

Implementation Guidance and Teaching Notes for

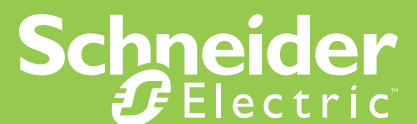
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# Schneider Electric North America:

How a Leading-Edge SHE Culture Creates Value  
for Shareholders and Stakeholders

May 2012

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### Overview and Objectives

Schneider Electric North America (Schneider Electric NA), based in Chicago, is a subsidiary of Schneider Electric, based in Paris. Schneider Electric the global specialist in energy management™ and offers integrated solutions across multiple market segments, including leadership positions in energy and infrastructure, industrial processes, building automation, data centers/networks, and residential applications. Several events around the turn of the Century, most notably the death of an employee due to an arc flash accident, caused Schneider Electric NA's executive SHE management — as well as two subsequent CEOs — to undertake a game-changing shift in corporate culture. In particular, Schneider Electric NA successfully changed its corporate culture from one of employee speed and machismo focused on short-term profits (as with many competitors in the industry) to one of employee engagement focused on corporate SHE values and long-term profits. As part of this cultural change, Schneider Electric NA's widely known safety mantra became “every employee goes home safely each night from work and returns to work safely the next day”. Employees of all levels embraced the idea so completely that management describes it as being “top led and bottom driven”.

From this cultural change, Schneider Electric NA created an aggressive SHE policy that far exceeds industry regulations and common practices. Its associated program and policies have resulted in a number of positive outcomes captured by various new non-financial and financial performance measures. These outcomes include impeccable safety and health statistics for its workforce, recognition by Schneider Electric in Paris leading to a global adoption of the North American subsidiary's policy as its global policy, and being the first organization to receive the U.S. National Safety Council's (NSC) two highest honors, the *Robert W. Campbell Award* (2009) and the *Green Cross for Safety Medal* (2011).

This case includes numerous examples of challenges Schneider Electric faced in changing its culture, as well as management team interview excerpts. In so doing, the case provides rare insights into how Schneider Electric NA's values-based leadership led to decisions to go above and beyond regulatory SHE regulations, creating tangible, long-term business value for a world-class organization exposed to high inherent risks associated with all three areas of safety, health, and environment. Measuring the business value of such initiatives has proven difficult for many executive decision makers in organizations around the globe (including Schneider Electric), which can hamper the business case for world-class SHE policies at many organizations. This case provides other organizations with concrete examples and testimonies of the value created by Schneider Electric's world class SHE policies such that other organizations and business students can learn and benefit for their organizations going forward. The case benefits students and executives from numerous disciplines, including business, engineering, policy setting, and environmental sciences, because its contextual richness and multi-stakeholder approach provides a cross-disciplinary perspective necessary for effective long-term business decision making.

The following specific learning objectives should be achieved by completing the requirements:

- Develop an understanding of the organizational value associated with investments that create a safety, health, and environmental (SHE) culture
- Demonstrate the power of utilizing effective employee engagement in effective change management
- Illustrate the challenges associated with moving a culture 180-degrees to transform a culture from one focused on short-term to long-term value creation
- Identify key stakeholders for an organization and understand their expectations of the organization
- Understand causal relationships between leading non-financial performance indicators and lagged financial performance indicators
- Apply Schneider Electric NA's SHE cultural transformation to other organizational settings

ROBERT W. \_\_\_\_\_  
**CAMPBELL**  
AWARD.



*Recipient of the 2009  
Robert W. Campbell  
Award and the 2011  
Green Cross for Safety  
Medal by the National  
Safety Council*

### Suggested Audience and Implementation Guidance

This case presents students and organizations with a world-class example of the benefits and challenges associated with moving toward a SHE culture, with a particular emphasis on safety and health using effective employee engagement. The case can be used in a variety of contexts from core business classes in management (e.g., strategy, change management, human resources), marketing (e.g., customer relations, branding), or accounting and finance (e.g., performance measurement, incentives) to MBA-level courses emphasizing these or combined topics (e.g., risk management, sustainability, etc.). In addition, courses outside of business schools also could use the case, particularly in capstone settings.

In particular, this case presents an opportunity for universities to examine these sustainability-oriented issues in an interdisciplinary fashion, which is how they are addressed in real-world situations like Schneider Electric NA. The National Safety Council (NSC) is excited about this case because the organization believed that this case is the first to specifically highlight the importance of safety in creating value for organizations. The NSC subsequently awarded Schneider Electric NA with its *Green Cross for Safety Medal* after having given its *Robert W. Campbell Award* in large part because the Company is committed to sharing its SHE cultural transformation story. This case enables students across the globe to benefit from Schneider Electric NA's experience.

This case is designed for discussion during one 75-minute class session, with the case being assigned prior to class as an advanced reading. Students can perform additional research on Schneider Electric ([www.schneider-electric.com](http://www.schneider-electric.com)), both on the global parent and Schneider Electric North America, which can be accessed from the parent site via a sub-link. Since the specific case requirements are not included within the case, instructors are easily able to alter the case requirements to tailor them to specific classroom settings.

Alternatively, instructors might wish to assign the case outside of class to groups or individuals to complete the requirements and use the classroom for group presentations or perhaps to apply the case to a different corporate setting. If another corporate setting is used, we recommend inviting a guest speaker from that organization to attend class and help lead the discussion.

## Suggested Case Requirements:

- 1** Describe the cultural change that transpired at Schneider Electric NA.
- 2** Why did Schneider Electric NA pursue its cultural change?
- 3** Describe the parties who were involved in Schneider Electric NA's cultural change process and the role that each party played in this transformation.
- 4** List Schneider Electric NA's 5 most important core stakeholders. Prioritize them in decreasing order of importance to Schneider Electric NA. Explain your stakeholder prioritization (i.e., how did you arrive at this particular prioritization).
- 5** Describe the expectations that each core stakeholder likely possessed for Schneider Electric NA in general and how the cultural change affected each stakeholder's expectations regarding Schneider Electric NA.
- 6** List and discuss three challenges you believe Schneider Electric NA encountered in deciding to change its culture and/or in implementing this change (internally or externally).
- 7** Describe Schneider Electric NA's business plan for its cultural change. How and when was the business plan developed? What types of measures are included in the business plan?
- 8** As discussed in the case, Schneider Electric NA realized significant improvements in both non-financial and financial performance measures as a result of its change in corporate SHE culture. Based on the case information and your own judgment, create an informal causal model that depicts the causal relationships between leading non-financial performance indicators (e.g., Lost Time Days) and lagged financial performance indicators.
- 9** What suggestions would you offer Schneider Electric NA as it moves forward with its cultural change process?
- 10** Describe the benefits and challenges that other organizations likely would encounter in implementing a similar cultural change.

## Suggested Responses to Requirements

### 1 Describe the cultural change that transpired at Schneider Electric NA.

Schneider Electric NA transformed its culture from one of employee speed and machismo focused on short-term financial results to one of employee engagement focused on corporate SHE values and long-term financial results. In particular, the new culture is consistent with Schneider Electric's core values of being passionate, open, straightforward, and effective. The previous culture perhaps is best represented by the Company's brand symbol at the time of a cheetah. The Company's equivalent brand symbol under the new culture might best be represented by its SHE policies, investments in training, and SHE performance results.

### 2 Why did Schneider Electric NA pursue its cultural change?

Perhaps contrary to some organizations' executive expectations or assumptions, Schneider Electric NA did NOT adopt its cultural change in pursuit of financial gains or other rewards. Nor was the change a result of complying with new or existing rules or regulations. Instead, the Company pursued this long and expensive cultural change as a direct result of an employee death caused by a 1999 arc flash accident. Schneider Electric NA viewed the employee fatality as a failure of its existing SHE policies and immediately set about to change its culture in a meaningful way. Enacting a meaningful zero-tolerance attitude (with "teeth" — e.g., employees are fired for failing to wear the necessary safety equipment required by SHE policies) for SHE policy violations became critical for transforming the culture.

### 3 Describe the parties who were involved in Schneider Electric NA's cultural change process and the role that each party played in this transformation.

The most important parties involved in the cultural transformation included every one of Schneider Electric NA's 26,000-plus employees, ranging from lower level hourly workers all the way to the C-Suite and Board of Directors, who ultimately oversees the Company's performance. First, employees at various levels within Schneider Electric NA developed a model to understand how non-financial SHE-oriented performance measures affected other, subsequent SHE-oriented measures and, ultimately, financial performance (see the suggested response to requirement 8 for additional commentary regarding the SHE performance model). If each employee does not provide accurate information as inputs to this SHE performance model, then the SHE policies will fail, along with the cultural transformation.

Second, once the SHE story is understood via the development of an adequate SHE model, its components and relationships must be effectively and frequently communicated to everyone within the Company. Executives at Schneider Electric NA help communicate the story through quarterly CEO briefings, monthly plant meetings, and daily scorecards for all employees (e.g., number of days without a doctor's visit, number of days since the previous accident, etc.). Notice how the frequency of communication increases as the level of employee drops from the C-Suite to shop floor factory workers. This increasing importance of the SHE message communication is expensive and time-consuming, yet it is extremely important if the culture transformation is to be successful and reach the level that Schneider Electric NA now describes as "top led and bottom driven".

Third, employees are incentivized to focus on the most important SHE-oriented performance measures. Employee compensation systems usually are very complicated, frequently debated, and sometimes even poorly understood by some employees. Adding an additional layer of complexity for Schneider Electric was the fact that it decided to introduce its SHE measures into its incentive compensation plan. For example, middle- and upper-level managers had to design — upper level executives and the Board had to approve — an incentive compensation plan that includes the necessary and appropriate SHE-related performance measures. At the heart of many organizational problems is an incentive issue whereby employees are forever and feverishly chasing what unknowingly are the wrong performance measures and/or not attending at all to the appropriate performance measures that would lead them to take actions and make decisions to achieve corporate objectives. To this end, Schneider Electric NA stepped out of its familiarity zone by including creating a new compensation plan whereby 15-20% of an employee's bonus

### Suggested Responses to Requirements (continued)

was based on sales, 15-20% on profit, and another 15-20% on SHE performance (e.g., reducing the medical instance rate). The innovative aspect of this incentive plan was that achieving high SHE-oriented performance was rewarded to the same extent as achieving high performance on more traditional, financially-oriented performance measures.

While Schneider Electric NA immediately set about changing its firm culture as a result of the fatal arc flash accident in 1999, it took several years for the seeds of the culture change to take root. As current CEO Chris Curtis notes, such a culture change is a way of life for every employee within Schneider Electric and is a journey that never ends!

#### 4 List Schneider Electric NA's 5 most important core stakeholders. Prioritize them in decreasing order of importance to Schneider Electric NA. Explain your stakeholder prioritization (i.e., how did you arrive at this particular prioritization).

There is no accurate answer for who are Schneider Electric NA's most important stakeholders; rather, this question is aimed at requiring students to think on a deeper level about various stakeholders and prioritization as an exercise at developing a long-term value perspective when making business decisions. When an organization is focused on short-term objectives, profits for shareholders and employee performance incentives typically dominate, along with meeting customer needs. While these objectives are important to consider when making decisions, understanding long-term value creation for shareholders requires organizations to understand that various stakeholders' reactions to outcomes of decisions are a key indicator of long-term shareholder value creation. Below, six key stakeholders and their importance for Schneider Electric NA are described as examples; however, students might include other stakeholders and place some of those listed below in a different order. The class discussion around stakeholders and prioritization should add tremendous value to the case.

- **Schneider Electric NA employees.** Clearly, the safety and well being of Schneider Electric NA employees is the driving force behind the SHE culture change at the Company. The 1999 arc flash fatality was the tipping point for the change; however, SHE leaders like Rich Widdowson already were in the process of trying to shift the culture at the time of the death. Subsequent CEO's Dave Petratis and Chris Curtis became champions of the SHE culture with employee safety and health as the primary goal, with many peripheral benefits to other stakeholders in the organizations as described in the following stakeholder descriptions.
- **Schneider Electric (Parent Company).** Since Schneider Electric NA is the subsidiary, Schneider Electric, the parent company, represents a key stakeholder group. While acquired companies oftentimes must adapt to the culture of the parent in ways that are incompatible with traditional cultures at the subsidiary, Schneider Electric NA's SHE cultural transformation was originated within the subsidiary, but was compatible with the long-term value perspective of Schneider Electric.
- **Schneider Electric NA Customers.** This stakeholder was considered carefully by Schneider Electric NA when shifting to a SHE culture because the Company knew that a great deal of education, patience, and diligence would be necessary to demonstrate to customers that ultimately they would benefit as a result of Schneider Electric NA's SHE culture. Traditionally, and even today for many organizations, the primary need when there is an issue surrounding energy management is speed in addressing problems. Prior to the SHE culture, the Company's maverick attitude gave assurances to customers that their needs would be addressed in a quality manner in as fast a time period as possible to get the customers operating at normal or improved levels. Schneider Electric NA's policy of not working with live electricity at customer sites was at first met with frustration by many customers because competitors were still willing to work with live electricity. However, the SHE culture includes termination for Schneider Electric NA employees working with live electricity or not using proper protective gear. Accordingly, employees were given no flexibility to acquiesce to insistent customers.

### Suggested Responses to Requirements (continued)

- **Schneider Electric NA Competitors.** Schneider's SHE culture includes openly sharing its SHE policies with other organizations beyond its customers, including its competitors. Schneider Electric NA fiercely competes with other organizations for innovative products and energy services solutions. However, the organization does not wish to win business from competitors because unsafe practices at competitors led to injury or death at competitor and potential customer sites.
- **Schneider Electric NA Employee's Families.** Schneider Electric NA's SHE culture explicitly extends beyond the Company's worksites and time at work. Its focus is on 24/7 safety and health. The Company does not distinguish where or how a safety or health issue arises because lost time and endangerment impacts the Company and its productivity and morale regardless of whether incidents occur at work or at home. In one case, CPR training at Schneider Electric NA enabled an employee to perform life-saving procedures on his wife when she suffered a heart attack in her house. The pride the Company takes in its role in saving her life extends across all levels, starting with CEO Chris Curtis.
- **Non-Governmental Organizations.** This case was written as part of receiving the National Safety Council's (NSC) *Robert W. Campbell Award* for safety. This was the first time that the award was given to a Company for its SHE culture — previous winners had other initiatives that the NSC believed warranted the award. The NSC hopes that this case helps business school faculty and students better understand the value associated with SHE cultures. Schneider Electric NA's passion for external sharing of its SHE culture is the primary reason that it received the prestigious NSC's *Green Cross for Safety Medal* in 2011. The Company is the only recipient of both the *Robert W. Campbell Award* and *Green Cross for Safety Medal*. At the Green Cross for Safety dinner in Chicago in April 2011, the NSC was promoting safety outside of work for all attendees, including a plea to promote employees at all companies to avoid distracted driving (including hands-free cell phones). This 24/7 safety perspective is easier to promote because companies like Schneider Electric NA already are promoting this SHE culture.

## 5 Describe the expectations that each core stakeholder likely possessed for Schneider Electric NA in general and how the cultural change affected each stakeholder's expectations regarding Schneider Electric NA.

- **Schneider Electric NA employees.** Individual employees' expectations for Schneider Electric NA vary, but generally include having a positive work environment, with fair pay, promotion opportunities, and job security. The initial response to the new SHE culture was mixed as many employees enjoyed the maverick culture and disliked the protective gear, extra process steps around safety, and zero-tolerance policy for failing to follow required SHE policies and procedures. Over time, improved safety statistics, appreciative customers, and success stories throughout the Company have led to overwhelming support for the SHE culture by Schneider Electric NA employees.
- **Schneider Electric (Parent Company).** Since safety and health policies traditionally have not been as important in European countries because of socialized medicine, Schneider Electric did not place a great deal of emphasis on safety and health as part of its culture (whereas, environmental-oriented policies and procedures have long been a part of the parent company's culture). Schneider Electric NA's ability to show the many peripheral benefits to other stakeholders has enabled the subsidiaries safety and health culture to be adopted by Schneider Electric on a global basis, which should benefit the global corporation and further help it create long-term value.
- **Schneider Electric NA Customers.** While Schneider Electric NA initially lost business in certain circumstances because of a desire for speed, a commitment to educating customers on the enhanced safety benefits to their employees and customers by not working with live electricity at their sites has paid off over the long term. Customers over time have seen the benefits for an effective SHE culture both in terms of service and quality and largely have embraced the importance of safety first over speed of service.

### Suggested Responses to Requirements (continued)

- **Schneider Electric NA Competitors.** This stakeholder group's expectations of Schneider Electric NA is a bit challenging. Prior to the change in culture, competitors likely competed against the Company's speed by trying to be faster or by arguing that their products and services were of higher quality. After the cultural shift, any competitor that emphasized speed took advantage of the opportunity. In several cases, competitors worked with live electricity after Schneider Electric NA told potential customers that they would not do so. While no deaths were reported in these cases, other problems ensued in at least two cases that led the customers to switch from competitors back to Schneider Electric NA after the problems occurred. Over the years after the cultural change, Schneider Electric NA's efforts to work with competitors to improve safety created a high-integrity reputation at Schneider Electric by its competitors for caring about safety about all employees and customers in the industry, which was one of the driving forces in Schneider Electric NA winning the NSC's prestigious Green Cross for Safety Medal.
- **Schneider Electric NA Employee's Families.** Prior to the cultural shift, the families of Schneider Electric employees likely expected the Company to keep employees safe at all times but were not provided any overt information that doing so was a top priority of the Company. After the cultural change, families likely heard complaints at first by employees who resisted the safety precautions like protective clothing and no live electricity; however, families likely appreciated these steps from the start because it clearly signaled to them that keeping their family members safe was tantamount at the Company. As the culture expanded to emphasize 24/7 safety practices at home, families should have developed an appreciation for the deep commitment to safety and health for Schneider Electric NA employees and their families.
- **Non-Governmental Organizations (NGOs).** No greater affinity for the cultural shift likely exists than at NGOs, particularly those that are focused on safety and health. For example, the NSC has bestowed both of its most prestigious awards, the *Robert W. Campbell Award* and the Green Cross for Safety Medal, to Schneider Electric NA because of its admiration of the Company's safety and health efforts. Other NGO's also benefit from having an ally in the effort to focus on the long-term benefits to organizations associated with placing safety and health over any competing short-term opportunities for profits.

## 6 List and discuss three challenges you believe Schneider Electric NA encountered in deciding to change its culture and/or in implementing this change (internally or externally).

There were a number of challenges that Schneider Electric NA encountered in embedding a cultural shift in its employees from "speed" to "safety and health" as the most important drivers of value. Students likely will have a number of interesting insights based on what is contained in the case and inferences based on what they believe might have occurred. Below we offer three challenges that we discussed with Schneider Electric NA employees and have used effectively in discussions with students.

The first challenge that Schneider Electric faced in shifting its culture to emphasize safety and health was, ironically, with the employees who should benefit the most from the cultural shift. The reason for this push-back during the early years of the cultural shift was due to the macho nature of the services performed by Schneider Electric NA. While employees were educated on the safety risks associated with working with electricity, the mentality that "I'm careful and know what I am doing" was pervasive among Schneider Electric NA employees. They took pride in being able to get the job done fast and safely. The self-admitted cowboy mentality of not needing protective gear or electricity to be turned off in all circumstances was very difficult to change. The combination of an arc flash death to a Schneider Electric NA employee and repeated training and education helped to eventually erode such resistance. Having a zero-tolerance policy toward safety also helped shift the culture effectively over time. All new employees were indoctrinated with the appropriate emphasis on safety and health and any employee who failed to embrace the change or violated the rules was terminated. In fact, very few employees were terminated, as the repeated training was effective at changing employee attitudes over time.



### Suggested Responses to Requirements (continued)

The second challenge faced by Schneider Electric NA was dealing with customers who wanted the Company to work on projects with live electricity because of the business disruptions associated with shutting down electricity around where Schneider Electric NA employees would be working. Early on, Schneider Electric NA lost business when customers decided to work with competitors who were willing to work with live electricity. The Company used education with customers (and competitors) over time to erode this resistance because of the importance of maintaining a safe environment at customer sites and the need to value the lives of individuals above short-term profitability needs. In several instances, problems even occurred at customer sites because of allowing live electricity; although thankfully there were no serious injuries or fatalities in the known cases. However, customers in those situations returned to Schneider Electric because they realized that the Company's policies were the best for both the customer and Schneider Electric NA.

The third challenge associated with the cultural shifts was short-horizon financial stakeholders interested in Schneider Electric meeting earning expectations. While the shift to a safety and health emphasized culture created significant value for the Company, management did not make the changes to make money and acknowledged that the shift would take time for stakeholders, including customers, to embrace. Hence, short-horizon financial stakeholders, including analysts and short-horizon shareholders, were critical of the Company abandoning its well-recognized reputation for speed and quality. By shifting to a safety and quality strategy, financial stakeholders were concerned that customers would prefer speed to safety and the Company would be less profitable. While this rationale was, in fact, the case, it did not persist. Over time the Company has developed a very strong reputation among the industry and with customers for caring about the safety and health of employees and families within Schneider Electric NA, at customers, and at competitors within the industry. Accordingly, financial stakeholders—including the Schneider Electric parent—have embraced the culture. In fact, the parent has adopted Schneider Electric NA's safety policy on a global basis.

## 7 Describe Schneider Electric NA's business plan for its cultural change. How and when was the business plan developed? What types of measures are included in the business plan?

As alluded to in the response to requirement 6, Schneider Electric NA did not embark on its cultural change journey to improve its financial performance. Rather, the reinvigorated emphasis on SHE was a sincere attempt to go beyond compliance and take employee engagement and safety-related performance (and subsequently health and the environment) to a new, all-time high that would ensure that each employee goes home safely each night and returns safely to work the next day. Schneider Electric NA's success with this cultural transformation has been very impressive, as evidenced by the organization's decision to adopt the North American culture and associated policies and processes on a global scale for all of its employees.

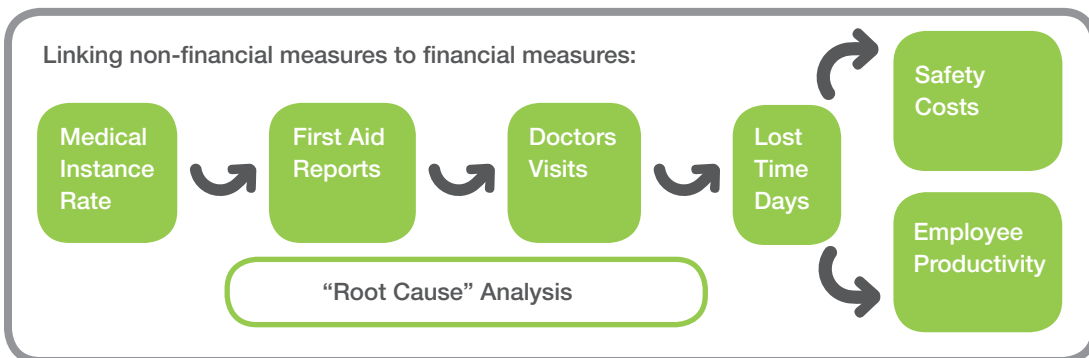
After the cultural change had taken root, Schneider Electric NA executives began to realize significant, measurable improvement in key safety measures. For example, there were 500 fewer employees being injured each year, dropping from 800 per year to 300 per year and working towards a goal of zero. In addition, Schneider Electric NA executives also began to realize through various data analyses (using both new non-financial and existing financial measures) that its cultural change was producing significant financial benefits as well as the intended SHE benefits. For instance, executives estimated the new SHE cultural change was producing approximately \$10 million in annual direct safety-related cost savings. Perhaps even more impressive was that the change also was producing additional 2:1 ratio of indirect:direct cost savings! Indirect cost savings included items such as the aftermath costs of an accident.

Schneider Electric NA also recognized the importance of motivating its workforce through an incentive compensation program that rewards high performance on all important fronts, not only financial in nature. For example, at Schneider Electric NA, 15-20% of the bonus is based on sales (i.e., revenue), 15-20% of the bonus is based on profit (i.e., net income), and 15-20% of the bonus is based on safety performance (e.g., reducing the medical instance rate). Schneider Electric NA is an industry leader in developing a meaningful SHE culture in that not only does it develop quantifiable measures around SHE activities, but it also rewards employees based on their performance around SHE activities.

Suggested Responses to Requirements (continued)

**8** As discussed in the case, Schneider Electric NA realized significant improvements in both non-financial and financial performance measures as a result of its change in corporate SHE culture. Based on the case information and your own judgment create an informal causal model that depicts the causal relationships between leading non-financial performance indicators (e.g., Lost Time Days) and lagged financial performance indicators.

This question builds upon the case discussion of Schneider Electric NA's non-financial and financial measures of performance that changed as a result of its cultural transformation. In particular, students and executives are expected to draw upon the information contained in the case's box figure entitled, "Understanding the Root Causes of Safety Costs at Schneider Electric NA" in creating their causal models. Developing an informal causal model helps students better understand the critical interrelationships between each key variable. Understanding these relationships is necessary for conducting root cause analysis regarding the drivers of the organization's most important variables. In addition, a model helps executives ensure that qualitative changes in culture actually translate into quantitative non-financial measures involving employee behavior and, ultimately, into quantitative financial measures involving safety costs, employee productivity, and shareholder value. A causal model is provided below as a sample response to this requirement:



Initially, Schneider Electric NA focused on lost time days as a means for tackling safety-related problems. The Company did find evidence that as lost time days decreased, employee productivity increased and safety costs decreased. However, identifying and managing lost time days did not improve productivity and safety results to the degree desired by management. Therefore, Schneider Electric NA investigated further, adjusting its model in the process, and discovered several antecedents to lost time days that led to this sample model. For example, over time Schneider Electric NA learned that the number of days that employees lost to work-related injuries could be reduced by reducing the number of visits employees made to the doctor. Going back even further, Schneider Electric NA realized that doctor visits was driven by the number of first aid reports filed by employees. Eventually, Schneider Electric NA traced the driver of first aid reports to medical instances as the root cause trigger of subsequent increased safety costs and decreased employee productivity, thereby resulting in a model similar to the sample one presented here.

It is important to note that causal models are complex tools that require careful and meticulous communication efforts within the organization. For example, Schneider Electric NA employed quarterly CEO briefings, monthly plant meetings, and daily scorecards for all employees (with measures such as "number of days without a doctor's case" and "number of days since the last accident"). Note that communication became more frequent as the level of employee became more removed from the C-Suite office.

### Suggested Responses to Requirements (continued)

This iterative discovery and model development process required many meetings, discussions, data collection, data analyses, and a willingness to learn in a continuous fashion, as well as an ability to “let go” of management expectations (sometimes long-held in nature) regarding variable relationships that ultimately were disproved by data analyses. Perhaps the most important point to remember with causal models is that no model is “correct” (i.e., an R-squared of 1.00 in a regression model environment); instead, the key question to ask oneself is, “Is my model correct enough that it helps managers and employees make better decisions than without the model?” Schneider Electric NA arrived at the strong realization that its decision-making process — and its cultural transformation and perpetual performance results — was greatly enhanced by the continuous development and use of such causal models.

### 9 What suggestions would you offer Schneider Electric NA as it moves forward with its cultural change process?

The benefits associated with shifting to a health and safety emphasized, employee-engagement culture have been realized at Schneider Electric NA and have the potential to persist at the Company and the Schneider Electric parent Company. However, there needs to be a consistent effort to train and link incentives to safety and health initiatives to maintain and enhance the culture. There have been numerous instances at other companies when backing off of investments in culture have led to a regression and created opportunities for competitors to take advantage.

One way to help ensure that the safety and health emphasized culture persists is to continually work to identify new metrics associated with safety and health and work to link them to measures of value as described in problems 7 and 8 above. While profitability and long-term value creation was not the primary reason for the cultural shift, demonstrating value creation over time for any culture helps ensure that it will persist over time. Without such value linkages, new leaders or boards of directors might be tempted to take the organization in another direction by enacting a cultural shift that does not emphasize safety and health.

Another way that Schneider Electric NA can continue to improve its safety and health emphasized culture is to continue to work to embed its culture within the parent company, Schneider Electric. Given that the Company operates across the globe, with a heavy presence in Europe, Asia, and South America, continuing to emphasize the long-term value created by emphasizing safety and health both in emerging economies and socialist environments (where health care costs are directly borne on governments) is an important way for the global company to reap similar benefits as Schneider Electric NA.

Student likely will generate other suggestions for how to further enhance safety and health, employee-engagement culture, particularly based on the course in which the case is being used. We believe that developing an appreciation for continuous improvement and the dynamic, fleeting nature of culture when insufficient investments are made are very important aspects of this case that should be incorporated when being discussed.

### 10 Describe the benefits and challenges that other organizations likely would encounter in implementing a similar cultural change.

There is a wide array of responses that students could offer for this question. Instructors should challenge students to consider a number of factors across organizational contexts. Students are likely to emphasize the dangers associated with a particular industry or organization. However, instructors should point out that safety and health risks are essentially the same for all employees after they leave work, which is between 12 and 16 hours a day for most employees. For example, a 2012 Duke University study predicts that obesity rates in the United States will increase from 33 percent in 2012 to 42 percent in 2030, based on current trends. Given the personal and macro costs to society for this increase, all organizations should work to encourage healthier lifestyles, regardless of whether the organization is a University or an organization like Schneider Electric NA that works with live electricity.

### Suggested Responses to Requirements (continued)

The challenges that most organizations face in moving their cultures to become safety and health, employee-engaged emphasized vary depending on the extent to which they already have this type of culture in place. Many organizations that have adopted socially-responsible initiatives as part of a corporate responsibility function already have placed pressure on organizations to emphasize safety and health. In such cases, Schneider Electric NA's story is quite helpful in demonstrating the end-game benefits of continuing efforts to move in this direction. Often, individuals in corporate responsibility functions lack knowledge of how to measure social-oriented measures like safety and health. Accordingly, they struggle to make traction with Boards of Directors and C-Suites for the need to enhance efforts in this area. Accordingly, having data and examples like Schneider Electric NA to show executives and board members the long-term benefits associated with investments in safety and health should be very helpful for corporate responsibility personnel.

For organizations that have not yet invested significantly in creating a safety and health culture, Schneider Electric NA's example provides an excellent case study to help show the benefits of moving in this direction because of how far the organization has come when compared to where it began prior to shifting to this culture. If a speed-based, maverick culture can change and reap significant benefits, most any other organization should be able to achieve similar results.

The most important benefits associated with a safety and health emphasized, employee-engagement culture is that the workforce is in a better position to thrive over the long term. This benefit enables less turnover, lower employee maintenance costs associated with health care, better morale, and depending on other policies in place at organizations, the opportunity to develop more diverse environments that foster innovation. While innovation is not a direct result of safety and health, it is a necessary condition for helping to develop an environment in which employees believe that they are valued such that they are motivated to seek new ways to improve products, services, and processes. Any organization that moves towards a safety and health culture should consider developing metrics that demonstrate the long-term benefits associated with the culture to avoid regression over time, particularly when economic conditions place pressure on organizations to continue such emphasis. With effective measures that link safety and health to long-term value, managers are able to demonstrate that not only is this culture the "right thing to do" but it also is a culture very much in the best interests of shareholders and other stakeholders.

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