

Schneider Electric North America:

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

May 2012

Make the most of your energySM



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Executive Summary

Schneider Electric North America (Schneider Electric NA), based in Chicago, is a subsidiary of Schneider Electric, based in Paris. Schneider Electric is 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. In 2010, Schneider Electric NA accounted for 24 percent of Schneider Electric's 19.6 billion euros in revenues and approximately 22 percent of the Company's 119,000 employees. The business of providing energy solutions is extremely challenging and presents a number of hazards regarding safety, health, and environmental (SHE) impacts if not managed well. 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 standard 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.

ROBERT W. _____
CAMPBELL
_____ AWARDS®



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

Overview of Schneider Electric Vision and Core Values

Schneider Electric, based in Paris, France, is the global specialist in energy management with operations in over 100 countries. Led by CEO Jean-Pascal Tricoire, Schneider Electric offers integrated solutions across multiple market segments, including leadership positions in utilities and infrastructure (20% of 2010 sales), industrial and machines (24%), non-residential buildings (30%), data centers (17%), and residential buildings (9%). Focused on making energy safe, reliable, efficient, productive, and environmentally-friendly (i.e., “green”), the company’s 119,000 employees achieved 2010 sales of 19.6 billion euros (\$26 billion), through an active commitment to help individuals and organizations “Make the most of their energy.”

Schneider Electric’s vision of “a world where we can all achieve more while using less of our common planet” is particularly compelling because it operates in a growth industry with a unique opportunity to help solve one of the world’s biggest issues—energy—that involves many stakeholders. For example, as of 2011, 1.6 billion people have no access to electricity and the global energy demand is estimated to increase by 50% by 2050! True to its vision, Schneider Electric focuses on being global, innovative, and responsible. While the Company has operations in more than 100 countries, it generated 37 percent of its 2010 sales in new and emerging economies: Western Europe (34%), North America (24%), Asia Pacific (24%), and the rest of the World (18%). Growing its revenues in developing economies is a key strategic objective of the Company. In addition, Schneider Electric devotes 5 percent of its sales to research and development, employing 7,500 research and development engineers in 25 countries, with a particular emphasis on smart grid technologies. The Company sees developing complete solutions for the smart grid as its competitive advantage, including innovation in the areas of renewable energy, energy efficiencies, electric vehicle charging infrastructure, and grid automation.

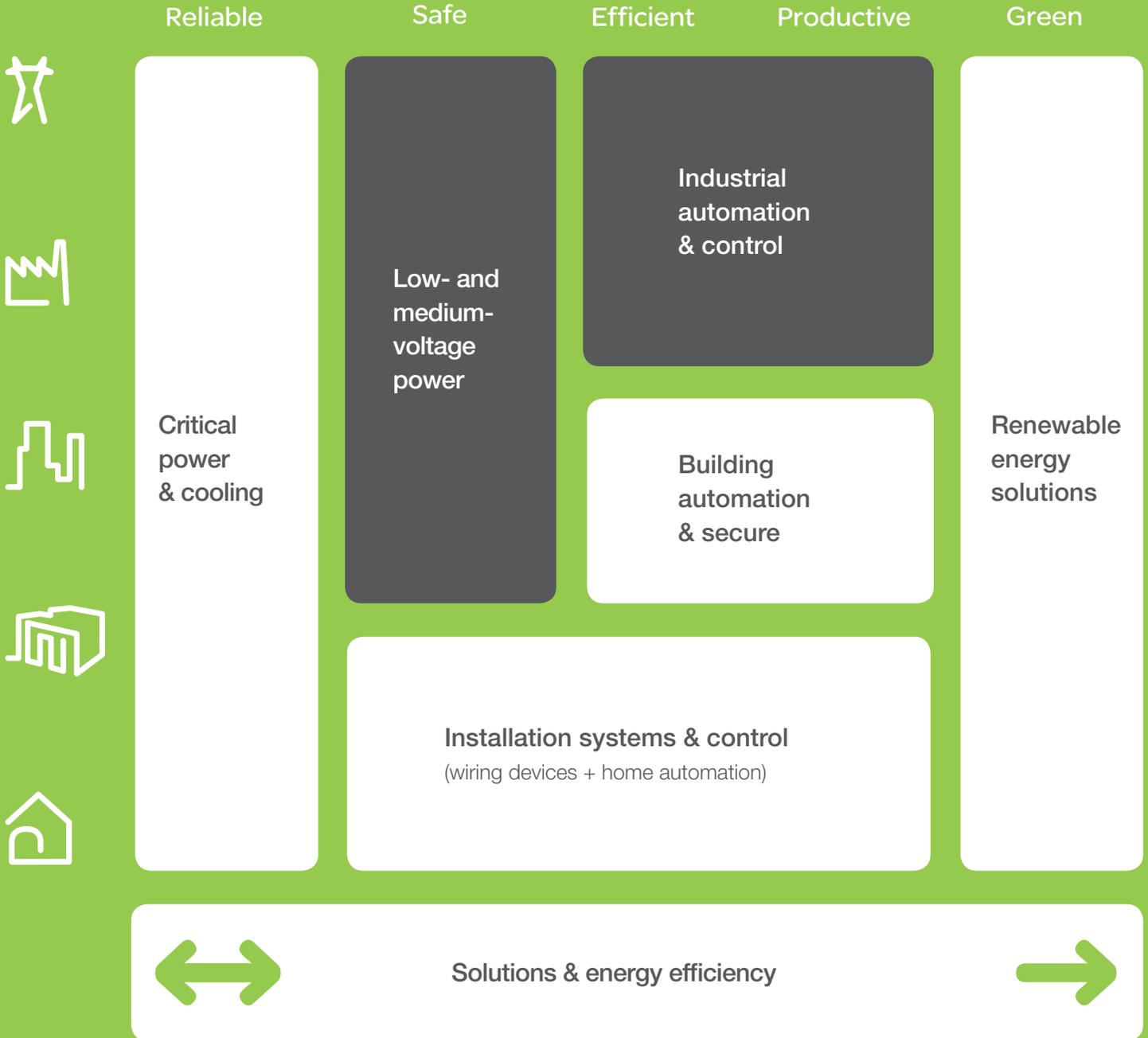
Schneider Electric’s core values flow from its vision and drive its decisions and are as follows:

- **Passionate**—passion for a strong culture to drive innovation
- **Open**—curious, collaborative, cultivates diversity
- **Straightforward**—walk the talk, integrity, talk straight
- **Effective**—high performance, pragmatic, fast

As a pioneer in the new environmental economy, Schneider Electric is an active participant in the process of sustainability and the need to balance its societal requirements while maintaining and nurturing the ecological needs of today and the future. In fact, the Company sees this emphasis as both a necessity and source of competitive advantage because of the shifting demographics, increasing energy demand, and increasing costs of traditional energy sources. By focusing efforts on improving the lives of key stakeholders, such as employees and customers, while maintaining its fiduciary responsibility to create value for shareholders, Schneider Electric proves to be a commendable example of both effective strategy and corporate responsibility in the 21st Century. Schneider Electric is recognized for its citizenship through its inclusion on the Dow Jones Sustainability, Advanced Sustainable Performance, and the Ethibel Sustainability indices.

Schneider Electric Business Model

With the most comprehensive and integrated portfolio in energy management



Schneider Electric North American Operating Division

The Schneider Electric North American Operating Division (Schneider Electric NA), headquartered in Palatine, Ill., markets brands of Schneider Electric to customers in the United States, Canada, and Mexico. Led by CEO Chris Curtis, Schneider Electric NA has 19,000 employees in 33 plant & logistic sites and numerous sales and services locations throughout the region. Its products and solutions include major brands, such as Square D®, APC®, Pelco®, and Juno® Lighting Group. Other major brands for Schneider Electric outside of Schneider Electric NA include TAC® and Xantrex®. Furthermore, Schneider Electric NA generated \$3.6 billion in sales in 2008.

In the United States, Schneider Electric NA is best known by its flagship Square D brand, with Telemecanique becoming increasingly known in the industrial control and automation markets and supported by many Square D distributors. For more than 100 years, Square D has been a market-leading brand of electrical distribution and industrial control products, systems and services. Schneider Electric acquired Square D in 1991 and subsequently renamed the Company Schneider Electric NA, while keeping the brand Square D for many of its products and services.

Schneider Electric NA Safety, Health, and Environmental (SHE) Organization

This case focuses on the SHE division within Schneider Electric NA, which is led by Rich Widdowson. At Schneider Electric, SHE is implemented globally through the Global Safety & Health and Global Environmental Committees, led by Annette Clayton, who is the Schneider Electric EVP Global Supply Chain. As part of the rollout of global implementation of Schneider Electric NA's processes, Rich Widdowson took on additional responsibility by also serving as the global lead for safety for Schneider Electric. The organizational chart on the next page identifies the key personnel involved in SHE at Schneider Electric NA in 2011:

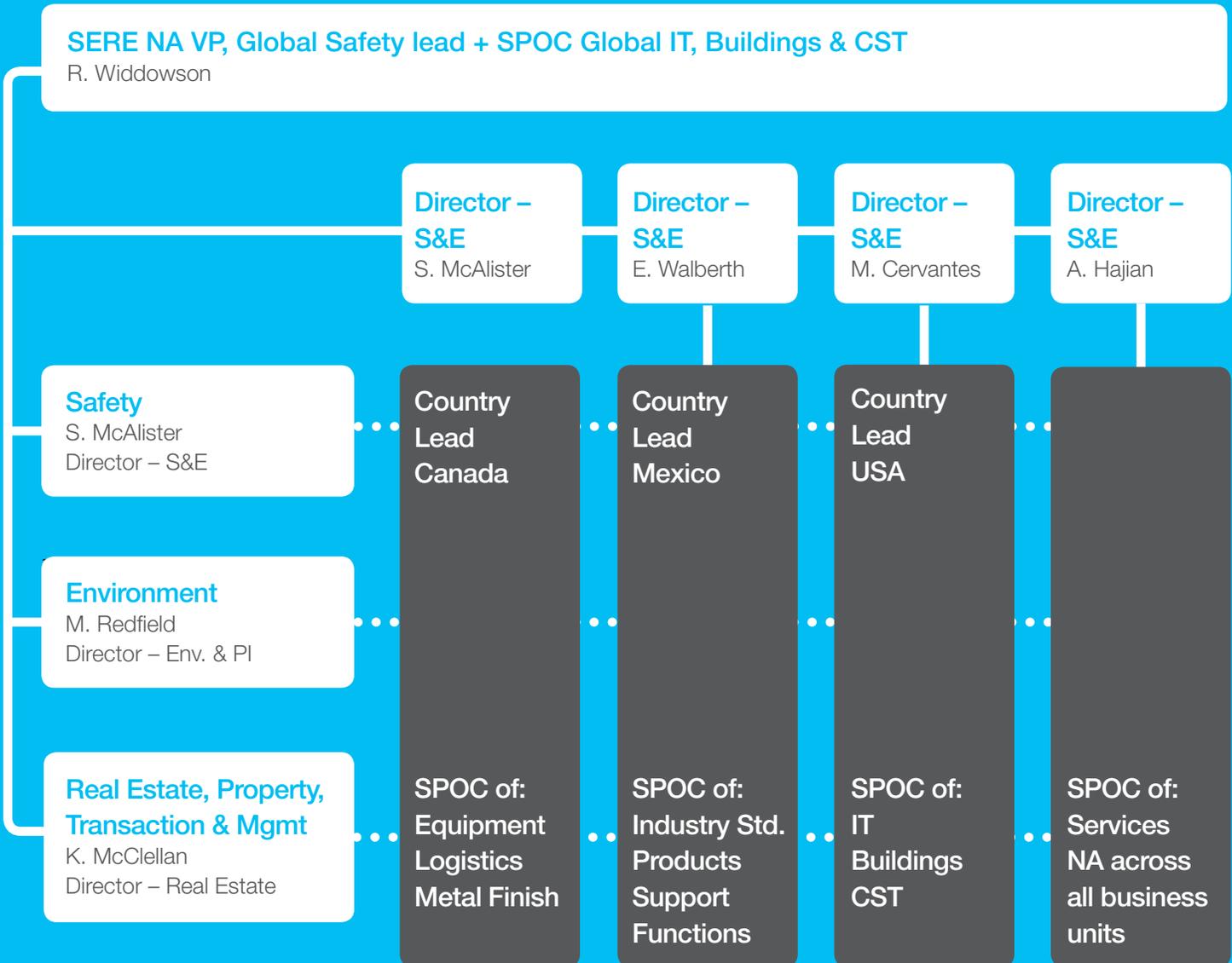
Schneider Electric Services: The Service Business Unit of Schneider Electric NA

Schneider Electric Services is dedicated to maintaining and improving customers' electrical system productivity and efficiency, providing them with power, automation and control service solutions. Schneider Electric Services' customer support services are designed so that customers can select the level of expertise and resources needed to keep customers' processes at peak operational performance, anywhere in North America. Schneider Electric Services are marketed under the following: Square D Services, Schneider Electric Automation & Control Services, and Square D Engineering Services. While Schneider Electric NA's SHE policy and culture transformed the entire organization, Schneider Electric Services provide perhaps the best division on which to focus because it is perhaps the most dangerous line of business at Schneider Electric and it involves providing services at customer locations. There is perhaps no greater challenge to implementing a world-class SHE policy and culture than when doing so can disrupt or impede a customers' operations at a maximum or increase the time of the project to completion at a minimum.



Rich Widdowson,
Schneider Electric
NA Vice President of
Safety, Real Estate,
and Environment and
Schneider Electric
Global Lead of Safety,
at the Schneider Electric
Services Facility in
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Safety, Environment & Real Estate (SERE) NA Organization



Driving Cultural Change Towards Employee Engagement

Organization Change: The Impact of an Arc Flash Accident on Schneider Electric Services and Schneider Electric NA's Culture

Pre-1999: The Cheetah — Speed is Key!

Prior to 1999, Schneider Electric Services' culture, as in many organizations, was defined by short-term, profit-oriented goals, which translated to a culture of risk taking (rather than employee safety) as a top priority. This culture was best illustrated by its brand symbol at that time — a cheetah. Customer service was focused on speed. Schneider Electric Services coordinated very little pre-job safety and environmental planning in an effort to complete jobs as fast as possible to minimize customer disruption. Because there was not a zero-tolerance policy in place when working at customer sites, employees often would take unnecessary risks (such as working with "live" electrical systems) when diagnosing, repairing and solving customer problems to complete the job as quickly as possible.

This attitude about fast customer service in live environments did not create problems for Schneider Electric Services employees; rather, it resulted in a macho, cowboy mentality among many employees. In this type of culture, many employees likely perceived that taking extra safety precautions was a sign of weakness. Even if this perception was not true in reality, newer employees certainly could arrive at such a conclusion in the absence of a strong, zero-tolerance SHE policy.

This culture prevailed not because management did not value the safety of its employees but rather because minimizing costs and completing jobs to meet customers' perceived expectations were considered the top priority. Accordingly, the goal of satisfying customers' needs while minimizing costs often led to a failure to take prudent safety precautions on jobs at customer sites. The main role of safety at that time was regulatory compliance and the primary emphasis was on avoiding electrocution. This environment unknowingly put Schneider Electric Services employees at great risk, which was realized when a tragic accident occurred in 1999.



Arc Flash can result from inserting a tool in the wrong place or dropping a tool into a circuit breaker or service area

What is an Arc Flash Accident?

Arc flash, defined by the National Fire Protection Association (NFPA), is "a dangerous condition associated with the release of energy caused by an electric arc." It occurs when electrical insulation or isolation between conductors is broken or can no longer withstand the applied voltage. Arc flash can result from inserting a tool in the wrong place or dropping a tool into a circuit breaker or service area.

In fact, an explosion can occur under any of the following conditions:

- 1 if an employee is working on or near energized conductors or circuits, or
- 2 moves near or contact the equipment, or
- 3 a failure of the equipment occurs; any of these conditions may cause a phase-to-ground and/or a phase-to-phase electrical fault.

Source: www.electricityforum.com/arc-flash/arc-flash-defined.html

September 1999 Arc Flash Incident and Fatality

Preventing arc flash accidents traditionally had not been a priority at Schneider Electric NA nor at other electricity-oriented companies mainly because of a lack of understanding about the probability of one occurring on a job site and the severity of risks to employees (see insert for a definition of an arc flash accident). Unfortunately, the machismo, profit-oriented culture created an environment that did not emphasize increasing awareness of this potential risk to employees. As such, the lack of understanding and emphasis on prevention of arc flash incidents ultimately led to a tragic event involving a Schneider Electric Services employee. On September 13, 1999, a particularly devastating arc flash occurred, resulting in the death of a Schneider Electric Services employee.

This accident placed Schneider Electric NA and Schneider Electric Services at a crossroads. No company wants employees to be injured or killed; however, many organizations appear to implement policies designed to meet regulatory standards and minimize injuries and death. For example, consider the wide-scale criticism against BP for its safety practices and string of incidents, particularly the explosion at a refinery at Texas City in 2005, leading up to the 2010 Horizon oil-rig explosion and subsequent Gulf of Mexico oil spill. Regardless of whether or not BP violated any regulatory SHE laws or regulations, the criticism against the Company often has focused on whether BP did enough to ensure the safety of its employees and the resulting impacts on the environment based on safety risks, particularly having experienced incidents.

Schneider Electric NA did not need any additional events to teach it a lesson — the Company viewed one fatality as a failure of its SHE policies and took immediate action. Immediately after the fatality, Schneider Electric NA's Electrical Safety Procedures were rewritten and all personnel were retrained for safety. Pre-job planning and the often ignored existing guideline of "No Live Work" was no longer merely suggested, but instead was mandated. Furthermore, all pertinent employees were retrained on the National Fire Protection Association (NFPA) 70E — Standard on Electrical Safety in the Workplace. These actions further resulted in all Schneider Electric Services employees being issued a full-range of NFPA personal protective equipment.

Requiring such conservative preventative measures and additional protective clothing was a difficult transition for the employees because of the pervasive "cowboy" culture prior to the accident. Employees were not comfortable slowing down jobs to ensure that customers and Schneider Electric Services team members were taking all precautions. This transition was particularly challenging for experienced employees who had never had an accident of any kind and viewed safety risks as affecting employees who were not as skilled. As a comparison, consider the reaction to the National Highway Traffic Safety Administration's December 2011 recommendation that all hand-held electronics be prohibited for use by drivers. Most citizens favor the policy for inexperienced drivers, such as teens, but are opposed to it for themselves because they believe that they are good enough drivers not to be distracted when using a telephone while driving.

The role of zero-tolerance for key SHE policies has been critical for transforming the culture over time. The policies include requiring established procedures for all routine jobs, while ensuring that all non-routine jobs be preplanned with a specific SHE review process. Schneider Electric NA also forbids any and all repair work on energized—i.e., "live"—equipment to eliminate the chance of another arc flash incident or electrocution. Also, personal protective equipment has gone from a modest suggestion to a mandated total work prerequisite in the post-1999 Schneider Electric NA safety culture. In essence, Schneider Electric NA has greatly reduced risk-taking behavior that places employees and customers at risk for SHE incidents and has stated in clear terms that if the job cannot be performed safely, then it should not be performed at all.

Accordingly, Schneider Electric NA had to strictly enforce its mandated policy by making failure to follow the Company's heightened SHE policy sufficient cause for termination. Over the years, Schneider Electric Services has been forced to enforce its policies, even once terminating an experienced, high-performing employee who failed to perform all required precautions. As a result, the extensive overhaul in safety as a priority resulting from the September 1999 tragedy and management's ability to enforce new zero-tolerance policies sowed the seeds for a new SHE culture at Schneider Electric NA driven by effective employee engagement, which is still being refined and improved upon today.



In addition to the changes to SHE policies at Schneider Electric NA, the Company became a staunch advocate for arc flash prevention and safety for the industry and its stakeholders. Most notably, the Company produced a DVD illustrating the explosive, deadly nature of arc flash incidents in a training exercise much like how automotive companies demonstrate the dangers of not wearing seat belts or texting while driving through the use of crash-test dummies and controlled crashes. Anyone can register to download the free DVD “It’s a Matter of Your Safety” by going to Schneider Electric NA at www.schneider-electric.com/us (see insert).

Schneider Electric’s willingness to share any safety processes with employees, customers, and other stakeholders, including competitors, was the driving force behind the Company being awarded the National Safety Council’s (NSC) prestigious 2011 Green Cross for Safety Medal. According to its website, the NSC awards the Green Cross for Safety Medal annually to a company that “has distinguished itself over a period of years for outstanding achievements in workplace and off-the-job safety and health, community service, environmental stewardship, and responsible citizenship.” Schneider Electric NA can point to the arc flash accident in 1999 as the starting point in its journal to emphasizing a SHE culture both within the Company and with its key stakeholders.

Measuring Pre-Cultural Shift Performance: The Need for Change

Schneider Electric NA further recognized that a strong case for change could be made within the energy industry and beyond. For example, every day in the U.S. over 3 million workers are injured and 14 workers die on the job. The direct annual costs of workers' compensation exceed \$50 billion! In addition, indirect costs, such as lost productivity, replacement worker costs, equipment damage, and poor morale can add another one to two times this amount when estimating the total costs of these accidents.

Within the U.S. energy industry, Occupational Safety and Health Administration (OSHA) established a metric called the recordable injury rate, which measures the number of recorded injuries for industry employees per 100 full-time workers. In 2002, when Schneider Electric NA had already seen a significant improvement in its safety performance since the 1999 fatality, they decided to create a new safety policy that was initiated based on its decision to commit to dramatic further improvements in its safety performance. The OSHA average recordable rate for private industry employers was 5.0 cases per 100 equivalent full-time workers. Schneider Electric NA was below industry average at 3.6, which did not present a strong case for change — there was not a financial business case at the time (e.g., there was not a sufficient return on investment, etc.). The significant financial benefits of the transformation were measured and realized later.

So why did Schneider Electric NA embark on such a dramatic commitment to safety improvements? The Company did it for its people as Schneider Electric NA began its culture change by adopting a zero injuries goal. Its focus on safety improvements was possible because this goal aligned perfectly with simultaneous improvements in employee engagement that was the driving force leading to its cultural change.



“It’s a Matter of Your Safety” Electrical Safety Video

Arc flash accidents that cause serious and sometimes fatal injuries occur 5 to 10 times every day in the United States. Square D by Schneider Electric has produced this electrical safety video as an awareness tool for anyone who faces a risk from electrical accidents that might occur when work is performed on energized electrical equipment. This video provides information about arc flash, arc blast, shock, and electrocution hazards.

Offer of **FREE Arc Flash DVD** Download to Anyone, Including Competitors of Schneider Electric Services
www.schneider-electric.com/us.

Development of Schneider Electric NA's Innovative SHE policy and Risk Analyses

Schneider Electric NA's SHE Principles and their Impact on Schneider Electric Globally

While the case discusses all aspects of SHE for Schneider Electric NA, it focuses primarily on safety because of the Company's exemplary record since instituting its new policies from 1999-2009 (See page 16 for a timeline summary of the policy's development of this time period). As a way to illustrate how Schneider Electric NA has transformed its SHE culture, Schneider Electric Services continues to be an excellent part of the business on which to focus because Schneider Electric engineers and other front-line workers visit customer sites to assess and offer solutions to electrical systems and must work with customers to transform culture both within the company and with key stakeholders. The accentuated safety risks at customer sites, due in part to the variety of systems and their respective ages encountered as customer sites, help demonstrate the benefits to Schneider Electric NA and its customers for implementing world-class safety policies in the area of the Company that perhaps presents the most safety risks to employees and customers.

The new culture began to develop with innovative SHE policies enacted at Schneider Electric NA subsequent to the arc flash death in late 1999 and early 2000. Although they were seeing good improvement following immediate changes established to make the work environment safer after the accident, the SHE team realized that to move to the next level of safety they needed to create a formal set of SHE principles in 2003 that were designed to fundamentally change the game when it came to SHE, within the Company. These SHE principles emphasize employee engagement at ALL levels and are as follows:

Schneider Electric NA SHE Principles:

- Safety is everyone's responsibility
- All injuries and occupational illnesses can be prevented—all exposures can be safeguarded
- Management has a responsibility to train all employees to work safely
- Working safely is a condition of employment
- Preventing safety incidents and injuries contributes to business success

Prior to the arc flash accident and the subsequent SHE principles, Schneider Electric did not really have a zero-tolerance policy for safety. As with many organizations, employees overlooked safety precautions based on overconfidence or for the need of fast customer service. Employees were never encouraged to be lax, but the lack of formal, zero-tolerance policies enabled employees to take unnecessary risks like working on live equipment or not wearing personal protection equipment like a body suit and gloves. For some employees, such actions were symbols that they were good at their jobs — "safety precautions only for those with less expertise."

Under the new principles, Schneider Electric NA's culture was shifted not only to a goal of zero deaths but also one of zero injuries! Shifting to the new culture required diligent training and steadfast dedication to reinforcement. However, the culture eventually was transformed, and the Company continues to espouse the SHE principles from the C-Suite. Chris Curtis, CEO of Schneider Electric NA, reinforced his commitment to the principles in 2011 at Miami University's Center for Business Excellence Annual Executive Conference by stating, "Everyone within Schneider Electric must understand these key principles because they say it all — everyone has responsibility and is committed and serious. These principles are as important now as they were in 2003."

In fact the SHE principles have been so effective for Schneider Electric NA that Schneider Electric has adopted them on a global basis. Given that direct costs of safety and health are borne by the government in many countries where Schneider Electric operates, including its base country of France, Schneider Electric NA's ability to demonstrate the many benefits to the Company, customers, and other key stakeholders help the parent company realize the value created by emphasizing SHE principles that far exceed government standards in most countries. As a result, Schneider Electric NA's SHE principles are now helping to shape the Company culture for 119,000 Schneider Electric employees across the globe.

SHE Risks at Schneider Electric NA and the Role of the Principles in Managing Them

Safety, health, and the environment (SHE) are key components of risk management and optimization processes at an energy solutions organization such as Schneider Electric NA. Below are several examples of how breakdowns across each element pose significant risks if not effectively managed.

- **Safety:** An arc flash explosion occurs when there is a large enough reduction in the insulation or isolation distance between energized components. The force generated by an arc flash can equal the explosive power of three sticks of dynamite. According to a Chicago-based research and consulting firm, CapSchell, Inc., 5-10 arc flash explosions take place on a daily basis in electrical equipment in the United States. This deadly arc flash risk presents a critical challenge for Schneider Electric NA in addition to better-understood risks such as electrocution. Under its revised SHE risk management policy, Schneider Electric NA works extremely hard to reduce the likelihood of these deadly safety risks to zero.
- **Health:** Schneider Electric NA has adopted the World Health Organization's (WHO) definition of health to better outline and define its health priorities. According to the WHO, health is a "state of complete physical, mental, and social well-being and not merely the absence of disease or infirmity." Poor health, regardless of its cause, represents threats to employees' satisfaction, productivity, and has an impact on the Company's financial performance. To promote a state of well being, Schneider Electric NA implemented various key health initiatives at work. Such initiatives include major health campaigns focused on cancer awareness and smoking cessation, inexpensive mechanisms for maintaining and preventing health issues (e.g., flu shots, blood pressure screening, and health club memberships), and Employee Assistance Programs that provide support for a wide variety of health-related issues.
- **Environment:** Perhaps the SHE category most publicly visible and that has the greatest widespread risk impact is the environment. Schneider Electric NA implemented a broad range of initiatives focused on minimizing impacts to the environment. The Company prioritizes sustainable development as a primary goal by designing environmentally-friendly products and adhering to the rigorous standards included in the ISO 14001 Environmental Management System. The Company utilizes best available techniques (B.A.T.) when possible and strives to stay in compliance with, and exceed whenever possible, all national and local environmental regulations.

Consistent with its core values, risk prevention of SHE events is one of Schneider Electric's key priorities. The SHE principles enacted in 2003 have utilized effective employee engagement to help Schneider Electric NA better manage its SHE risks, thereby improving SHE performance and even Company performance (as discussed later). By making all employees accountable for effective SHE practices that are consistent with its principles, Schneider Electric NA is reducing both the likelihood of negative SHE events occurring but also is greatly reducing the impacts when they do because extra precautions are being taken to minimize any impacts (e.g., employees are trained to wear protective clothing in case of an arc flash incident). The Company strives to have one of the lowest occupational accident frequency rates in the industry and become an international benchmark for SHE standards. The associated challenges include developing a culture and uniform SHE management system throughout all the entities in the global corporation, while at the same time adapting the standard global policy to local contexts, which should enable Schneider Electric to capitalize on new best practices developed by leveraging them to other parts of the business where they make sense to implement.



Impact on Schneider Electric Services Employees and Their Commitment to Excellence

Management commitment drives a SHE culture starting at the highest levels. Schneider Electric NA's culture change from employee speed and machismo (emphasizing employee confidence and short-term profits) to employee engagement (emphasizing corporate SHE values and long-term profits) has necessitated a simultaneous shift in its overall risk appetite from a high-risk appetite in getting the job done quickly to a low-risk appetite with the lowest possible risk for employee safety and a long-term horizon for financial benefits from a safer workplace and customer location.

Schneider Electric NA's risk appetite for SHE likely is well below that of society's generally accepted risk appetite for electrical hazard — it certainly is well below those of regulatory standards that exist to protect citizens. As described earlier in reference to BP, knowing society's generally accepted risk appetite for dangerous jobs like working with electricity is difficult. Based on the ability of the media to influence a wide array of individuals in a short period of time, tolerating any level of injury or death rates should be done so with a full awareness of the significant impact it can have on a Company's reputation across a wide array of shareholders should a fatal accident, or even a high rate of injury, occur. In the case of Schneider Electric NA, its principles and supporting policies have been enacted with a goal rate of zero for deaths and accidents. The Company enacted these policies neither to grow profits nor to meet stakeholder expectations but rather to prevent the Company from going through the pain associated with even one fatality. Other companies can learn a great deal from Schneider Electric NA even if this tolerance level is not shared because the Company has in fact realized benefits, both financial and reputational, as a result of its pursuit of no tolerance for injury or death.

To illustrate how serious, Schneider Electric NA is about zero tolerance for injury or death, Company SHE policy empowers, actually requires, Schneider Electric Services employees to say “no” to customers who put pressure on them to perform unacceptably risky work — such as working with live electricity. While this may at times cause customer frustration, it produces many benefits including avoiding collateral costs associated with injury and death. In addition, Schneider Electric Services uses this policy as an opportunity to promote its SHE principles and policy with customers. Through extensive education of customers, improved relationships often occur because customers see the benefits of promoting world-class SHE principles and policies within their organizations. Of course there have been cases when customers chose not to work with Schneider Electric Services because they were not willing to wait or withstand the disruption associated with shutting down electricity. While revenues might be lost in some circumstances, the Company has decided not to worry about such contracts because of the potential SHE costs avoided by not performing the underlying services. Although, in a few cases, problems have ensued with replacement electrical services providers, which reinforced the need to follow Schneider Electric NA’s SHE principles and policies and led to re-hiring of the Company with an improved opportunity for sharing their policies with the customer (see the insert below for examples of employees at Schneider Electric Services emphasizing the Company’s SHE policies and principles).

Further, employees do not need to worry about angering a customer because the SHE policy is enforced using a point system from audits in which too many points result in suspension (similar to a driver’s license). Schneider Electric Services employees know that even though they might not reach targets for revenues in any given period should a customer not wish to allow its SHE policies to be followed. However, under the new culture, they fear even more that they will lose their “license to operate” should they violate any SHE policies or fail to follow the principles. In fact, if a SHE policy breach is serious enough, such as working with live electricity, it results in immediate termination instead of “points” against the license.



 **Examples of Schneider Electric Services
“Sticking To Its Cultural Guns”**

Hospital

Schneider Electric Services was contracted to do work on the electrical system of a major metropolitan hospital. In sticking to its SHE culture, Schneider Electric Services informed the hospital that it would not work “live”; therefore, the hospital would need to shut down its power while Schneider Electric Services worked on its system. The hospital insisted that it could not experience such an outage and that Schneider Electric Services employees must work “live”. Schneider Electric Services responded by stating that if it were to work “live” that the hospital’s employees must be there too. Upon further consideration, the hospital responded, “We’ve changed our mind”, and agreed to have Schneider Electric Services work on its system offline (i.e., not “live”).

Airport

After word of Schneider Electric Services’ SHE culture and resulting record of high quality and safety began to spread, it received numerous offers from customers who were willing to wait for its services. For example, one of the busiest airports in the world waited for four years to upgrade its electrical system using Schneider Electric Services because it knew its employees would not work “live” but needed the time to set up the necessary conditions for it to be offline while Schneider Electric Services eventually performed its work.

Paper Company

A major paper company tried to go live after Schneider Electric Services said no and attempted to perform the job “live” internally. As predicted by Schneider Electric Services, the Company called Schneider Electric Services after project failed and placed its own employees at risk.

The Evolution of the SHE Culture at Schneider Electric Services – A Timeline

The following timeline demonstrates how the costs of audits decreased over the long-term after investments in SHE were made at Schneider Electric Services. Generally speaking, SHE investments typically demonstrate a relatively poor short-term ROI, because they largely are unmeasured and therefore not fully incorporated into the financial statements, but instead pay off well over time (i.e., pays a long-term “safety dividend”).

Schneider Electric Services’ decision to grow its training program during 2000s — which in 2010 consists of 12 hours of training on safety on average for every employee every year — further exemplifies its commitment to safety. Perhaps most impressively, when the economy is slow (as in the late 2000s), Schneider Electric Services trains more (not less as many organizations do) in such times. Schneider Electric Services correctly realizes that its employees have extra time to train — and thereby reinforce corporate culture — when business is slow. While logical, this sort of investment in safety for the organization’s long-term benefit can be rare in today’s short-term fixated business environment.

2002

Schneider Electric Services began inviting customers and subcontractors to attend training sessions free of charge. They made this invitation based on how well such sessions had been received by their own employees. The success of such training was further exemplified when the customers and subcontractors began to request the training for their own employees. This request resulted in 10 one-day training seminars at customer locations in the second half of 2002, ending with a total of 120 newly trained electrical workers. Thus, 2002 marked the beginning of the Schneider Electric Services safety transformation.

2003

Schneider Electric Services begins to follow Schneider Electric NA’s new SHE principles, including: safety is everyone’s responsibility, all injuries and occupational illnesses can be prevented—all exposures can be safeguarded, management has a responsibility to train all employees to work safely, working safely is a condition of employment, and preventing safety incidents and injuries contributes to business success.

2005

Schneider Electric Services electrical safety procedures were significantly overhauled to match a NFPA electrical safety publication that had just been released. Though the overhaul was in place, continuation of previous best practices ensued. For instance, plant personnel still were taught to conduct in-house training. Also noteworthy in 2005 was the introduction of a training manager to oversee customer training.

2006

A new electrical safety training class was developed. Also, two newly acquired companies were integrated into Schneider Electric Services’ safety culture in 2006. In addition, new measures to aid Schneider Electric Services in its safe driving initiatives were implemented, including a “How Is My Driving?” driver’s alert sticker on all Schneider Electric Services vehicles, as well as the enforcement of a points system to fairly enforce driving infractions.

2007

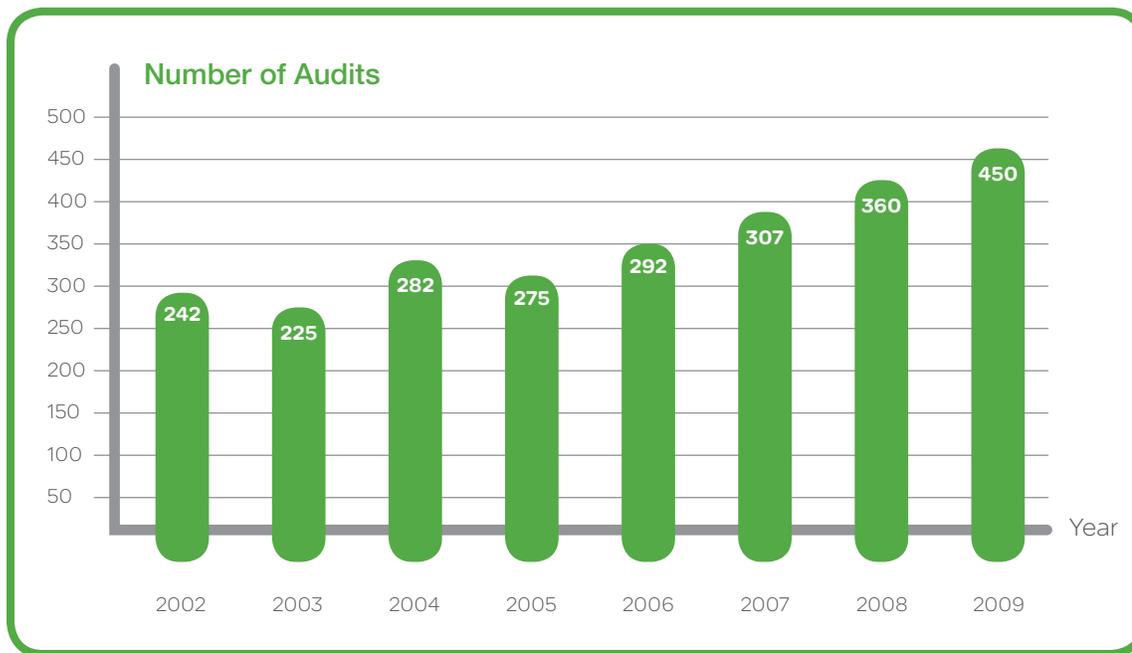
My Target: ZERO was introduced. This program asked each employee to set a personal goal of zero injuries and illnesses for the year. In conjunction with this health initiative, Schneider Electric Services continued its business expansion by opening several new offices. Schneider Electric Services unfortunately experienced a slight increase in worker’s compensation to \$0.65 million, which likely was due to its dramatic hiring, not debilitating safety standards.

2008

Schneider Electric Services developed a new electrical safety class where technicians were taught how to perform a hazard analysis. This development further promoted safety in a great way and resulted in 5 out of 8 operation groups meeting their target of zero injuries in 2008. Also, 20 new safety and environmental procedures were added in 2008. Additionally, the safety and environmental department was further encouraged in its initiatives with the influx of more resources that ultimately would be put towards employee and environmental well-being.

2009

Schneider Electric Services completed the safety integration of both the 2006 acquisitions. Schneider Electric Services also continued in its innovative and healthful ways with its Question of the Month contest. This contest was one in which employees were rewarded with a \$50 prize for correctly answering a health and safety related question. Schneider Electric Services also continued with its monthly safety meetings and began its automated subcontractor prequalification process. In 2009, 750 employees successfully completed training and, as a result, the year-end injury rate fell to 0.72 from 1.0 in the previous year.



A Cultural Measurement Opportunity: Reporting “Near Misses”

As further evidence that the SHE principles and policies have effectively transformed its culture, Schneider Electric Services works hard to create an environment in which employees are encouraged to proactively and voluntarily report “near misses.” This reporting is critical in improving safety and also requires a high level of internal transparency. The environment at Schneider Electric Services starts not with blaming employees for near misses but rather re-examining the associated process to determine if it is somehow flawed. Similar to the practices followed when accidents occur, once the process is verified, employee training is examined to ensure the near miss was not a result of insufficient or improper training.

The Role of Schneider Electric NA CEOs in Helping Transform SHE Culture

In order for cultural change to take place, strong support and encouragement from the upper tiers of management was necessary. This top-down philosophy was carried through by supporting SHE management's desire to show complete commitment to all set safety protocols, regardless of other business motivations. Managers then were given the responsibility of being an example of the highest standards of safety each and every day. Managers also were directed to focus on the fundamentals of safety by utilizing such tools as a Critical Checklist. This checklist was ubiquitous and shared with safety and environmental staff at each location.

Helping to fuel the growth and implementation of the SHE culture occurred when Schneider Electric NA named David D. Petratis as CEO in 2004. Petratis succeeded Chris Richardson, who retired after 33 years with the Company. Prior to joining Schneider Electric NA, Petratis attended a funeral for an employee killed in an electrical accident at his former company and was impacted by the death. From that point, he carried the funeral card with him continuously as a reminder of the importance of safety. Petratis also was very passionate about the importance of health and helped to foster new policies in health, including wellness screening, health club memberships, and assistance for employees to quit smoking (along with a smoke-free policy before the practice became widespread). With the new CEO's leadership, Schneider Electric had a champion moving the company, which created the seeds for a new SHE culture to grow.

Petratis helped implement a flurry of positive changes that assisted the SHE team in improving the safety and health of employees throughout the Schneider Electric NA business units, including Schneider Electric Services. Petratis oversaw the distribution of new electrical safety training along with new ways of more accurately calculating electrical hazards in the field. As described in the timeline, one-day customer training sessions were used to help better prepare customers in using the equipment they had purchased from Schneider Electric. Also, plant maintenance and technician personnel were trained extensively while field employees simultaneously continued with refresher courses. As an example of the impact the safety programs were having, Schneider Electric NA saw a 67% decrease in workers compensation in Petratis' first year due to injury from \$1.5 million to \$0.5 million. Petratis left Schneider Electric NA in mid 2008 to become President, Chairman and CEO of Quanex Building Products Corporation in Houston.

In 2008, Chris Curtis was named Schneider Electric NA's CEO—he had been serving as President since 2006. Curtis joined Square D as Director of National Accounts in 1993. In February of 1994 he moved to Raleigh as Industrial Marketing Director. In 1995 he was Regional Sales Vice President. In 1996 he went back into marketing as the OEM Director and led the team to a high growth performance, which led to his appointment as Vice President of Marketing for the U.S. in 1998. In 2002 Chris went to Canada as President for one year coming back to the U.S. in 2003 as Senior Vice President of Sales and Services before being named President in 2006.

Curtis continues to support and enhance Schneider Electric NA's commitment to maintaining and even elevating a SHE culture that ensures that all services and internal operations have employee (and other stakeholders) safety and health as a top priority. Curtis believes strongly that an effective organization must first develop a cultural strategy (e.g., low safety risk) after which performance measures are developed to help assess and manage the accomplishment of that cultural strategy. Under Curtis' tenure, the SHE team was able to present the results of the decade-long efforts to the selection committee of the NSC's *Robert W. Campbell Award*, which resulted in the Schneider Electric NA being named as the 2009 winner and then followed a similar process to earn the NSC's Green Cross for Safety Medal in 2011. Curtis subsequently worked with the Schneider Electric leadership team to adopt Schneider Electric NA's safety and health components of the SHE policy as its firm-wide global standards (see next page for the policy and examples of how it is implemented).



David D. Petratis,
Schneider Electric NA
CEO, 2004 - 2008



Chris Curtis, Schneider
Electric NA CEO and
Schneider Executive
Vice-President, Power,
North America &
Buildings Businesses

North American Policy

Creating a New World Policy for Safety and the Environment

The Schneider Electric North American Operating Division is committed to safeguarding our people and our planet. As the leader of the New Electric World, our management team is committed to preventing occupational illness and injury and to maintaining a safe and healthy work environment for our people and for the communities in which we operate. Our actions include:

Being More Customer Focused and Committed to Quality

- Taking action to provide systems and products to help people use electricity safely, efficiently, and in ways that reduce the consumption of energy and natural resources
- Committing to meet or exceed all safety, health, and environmental protection laws, regulations, and other requirements
- Reviewing our operations and environmental objectives and targets on a regular basis to ensure continuous improvement of our safety, health, and environmental processes

Increasing Our People's Commitment and Developing Corporate Community Responsibility

- Empowering our employees to take action themselves by reporting threats to health, safety, or the environment
- Communicating our safety and environmental policy to our employees and our communities
- Entrusting our supervisors with the responsibility to ensure that safe and healthy conditions are met in the workplace

Being More Global and Innovative

- Linking innovation and continuous improvement to all our manufacturing operations to improve ergonomics, prevent pollutions, and minimize environmental impacts by waste minimization and recycling
- Encouraging suppliers to adopt our safety and environmental values

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Examples of SHE Policies Being Implemented for Health and Environment

Preventative Employee Health Initiatives

Schneider Electric NA is vigilant in implementing health innovations that cover employees at both work and at home. For instance, Schneider Electric pays employees \$100 as an incentive to participate in an annual health assessment. Employees also are encouraged to have yearly blood work performed and obtain a regularly scheduled flu shot. Personnel then are allocated \$300 towards membership at a health club-type facility. In 2009, Schneider Electric spent an average of \$25 per person per location on overall health and well-being awareness.

Going Beyond Local Standards for a Fuel spill in Ecuador.

In cleaning up the spill, Schneider Electric could have followed the relatively much less stringent standards of Ecuador. However, Schneider Electric instead voluntarily elected to clean the spill to more stringent U.S. standards even though the Ecuadorian government puzzlingly asked Schneider Electric, "Why are you doing this as it is not required?!" This decision strongly illustrates Schneider Electric's commitment to its culture of going beyond minimum standards of compliance for environmental issues. The same cultural philosophy guides Schneider Electric's decisions in the areas of safety, noise, and health (i.e., an across the board application).

Fitting Schneider Electric NA's SHE Policies within its Overall Responsibility Program

Schneider Electric North America CEO Chris Curtis and COO Amelia Huntington released a revised Safety, Health, and the Environment (SHE) Policy in October 2009. The revised policy enhances employee engagement and contains action-oriented safety directives that demonstrate Schneider Electric's overall commitment to corporate responsibility. The revised policy contains the following three parts.

1. Standardize and Simplify

This section of the revised policy outlines Schneider Electric NA's core commitment to going beyond the standards for safety, health, and environmental protection laws, regulations, and requirements. Simply meeting legal conventions is not enough. Therefore, Schneider Electric NA also persistently reviews all of its operations and environmental objectives on a regular basis in order to identify new ways to continuously improve its SHE processes. Schneider Electric NA works tirelessly to empower its employees to make sound choices on their own to enhance their health and safety, as well as the environment's well-being. Supervisors at Schneider Electric NA are empowered and entrusted to maintain and refine safe and healthy conditions at all Schneider Electric NA workplaces.

2. Be Green

The revised policy's second section emphasizes Schneider Electric NA's goal as a business to provide systems and products that will enable consumers to use electricity safely and efficiently to achieve more while using less. This goal connects well to the overall strategy for Schneider Electric on a global basis. For Schneider Electric NA, improving financial margins is not its first job. Instead, it seeks to access and implement solutions that reduce its business' impact on the environment, which should enhance financial performance in the short run when possible but never at the expense of creating long-term, sustainable value for Schneider Electric.

3. Be Global

The third category of its SHE Policy involves incorporating other stakeholders into the goal setting Schneider Electric NA has undertaken. For example, Schneider Electric NA wants to help all people optimize their energy usage. It also heavily encourages all of its suppliers to adopt its SHE values. Schneider Electric NA also is very proactive in communicating its SHE policy to both employees and the community at large. By working to include more people external to Schneider Electric NA in its SHE initiatives, it attempts to have a positive and profound impact on society, stretching far beyond its narrowly defined energy management industry and sector. While this objective has been a driving force in evolving its SHE culture over the 12-year period subsequent to the arc flash accident, the revised policy made the objective an explicit component to the Company's SHE policy.



Measuring Post-Cultural Shift Performance: The Results of Change

Recall from earlier in the case that when Schneider Electric began its cultural shift and started putting greater emphasis on safety subsequent to the arc flash accident, the OSHA industry average for recordable injury rate was 5.0 and Schneider Electric's average was 3.6. Moving forward to 2010, the OSHA industry average fell to 3.6 (where Schneider Electric had been eight years earlier), while Schneider Electric's 2010 rate fell to 0.9. Perhaps most importantly, compared to its starting point in 2002, this drop in Schneider Electric's recordable injury rate translated into an avoidance of over 500 employee injuries per year, meaning that 500 more employees go home safely to their families every night!

In addition to tracking industry averages of measures monitored by external regulators, such as OSHA, over the past decade Schneider Electric has collected considerable internal data — both non-financial and financial in nature — that have allowed it to study the relationships between its cultural shift and resulting changes in important non-financial measures and, ultimately, financial performance. For example, Schneider Electric NA documented empirical evidence that validates the link between increased employee engagement and company results. Specifically, Schneider Electric NA significantly reduced its medical incident rates, lost time accidents, and lost time days.

Medical incident rate is a Schneider Electric NA internal measure (similar to OSHA's recordable injury rate), which it defines as the number of medical incidents for every 100 Schneider Electric employees working one year. With a current medical incident rate of less than 1.0, Schneider Electric represents one of the safest workforces in North America. When it implemented the measure, Schneider Electric's rate was 3.0 with a goal of reducing it to below 1.0. Upon attaining this goal in 2007, Schneider Electric further reduced its goal to less than 0.5 at all locations to support its SHE culture of continuous improvement moving toward zero injuries.

Lost time accidents measures the number of incidents or accidents that involve lost time as based on the number of lost time accidents per 100 employees working one year. Management's logic is that if it could reduce the number of incidents, then the severity of those incidents should decrease as well. This assertion is supported by the data. For example, the Company's lost time accident rate dropped from 0.9 in 2003 to just above 0.2 in 2010, which shows that not only has Schneider Electric NA's number of incidents been reduced dramatically, but the seriousness of those incidents also has decreased.

Lost time days is another measure of severity as it captures the number of days lost due to accidents per 100 Schneider Electric employees working one year. This measure has decreased dramatically since the cultural change from just under 25 in 2003 to approximately 7 in 2010. The following insert explains in more detail how management uses these data to model the causal relationships between such non-financial measures as well as eventual financial results like safety costs.

Understanding the Root Causes of Safety Costs at Schneider Electric Services

During its earliest attempts to improve safety, Schneider Electric Services introduced non-financial measures such as “Lost Time Days” to assess the number of days that employees missed work as a result of safety problems. As expected, assessing and reducing lost time days drove down subsequent financial costs associated with safety problems.

However, focusing on Lost Time Days did not go as far as Schneider Electric Services desired in identifying, measuring, and managing downwardly the root cause of safety costs. Even more importantly, consistent with its culture, Schneider Electric Services wished to make its employees as safe as possible. Therefore, Schneider Electric Services learned that it needed to go back even further in the causal chain—before lost work time—and incorporate additional measures that lead subsequent Lost Time Days. Two such new non-financial lead measures Schneider Electric Services discovered were medical instance rate and first aid reports, both of which lead the lagged measure of doctors visits and, beyond that, lost time days.

Schneider Electric Services also learned that these non-financial performance measures, working in conjunction with one another, are very insightful regarding the extent to which employees have bought into Schneider Electric Services culture. For example, first aid reports should lead doctors visits in a reasonable fashion. For example, having three doctors visits reported for every one first aid report suggests that employees do not feel comfortable honestly reporting first aid incidents or do not understand the importance of doing so. Measuring and understanding first aid incidents therefore is critical for Schneider Electric Services to assess its culture and manage its performance.

Safety Performance Update

Year	99-01	02-04	05-07	08	09
MIR	5.1	2.8	1.3	1.0	0.72
NAT AV.	8.0	7.4	6.6	6.2	5.9
LTIR	1.6	1.0	0.3	0.1	0.08
EMR	1.2	1.1	0.9	0.65	0.64

- **MIR** – Medical Incident Rate
- **Nat. Av.** – National MIR average for our type of business
- **LTRI** – Lost time injuries rate - indicates severity
- **EMR** – Experience Modification rate is average

Similar to its efforts originally targeted at safety, Schneider Electric increased the impact of its cultural change by increasing efforts in its health and environmental areas. The Company's Healthy Lifestyles Program began in 2007 and became a full program at all locations in 2008. The Program attempts to create an environment where employees willingly accept full responsibility for their health and are actively engaged in efforts to measurably improve their health. In only a few years, Schneider Electric has reduced the number of employees with high or medium health risk conditions by 30%, received the "Healthiest Companies in America" award from Interactive Health Solutions in 2009 and 2010, and received "Fit Friendly" recognition at all of its facilities from the American Heart Association.

While Schneider Electric NA's goal when implementing its SHE cultural change was not to improve its financial performance, it has collected and analyzed large quantities of data that clearly demonstrate significant financial performance improvements resulting from the change. For example, Schneider Electric estimates that it annually saves \$10 million in direct safety-related costs as a result of its cultural change! CEO Chris Curtis refers to this annual savings as its safety dividend, which is reinvested in further enhancements to its SHE culture and policies. Although somewhat unexpected, management also estimates that the change produces a 2:1 ratio of indirect to direct annual cost savings (e.g., aftermath of costs of an accident, etc.).

Intangible Impact of the Cultural Change on the Organization

Experts in the area of long-term value investing (a.k.a., sustainable capitalism or ESG investing) argue that there are important intangible assets across industry segments that, while currently not priced explicitly by the market, create potential long-term value for organizations within their respective segments. For instance, Generation Investment Management Managing Partner David Blood acknowledged such assets when addressing a group of investors at Northern Trust Bank in December 2010. He noted, for example, that companies in retail have unmeasured value in effectively managing relationships with communities and companies in manufacturing have unmeasured value in efficiently managing their carbon emissions. Accordingly, companies in the electricity and energy management industry should have unmeasured value in successful SHE programs because of the critical role of SHE in creating long-term value for those companies. Schneider Electric NA has begun tapping into this value by investing heavily in creating an effective SHE culture and moving forward in trying to measure and communicate this effectiveness.

Linking SHE Performance and Incentives

Perhaps one of the most important aspects of transforming a culture, particularly one focused on employee engagement is linking incentives to desired behaviors by employees. This goal is difficult to achieve and rarely accomplished effectively at companies. To have any chance for success, desired behaviors need to be reliably measured and linked to specific compensation incentives. In this case, the burden on Schneider Electric NA was identifying and linking quantitative SHE performance measures to employees' evaluations and compensation.

To help accomplish this goal, all managerial rewards for performance at Schneider Electric NA are contingent upon following policies and meeting SHE performance targets. In addition, 20% of the annual performance award open to all employees is based on their performance on specific safety measures. By evaluating and incorporating safety performance into its rewards program, Schneider Electric NA leaves little ambiguity that safety is the Company's top priority. Managers also are responsible to set the example of safety on a daily basis by rigorously following and promoting all SHE policies. Schneider Electric NA employees are influenced by the attitude and actions conveyed by managers, which heavily influence the decision upon starting a job of whether they work safely or quickly. The result of this decision can be the difference between sustained profitability and sudden tragedy.



The Impact of Cultural Change on Key Stakeholders

Schneider Electric NA's cultural change required it to re-examine its prioritization of its key stakeholder relationships. For example, Schneider Electric now believes strongly that its customer experience can be no greater than its employee experience. However, all Schneider Electric NA's key stakeholders should benefit in the long-term from the Company's cultural change. Several examples of such benefits have been mentioned throughout the case but are summarized again below.

Educating Customers on the Benefits Associated with an Emphasis on SHE Policy at Schneider Electric Services

Schneider Electric Services believes educating customers on the important benefits of its SHE policy is critically important. Under the previous culture, customers were presumed to always be right and could demand work be performed even if doing so involved substantial risk to Schneider Electric Services or customers' employees. As mentioned earlier, the new SHE culture empowers employees to make safety a priority even if it means saying no to a customer.

Impact on Parent Company

While the SHE policy was originally developed for Schneider Electric NA, the safety and health components subsequently have been adopted by Schneider Electric on a worldwide basis. Additionally, Rich Widdowson, the head of SHE for Schneider Electric NA, was named Schneider Electric Global Lead for Safety. A Global Schneider Electric Steering Committee for SHE also has been developed with Widdowson serving on the Committee.

Impact on Industry

Schneider Electric NA believes ideas that either enhance safety (by protecting or saving lives) or are good for the environment should be shared, even with competitors. The developed arc flash program is innovative. Most other companies, including competitors, are just starting to implement such policies while Schneider Electric NA has been "suited up" and measuring arc flashes for the past 10 years. This sharing philosophy is having a global impact as the knowledge is dispersed with organizations located around the globe.

The Business Value of SHE for Schneider Electric NA: Examples of how the Policy Has Led to Long-Term Value for the Company and its Reputation

Being Proactive—Incorporating Lead-Lag Performance Measures

By having managers proactively lead in the pursuit of safety, employees throughout the Company are better able to make good, health conscious choices on the job. This approach leads to increased safety, which ultimately decreases injury compensation expenses, thereby increasing profitability. As one Schneider Electric NA manager wisely commented, “Being proactive pays—frequently buying five quarts of oil for one’s automobile is much cheaper than buying a new engine only one time!”

Think Long-Term

Additionally, SHE investment decisions require the decision to be reframed (i.e., differently from traditional capital investment decisions) such that SHE investments rarely pay off in the short-term. Thus, long-term focus is key for making successful SHE investment decisions. Management must ask, “What would I be paying for insurance premiums, employee turnover, etc., if we had not previously invested in safety or employee morale?” With SHE investments, Schneider Electric NA sees lower employee turnover, lower insurance premiums, lower worker compensation for injuries, etc., and such long-term financial consequences must be factored into SHE investment decisions. Some Schneider Electric NA executives argue that decisions involving safety issues do not require—and in some instances do not even allow — a traditional ROI analysis.

Summary

As CEO Chris Curtis notes, “We’re successful because safety isn’t just a program, it’s a way of life for everyone within Schneider Electric...and it is a journey that never ends.” Schneider Electric NA provides a powerful illustration of how one company dramatically changed its culture — from one of speed and machismo focused on short-term profits to one of employee engagement focused on corporate SHE values and long-term profits. These efforts have led to Schneider Electric NA being consistently recognized as an international SHE leader. This case documents the reasons for moving in this direction, including specific examples from its Schneider Electric Services business unit.

Although a tragedy served as a catalyst to begin the process of change, the SHE culture likely has prevented other tragedies, reduced injuries and other avoidable SHE-oriented events, and improved overall operations and financial performance for the Company. Further, the support and leadership by the prior and current CEOs greatly helped facilitate Schneider Electric NA’s cultural transformation. This case incorporates numerous examples to help students and executives better understand this change process. In so doing, case participants should be able to consider how other companies can follow the lead of Schneider Electric NA to change culture to better create long-term business value by tapping into unmeasured intangible assets that foster such value creation.

While the impacts of implementing policies and creating SHE-oriented cultures are difficult to measure, this case demonstrates that useful metrics can be developed to help make a business case (such as the dramatic improvement in medical incident rates, lost time accident rates, and lost time injury rates); however, organizations should not let initial measurement challenges impede investments in value-enhancing investments that improve long-term results. Instead, organizations should realize from Schneider Electric NA’s journey that long-term value can be created by investing in issues of great importance to key stakeholders. Hopefully, other organizations can learn from Schneider Electric NA’s example, implement their own policies, and create long-term organizational value for their organizations and their accompanying stakeholders.



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