Who dares to take the "monkey" on their shoulder?

Why energy companies struggle to make decisions, and what they can do about it

Companies can evolve as long as people in steering positions maintain an entrepreneurial spirit. If no entrepreneurial decisions are made anymore, growth stagnates and organizations end up administrating themselves. In a world of stable energy prices and regulated markets, for energy companies agility and anticipation of the future were of lesser importance. Decision-making could be risk-averse and steady. In today's environment, in which energy companies need to innovate their business models and take up new and emerging technologies to sustain competitiveness, this paradigm has changed. Unfortunately, too often we see reluctance and inability to make decisions and take responsibility: no one wants to have the "monkey on the shoulder", meaning, being held liable for a decision taken. This behavior mostly leads to negative business impact. If we look at the largest 10 European power producers only, there is a loss of more than €1.5 billion per year, because decisions are made hesitantly, if at all[1].

In this viewpoint we show how agile and digitally enhanced ways of working can contribute to tapping entrepreneurial decision power. Sometimes these are referred to as "new ways of working".

The dilemma of energy companies

In our daily work with clients, we often see senior middle managers struggling to make decisions, while top management has a distanced and sometimes artificial view of the actual business challenges that their organizations face. Based on a sample of 20 companies, we have systematically assessed the timing and complexity of decisions across different industries (see figure), and find that these differ substantially between industries.

We see especially the Energy & Utilities sector – as a representative for asset-heavy companies – struggling with rapid decision-making.

Energy companies originate from a world in which the asset life-cycles of large power plants, transmission grids and pipelines typically span more than 40 years and where companies' business models are driven by market regulation. Further, these businesses are often safety related or operate critical infrastructure of economies. These factors heavily determine the "DNA" of decision-making within energy companies.
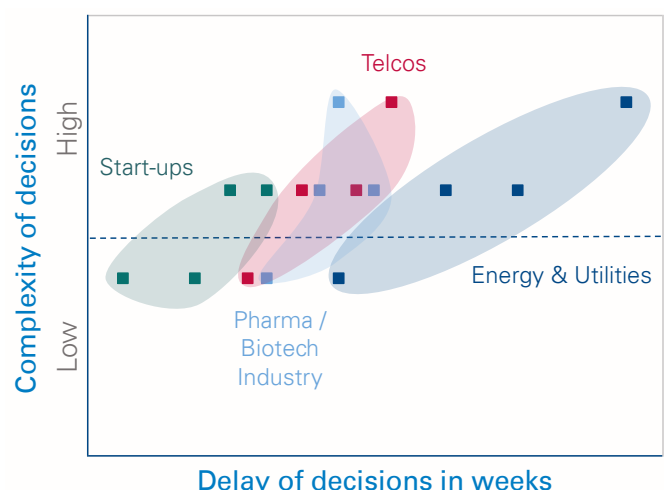
Source: Arthur D. Little

In light of new technologies such as blockchain, distributed energy generation and storage, and increasing ambitions to enter service-related businesses, this "DNA" must be reinvented if energy companies wish to remain competitive in the future.

---

1   Looking at a sample of top 10 energy companies in Europe, and estimating conservatively lost value by 1 hour per week of indecisiveness waste per employee

Negative business impact

Many examples show the negative consequences of delayed, hesitant, or omitted decision-making for the business. Three demonstrative ones include:

- **Lack of pace when making acquisitions:** A major utility looking for non-organic growth had the option to acquire an attractive target in a new business field related to building-technology services. Due to the leadership team's hesitant attitude however, the one-time opportunity of non-organic expansion was neglected, which eventually led to missed add. annual revenues of ~ €800 mn. Today the company still struggles with leveraging its current energy-services business model and is looking for acquisition targets again.

- **Excessive layers of decision-making:** A second example stems from a major power producer, which tried to establish its plant-operating know-how in the external market. Important proposals could not be followed, as more than 10 different decision-making bodies within the corporation wanted to be involved. In the end, the company did not pursue many business opportunities due to slow time to market, which resulted in a loss of add. revenues of 20–30% of their new business, jeopardizing its long-term profitability.

- **Slow decision planning for asset lifecycle management:** A third example relates to an energy company operating large thermal power plants. Due to technical issues, stricter regulation and low energy prices, the management struggled to make a decision on the lifetime extension of a plant. After all, the decision-making process took more than two years, which cost more than €100 mn in additional operating costs. However, the original opinion that the plant needed to shut down did not change.

One may ask what the reason for such short-sighted behavior is. In our opinion, the root-cause lies in a lack of sense of responsibility.

Causes of lack of decision willingness

We call this root cause the "monkey on the shoulder" phenomenon. Essentially, this means that managers at all levels do not want to be held liable for their decisions. Their focus is on short-term optimizing and maintaining, rather than on long-term envisioning and entrepreneurial risk-taking.

Furthermore, excessive layers of decision-making through boards and committees are often used as an excuse for not having made decisions, as they allow managers to hide in the anonymity of groups.

What also demotivates entrepreneurial behavior and real leadership is the blaming cultures and egocentric attitudes observable in a number of organizations. Instead of fostering empowerment and living an entrepreneurial spirit, the focus lies on finding mistakes and weaknesses, and engaging in

opportunistic behavior at the expense of others. This behavior is rarely penalized, and rather fostered by corporate mechanisms – the one who dares to make a mistake is punished, while the one who obeys the rules and does not deviate is rewarded – irrespective of the potential value-add for the whole company.

How "new ways of working" can help

Potential solutions to overcome this dilemma are emerging through new agile work approaches, underpinned by digital technology: so-called "new ways of working". Large potential lies within technological changes that greatly influence our work. These can become a catalyst for change, that fosters more constructive behavior.

Broadly, six major forces shape the creation of the future workplace and significantly change how we work, where we work, what we work on and how we work together. (See figure.)

Source: Arthur D. Little

Organizations that address these forces in their structural organizations, management systems and governance tend to be more agile and willing to make decisions. One example confirming this plea is BKW Energie AG (BKW), a large Swiss energy company which is transforming from a traditional integrated utility into a professional services firm. In the following, the six driving forces are briefly explained.

New leadership models

Looking at steering and transformation capabilities overall, organizations need to adopt stronger ambidexterity. This involves embracing leadership models that foster scale and productivity on one hand, and pursue speed and creativity on the other[2].

One element helping top managers to make their organizations stronger in decision-making and risk-taking is "true" delegation of authority and elimination of system-inherent boundaries. A new leadership model supporting this is the introduction of self-organizing teams.

In this approach, a traditional management hierarchy based on job descriptions is replaced with a new peer-to-peer "operating

---

2   Please refer to our Viewpoint "Ambidextrous Organizations – Build sustainable organizational advantage"

system" based on roles. Decision-making authority is distributed to these teams, along with principles around:

- performance culture instead of fulfillment of sheer duty
- free flow of knowledge instead of congestion of power
- market dynamics instead of technocratic instructions

Second, introducing agile working methods (e.g. SCRUM) complements the self-organizing team approach. "Agile" is a technique we have applied, for example, during the transformation of a large Transmission System Operator. By applying rules and methods such as frequent stand-up meetings with board member participation to directly make decisions (sprint reviews) and a visible backlog of tasks, processing times and quality of deliverables are enhanced. We found that digital tools such as Trello, JIRA and New Relic can underpin new, agile ways of working by providing agile project management environments and real-time performance metrics.

War for talent

A very important lever in a manager's toolbox is enriching the staff with fresh mindsets and replacing old ones. Taking on new talents – often from adjacent and more dynamic industries – is especially crucial for energy companies, whose business models are being reinvented. Skills that have not been developed within these organizations, but are strongly needed for the challenges ahead, include digital capabilities, data understanding and processing, entrepreneurial and customer-centric thinking, and, overall, readiness for continuous change.

However, attracting and retaining the right people puts a challenge on employers. Organizations must improve their employee experiences by introducing attractive working environments. At first, this includes modern and welcoming work places. Further, flexible employment schedules and locations, real empowerment, end-to-end responsibilities and e-learning possibilities are expected. Here again, BKW is a good example. After having decided to pursue a new strategic direction and corporate culture, the company refurbished the entire work environment to address a new "WHY" to all employees. Employees and managers are equipped with state-of-the-art devices, as well as leadership coaching. Meeting and co-working spaces that foster coming together and exchanging across the organization have been installed. The management meetings also have got a new touch, in that they are always linked to further develop, communicate and internalize the new purpose.

In a nutshell, competitive advantages are increasingly determined by organizations that offer their employees the most attractive fit for the future working environment.

Work without boundaries

Working without boundaries and designing truly mobile workplaces can help to assign the best talent to a job. It also facilitates information exchange and process flows, shortens reaction times and saves on costs and time spent on traveling. Such a system requires suitable tools, such as well-functioning video-conferencing systems, accessible digital channels and equipping employees with digital devices that have user-friendly and unobtrusive, yet effective security solutions.

Good examples are joint work spaces in the cloud (e.g., Microsoft Teams and Padlet), which are accessible from anywhere via mobile devices and foster cross-functional collaboration and exchange of data. Hence, the information and input necessary to make decisions can be more easily and quickly shared across organizational and geographic borders.

However, working without boundaries also involves creating a position of trust with colleagues in terms of the levels of effort they are putting in, as well as delineating between work and leisure time.

Beyond physical boundaries, true workplace mobility – and the employee empowerment that accompanies it – can help to improve self-reliance in a more distributed organization. And in doing so, it can expedite decision-making.

Intelligent machines and algorithms

Technological advances in artificial intelligence solutions offer another attractive source of performance improvement. Annoying administrative routines of daily management work can, to a great extent, be outsourced to robotics process automation solutions. An example are bots – digital, computer-based solutions which automate the filling out of standard forms and support recurring processes, such as timesheet inputs and filing travel expenses. In the daily business routines at Arthur D. Little, we experience the convenience of using machine intelligence ourselves. In this way, management capacity can be freed up for more strategic and complex tasks that require emotional sense-making and human brain-power. Frequently, this creates more time for informed decision-making.

A further development in this regard is the intelligent use of big data and analytics. Sensing, location detection, data matching and pattern recognition all aim to empower accurate and swift decision making. Applications that support in this domain include Qlik Sense, Tableau and Alteryx. However, doing big data right and making meaningful decisions based on the insight from advanced analytics, also require a new set of capabilities within the organization. These are not traditional IT investments – they require fundamental digital capabilities of employees and management. Algorithms are no new "tool"; they, rather, resemble "virtual colleagues" that need to be managed.

New possibilities for collaboration

New means of collaboration include introducing cloud-based project management and interaction tools, such as Asana, Antura Projects, LATO and Mentimeter. On a shared online platform, tasks and their statuses become transparent to the

Arthur D Little

whole project team. That creates a new sense of responsibility among team members. Also, new possibilities of multi-voting & deriving consensus are offered. E.g., the results of online voting are made transparent and available in real time. That also speeds up decision processes, because consensus is now recorded.

Digitization everywhere

Digitization, however, goes beyond applying digital tools and technological gadgets only. An integrated approach towards digitization also includes the enablement of the workforce in a broader context. Digital capability assessments and e-learning tools, such as Absorb, are great initiatives to assess and shape the skill set of the organization. Employee survey bots help to better understand what drives an organization in a way – continuously and in real-time – that was not possible before, by using classic surveys. Mastering digital devices and applications becomes a key skill of all employees.

Employers should not lack too far behind in the digital possibilities they offer. Also here, we clearly see that the gap between energy companies and other, more digitally advanced industries is increasing. Those utilities that manage to embed holistic digital offerings in their working environments will succeed in building a sustainable competitive advantage.

Limitations of "new ways of working"

As much as agile methods and digital enablers can help to professionalize and improve daily collaboration and decision-making, there are limitations when it comes to structural impediments. In order to implement more entrepreneurial behavior in favor of the company's long-term well-being, changing underlying structures is required. Incentive structures (rewards as well as penalization mechanisms) need to be adapted. The integration of fast, empowered and entrepreneurial mindsets towards decision-making is also needed. If one initiates "agilization" of the workplace without the required broader organizational transformation and change, one risks failing fast.

Conclusion

Far too often the root cause of organizational inefficiency lies in how the social system of a company has emerged over time. Six major forces help energy companies take the "monkey on the shoulder" away from their employees. These forces center on digitally enabled and agile ways of working. Decision-makers need to understand how to best leverage these forces, and how these effect the social system of the company.

However, "new ways of working" cannot relieve leaders of the need to make sure they provide the right context to empower their people to make decisions, fail and take risks again. Otherwise, growth and sustainable business success will become an exclusive competitive advantage of those who dare to take the monkey on their shoulders.

Contacts

Austria
taga.karim@adlittle.com

Belgium
baes.kurt@adlittle.com

China
pell.russell@adlittle.com

Czech Republic
brabec.dean@adlittle.com

France
bamberger.vincent@adlittle.com

Germany
kruse.michael@adlittle.com

India
srinivasan.srini@adlittle.com

Italy
caldani.saverio@adlittle.com

Japan
akamine.yotaro@adlittle.com

Korea
lee.kevin@adlittle.com

Latin America
guzman.rodolfo@adlittle.com

Middle East
kalkman.jaap@adlittle.com

Netherlands
eikelenboom.martijn@adlittle.com

Norway
mackee.diego@adlittle.com

Singapore
akamine.yotaro@adlittle.com

Spain
borras.daniel@adlittle.com

Sweden
bohlin.nils@adlittle.com

Switzerland
kruse.michael@adlittle.com

Turkey
baban.coskun@adlittle.com

UK
rogers.stephen@adlittle.com

USA
guzman.rodolfo@adlittle.com

Authors

Marlene Schlagbauer, Michael Kruse

Arthur D. Little

Arthur D. Little has been at the forefront of innovation since 1886. We are an acknowledged thought leader in linking strategy, innovation and transformation in technology-intensive and converging industries. We navigate our clients through changing business ecosystems to uncover new growth opportunities. We enable our clients to build innovation capabilities and transform their organizations.

Our consultants have strong practical industry experience combined with excellent knowledge of key trends and dynamics. Arthur D. Little is present in the most important business centers around the world. We are proud to serve most of the Fortune 1000 companies, in addition to other leading firms and public sector organizations.

For further information, please visit **www.adlittle.com**

www.adl.com/ENRdilemma