the energy, water, and sanitation sectors, the potential of the market is matched only by the magnitude of the challenges that need to be addressed, such as increasing access to essential public services, mitigating the impacts of climate change, and promoting a global effort towards an energy transition.

This new era isn't just for companies such as Compagnie Ivoirienne d'Électricité (CIE), Compagnie Ivoirienne de Production d'Électricité (CIPREL), Sénégalaise des Eaux (SDE), and Société de Distribution d'Eau de la Côte d'Ivoire (SODECI). It's a time for all of Eranove's employees to utilize their collective expertise to meet the expectations of African nations and their populations. The beauty of Eranove lies in its human and technological potential, which empowers it to tackle challenges with optimism. African development is an ongoing adventure with many dimensions, including cultural and socio-economic specificities of each country.

Eranove's strength lies in its ability to leverage its human and technological potential to make a significant impact in the African green economy<sup>2</sup>. Achieving this goal involves piecing together a five-pointed star puzzle.

1. Nathalie Prime, ESCP Europe, France – Cédric A. Lombardo, BeDevelopment, Côte d'Ivoire.

2. PNUE 2008 : « une économie porteuse d'amélioration du bien-être humain et de l'équité sociale tout en réduisant de manière significative les risques environnementaux et la pénurie de ressources ».

## The Market

The market is the first pillar of the star. In 2015, Africa had a population of over 1.1 billion, a number expected to double by 2050<sup>3</sup>. However, access to essential services such as electricity, water, and sanitation was relatively low, with an average<sup>4</sup> rate of 10 to 20% for electricity and around 30% for water and sanitation, with some exceptions at the national level. Demand for electricity, water, and sanitation services in Africa is exponential, as these services are essential for life and crucial for sustainable growth of both people and businesses, while also addressing the financial costs of non-implementation borne by African states<sup>5</sup>. Fortunately, Africa has abundant resources, including considerable potential for renewable and exploitable resources from economic and social perspectives. For example, the continent has 3,400 billion cubic meters of renewable water per year, but only consumes 5.5% of it for drinking, irrigation, and energy production<sup>6</sup>. To provide drinking water to the entire population would require an investment of \$22 billion per year<sup>7</sup>. However, the challenge for African states is to ensure that the price of access is affordable for the population without discouraging investors. This delicate balance requires asking the right questions and drawing on the factors for success, such as developing African expertise, fostering quality public-private partnerships, selecting reliable technical partners, establishing strong national roots, and achieving an economic and financial balance that avoids unacceptable cost increases for the population. Solutions must focus on improving supply without excessive costs, by enhancing technical efficiency, reducing waste, optimizing billing systems, and lowering cost prices.

Every day, populations gain more technical and/or financial means to access these essential services, and projects are taking shape with increasing investments. Governments, operators, and investors are aware of the need to accelerate this triptych of progress<sup>8</sup>. If the market has potential, it must be a driving force for encouraging South-South development based on the know-how and performance of African companies. However, there is no universal model, as each African country has its own specificities that must be taken into account. Each project will necessitate leveraging the internal expertise of the group and fostering exchanges of experiences with partners to effectively address these unique characteristics.

## Careers

In Africa, the provision of electricity, drinking water, and sanitation has developed through different models, with varying regulatory frameworks and roles for private operators and governments. Eranove is a private operator that operates as a long-term partner with the countries in which it works. To achieve this, the group has integrated itself throughout the entire value chain for electricity and water.

3. ONU 2015.

4. AFD 2012.

5. OMD 2000 et rapport Stern 2006.

6. FAO Aquastat 2015.

7. BAD 2015.

8. Tribune Marc Albérola, *Jeune Afrique*, Avril 2015.

For electricity, this includes hydroelectric and thermal production, energy flow management, transmission and distribution of electricity, and customer interface. For water, it involves capturing resources, purifying and transporting water, distributing it to customers, providing sanitation services, and discharging wastewater into the natural environment. As of 2014, Eranove's subsidiaries had an installed capacity of 1,100 megawatts and produced 290 million cubic meters of drinking water. They provided electricity services to over 1.3 million customers and drinking water services to over 1.4 million customers, while also offering wastewater services to more than 370,000 customers.

The companies within the group are keenly aware of the value of the resources they manage and the importance of the public services they provide. With climate change being a reality, it is taken into account in many ways. CIE operates a 600 MW hydroelectric generating fleet, where the supply of water to the dams is dependent on rainfall, and in times of drought, the production plan may be jeopardized. In the absence of climate control, sustainable electricity production and consumption is an essential response. CIPREL has built sustainable production into its model by recycling heat from its exhaust gases to power a steam turbine, producing more electricity and fewer greenhouse gas emissions for the same amount of gas burned. Similarly, SDE and SODECI face challenges in the water business, where the filling of reservoirs depends on rainfall, and urbanization has outpaced the capacity to treat and transport water. However, access to drinking water and sanitation is crucial for public health and an immediate reduction in the risk of epidemics. Therefore, all the company's activities are geared towards the consumers, and continuity of service is a duty to the population. Even during times of crisis, public water and electricity services were provided, and all the subsidiaries are committed to certifying their quality, environmental and workplace safety systems in accordance with ISO 9001, OHSAS 18001 and ISO 14001 standards, ensuring a quality of service that meets international standards.

### **The Staff**

A mosaic of African skills is at the heart of a social and managerial model developed by Marcel Zadi Kessy. This model incorporates cultural values, corporate cultures, and technological cultures, creating a unique approach to managing performance.

Rooted in local cultural traditions, an understanding of people and values, and knowledge of countries and businesses, this management model emphasizes the development of human capital through employee training and efficient work methods. In the context of technical businesses such as water and electricity, two cultural factors must be considered. Firstly, the predominance of the oral tradition in education systems, and secondly, the culture of secrecy surrounding the transmission of technical trades. These factors can impact the performance of the trades, leading to meticulous documentation of operational procedures by staff to guide the operation and maintenance of state assets. Training has become a crucial management tool, fostering unity among employees based on common technical foundations.

However, African culture also poses challenges in the form of traditional hierarchy and centralization, which can distort dialogue between collaborators and hinder the provision of national-scale public services that require local proximity. To address these challenges, decentralization and empowerment are necessary to foster effective decision-making and ensure efficient service delivery. The goal is to express and leverage the assured and shared skills of African employees within a context that respects and values African culture.



The managerial pyramid undergoes a transformation into a rake structure with limited hierarchical levels, where objectives are negotiated collectively at each operational level. Employees work together to identify needs, allocate resources, and set objectives, which are then computerized and represented in management charts. Results are closely monitored and analyzed, and decision-making becomes a shared responsibility. This participatory management by objectives approach enables decentralization of decisions, delegation of powers, and accountability for results. It also fosters a culture of open communication and accessibility within the company, creating a sense of community among employees and facilitating social dialogue between employee representatives and management.

To complement the methodical organization of processes and work instructions, an internal audit system is deployed, and Quality Safety Environment certification procedures and toolkits are developed by subsidiaries to identify best practices. These practices are then adapted to the operational context and realities of each company or new project, taking into account country-specific requirements, local culture, and the imperative of local anchoring. Eranove recognizes the importance of empowerment and adaptation, encouraging the development of know-how to sustain performance and generate solutions in diverse African contexts. Rather than substituting local skills, Eranove aims to be a catalyst for the mosaic of African expertise, while respecting the unique culture of each company.

In order to further enhance internal skills, Eranove invests in training center projects. Additionally, when additional expertise is needed, Eranove forms partnerships with internationally recognized technical leaders. In cases where local expertise may be lacking, such as in new countries where the group is expanding, Eranove establishes partnerships with local companies known for their know-how and ability to understand the local context. This approach allows Eranove to proactively address the main challenges while valuing and developing African skills in a culturally sensitive manner..

### Corporate social responsibility

Eranove and its subsidiaries have long embraced a corporate social responsibility (CSR) approach that encompasses three key pillars: responsibility towards consumers, employees, and local communities. This approach was in place even before the formalization of the CSR concept. In the public service delegation model, the state is the client, but the consumer, who is the beneficiary of essential services, is at the heart of the system. Given that all the countries where Eranove operates have ratified the United Nations declaration recognizing access to water and electricity as fundamental rights, ensuring fairness and efficiency in business practices is of utmost importance. One key aspect of performance measurement for Eranove is the reduction of connection, commissioning, and consumer response times, as well as the implementation of robust information systems to address any network events that may impact service delivery. However, considering that access to water and electricity is now recognized as a fundamental right, there is a need for further reflection on the financial and organizational interventions that can facilitate consumer access to these essential services, particularly for the less privileged populations. Eranove is committed to identifying means of intervention that can make water and electricity services financially accessible to all, including the economically disadvantaged populations. This may require innovative approaches to ensure that the service remains affordable while also maintaining the company's economic sustainability.

Striking the right balance between economic performance and social responsibility is a key consideration for Eranove, as it seeks to uphold fairness, efficiency, and accessibility in its business practices while promoting the well-being of consumers and communities served by its operations.

The CSR approach implemented by Eranove for the benefit of its employees is rooted in the African culture of solidarity. In African societies where social security coverage may be absent, the traditional mechanism of community solidarity often places a burden on the "successful" individual to provide for the needs of their extended family, such as health, marriage, or funeral expenses. This can create a social debt that may impact the judgment of employees and even lead to fraudulent or embezzlement acts. To address this issue, Eranove has implemented an innovative social policy. One key aspect of this social policy is the establishment of a solidarity fund, which is financed by both company and employee contributions. This fund provides non-reimbursable financial support to employees in the event of happy or unhappy events. Additionally, a mutual savings and loan association encourages employees to save and build up their savings, which can be used to access loans for various purposes, including property ownership. Furthermore, a Health Solidarity Fund has been set up to provide free access to tritherapies for employees infected with HIV. Eranove also has a mutual fund that allows employees to build up a "retirement treasure" and participate in the capital of their company and the Eranove holding company. In addition to its focus on employees, Eranove places importance on the host communities of its company sites as part of its CSR approach. This is particularly significant because in the history of electricity, the creation of hydroelectric dams by the state, which grants concessions, has often resulted in the displacement of communities and loss of ancestral lands. Similarly, for access to water, drawing from local resources often creates a relationship with local populations. Acknowledging these territorial roots, Eranove has taken steps to consider and engage with host communities, anticipating the central CSR issue of local development. Eranove has implemented local development actions in several villages, focusing on areas such as local governance, access to education and health, creation of income-generating activities, and preservation of the environment and biodiversity. A standardized approach has been gradually implemented, reflecting the company's managerial model in the communities. This includes training in participatory village management, providing support in social organization, equipping communities with necessary tools to identify sources of wealth, promoting a culture of savings, and encouraging sustainable management of village resources.

### **Green economy leaders and pan-African ownership**

The last branch of the star is the succession of leaders in the green economy and pan-African pan-African shareholding at the head of Eranove. The companies of the Eranove group have a historical attachment to the Bouygues Group through SAUR. Notably, an Ivorian leader, Marcel Zadi Kessy, has left a lasting mark in the group's history. He was the first Ivorian managing director of SODECI in 1975, served as CEO from 1985 to 2002, and then became CEO of CIE from 1990 to 2002. He also held the position of Board Chairperson of the companies until 2011. Marcel Zadi Kessy formulated and implemented the group's managerial policy within the companies, which is also reflected in his book "African Culture and Management of the Modern Company." The four pillars of this policy, namely decentralization, empowerment, delegation of power, and open communication, continue to be key elements contributing to the success of the companies even today.

In 2005, Bouygues divested SAUR, excluding its African assets, resulting in SDE, CIE, CIPREL, and SODECI becoming the only water and electricity utilities within the Group, no longer affiliated with a specific business line. These entities were then grouped together under a company called Finagestion, which was isolated within the Bouygues group. Vincent Le Guennou, former CFO of CIE and current co-chairman of investment fund manager Emerging Capital Partners (ECP), reconnected with Marcel Zadi Kessy, former CEO of CIE, and together they devised a plan to acquire Finagestion. They adopted a measured step-by-step strategy, intending to explain and convince stakeholders, including Bouygues, public authorities, and employees.

ECP formulated a two-stage takeover plan, with a minority stake in 2008 and a majority stake in 2009. As part of their commitments, ECP pledged to uphold Marcel Zadi Kessy's management policy, establish a core group of African shareholders, and appoint a manager who shares these principles to oversee operations. Marc Albérola, who has extensive experience in the water and electricity sector in West and Central Africa, including several years at CIE, was appointed as the CEO of the group. The new management team at Eranove, comprising Vincent Le Guennou as Chairman of the Board of Directors and Marc Albérola as CEO, is now tasked with implementing the announced strategy.

The strategy includes adapting management models to incorporate cultural specificities, entrusting these adaptations to African professionals who are best positioned to make them<sup>9</sup>. Additionally, Eranove aims to prioritize sustainable development and profitability equally, aligning with ECP's investment policy that incorporates environmental and social criteria alongside good governance and profitability. ECP has also made commitments to climate change initiatives and responsible investment principles<sup>10</sup>. Furthermore, Eranove plans to develop its African roots and become a leading pan-African player in the water and electricity sectors. The previously announced opening up of the group's shareholding will be realized, with private African investors, employees of the companies through mutual funds and management of the companies and the group, entering the group's capital<sup>11</sup>. By 2015, they collectively held 25% of the shares.

In this context, there is a favorable trend towards the emergence of top leaders within each of the companies. Most of the managers in the operating companies are promoted internally, creating a sense of ownership and responsibility. These top managers are not only stakeholders in the group, as they hold Eranove shares through a three-year free share plan, but also fully accountable for the performance of their respective companies. Furthermore, international governance tools are in place to ensure performance monitoring and rigorous implementation.

As a result, Eranove and its people are embarking on a new era. All assets are on the table, and it is now time to fulfill the wishes of employees, consumers, and governments alike. With a team of capable and committed leaders, Eranove is poised to meet the expectations of its stakeholders and deliver on its promises.

9. Interview VLG Forbes Avril 2014

10. <http://www.ecpinvestments.com/index.php/responsible-investing/the-principles/?lang=fr>

11. <http://www.ecpinvestments.com/index.php/responsible-investing/our-collaborations/?lang=fr>

## Questions

1. What are the components of the intercultural management strategy implemented by Eranove and its subsidiaries and how does this strategy influence the group's organizational model?
2. How can Eranove use intercultural management, including business specificities, to enable its subsidiaries to enhance their identity and thus adapt appropriately to the context of the African countries in which they are established?
3. What are the components of corporate social responsibility implemented by Eranove and its subsidiaries? How can they constitute levers of competitiveness to position the group as the African leader in the green economy and ensure its development on the markets for the delegation of public services and independent production of water and electricity in Africa?
4. How can an investment fund use an investment strategy based on economic, environmental, societal and organizational performance to attract investors and differentiate itself in order to enter the capital of developing companies?