



TRANSFORMING UTILITIES FROM THE BOTTOM-UP

Tapping the power of people

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Utilities face a double people challenge. They need to improve both their customer experience and raise productivity. We examine how both goals can be achieved in tandem.

Getting this right changes everything. Tapping the power of people can underpin the next great phase of utility performance. To paraphrase one utility, focusing on people provides the pathway to serving the new energy customer, saving the planet, and generating prosperity for all.

THE NATURE OF THE CHALLENGE

The transformation of the energy sector is well underway. Decarbonization is driving the shift toward lower or zero-carbon energy generation. Renewables continue to grow in importance. Electrification is driving the mobility sector. Decentralization is providing customers with increased availability and access to distributed energy resources. Meanwhile, digitalization and the Internet of Things are enabling smart grids, giving customers greater control over energy choices and usage.

This market transformation creates significant opportunities but has also given rise to challenges for utility strategies and operations. Utilities need to transform their business to address the attributes that customers, regulators, and stakeholders want from the future grid. The list of demands is long: keep the lights on, be resilient, be clean and sustainable, be economic, allow flexibility and choice, be equitable, and be cyber safe and physically secure.

A NEW APPROACH IS NEEDED TO TRANSFORM UTILITIES

Utilities, especially in North America, have performed superbly financially in the recent past. The rebuilding of the energy infrastructure, massive utility capital spending, creation of a constructive and supportive regulatory environment, and provision of low, consumer-friendly natural gas prices have combined to make the sector one of Wall Street's shining stars. Everyone is happy: consumers, regulators, and shareholders.

However, achieving the same stellar performance in addressing the forthcoming challenges is likely to prove more demanding. Despite efforts to become more customer-centric, satisfaction with utility service in general has been lower than other categories of consumer spending. Even after significant capital investment, there's been little improvement in reducing the number of power outages per utility customer and cutting down on the time needed to restore the service once the lights go out. Natural gas incidents and safety make headlines. Technology investments have had little impact on workforce productivity. Operations and maintenance costs have proved difficult to control. And after multiple rounds of reorganizations over the years, utilities remain siloed, managing handoffs between functions poorly.

None of this bodes well for the future. Change is coming fast to the utility business – faster than many would like or are prepared for. There is a squeeze on the way, as energy use flattens out and regulators become reluctant to raise rates to recover investments, and unit and labor costs rise.

CREATING A BOTTOM-UP PROCESS OF CHANGE

This is not to give the impression that transformation is easy. The very notion itself is often “countercultural.” By their very nature, utilities are most comfortable with implementing top-down, well-delineated solutions. Engineering and control are everything in ensuring reliable service. This is one reason that bottom-up, people-driven solutions don’t always fit easily with the existing culture at utilities. Our experience shows, however, that making people the owners and drivers of the solutions enables the expertise and talent within an organization to be unleashed and ensures a high level of buy-in.

The following gives a brief outline of the three main elements critical to the success of the change effort.

Creating purpose and developing leaders who inspire

Most utilities have done “the vision thing”: They have all put out statements saying something about serving the customers, something about service excellence, and something like, “our people are important.” This is NOT what we are talking about.

News from the cutting edge

So, what does this new wave of transformation look like on the ground? This is a snapshot from one utility company we worked with to address this challenge. The picture is taken partway in the journey, but it should give the flavor of what is happening.

Many hundreds of people throughout the utility have engaged in the bottom-up conversation around the vision, the desired future state for the company, the behaviors it would entail, and the roadmap for getting there.

The leadership team have all received coaching and personalized training, providing them with new skills vital to implementing the vision. The team is already modeling the new behaviors expected from the organization as a whole.

The entire organization has been energized by this interactive and co-creative process. All those working in the utility are not only aware of what is entailed in the forthcoming transformation but also have demonstrated their buy-in for the new vision. The new culture is already taking hold. Productivity is beginning to improve, even before pushing the start button.

What we are talking about is a process designed to articulate what makes the company tick, its ambitions as an organization, and what motivates those within it. The goal is to galvanize the executive team and the organization as a whole by creating an overarching change narrative that connects everyone in the company with the business purpose, its vision and values – and to do so in powerful and provocative ways at both the business level and at the human level. Getting this process right will stimulate change, reduce noise, provide clarity, and move people emotionally.

No business leader is superhuman. While business leaders are typically equipped with those abilities and skills necessary for rising to positions of authority, many of them are usually fairly ordinary people. When the goalposts shift, these same people may find themselves out of their depth and in need of new skills. This often proves to be the case when the business needs to operate in new ways in new territories. This is not a problem: this is the impetus for personal growth and development.

Our experience shows that even the most experienced leaders benefit from coaching and well-targeted training. The same is even more applicable to teams. We find the best technique is an active learning approach that gets to the root causes of current development challenges, while providing practices that shift underlying mindsets and behaviors. The net result is greater effectiveness.

Aligning, engaging, and communicating creatively to motivate belief and action

For many utilities, team alignment is the goal. But achieving alignment is no easy task. Technical specialization encourages activity silos, and this all too often produces a narrow, siloed mentality. Our experience shows that top-down processes are very unlikely to achieve full alignment, however well-intentioned and however much energy is put into them. Team transformation starts with alignment around the behaviors designed to produce the desired end target state of the culture.

Culture is a slippery term, but here it is used to denote those aspects under the control of the utility that affirm, support, and encourage certain behaviors. Ensuring that the culture supports the right behaviors is key.

Analysis is needed to assess how the organization measures up against this and identifies the root causes of all the current performance issues, co-creating new structures and supports for the desired culture. For instance, while utilities might be justifiably focused on technical issues, the current culture may not be emphasizing cost and productivity issues sufficiently. This process first requires defining the target state. Then, it needs to encourage ideas and energy to bubble up from within the organization.

Communication around the change needs to be rational and emotive, meaningful and highly visual, graphic and interactive, bringing the why, what, and how of the culture change program to life. Each communication needs to leave the employee with a clear understanding the desired change: “So that’s what it means for me, my group, and the organization as a whole.”

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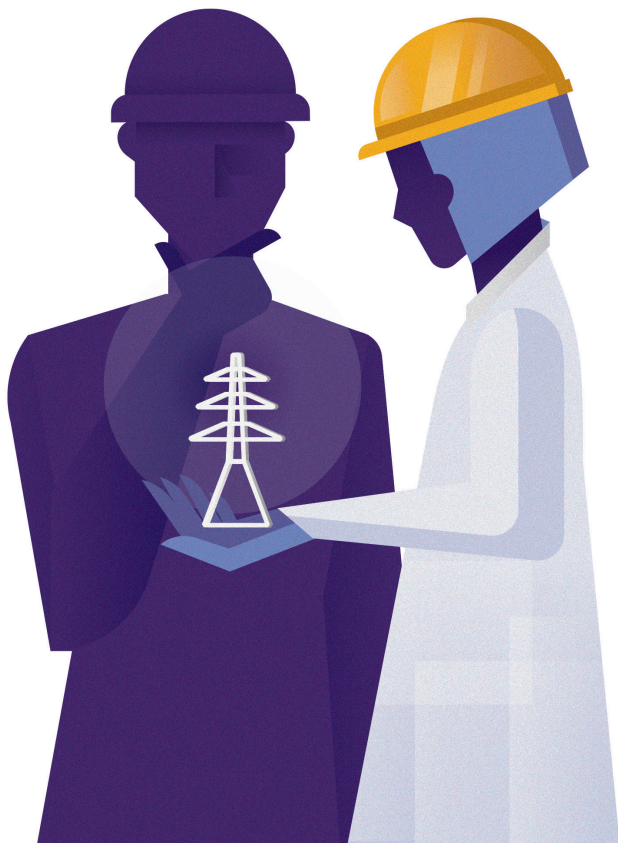
Applying a co-creative approach to change to transform how utility employees work

To succeed in the new energy market, utilities will need to frame the future based on their own corporate DNA, and open minds to discover unexpected opportunities by bringing in expertise and insight from outside. Co-creative design applies an inquiry-based, collaborative approach to designing the future, one that not only harnesses the knowledge and experience of the organization but which also challenges this with additional external insight and know-how.

A variety of methods are used during the co-creation process, including: 1) immersion events designed to unearth collective insights from different audiences while building alignment and buy-in; 2) transformation hubs that keep initiatives extremely focused on outcomes; and 3) rich infographics, animations, videos, and apps to communicate and engage with the organization at all levels. Each method uses hands-on, collaborative, and purposefully designed ways of working to steer the change efforts with both agility and precision.

Once the path forward has been described, a second level of activity can create the right conditions for change to take hold. We have often used these conditions to build the organizational capability and muscle memory for new ways of working, new operating models, and new approaches to coaching and training. Embedding a co-creative approach will lead to a better set of outcomes, enabling utilities to adapt to and roll with change over the long term.

These are exciting times. Utilities have an opportunity to flourish in the new energy world. A people-led, bottom-up, co-creative approach provides the path to accelerate the outcomes that matter the most to leaders, employees, and customers. Utilities can frame the future, build the movement, and sustain the momentum to benefit all.



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