How can strategy reformulation and CSR initiatives converge?
The case of BOP

Authors: Thomas André (Energy and Prosperity Chair, Fondation du Risque, Paris, France, thomas.andre@polytechnique.edu), Nicolas Mottis (Ecole Polytechnique, Paris, France, nicolas.mottis@polytechnique.edu), Jean-Pierre Ponssard (CNRS and Ecole Polytechnique, Paris, France, Jean-Pierre.Ponssard@polytechnique.edu)

Corresponding Author: Jean-Pierre Ponssard, +33 6 15 87 48 60, Jean-Pierre.Ponssard@polytechnique.edu

Acknowledgements:

The authors thank the Energy and Prosperity Chair for its financial support.

How can strategy reformulation and CSR initiatives converge? The case of BOP

Abstract:

Firms are facing strong pressure to align their strategies with global societal challenges (climate change, natural resource use, food, poverty, etc.) as a way to demonstrate their corporate social responsibility (CSR). CSR initiatives typically would be initiated at a small scale and then be expected to induce a change in mindset within business-as-usual activities. However, this so-called shared value approach has frequently encountered multiple barriers. This paper investigates a case in which, on paper, the green lights were everywhere: the company's Access to Energy program combines CSR characteristics relevant to both climate change and bottom-of-the-pyramid (BOP) issues that are well in line with the core strategy of the firm. Yet after more than 10 years of existence, the program remains in a stalemate status. The responsibilities for access-to-energy activities are torn between having protected status within the Sustainable Development department and having to meet unachievable profit objectives set by Operations divisions. We identify three barriers: the firm's complex organizational matrix, which complicated the internal diffusion of the program; the lack of incentives at all levels of organization to promote effective program evolution; and the difficulty in demonstrating a clear profitability case for the program. Lessons are drawn from this case on how to release these organizational brakes. The results provide new and interesting insights to explain the limited success of CSR activities as business opportunities. While most previous analysis focused on external barriers, only scarce literature exists on organizational barriers, even though the latter appear to be insidious.

How can strategy reformulation and CSR initiatives converge? The case of BOP

1 Introduction

In an article published by *The Economist* in 2018, Danone, a large multinational food company, is taken as an illustration of the recent trend of firms adopting a shareholder value approach as opposed to the standard shareholder approach.[1] Social and environmental groups are putting increasing pressure on firms to become more responsible in the face of global challenges such as climate change, natural resource use, food, poverty, etc. Rising pressure is even coming from the financial community itself, as banks face similar influence from external actors.[2] This has generated a large body of literature that in its early iterations focused mainly on business ethics (Goodpaster, 1983) and more recently covers the business case approach (Vogel, 2006).

The business case approach, also known as the business opportunity approach, has attracted great attention in academic and management circles, since it is both counterintuitive (why should it pay to impose regulatory or societal constraints on a firm?) (Fogler and Nutt, 1975) and a convenient way to embed stakeholders into the standard profit-maximizing goal of the firm. A celebrated example of the latter is "bottom of the pyramid" (BOP), which promises to simultaneously alleviate widespread poverty while providing growth and profits for multinational corporations (Prahalad and Hart, 1999).

Econometric studies have tested the possible relationship between corporate social responsibility (CSR) and profitability for many years, and it remains a debated topic (for reviews of evidence, see, for example, Orlitzky and Benjamin, 2001). The BOP literature periodically produces surveys illustrating both successes and failures (for a recent survey, see Dembek et al. 2020). Procter & Gamble and Unilever are among the most cited companies for BOP success stories. However, in recent years, there have been indications that the early expectations of profit were not being realized; many programs failed to deliver, and some companies reversed their approach. A famous example is HP, which ultimately retired its e-Inclusion program aimed at extending the company's business focus to traditionally excluded markets (McFalls, 2007; Schwittay, 2011).

The business case approach is more generally related to the so-called Porter hypothesis (Porter, 1991). In this perspective, the increasing regulatory and social pressures on firms are seen as a source of opportunities that enable the firm to improve its economic performance (Porter and Kramer, 2006, revisit CSR through the Porter hypothesis). Here, too, the results are ambiguous (Wagner, 2003; Ambec and Lanoie, 2008).

But societal forces are building, and the *Economist* article on Danone is a visible illustration of a growing trend in which the reformulation of the core values of the firm goes in parallel with the implementation of CSR initiatives that are well aligned with these core values. Danone has expanded its value concept from "bringing health through food" to "bringing health through food to as many people as possible" (Faivre-Tavignot et al. 2010). Arjalies et al. (2016) investigate the cement and chemical industries' approaches to climate change in this alignment perspective. While the cement industry did not reformulate its core strategies, the chemical industry did. Despite claims to the contrary, climate change remains more of a compliance issue for cement firms, while it is a business case for chemical ones.

The interaction between core values and CSR has deep implications, since a business opportunity approach must address the management and control system of the company in terms of implementation (Simons, 1995). This paper provides an in-depth analysis of this interaction over a 10-year period. It is intended to complement the existing literature on successes and failures on what we consider to be an issue of major significance.

Our analysis builds on a longitudinal field study of a major CSR goal followed by a firm over a 10-year period. "Access to energy" – in its simplest sense, providing electricity to low-income populations in developing countries – is at the intersection of climate change and bottom-of-the-pyramid issues. Africa is a recurring case in the literature: the region's energy demand is expected to more than double by 2040, whereas its carbon dioxide (CO_2) emissions should ideally be halved during this time frame (IEA, 2019). Rural, poor and off-grid populations are a potential target for deploying an access-to-energy approach since this population currently relies mostly on fossil fuels or polluting traditional biomass. Providing renewable energy can contribute significantly to societal goals while representing an attractive and potentially profitable market.

Schneider Electric, a firm operating in the energy management sector, revisited its core strategic values in 2009 to align with the global energy challenge. The company's access-to-energy program (hereafter "Access to Energy program") – initiated in 2008 as part of an awareness approach consistent with the philanthropic tradition of the company – became representative of the stakeholder approach. The aim was to provide opportunities to innovate and to demonstrate the company's willingness to address social issues in low-income communities. The program successfully bypassed the critical factors that the management literature has identified as organizational barriers. It quickly became aligned with the renewed corporate strategy and gained support from top management. It was initiated outside of business-as-usual activities to avoid being undermined by the standardized group management control systems. Yet despite these green lights, after more than 10 years of existence, the program remains at a stalemate. The responsibilities for access-to-energy activities are torn between having protected status within the Sustainable Development department and having to meet unachievable profit objectives set by Operations divisions.

We identify three barriers to explain this stalemate: the complex organizational matrix of the firm, which complicated the internal diffusion of the program; the lack of incentives at all levels of the organization to promote effective program evolution; and the difficulty in demonstrating a clear profitability case for the program. General implications are derived for the successful implementation of CSR as a business opportunity, and several cases are reviewed to discuss their validity.

The paper is organized as follows: section 2 provides the framework and the main results of the case study; section 3 details the case study and its deployment over four steps (initial awareness, incubation, scale-up and eventual stalemate); and section 4 provides some concluding comments.

2 CSR as business opportunity, and organizational barriers

2.1 The framework and illustrative evidence

Our conceptual framework to discuss the relationship between the core values of the firm and the implementation of CSR activity as a business opportunity builds on Simons (1995), which discusses the role of mindsets and management systems in implementing change. His analysis relies on three levels of interacting performance systems.

- *Belief systems* set the core values of the company to create a sense of commitment and belonging on the part of the employees. These take the form of mission or vision statements or credos and statements of purpose.
- *Boundary syst*ems set the framing for strategic elaboration and analysis. They orient managers' actions by showing what is permitted. These take the form of codes of conduct, operational guidelines, or ex-ante strategic planning methods.
- *Management control systems* refer to the planning and control of the strategy through formal information systems such as procedures, templates, and key indicators in place in the review process of the company.

Some field papers have already discussed the implementation of CSR in this perspective. Olsen and Boxenbaum (2009) identified internal barriers to the implementation of BOP at the global biotechnology firm Novozymes. The firm's implementation strategy, initiated in 2006, followed a decentralized approach: BOP activities were inserted directly into the business operations of the company. However, the strategy was rapidly abandoned. Among the reasons for this failure, as outlined by the authors, were barriers including: conflicting mindsets for business unit managers (i.e., BOP was perceived more as a business ethic or license to operate than as a business opportunity), and the difficulty in implementing relevant management systems (i.e., changes in routines, evaluation criteria and incentive schemes).

Perrot (2017) analyzed the conflicting mindsets among corporate managers at Lafarge, a multinational cement company, for engaging in BOP activities (known internally as affordable housing), when at the time those activities could only be considered as a license to operate a CSR approach, with very low potential for creating financial value. The author investigates how a preliminary incubation stage can be instrumental in disentangling the conflicting corporate mindset. The preliminary stage allows for building experience and providing evidence of profitability.

Interestingly, Novozymes, after the failure of its decentralized approach, decided to engage in that incubation stage by maintaining a centrally managed BOP activity within the CSR department. Olsen and Boxenbaum (2009) argue that this was possible because there were no conflicting mindsets at the corporate level, so resources could be discretionarily allocated to the centralized BOP activities. The authors do not report about the eventual diffusion of this incubation stage, and nothing can be inferred from the company website.

Arjaliès and Ponssard (2010) provide an analysis of how CO_2 emissions are addressed in two companies: DuPont and Lafarge, further enlarged in Arjaliès et al. (2016). The interaction with the core values of the firm is formalized either as awareness/risk or as a business opportunity (Table 1). In the business opportunity case, among the companies that appeared to make the most progress early on was the U.S. chemical firm DuPont. DuPont has theorized the evolution of its core values through successive stages, with the first involving compliance to business opportunity. Starting in 1999, the company's strategy to phase out the production of chlorofluorocarbons was progressively integrated into its larger corporate environmental targets. DuPont's environmental commitments in 1999 involved a 70% reduction in air toxics, a 90% reduction in air carcinogens, and a 35% reduction in hazardous waste. DuPont used the term "sustainable growth" to describe its vision, which was associated with a major shift of the firm from fossil fuel technology to green technology. In 1997, it acquired Pioneer, a major seed and biotechnology company, and the following year it divested Conoco, a major oil company that it had acquired only a few years earlier.

Table 1. Linking CSR approaches to Simons' framework

	Case 1	**Case 2**
Typology for CSR in firm's strategy	**CSR as awareness/risk**	**CSR as a business opportunity**
Belief system	Two possible approaches of CSR: - Business ethics - License to operate	Shared value creation, building on the core activities of the firm in line with a specific societal goal
Boundary systems	CSR activities induce constraints on business in terms of trade-offs with short-term profitability	CSR activities induce a reassessment of the perimeter of activities of the company (research and development (R&D), marketing, financing, supply chain, sales, etc.)
Management control systems	- Mostly diagnostic through key performance indicators leading to adaptive processes (i.e., single-loop learning) - External reporting based on information collected in business	- Embeds interactive components leading to cognitive change (i.e., double-loop learning) - Control involves all departments (corporate, finance and control, R&D, business, possibly external stakeholders, etc.)

Source: Arjalies and Ponssard, 2010

This review suggests that the conditions for a business opportunity approach to CSR can be summarized as follows:

- Build on the (renewed) corporate strategy reformulation;
- Initiate the activity in a "protected" entity, outside of business-as-usual activities, to demonstrate its win-win capability;
- Avoid an early transfer to operations, which may lead to rejections.

For the purpose of our analysis, we reformulate the static model that describes two alternative cases (Table 1) into a four-step dynamic process (Table 2) that more explicitly explains the interplay among the conditions identified above during implementation of CSR as a business opportunity.

Table 2. The dynamic process for the deployment of CSR as a business opportunity

	Step 0	Step 1	Step 2	Step 3
Typology for CSR activities	CSR as awareness	CSR as a business opportunity		
Dynamic process?	**No dynamic process**	**Incubation**	**Scale-up**	**Integration**
Values	CSR is viewed as either: - business ethics or - license to operate	**Are we able to do it?** - CSR programs as laboratories developing innovative technology and business models to build first experiences - CSR has a specific target group (exclusive focus)	**Are we able to deploy and legitimate it?** - CSR activities are fully linked with the corporate responsibility strategy - Obtain buy-in and realign CSR activities with business units and operations	**Are we able to grow and maintain it?** - CSR as a growth frontier market within a wider market spanning the "whole pyramid" (holistic focus)
Management systems	- Mostly diagnostic through key performance indicators leading to adaptive processes (i.e., single-loop learning) - External reporting based on information collected in business	- Protected entity to disentangle from corporate conflicting mindsets. - Intrapreneurial, agile, innovative, patient capital, with strong social objectives - Discretionary resources allocated to CSR corporate programs and pilots	- Progressive alignment with the groups' rules and processes - First evidence of financial profitability and extra-financial returns	- Included in business units and operations management and processes - Becomes fully profitable (with potential differentiated margins)

2.2 Main results from the case study

The Access to Energy program at Schneider Electric went through four steps up to the present:

- Step 0: The initial awareness approach of the program (2008 to mid-2010)
- Step 1: Incubating a new market approach (mid-2010 to 2013)
- Step 2: Scaling up the program (2014 to 2016)
- Step 3: Stalemate of the program scale-up (2017 to present)

Step 1 (incubation) occurred in a context in which Schneider Electric had changed its CSR approach from awareness to a business opportunity. In this favorable context, the scale-up of the BOP program (step 2) seemed to be on a good track. However, it turns out that the situation remains uncertain, even up to the present time. The transition of the program from the Sustainability Department to the Business divisions had been closely monitored, but a move back occurred.

The objective of this paper is to understand the current stalemate (step 3) and to suggest how to bypass it by simultaneously addressing three issues:

- The unclear positioning of the access-to-energy activities within the firm's organizational structure.
    - Schneider Electric has an organizational matrix in which the Operations divisions are in charge of sales across geographies, and the Business divisions are in charge of designing the products and services. The Access to Energy program draws from both sides, and the transfer of its activities to the Operations divisions was not met with a similar transfer to the Business divisions.
- The need to design incentives to avoid maintaining the status quo, at all levels of the organization (from the operational and functional managers up to board members).
    - The current status of the Access to Energy program is comfortable at all levels: the Chief Executive Officer (CEO) can advocate it in the company's communications, and the program's ambiguous position provides a degree of freedom for its current managers. However, Operations divisions do not feel committed to the quantitative targets fixed at the corporate level.
- The need to fully demonstrate the potential for turnover and profitability from access-to-energy activities.
    - While the Access to Energy program does signal a good potential for profitability, it cannot clearly demonstrate that this potential meets the threshold for being objectively transformed into an independent business segment. This explains why the executive committee has

refrained from addressing the two former points – that is, from making a decision about the organizational structure and promoting fully dedicated managers with clear targets and making them accountable.

3 Longitudinal field study of Schneider Electric

3.1 Research context and methodology

3.1.1 The emergence of BOP as part of the reformulation of the corporate strategy

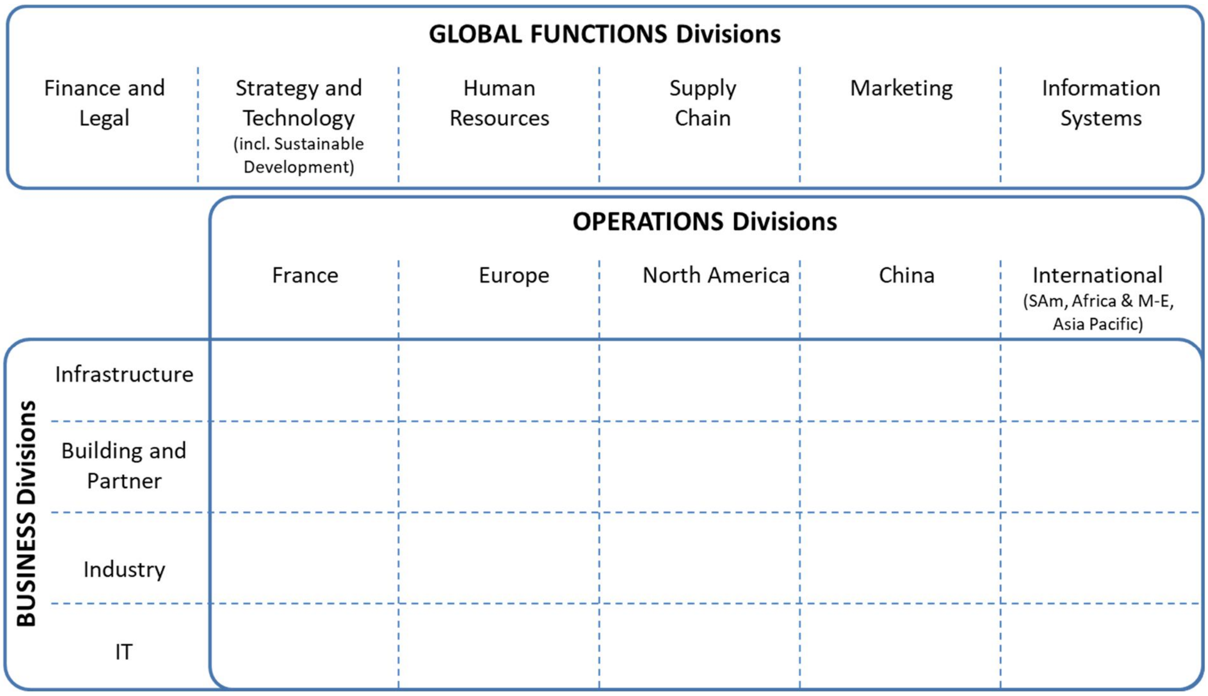
Schneider Electric is a French multinational enterprise that leads in energy management. The company provides solutions for utilities and infrastructure, industries and machine manufacturers, non-residential buildings, data centers and networks, and the residential sector. In 2018, the company employed 137,000 people worldwide, reaching a turnover of 25.7 billion Euros, with 45% of this in emerging economies.

The organizational matrix of Schneider Electric is depicted in Figure 1. Business divisions oversee the global market and product lines across the four main segments of the company: Infrastructure (for medium-voltage products), Building and Partnerships (for low-voltage products), Industry (for automation solutions), and IT (for data center energy management). Each division defines its own strategy, research and development, and business development activities on a worldwide basis and sets sales and profitability targets as well as go-to-market rules per geography and customer segment.

Operations divisions are in charge of all of the commercial activities of the group in the countries where the company is present. They are represented in five main regional clusters: France, Europe, North America, China, and International (covering South America, Africa and the Middle East, and Asia and the Pacific). Acting as revenue centers, countries' Operations divisions oversee reaching sales and profitability targets across the company's lines of business, as discussed and agreed on a yearly basis with each Business division.

The Operations and Business divisions rely on centralized support functions – called Global Functions divisions – which provide support in the areas of Finance and Legal, Strategy and Technology, Human Resources, Supply Chain, Marketing, and Information Systems. Both the Business and Global Functions divisions are involved in the management and control systems of the Operations divisions. Every division is led by an Executive Committee member who answers to the CEO.

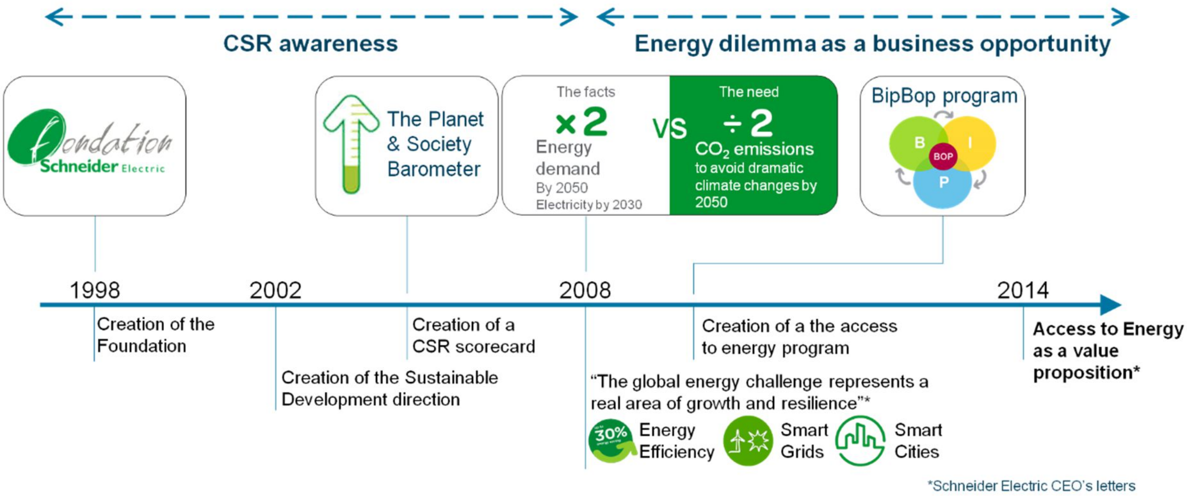
Figure 1. Schneider Electric's organizational chart (2012-2015)



In 2009, a significant shift occurred. As the global energy challenge became a major societal concern, Schneider Electric directly formulated its response, in meaningful terms: the need for the company "to drastically reduce CO_2 emissions to limit global warming. Meanwhile, electricity demand will double by 2030" (Schneider Electric, 2009, p. 4). Schneider Electric's top management decided to view this challenge as "a real area of growth and resilience" for the company (Schneider Electric, 2009, p. 4).

The win-win concept of creating societal and economic value was embodied in 2012 with the titling of the company's strategy and sustainability report, "Creating Shared Value." Schneider Electric explicitly referred to the term that Porter and Kramer (2011) used to describe the "policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates." Green business became a clear value proposition, thus aligning CSR concerns with the boundaries of the company's core business. Figure 2 illustrates the strategic embeddedness of the global energy challenge at Schneider Electric.

Figure 2. Strategic embeddedness of the global energy challenge at Schneider Electric



The company's CEO, Jean-Pascal Tricoire, mandated the Sustainable Development department (positioned under the Global Functions division on "Strategy and Technology") and its Sustainability Director to formalize an Access to Energy program that would initially be called the "BipBop" program. During its launch, the CEO communicated on two major company's objectives for the program: to highlight, firstly, the capacity of the company to innovate, and, secondly, its commitment to engage with local communities (Schneider Electric, 2009).

BipBop stands for "Business, Innovation, and People at the Base of the Pyramid." The aim of the program is to promote affordable, reliable, and clean access to energy for low-income populations in sub-Saharan Africa, India, and Southeast Asia. To tackle this global issue, the program combines business and philanthropic approaches (Vermot Desroches and André, 2012):

- The "Business" pillar is an impact-investing fund that financially supports the development of small and medium-sized enterprises in the field of access to energy and job integration.

- The "Innovation" pillar develops a specific portfolio of products and solutions that are deployed commercially to meet the means and needs of BOP populations.
- The "People" pillar sponsors vocational trainings, through the Foundation, that help to develop long-term regional competencies.

For the purpose of our research question, this paper focuses on the Innovation pillar, aimed at commercializing energy access products and solutions to the greatest number of people living mainly in rural areas. For simplicity, we refer to the associated activities as the Access to Energy program.

A quantitative target – the number of low-income households that had obtained access to energy thanks to Schneider Electric's program – was added to the Planet & Society Barometer, a CSR dashboard introduced by the company in 2005 as a specific reporting tool to communicate externally to stakeholders on a quarterly basis.

3.1.2 Methodology

The authors were engaged in "action research" that aimed "to contribute *both* to the practical concerns of people in an immediate problematic situation and to the goals of science by joint collaboration within a mutually acceptable framework" (Rapoport, 1970, p. 499). Thomas André was first involved as a PhD candidate from September 2011 to October 2015[3] and then as a manager of the Access to Energy program, leading its Strategy within the Sustainable Development department, from November 2015 to early 2019. Jean-Pierre Ponssard acted as PhD supervisor and Nicolas Mottis as a member of the PhD Committee. As of 2014, Schneider Electric joined the Energy and Prosperity Chair – a group created in 2015 to inform decisions of public and private actors in managing the energy transition – which included a research initiative on access to energy.[4]

The research collaboration made it possible for Thomas André to develop an "insider" position (Brannick and Coghlan, 2007). In that sense, he benefited from "active member" status and assumed "a functional role in addition to the observational role." The outside positions of Nicolas Mottis and

Jean-Pierre Ponssard allowed for “objectivizing” the results in the favorable context created by the involvement of Schneider Electric in the Energy and Prosperity Chair.

The field study data were collected primarily through numerous meetings throughout the research period. The researchers were able to collect data from a variety of organizational participants, including employees of Schneider Electric across all the functional areas of marketing, human resources, R&D, logistics and finance, and control, as well as the Business and Operations divisions. The method of data collection was primarily informal, which allowed the views of the respondents to emerge. Detailed notes were written up after each meeting. More formal interviews based on semi-structured questionnaires were conducted during the second half of the research period to focus on the research question and on the cases selected for this paper (two other CSR case studies were also analyzed, Solar Decathlon and Go Green in the City; see André and Ponssard, 2015). A detailed transcription of the recorded interviews permitted a consistent use of the data.

Data collection was triangulated throughout the research period through the use of internal company documents accessible on the intranet, as well as working documents shared by employees. Secondary sources such as institutional documents, communications-oriented materials, and press releases from the company, as well as previous cases from articles in academic journals, completed the triangulation.

The field study is therefore exploratory (Yin, 1994). Firstly, it provides an example of the formulation of a company’s strategy that embeds CSR concerns as a business opportunity. Secondly, and importantly, it focuses on the different modes of implementing organizational and management systems.

3.2 The case study

3.2.1 Managing access to energy as a business opportunity

<u>Step 0: The initial awareness approach of the program (2008 to mid-2010)</u>

In the preliminary phase of the program, engineers from the R&D teams of Schneider Electric's Business divisions were delegated to design two complementary pilot projects to field test the technologies. These technologies – highly energy-efficient solar lighting systems based on light-emitting diodes (LEDs), called In-Diya, and solar micro off-grid power plants, called Villasol – were to be donated to and then installed in two villages in India and Madagascar, respectively. At that time, the Access to Energy program was not assessed based on its sales or profits. Aligned with the adoption of an awareness approach, the management system for the program instead focused on its societal value creation. The objective was to grant access to energy to 1 million households over the period 2009-2011.

Building on its successes in the field, the top management granted the Access to Energy program internal "start-up" status in order to test its commercial viability. The Innovation pillar was then formally created in mid-2010. The R&D was internalized to the program with the development of an "Offer Creation" team that would also be in charge of operational marketing and industrialization of its offers. Meanwhile, the commercialization of products and solutions in countries was under the responsibility of a dedicated "Business Development" team, whose mission was to target low-income and rural end-customers who lacked access to modern electricity. With these steps finalized, it was time to incubate a new access-to-energy market-based business, under the management of the Sustainable Development department acting as a small Business division.

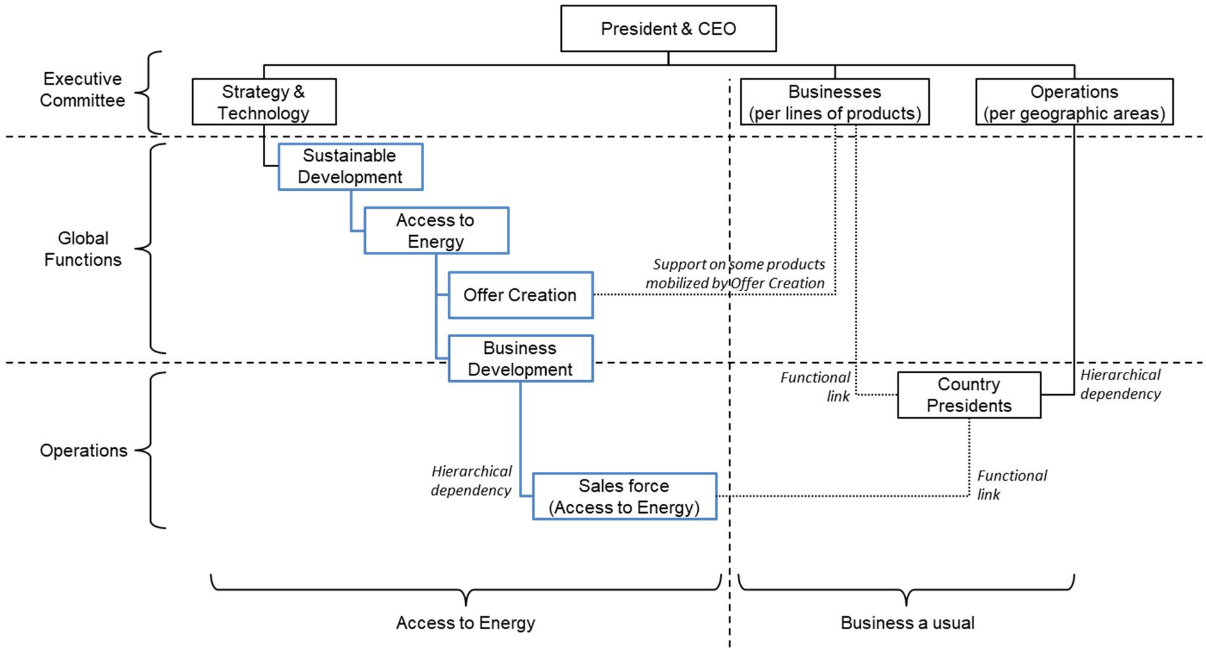
<u>Step 1: Incubating a new approach (mid-2010 to 2013)</u>

The newly established Offer Creation and Business Development teams acted as a protected entity within the company. Their directors had the mandate to commercially deploy the two main offers that previously had simply been donated (the solar home lighting system and the small solar microgrid for village electrification). They selected six initial target countries across the company's Operations divisions and set annual sales objectives. Both the progress and the related challenges in establishing an energy access business in these countries were consistently and periodically examined by the Sustainable Development director, and then reported to the CEO.

The team was strongly encouraged to bypass the existing control processes of Schneider Electric's established Business divisions in order to remain agile. Nevertheless, the Offer Creation director encouraged his team to sporadically take advantage of specific capabilities from several Business divisions and Global Functions all along the value chain (Vermot Desroches and André, 2012). These included cost reductions for offers through high volumes of procurements; quality manufacturing standards thanks to internal factories and assembly lines; and the worldwide supply of products and solutions based on internal logistics management. To market the offers, the Business Development team relied on a decentralized sales force team. Local Operations sales managers remained functionally attached to the country presidents of the company but were hierarchically dependent on the Access to Energy program directors (with the Sustainable Development department directly supporting their wages), as depicted in Figure 3. The Figure illustrates the organizational chart for the Access to Energy program between 2010 and 2013.

This organizational structure permitted the development of specific partnerships with non-traditional local actors in order to respond to the demands of rural end-customers. This new bottom-of-the-pyramid approach led to signing contracts and generating initial revenue for the program, thus demonstrating the potential to create adequate market access channels targeting low-income rural end-customers.

Figure 3. Organizational chart of the Access to Energy program (2010-2013)



In addition to the direct financial and societal values created by the program, a few local country presidents from Schneider Electric started to acknowledge the potential for capturing mostly indirect business returns. For example, the company's zone director for French-speaking countries in Africa explained in 2012 that: "There is a huge potential in Africa. Our commitment to access to energy brings value to our customers. It's a driver to increase our business. We have to highlight this competitive advantage to sell our offers every day." In parallel, the Sustainable Development director raised awareness about the program's capacity to generate extra-financial benefits in terms of brand building, employee engagement, talent attraction, and business innovation.

To test those assumptions, the Sustainable Development department invited the action research teams to perform in mid-2012 two enlarged cost-benefit analyses in Vietnam and Nigeria, followed by the launch of two decentralized village electrification projects. Those two surveys validated the program's positive quantitative and qualitative impacts for the company. The public relations and communication events improved the relationships with national authorities and business partners. The relatively high press coverage of the two projects permitted the company to attract new customers, translating into traditional business contracts. In Vietnam, the country branch developed new competencies in renewable energy and off-grid electrification, which enabled it to extend its value proposition. In both countries, employee satisfaction surveys demonstrated that employees had eagerly engaged with the program.

At the management level, the company validated the incubation phase of the Access to Energy program by renewing the CSR dashboard indicator for the period 2012-2014 and its objective to provide access to energy to an additional 1 million low-income people.

The time was ripe at the operational level for the Access to Energy program to contribute to the general repositioning of CSR as a business opportunity for the company and to capture additional market share.

Step 2: Scaling up the program (2014 to 1016)

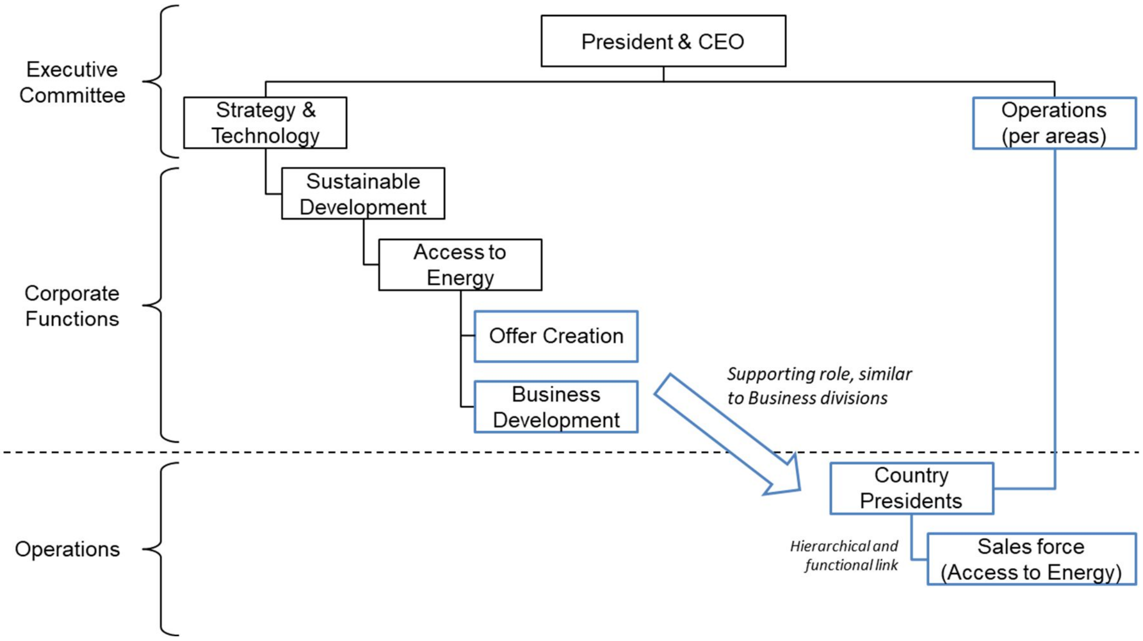
Based on the initial learnings about what a business-to-business company like Schneider Electric could deploy in terms of energy access products and solutions, the Offer Creation and Business Development teams jointly agreed to diversify the offer portfolio, responding to two observed trends. On the one hand, household demand had appeared for products that would provide more than just lighting, so the Access to Energy program designed new solar home systems that could supply enough power to operate several lamps as well as small radios, televisions, and fans. On the other hand, the initial electrified villages were seeking more distributed solutions. In response, the program developed a solar water pumping system, battery charging stations, and street lighting, all powered by solar photovoltaic arrays.

Notably, the Offer Creation team also started to integrate existing products from other Business divisions within the company, and to brand-label solutions from external product manufacturers. Local sales managers developed new connections with non-traditional partners and created business models to increase the “last-mile” delivery of products and to improve affordability by offering micro-loans alongside the products. Successive increases in yearly sales led the directors of the Access to Energy program to achieve turnover of 20 million Euros in 2013 and to reach the break-even point.

In early 2014, several moves were taken to better capture the growing opportunities represented by the access-to-energy market segment. The Executive Committee decided to extend sales targets to every Operations division country targeted by the Access to Energy program. Executive vice presidents and country presidents in the firm now had incentives based on their achievements in the energy access business. The fact that local country presidents had to be accountable for Access to Energy sales induced a shift of conceded investments in human resources, from the corporate to the operational levels.

The organizational chart of the Access to Energy program was reconsidered. First, the local sales forces responsible for the energy access business were moved directly under the supervision of the Operations division country presidents. Second, the corporate team of the Access to Energy program would now have an official supporting role in managing the energy access business activities locally, in a way granting the Access to Energy program a similar mandate as for Business divisions. Figure illustrates this organizational change.

Figure 4. Organizational chart of the Access to Energy program (2014-present)



These organizational changes did not materialize easily in terms of control procedures. In this new setting, the Sustainable Development department suggested "extended profit and loss" as the new framework to track the results of the Access to Energy program beyond its financial metrics. This extended profit and loss was intended to demonstrate the indirect and extra-financial benefits to the company, and thus to put the so-far limited profitability of the program in a broader perspective. This attempt to create a new control system was strongly fought by the "Finance and Legal" Global Functions division – which considered such control too unconventional – and was quickly abandoned.

In mid-2014, the Access to Energy program therefore faced a double bind. On the one hand, the top management set a target to increase the 2014 sales levels five-fold by the end of 2017, while on the other hand, the field managers had no means of actually implementing such a demanding target. To bypass this difficulty, a series of working groups was established, led by the Access to Energy program directors and involving interested country presidents and their local sales force managers. In late 2014, the working group delivered a "starter kit," which consisted of a managerial guide to define and roll out new go-to-market strategies adapted to the access-to-energy business in every country.

Responsibilities and capabilities were clearly identified. Local operations in countries would bring their business insights and knowledge of the local socio-economic context, and would mobilize support from the local Global Functions divisions to define the action plans. Meanwhile, the corporate team would support these local operations based on its extensive knowledge of energy access products and the global market, and its direct access to C-level business partners and international institutions. During 2015 and 2016, the Access to Energy business experienced year-on-year growth in its revenues and decided to deploy in additional countries in Africa and Asia.

The company's access-to-energy business was now inscribed in the routines of target-country operations. Zone directors, country presidents, and Access to Energy program directors met during *ad hoc* quarterly business reviews to control for implementation of the pre-defined action plans. When targets (particularly sales targets) were not achieved, corrective actions were decided. Additionally, the energy access and rural market segments addressed through the Access to Energy program emerged as an integral part of zone strategies. New local sales directors were recruited. At the corporate level, the CSR dashboard indicator focused on sales was renewed, with a target to multiply the 2017 annual sales levels four-fold by the year 2020.

Step 3: Stalemate of the program scale-up (2017-2019)

In early 2017, the first signs of the unsuccessful mainstreaming of the Access to Energy business approach across Operations emerged. Although the program's positioning under the Sustainable Development department had been perfectly suited to its early mandate to innovate and explore new markets, it appeared to be a handicap for its broader business integration in the company's Operations. Unlike a Business division, the Sustainable Development department does not have the authority to ensure the credibility over time of the sales targets in every country, even if they are validated by the top management. In parallel, some Operations country presidents perceived the increase in access-to-energy revenues at lower margins in specific geographies as hindering their profitability targets. As a consequence, in 2018, some country presidents limited their commitment to or even reallocated or stopped investing in local Access to Energy sales forces, leading for the first time to a stagnation of yearly sales in 2018.

The Business divisions that were providing the Access to Energy program with products and solutions had observed with satisfaction the successive increases in annual sales. Some of them expressed a willingness to reclaim (under their own perimeter) management of the new market segments that the Access to Energy program opened. However, the overall activity of the Access to Energy program aggregates many products and solutions from multiple Business divisions. Beyond a decision from the top management to simply dismantle the energy access business activity, the multitude of new business models and go-to-market strategies as well as non-traditional partnerships would represent a complex business to be managed under any specific Business division.

Regardless, the Access to Energy program directors and the Sustainable Development director perceived such a transfer of management to a specific Business division as risky, as it could result in losing the whole spectrum of value propositions that they had developed over eight-plus years. Notably, they also considered such a transfer to be a potential threat to their control and autonomy that would move them back into the complexity of the multinational corporation's organizational matrix.

On the top management side, the Access to Energy program – while highly strategic for the CEO, who periodically mentions the worldwide lack of energy access as among the key trends impacting the company's strategy – has still been reported merely as a corporate responsibility issue. This has blurred the line between sustainability communication and a legitimate market segment in which shared value can actually be created.[5] Moreover, the top management has noted that the transfer of management from the Sustainable Development department to a Business division should only be considered once the Access to Energy program reaches at least 100 million Euros in annual revenue. Thus, as of early 2019, the Access to Energy program appeared to be in a status quo situation, preventing its complete integration into the company's businesses.

3.2.2 Discussion

Despite its greater integration into local Operations divisions, the Access to Energy program at Schneider Electric has faced several barriers preventing its full transition into the company's Business divisions. Country presidents and Business division directors have considered the access-to-energy business to be too small and too complex to manage, especially given its lower levels of profitability. Meanwhile, the top management has found a good trade-off in communicating about the company's CSR efforts while making only limited investment before considering the access-to-energy business robust enough to be fully integrated. Finally, the Access to Energy program directors and the Sustainable Development director have resisted a transition in order to maintain control over the program and remain autonomous. Table 3 provides an interpretation of the reasons for the status quo.

Table 3. Position of the main players vis-à-vis an integration of access-to-energy activities into the core business

Players	Interests in moving toward integration	Reasons to maintain the status quo
Access to Energy program directors	Develop the business on a larger scale	Loss of control and autonomy (back in the complex global multinational organizational structure) Better to remain small and valued by corporate communications than to be big and under the regular financial pressure
Sustainable Development director	Proof of success of a CSR innovation creating shared value	Maintain control of a well-recognized business initiative with no cost and even a (small) profit
Country presidents	Acquire a new line of growth	Too complex to manage (small business, small and numerous or non-traditional clients, new business model difficult to manage) Too low margins, hindering countries' overall margin levels
Business division managers	Possibility of long-term growth	Too small and complex for the moment
Global Functions divisions (Finance, Strategy)	Normalize the perimeter of the CSR department (i.e., put business activities where they should be)	Too small for the moment (especially in terms of yearly revenues) Why bother colleagues with this integration: the CEO is happy to communicate the CSR, the Sustainable Development director is happy to keep it, the Business division managers are not impatient, etc.
Executive Committee and CEO	Would be a strategic decision indicating real commitment to the central role of CSR in the business model Would better prepare the company to capture long-term growth (possibly billions of euros)	No time to spend on it at this stage Good trade-off for the moment between communications value and limited costs Still perceived as a CSR/charity program rather than as a business opportunity per se

To re-align the access-to energy business with its past trend of successive annual growth, it appears critical to "release the brakes." Firstly, this would require recapturing the interest of local Operations divisions, and especially country presidents. By better highlighting the Access to Energy program's business potential to capture long-term growth in the billions of euros, the program's directors should relaunch several actions. Based on the fundamentals of the bottom-of-the-pyramid strategies, launching a few global partnerships would help. For example, in 2018, the Access to Energy program became a preferred supplier to the United Nations High Commissioner for Refugees to supply solar lanterns to refugee camps.

It is also a good time to reconcile the program's initial mandate with the exploration of non-traditional business models or new positions along the company's value chain, such as taking a greater stake in the financing and operation of electrification projects. Such a revised strategy would require the top management to allocate patient capital – or rather long-term investments – into the program. It would also be necessary to reinvigorate an exploratory mindset in the Access to Energy team by recruiting other executive profiles, typically younger employees with high potential who would support current Access to Energy directors in revamping the program's strategy.

Another line of conduct to further install the program within the general business routines of the company would be to effectively transfer the Access to Energy program into a Business division. This would finalize the embeddedness of the program within the company's traditional management systems, for instance by being included in general business reviews rather than being addressed separately. Nevertheless, this transition should maintain the existing protected status of the Access to Energy program. Maintaining its start-up mandate as a "Segment" positioned within a Business division – similar to the existing Segments targeting Hotels, Water, Food and Beverage, and Oil and Gas – could help to mitigate the risks of short-term pressure and higher profitability targets. It would ensure that the Access to Energy program would continue to be able to mobilize products and solutions coming from other Businesses divisions, while still managing a unique go-to-market and an aggregated level of profitability, hand in hand with local Operations.

Similarly, the extension of the current management and control system would have to be defined through a group directly involving representatives from the "Finance and Legal" Global Functions division along with members of the Access to Energy program, who would be directly accountable to the Executive Committee members. This would ensure that the sales targets, along with relevant extra-financial and societal key performance indicators, would be integrated into the company's general management system. As a consequence of such organizational change, the monitoring of access-to-energy business activities would be integrated into traditional quarterly business reviews, as with any other Business division segment. Local Operations managers would have to explain why and how these specific targets would have to be updated, given that they were accepted as part of the overall objectives, with the associated budgets (i.e., technical and marketing support from Global Functions divisions, human resources allocated to achieve these targets, etc.).

Keeping in mind that the Access to Energy program was initiated as a BOP strategy – that is, adopting a shared value creation approach – and that it was communicated to that effect, the management system would also have to be defined in coordination with the Sustainable Development department. This reorganization would greatly simplify the management of the program. On the one hand, the program would be integrated into business-as-usual activities (to ensure its deployment in every geography), while on the other hand, the Sustainable Development department would remain in charge to externally report the activities of the program and to ensure social accountability, building on indicators deeply rooted in the Operations divisions.

In light of this analysis of the access-to-energy activities at Schneider Electric, we might emphasize the difficulty of maintaining a shared value creation approach. In this sense, two different objectives (societal and economic) co-exist when it comes to marketing specific access-to-energy offers in rural areas of developing countries. On the one hand, products and solutions are meant to improve the lives of end-customers and to contribute to their economic development, while on the other hand, the commercialization of these products and solutions aims to be profitable for the company.

The business perspective of the Access to Energy program has been constantly reinforced, and is now placed at the forefront of its performance evaluation. As the business development director of the Access to Energy program explained: "When I took my position in mid-2010, I had to report to my hierarchy and to the CEO the number of LED lamps that we sold. Then the quarterly business reviews focused on the total turnover of the access-to-energy offer. Today we are also evaluated on the EBITA [earnings before interest, taxes, and amortization].” Incubating, scaling up, and then integrating access-to-energy activities into the company’s businesses should not prevent such a program from being assessed on both societal and economic performance criteria.

4 Concluding comments: The evanescent nature of CSR goals

Internal organizational barriers explain the difficulties in implementing bottom-of-the-pyramid as a win-win strategy relative to early expectations. This led several companies to adopt a preliminary stage in which these activities were centrally managed directly by the CSR department under preserved and discretionary rules. This stage was intended to build experience and to provide evidence of the profitability of BOP activities. However, further analysis on the question of the transition of these activities to business-as-usual remained largely unexplored.

This paper provides greater insight into this transition process. The main finding concerns the benefit that BOP activities can build on the parallel change in the CSR strategy of the firm. Over the last decade, firms have increasingly articulated their business strategies along with some specific global societal challenge, in line with their core activities. This change provides both a need and an opportunity for BOP activities that remain installed in a preserved status. We explore the successive steps associated with this change for BOP activities at Schneider Electric through a longitudinal case study, and show that after a phase of scale-up, the program entered a stalemate. We show that three organizational barriers have been responsible for this stalemate: the firm’s complex organizational matrix, which complicated the internal diffusion of the program; the lack of incentives at all levels of organization to promote effective program evolution; and the difficulty in demonstrating a clear profitability case for the program.

In a more fundamental way, this study shows that while BOP can benefit from a re-assessment of a corporate strategy that elevates CSR objectives, this is far from sufficient, as was initially believed at the start of the study. Corporate goals may be evolving, and what seemed congruent at one time may not remain so. Despite early successes, momentum may fade. For example, after drastic financial restructuring at Lafarge and DuPont, there are no longer references to “Building better cities” on the Lafarge Holcim website or to “Sustainable growth” on the DuPont-Dow Chemical website. While Schneider Electric did not face a similar restructuring, the focus of the company now is on digitalization rather than on the global energy challenge.

Notes

[1] "The purpose of this firm is not to create shareholder value… but to pursue both economic and social benefits." See https://www.economist.com/business/2018/08/09/danone-rethinks-the-idea-of-the-firm.

[2] For a recent example, see https://www.businessgreen.com/bg/news-analysis/3077510/-poseidon-principles-shipping-banks-pledge-to-align-portfolios-with-climate-goals.

[3] André, T. (2015). Base of the pyramid and corporate social responsibility: Why they interact and how. PhD dissertation. 14 December. Ecole Polytechnique. Palaiseau, France. Retrieved from https://pastel.archives-ouvertes.fr/tel-01282029.

[4] See the chair website for information, http://www.chair-energy-prosperity.org/en.

[5] https://www.seforall.org/content/schneider-electric-becomes-new-delivery-partner-sustainable-energy-all.

References

Ambec, S. C. and Lanoie, P. (2008). Does it pay to be green? A systematic overview. Academy of Management Perspectives 22(4), 45-62.

André, T. and Ponssard, J.-P. (2015). Managing BOP as a business opportunity, a longitudinal study. Energy and Prosperity Chair, Paris.

Arjaliès, D.-L. and Ponssard, J.-P. (2010). A managerial perspective on the Porter hypothesis. The Case of CO_2 emissions. In P. Crifo and J.-P. Ponssard (eds.), Corporate social responsibility: From compliance to opportunity? (pp. 151-168). Les Editions de l'Ecole Polytechnique, Paris.

Arjaliès, D. L., Goubet, C. and Ponssard, J.-P. (2016). Strategic approaches of CO_2 emissions: The case of the cement and chemical industries. In Erdoğdu, M., Arun, T. and Habib Ahmad, I. (eds.), Handbook of research on green economic development initiatives and strategies (pp. 583-604). IGI Global.

Brannick, T. and Coghlan, D. (2007). In defense of being "native": The case for insider academic research. Organizational Research Methods 10(1), 59-74.

Dembek, K. et al. (2020). A systematic review of the bottom/base of the pyramid literature: Cumulative evidence and future directions. Journal of Business Ethics 165, 365-382.

Faivre-Tavignot, B., Lehman-Ortega, L. and Moingeon, B. (2010). Le social business, laboratoire d'apprentissage des stratégies de rupture. Revue française de gestion 9, 175-189.

Fogler, H. R. and Nutt, F. (1975). A note on social reponsibility and stock valuation. Academy of Management Journal 18(1), 155-160.

Goodpaster, K. E. (1983). The concept of corporate responsibility. Journal of Business Ethics 2(1), 1-22.

International Energy Agency (2019). Chapter 12: Implication for Africa and the world. In: World Energy Outlook. Part B. Special Focus on Africa (pp. 510-573). OECD Publishing, Paris.

McFalls, R. (2007). Testing the limits of inclusive capitalism. Journal of Corporate Citizenship 28, 85-98.

Olsen, M. and Boxenbaum, E. (2009). Bottom-of-the-pyramid: Organizational barriers to implementation. California Management Review 51(4), 100-125.

Orlitzky, M. and Benjamin, J. D. (2001). Corporate social performance and firm risk: A meta-analytic review. Business & Society 40(4), 369-396.

Perrot, F. (2017). Multinational corporations' strategies at the base of the pyramid: An action research inquiry. Journal of Business Ethics 146(1), 59-76.

Porter, M. E. (1991). America's green strategy. Scientific American 264(4), 168.

Porter, M. and Kramer, M. (2006). The link between competitive advantage and corporate social responsibility. Harvard Business Review 84(12), 78-92.

Porter, M. and Kramer, M. (2011). Creating shared value. How to reinvent capitalism and unleash a wave of innovation and growth. Harvard Business Review, 17.

Prahalad, C. K. and Hart, S. (1999). Strategies for the bottom of the pyramid: Creating sustainable development. University of Michigan Business School, Ann Arbor and Kenan-Flagler Business School, University of North Carolina, Chapel Hill.

Rapoport, R. N. (1970). Three dilemmas in action research: With special reference to the Tavistock experience. Human Relations, 23(6), 499-513.

Schneider Electric (2009). Rapport d'activité et de développement durable 2008-2009 (p. 44).

Schwittay, A. (2011). The marketization of poverty. Current Anthropology 52(S3), S71-S82.

Simons, R. (1995). Levers of control: How managers use innovative control systems to drive strategic renewal. Harvard Business School Press, Boston.

Vermot Desroches, G. and André, T. (2012). The BipBop programme: Providing access to reliable, affordable and clean energy with a combined approach of investment, offers and training. Field Actions Science Reports Special Issue 6.

Vogel, D. (2006). The market for virtue: The potential and limits of corporate social responsibility. Brookings Institution Press, Washington, D.C.

Wagner, M. (2003). The Porter hypothesis revisited: A literature review of theoretical models and empirical tests. Center for Sustainability Management, Leuphana University, Lüneburg.

Yin, R. K. (1994). Case study research: Design and methods. Second edition. SAGE Publications, Inc., Thousand Oaks, California