

# AN INTRAPRENEURS' JOURNEY

## “Pascal, Intrapreneur @Michelin: How I created a New Business Model”



Thank you, Pascal, for sharing your experience. Would you please introduce yourself, mentioning how your intrapreneur's journey started, and your position today?



Thank you, Sylvie, for inviting me. I have worked for Michelin for more than 13 years, as an intrapreneur, even though it has not always been defined as such. I thrive on building new businesses. I started at Michelin in 2001, setting up the marketing department of their Chinese subsidiary. In 2006, I left the group to create the Cofidis subsidiary in China from scratch. Six years later, I came back to Michelin to set a new subsidiary in Malaysia. I was Managing Director for Malaysia, Singapore, Indonesia and Brunei when I had to return to France for family reasons in the summer of 2019. So, back in France in September, Michelin offered me to work on developing a new business model for the group, as Global Business Model Leader, for the Fleets department. I immediately accepted and turned this strategic project into an **initiative**<sup>1</sup>. That is how I joined the Michelin Incubator<sup>2</sup> in January 2020, to develop it as an Initiative Leader. Today, the initiative is in its final stage: we are discussing how to reintegrate it into the group. At the moment, the "WATTER" initiative is the first and, for now, sole brand of the Michelin Green Mobility business unit, that we are building along with the initiative it will host.



Your said you turned this strategic project into an initiative? What do you mean?



Initially, my mission was to take over a strategic project that could not find its commercial application for two years. This project, previously led by the group's CIO, aimed at gaining advantage on the fleet market by diversifying Michelin's business portfolio with new services to reduce dependence on a single product, the tire. Michelin's CEO had invested heavily in the search for a new service for this market and didn't want to drop the project. He wanted to proceed differently this time. My operational profile emerged as an opportunity to make a difference.

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<sup>1</sup> **Initiatives** are developed in the Michelin incubator following an exploratory process. Michelin distinguishes “initiatives” from “startups” (“the very fact that they continue to receive a monthly salary prevents intrapreneurs from claiming this status”) and from “projects” (“a linear process with milestones which are designed to gradually reduce the risks and are aimed at obtaining the desired objectives”). Marc Evangelista, Intrapreneurship, a Challenge for Large Companies, LibriSphaera, 2020

<sup>2</sup> The **Michelin Incubator** is an In-house incubation structure providing intrapreneurs with support, from the sourcing of ideas to the project scale-up, as well as a safe space to develop internal initiatives in line with the Group's vision.

Its mission is to turn internal innovative projects with market viability into scalable and impactful business models.

Created in 2014, the program was first a huge call for ideas that gradually evolved towards the development of intrapreneurs: 8 projects per year are incubated in average, each involves from 20 to 30 people, and +10 new business models have been successfully introduced since then.

For me, the idea of contributing to improve the group outcomes and reporting directly to the CEO was a great opportunity. Plus, I had total freedom to turn this strategic project into a viable solution. I immediately felt I could do it. I was thrilled!

In September 2019, arriving at the head office, I started from scratch, going into the field and meeting with the market actors to understand the real challenge.

Soon it appeared that car fleets are under great pressure because all cities are setting up low carbon emission zones, leading to a ban on diesel cars within 4 to 5 years. Their major challenge was to urgently shift to green mobility, and this was particularly true for operating vehicles, that are diesel-powered cars and cannot be stopped without affecting a company's ongoing business. We targeted three client segments: delivery, construction and maintenance. Our promise was to enable them to seamlessly switch their urban transit operating vehicles to green mobility.

Here again, the solution needed to address the constraints of the customers' specific value chain: autonomy, long load, charging stations on site, off-site reloading, etc.

In December 2019, the CVP<sup>3</sup> was approved by the ExCom: we presented WATTER, a simple and practical solution for carriers to shift to green mobility by creating and managing our customers' green value chain, allowing them to focus on their core business. The customer subscribes to a full service, easy to start and terminate at any time by returning the green vehicles. In short, the platform WATTER sells "green mobility packages" to carriers offering them the capability to switch easily to green energy by dealing with all aspects of this switch from A to Z with no burden for the customer. Imagine you are a carrier. Monday your vehicles use petrol, Tuesday morning you start your day with green vehicles. All in between has been handled by Michelin Green Mobility. Simultaneously Michelin creates a great first-entrant advantage.



If I understand well, you did in 3 months what the previous team did not manage to do in 2 years. In your opinion, what made the difference?



It's true we spotted the right challenge rather fast, and we hardly pivoted since. I believe this is because I constantly question any step forward, submitting it to a real-world test, and making sure the right challenge is addressed all along. Progressing hand in hand with customers makes things go faster. While consulting the market, we got our first customer, which turned out to be a large company working with big names. Basically, we presented the WATTER CVP together with a major lead's order. This helped tremendously in convincing the ExCom, and getting the GO for developing the CVP, namely for new budgets.



That is when you went to the Michelin Incubator?



Yet it was anything but obvious considering I took over a strategic project. But the CEO supported my experimental approach and left it up to me: I could remain in the Fleets service and develop the project under the direction of the ExCom or move into the Michelin Incubator and have it my way. I guess you know the answer.

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<sup>3</sup> CVP: *The Customer Value Proposition consists of the sum of benefits which a vendor promises a customer will receive in return for the customer's associated payment (or other value-transfer)*

In January 2020, I moved into the incubator, became an initiative leader<sup>4</sup>, and with my 8 team members, started exploring WATTER's technical aspects and market value. We started by defining the business proposal, how WATTER concretely delivers its CVP: first, WATTER studies customer's usage of a vehicle and confirms compatibility with a green vehicle; second, it provides the client with green vehicles, and the infrastructure for reloading, best adapted to the customer usage; third, a digital technology permanently analysis the vehicles mobility to detect in real time any problematic usage; fourth, an application suggests to drivers the best solution in case of problematic usage, as redirecting vehicles towards the closest charging stations. In April 2020, we got the GO to invest a million euros to develop the technology for our first pilot. A call for tender to car manufacturers followed immediately. In July 2020, we set up a free version of the application for a company of the group to test it. We purchased cars, equipped them with sensors and connected them to the platform before placing these cars at the customer's premises. This POC success confirmed the application has been very well-developed. In November 2020, we got 50 green vehicles on the road. This time, we negotiated our first contracts with companies willing to be on the pilot. Our goal was obviously to turn these 5 pilots into significative orders. In December 2020, orders rose and confirmed the success of the pilots. One customer placed an order up to 150 green vehicles. We got so excited! From February 10<sup>th</sup> to March 31<sup>st</sup>, the group will decide whether to stop the initiative or to scale it up. Considering positive client feedbacks, profitability and current orders, we did the job! The GO is a done deal. Indeed, we are discussing the modalities of the scaling up, and possibilities are many. Looking back, joining the incubator was the best thing to do, although leaving headquarters is never easy. The green mobility platform was too radically innovative to be developed in the core structure, the Incubator offered the perfect environment. Last, a centralized company with more than 95% of its turnover coming from its core business leaves little room for atypical profiles. Better seize the chance when it comes!



The Incubator manager mentions 3 sources of ideas for exploration in the incubator: existing business entities, the group technology portfolio, employees. Where does your initiative stand?



It fits all options, or it doesn't fit any. I guess this is a pattern (laughs). But you are right, I was first attached to a business line to rescue a high priority strategic project. That's why I benefited from strong resources and support right from the beginning.

But the initiative developed in the incubator originated from my team and has effectively tapped into any relevant technology within the group. Indeed, our initiative was atypical, and primarily in terms of weight and ambition. It joined the incubator in Phase 3 with a team and a validated CVP. It has been sponsored and financed from Day 1, with a budget more than 50% higher than the total budget of the incubator. What is to notice is how the Michelin Incubator perfectly fits with the initiative requirements! It provides initiative leaders with an exceptional framework where to thrive, and it adapts to the specificities of each project.

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<sup>4</sup> All project leaders are named "initiative leaders" once they arrived at the Michelin Incubator.



Please tell us more about the support you received and the challenges you faced? Who impacted the initiative outcome?



As just said, the I incubator supported us in 3 ways:

- The team counted 8 members when we joined and +40 members a year later. The incubator helped in completing the team with 20 brilliant developers.
- Also, the solution operating structure has been created there in ideal conditions. The incubator connected us with a rich ecosystem, facilitating meetings and partnerships, and offered coaching when required.
- Finally, it helped us maintain the top management trust by facilitating success tracking and offering communication support.

The top management trusted me very early on and maintained its faith on the initiative all along. The CEO sponsorship was key to access financing and resources, including technology and expertise. The legitimacy provided by the CEO sponsorship opened many doors and permitted quick progress.

The team managed to build on progressive small steps towards setting in motion a virtuous circle of support and dynamic progress. It created emulation and inspired others to volunteer and contribute. As a consequence, whenever we requested support from peers, we were welcomed. For the record:

- 4 collaborators from *Symbio*, a startup recently acquired by Michelin, joined the team offering their expertise and know-how on green energy technology.
- *Masternaut*, another startup recently acquired, produced the sensor to place in vehicles to collect data.
- We ended recruiting only 2 team members out of 20 from outside Michelin.



I understand you built the initial team of 8 members before joining the incubator. How did you select these 8 members? What were your criteria?



The team was formed smoothly throughout the initiative according to needs. After sharing my vision with the ExCom, I was introduced to Pierre-Yves, co-founder of *Symbio*, in the light of our similar views and for us to join forces and to build together the group's new strategic business line, Michelin Green Mobility.



Sorry to interrupt, but how did you welcome this surprise?



It was a great news! Pierre-Yves has an impressive track record. He built and sold with profit 5 startups. He keeps ideas coming, making it very stimulating to work with him. And our profiles are very complementary.

Plus, it was clear from the start he did not want to be the "boss". I must confess, I found that very reassuring since I really wanted to lead this initiative through.

It was a plus to undertake this ambitious initiative with an inspiring partner without the fear of finding a competitor along the way.

Let's get back to your criteria to select the team.



- Pierre-Yves, along with 3 engineers from *Symbio*, joined the team in January 2020 in charge of “energy”. All were highly qualified and familiar with the startup environment. They are huge assets for Michelin Green Mobility.
- I brought the CFO from outside the group, for being reliable and enthusiastic.
- The last 2 were talents from Michelin’s R&D, working on “hydrogen applications”.

These are the initial 8, joining in January 2020.

The founding team brings 3 very complementary profiles together:

- I look for building viable financing mechanisms and relations with investors.
- Pierre-Yves is in charge of the product offer and vision.
- Martin has a strong sales and operations acumen. He was previously MD for Eastern Europe and an appreciated peer; he was thrilled to join the initiative.
- I would like to add Marc<sup>5</sup> in charge of “tech-dev”, even if he is not a founding member. But his scope is key, and he is super committed. Marc is a former *CGI*<sup>6</sup> employee I recruited for having successfully worked with him in the past.

I realise that out of the 8 initial members, I have only recruited one. But if I had to go back, I would not change a thing! They are the best team ever!

Can you identify the key success factor of this initiative? your personal contribution? What learnings would you like to share with another intrapreneur?



Discussing with the market was essential to clearly understand its challenges. Solutions came to me intuitively as a result of a deep immersion in the market and a strong determination to tackle a real problem. For this initiative, I had a flash while coming across an interview of a major carrier, on BFM TV. He was complaining about having no solution to shift to electric cars and none to turn to for help. In a bold step, I went to meet him and put my vision to the test of his needs. He committed to deal with us, as soon as we were ready. Today, he is our main customer. Still, I repeated this interview with many others, to hear the same story each time. We got it right! The first success factor of this initiative was trying to solve a real problem and grounding the solution in field operational realities. An intrapreneur continuously tests his solution to confirm relevance. Continuous evaluation and monitoring of results help in staying focused, experimental and real.

At the end of the day, the solution was easy, finding the customized decarbonization strategy for a customer was just a matter of data. This was timely, as Michelin already had data on fleet usages and expertise in vehicle connection. The challenge was to implement it efficiently, and today we are equipped to do so! We have been leveraging on all resources and expertise in the group. We joined the incubator as being the best structure to develop our initiative fast and efficiently. Myself, I built on my expertise in both the automotive sector and the credit market, to come out with “green mobility packages”. For me thinking clearly and in detail about how to implement the solution was key, as using underexploited assets in the group. Intrapreneurs are practical

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<sup>5</sup> Names have been changed in order to maintain confidentiality of personal information

<sup>6</sup> [CGI](#) is among the largest IT and business consulting services firms in the world.

about the solution but also the means, they do a lot with little. Intrapreneurs are also brave: they face the challenges and are accountable for the results.

The last key success factor coming to my mind was being able to involve the right people, showing strong commitment and covering all areas of expertise. To build WATTER we needed to bring together a very large ecosystem: manufacturers, banks, insurance services, tech companies, etc. It was a huge challenge. Only a competent team with solid supports in different areas could do it. I believe we have now the right team. The craziest one! It's really amazing! Out of 40, 20 are from Michelin and 20 are external developers, but all are dedicated and stimulating one another. The ExCom also got very quickly hooked. They appreciate that the initiative aligns with the group's ambitions and the initial objective. Intrapreneurs must engage people around a common cause, developing synergies to reach common solutions.



Looking back, what are the benefits for the group? For you? For anyone else?



First, WATTER brings great value for the customer by solving a real problem, not yet addressed in the market. It also participates in reducing the carbon impact of operating vehicles, and therefore contributes to the environment.

For Michelin, WATTER is in total alignment with the “leader in sustainable mobility” group strategy: this innovative activity generates organic growth in the mobility sector, at the same time diversifies the company's portfolio, helps in leveraging the group assets and brings to the company a first-entrant advantage.

What is particularly interesting is the message our initiative gives to top management and to collaborators: trusting people pays!

My team and I are still very energised by this initiative. It feels like we are really contributing to help carriers solve a major issue, to reinforce the group competitive advantage while participating to building a better world. It is an amazing adventure!



Now that you are about to scale up and most probably be reintegrated into the structure, do you feel you should jump into a new initiative?



My model is François Migraine, Cofidis' founder. He started out as a Cetelem employee in the BNP Group. In 25 years, he has never changed jobs, and never stopped creating businesses ending up building a huge group. For me, this is a real intrapreneur. As far as I am concerned, I am very happy to be part of the Michelin group. I chose to be an intrapreneur for better or worse. Certainly, WATTER needs a specific entity, but I believe there is no better investor than Michelin. We are currently discussing the features of the best structure for it, whether Michelin should remain single investor, or whether we should have several shareholders. What really matters to me is that this very exciting journey is only beginning and will carry on and on...