5 steps to ensure you get the most value from digital investments

Digital business transformation

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POWERING WHAT'S NEXT

Joining you today

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Agenda

- **Who is E Source and who do we serve?**
  - **E Source Advantage**

- **State of the utility industry**
  - **Smart Cities**

- **How to adapt and transform using modern technology**
  - **Navigation tips for the journey**

- **Bringing it all together**
  - **Benefits realization**

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Key takeaways

New technologies can help streamline your operations and improve customer engagement

Adopting modern technology requires you and your organization to fundamentally change how you do business

To get the most value from your digital investments, address processes, technology, and culture holistically to create sustainable change

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POWERING WHAT'S **NEXT**

Who we are

A research, consulting, and data science firm focused exclusively on the intersection of utilities and their customers

Clients

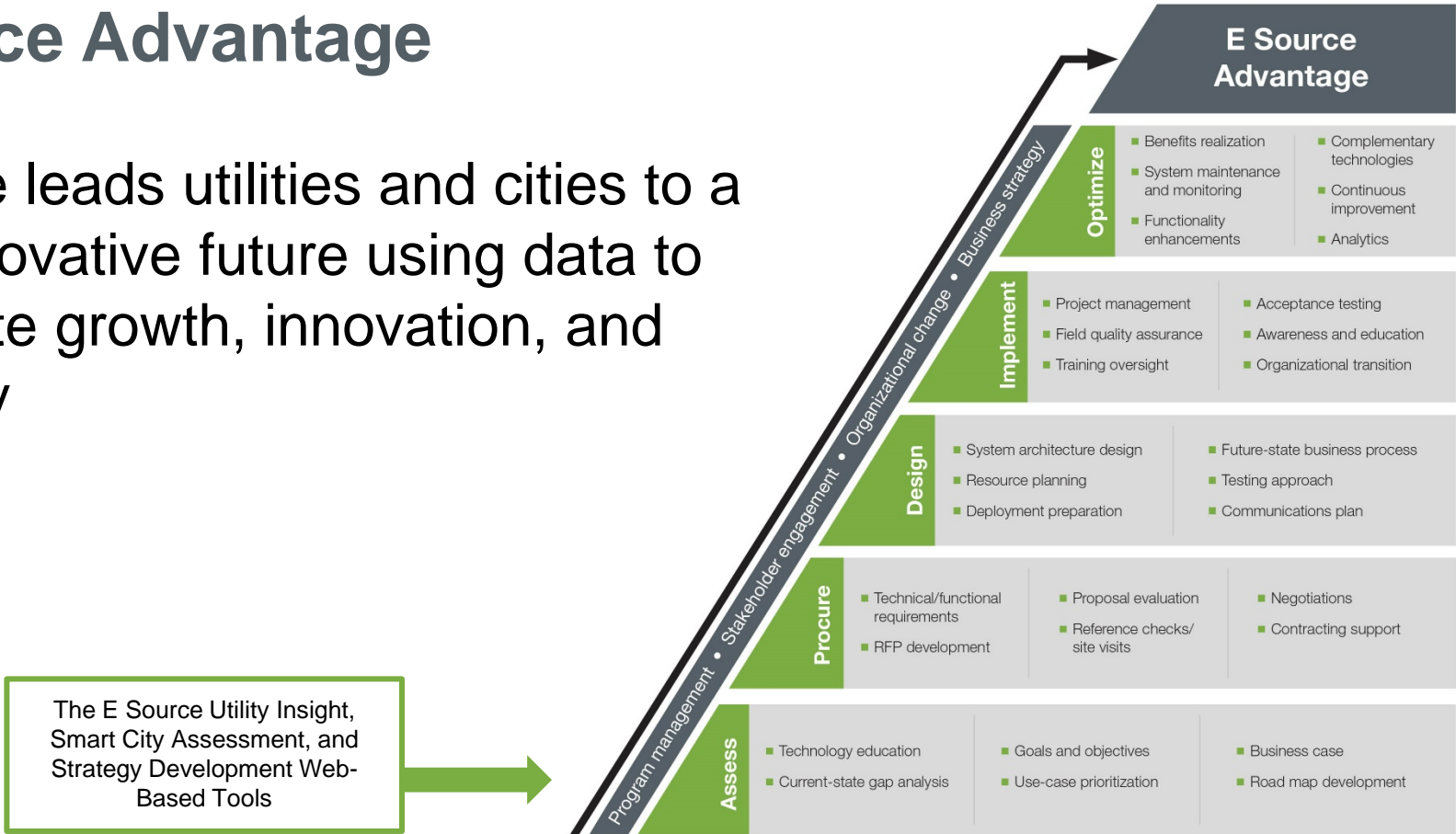We work with more than 600 utilities, cities, and their partners

Founded

Founded in 1986, we've been in the industry for nearly 35 years

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E Source Advantage

E Source leads utilities and cities to a more innovative future using data to accelerate growth, innovation, and efficiency

The E Source Utility Insight, Smart City Assessment, and Strategy Development Web-Based Tools

E Source Advantage

Program management • Stakeholder engagement • Organizational change • Business strategy

Optimize
- Benefits realization
- System maintenance and monitoring
- Functionality enhancements
- Complementary technologies
- Continuous improvement
- Analytics

Implement
- Project management
- Field quality assurance
- Training oversight
- Acceptance testing
- Awareness and education
- Organizational transition

Design
- System architecture design
- Resource planning
- Deployment preparation
- Future-state business process
- Testing approach
- Communications plan

Procure
- Technical/functional requirements
- RFP development
- Proposal evaluation
- Reference checks/ site visits
- Negotiations
- Contracting support

Assess
- Technology education
- Current-state gap analysis
- Goals and objectives
- Use-case prioritization
- Business case
- Road map development

Technology planning and implementation

Technology Planning and Implementation Consulting provides expert consulting and system-integration or implementation services on a wide range of ***technological, business, and customer engagement*** topics that utilities face today

We've planned, implemented, or integrated virtually every major utility IT or operating technology system in the past 25 years

We understand the entire utility "system of systems"

State of the utility industry

Disruptive forces leading to top trends in utility modernization

- Customer expectations
- Market evolution
- Technology innovation
- Environmental and regulatory priorities
- Aging infrastructure
- Evolving workforce
- Rising cybersecurity threats
- Natural disasters & extreme weather

- Cybersecurity
- Advanced meters
- Conservation programs
- Customer engagement
- Distribution automation
- Mobile work management
- Innovation center
- Pipeline sensors

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Smart cities build on smart utilities

5 **Smart city initiatives**
Internet of Things, increased data, transactions and visibility

4 **Asset management**
Financial modeling, asset utilization, rate & price design, KPI development

3 **Operations**
On-demand reading, system-wide monitoring, internal data history, system analytics and modelling

2 **Customer care**
Leak detection alerts, high-consumption notice, monitor & control consumption, lower estimated reads

1 **Meter data**
Improved billing, improved accuracy, lower labor costs, single data repository

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Utility insight assessment

- Perform a holistic evaluation of utility performance

  - Surveys taken from executives, managers, frontline personnel and (potentially) customers

- Use web-based technology and industry best practices

- Determine improvement opportunities and long-term business risks

- Understand specific performance gaps

- Recognize workforce productivity based on direct employee input

Survey

Analyze

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Poll: Tell us about how your organization uses survey tools…

Assessment tool methodology

How it works

This methodology is used across many industries including utilities

Premise

Anonymity of the respondent base **+** control over the number and question subject matter **=** responses that are truthful and insightful

User experience

- No respondent receives questions they are not qualified to answer

- Number of questions is controlled and reasonable

- Can be competed in less than 30 minutes

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What are our clients asking for?

Digital business transformation

- Examines the greater need to holistically address people, process, data and technology
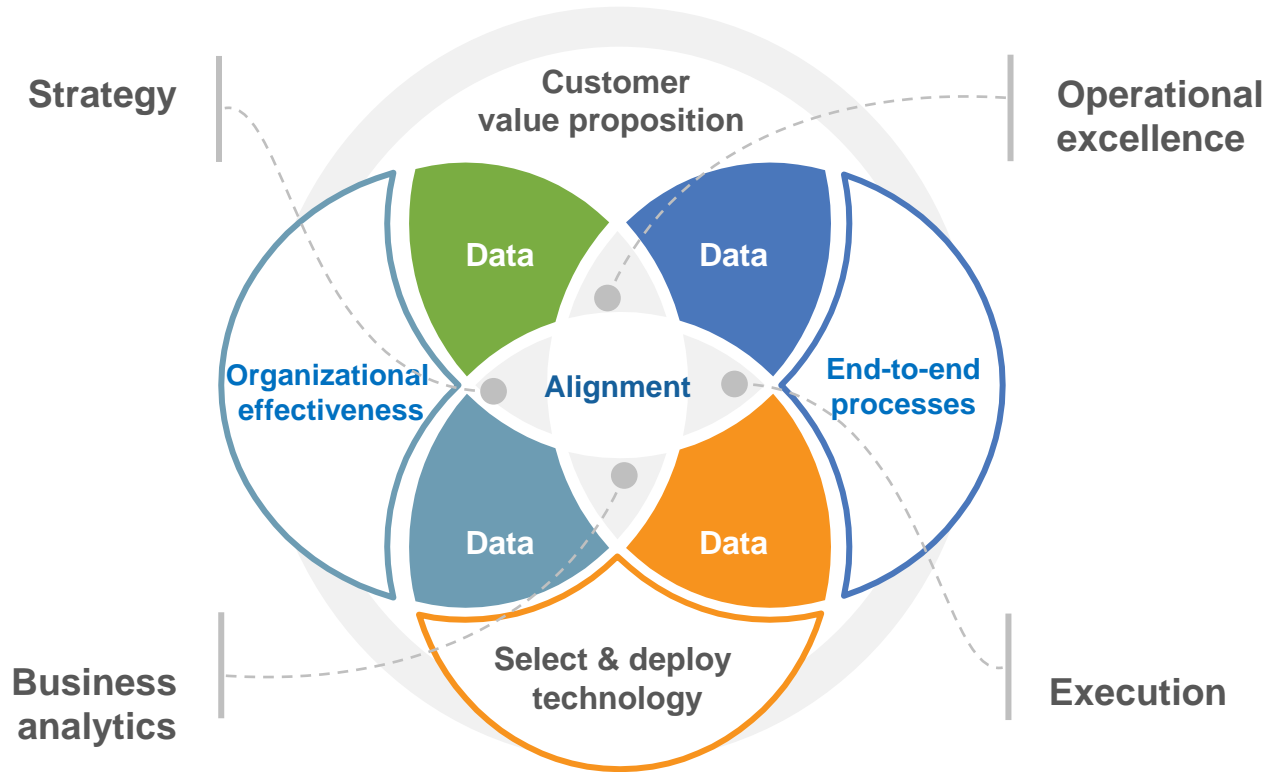- It's more than just any one system

Accurate real-time data

- Data-driven culture to enable better business decision-making

New organizational capabilities

- Create a foundation for innovation, agility, and seamless customer experience

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Digital business transformation concepts

Typical digital-strategy building blocks

1 Desire to transform customer experience ...

Build analytics capability

Technology can enable top-line growth and reduce customer touchpoints.

2 ... will require transforming operational processes

Business design and alignment

Focus on innovation and collaboration rather than repetitive efforts.

**3** … and lead to transformed business models

Digitally modified businesses

Build digital or service wrappers around traditional products or services.

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How to adapt and transform using modern technology
## 5 Navigation tips for the journey

1. Align stakeholders with your business strategy

2. Prioritize culture

3. Engage people in change early

4. Conduct business design activities before selecting technologies

5. Get systems engineering input for your technology assessments
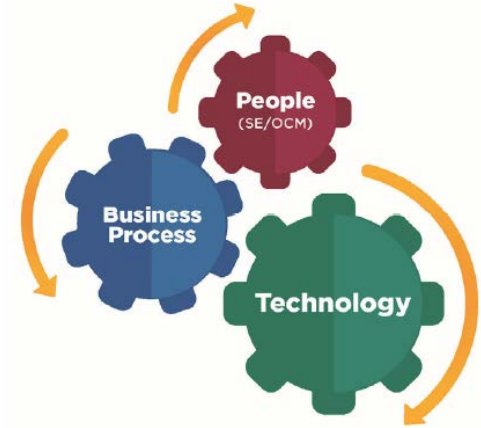
1. Align stakeholders with your business strategy

Your value proposition should improve customer program offerings and experiences
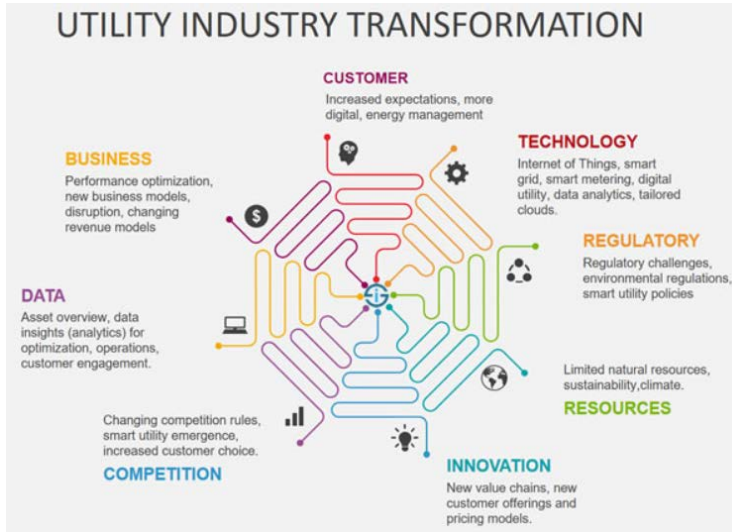
"Delivering the highest-quality products and services with state-of-the-art technology."

Alignment comes from clarifying a **unique value proposition** and **redefining the execution** to realize **strategic intent.**

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Getting the right strategic vision is critical

Case for action | Build common understanding of the case for action, goals, and the important role that staff play

Clear plan | Keep staff informed about the plan, progress, and what to expect

Adequate engagement | Provide ongoing opportunities for staff to engage; build and maintain the coalition of the willing

Focus and commitment | Show ongoing commitment to the plan and provide transparent progress updates

Alignment optimization technology
The science of coordinated action…
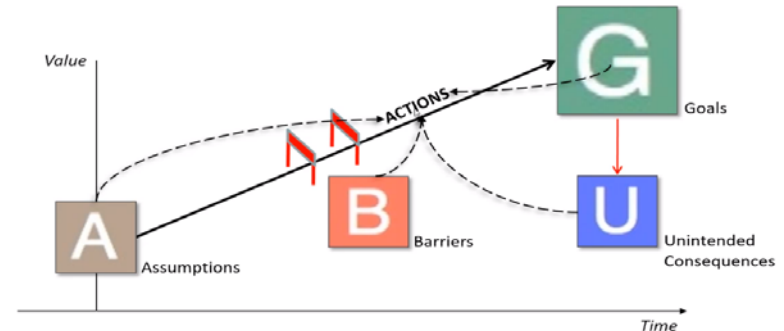

COORDINATED ACTION
Getting groups from
"We each think this" to
"We all agree to do that"

© SchellingPoint

- Augments *qualitative with quantitative* information using an *efficient process*

- *Improves implementation* success

- Increases *employee engagement* by involving more people in development, *minimizing a resistance to change*

- Transforms a thorough set of opinions into *a viable and endorsed plan*

- Based on Nobel Prize-winning *decision and action science*

OPINIONS DRIVE OUR ACTION AND INACTION

Four types of opinion determine value generation.

Value

ACTIONS

G Goals

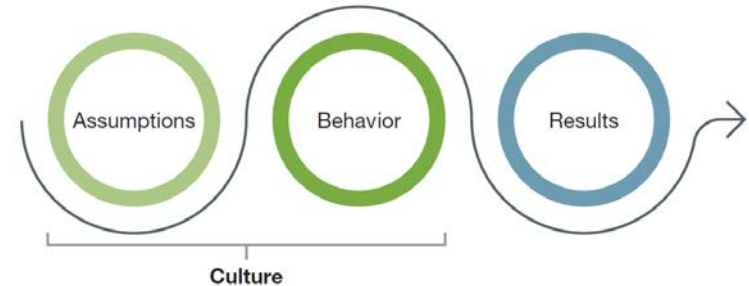A Assumptions

B Barriers

U Unintended Consequences

Time

Actions are the consequence of opinions.
Coordinated action is the consequence of aligned opinions.

2. Prioritize culture
Collective behavior of employees determines results

- How would employees describe your utility's culture?

- Does your utility have criteria for determining organizational effectiveness?

- What indicators will your utility use to measure effectiveness and its organizational readiness for change?

- Cultures, like processes, tend to form more by default than design

- Innovative, forward-thinking leadership is needed to overcome cultural obstacles and related risks to technology projects

Mismatch between current culture and strategic focus? Adjust culture by addressing employee assumptions and behaviors.

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Why is organizational change management (OCM) important?

On an organizational level, it:

- Creates a **culture** that can transform itself for organizational effectiveness
- Ensures **change leadership** competency for enabling change within an organization
- Is a **strategic capability** designed to increase change capacity and responsiveness

On a project level, change management is **the application.**

It's a structured process and set of tools that leads the **people side of change** to achieve a **desired outcome.**

ROI = speed of adoption, ultimate utilization and proficiency in using modern technology

Organizational change is driven by strategy, which can happen at any level of the organization and generally includes change management—the people side of change.
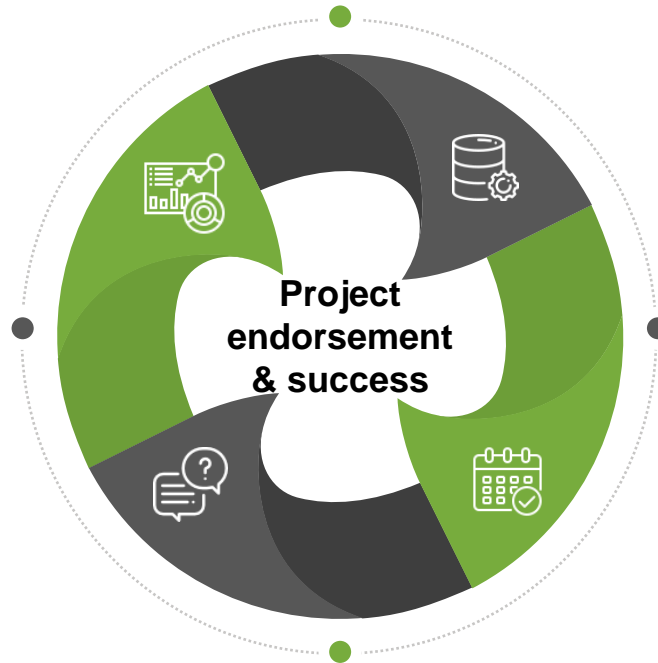
3. Engage people early in change

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┌─────────────┐      ┌─────────────┐      ┌─────────────┐
│   Assess    │      │             │      │   Develop   │
│ Readiness & │ ───▶ │ Size/Scope &│ ───▶ │  Alignment  │
│Define Change│      │   Prepare   │      │   Strategy  │
└─────────────┘      └─────────────┘      └─────────────┘
                                                  │
                                                  ▼
┌─────────────┐      ┌─────────────┐      ┌─────────────┐
│Diagnose Gaps│      │ Take Action/│      │ Develop OCM │
│  & Manage   │ ◀─── │Implement    │ ◀─── │  Component  │
│ Resistance  │      │   Plans     │      │    Plans    │
└─────────────┘      └─────────────┘      └─────────────┘
       │
       ▼
┌─────────────┐      ┌─────────────┐      ┌─────────────┐
│Monitor/Manage│     │  Correct &  │      │Transition to│
│  Drift &     │ ───▶│  Celebrate  │ ───▶ │"new ways of │
│  Improve     │     │   Success   │      │  working"   │
└─────────────┘      └─────────────┘      └─────────────┘
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1. Strategy & scope
2. Internal communications
3. Sponsorship
4. Training & performance
5. Reinforcement

Four stakeholder constituencies

Boards & regulators

Maintain alignment with direction

Support overall vision and strategic direction

Employees/ambassadors

Create "moments of truth"

Build understanding

Manage organizational change

Commercial & industrial

Reinforce importance and trust

Engage effectively

Remove barriers

Provide choice/control

Customers & interest groups

Define "WIIFM"

Engage effectively

Remove barriers

Provide choice/control

Project endorsement & success

Change leadership
External and internal communications

- Stakeholder engagement:
  - Engage external constituents effectively to accomplishing your strategy/plan
  - Goal: **Understanding and endorsement; primed to actively adopt** associated product and/or service offerings

- Organizational change management:
  - Manage the associated internal changes to a strategy/plan
  - Goal: **Move staff from the current state to high performance in the new environment** as quickly and efficiently as possible
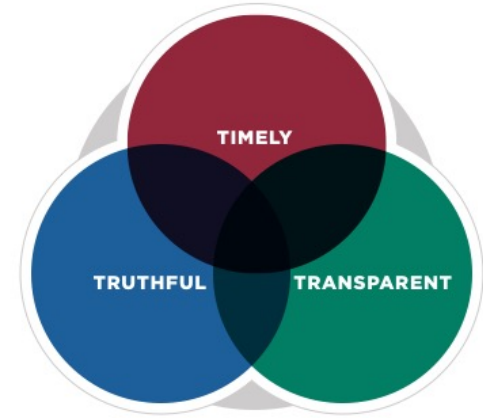
Both are fundamental risk-management activities for technology project implementation

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4. Conduct business design activities before selecting technologies

A process-led focus will guide transformation initiatives and help you avoid costly missteps with your technology investments

Good business design establishes a framework for:

- Improved customer experience

- Digitization and quality data

- Resource optimization and accountability

- Refined cross-functional requirements and use cases

- Performance measurement and overall business agility

Optimal business design will:

- Align your organization

- Improve efficiencies across multidisciplined functions

- Help employees embrace technology and further automate process tasks

- Inform the scope of change and help identify change impacts

Organizational silo thinking will always lead to functional sub-optimization at the expense of the whole organization and external customer.

Importance of end-to-end processes

- **Functional thinking** supports the idea of specialization and focusing on executing a set of specific tasks exceptionally well

On the other hand …

- **Process thinking** looks at the entire value chain; includes thinking about the end goals or purpose of the end-to-end process and handoffs between functions

A process perspective is a critical underpinning for effective business operations and change.

Aligned processes enable efficient delivery of customer value.

Connecting process work to business value

- Business operations are the *execution* of your business processes

- Truly understanding what end-to-end business processes need to do *create and sustain a healthy business* that is innovative, lean, and more agile

- A solid process foundation is needed to *connect the dots* between strategic intent, business relationships, business capabilities, enabling technology, and human resources

- Ensures *quality data* to support digital strategies and opportunities to innovate and optimize

Organizational silo thinking will always lead to functional sub-optimization at the expense of the whole organization and external customer.

5. Get systems engineering input for your technology assessments

- The journey of digital business transformation will have waves of digital projects

- Traditional business thinking bolts-on digital touchpoints and intensifies operational challenges within organizational structures

- Strategic technology roadmaps determine how to phase, integrate, and deploy modern technologies

Phase 1 — Foundational use cases
Phase 2 — Expand capabilities
Phase 3 — Optimize capabilities
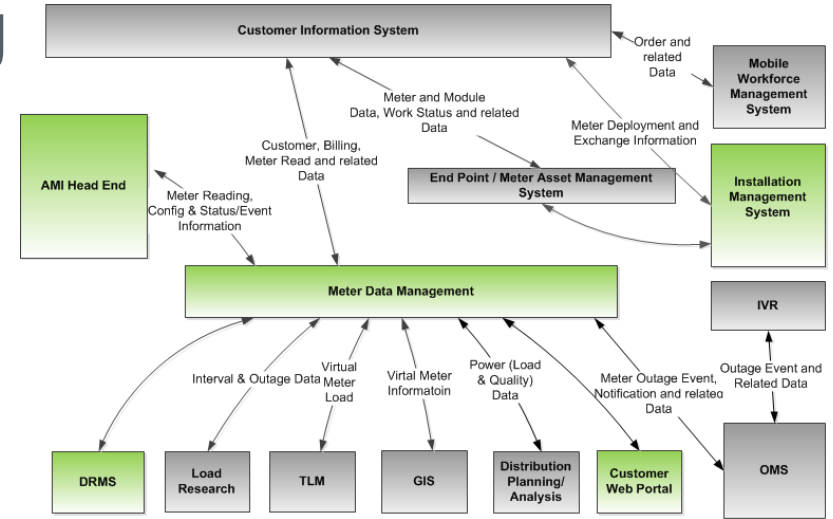
- Utilities with centrally managed project portfolios and programs …

  - Create clear parameters for technology decisions

  - Prioritize digital projects based on need and value

  - Understand project intersections and interdependencies

  - Measure value of digital work against strategic goals

Why a human-centric approach to modernizing your utility matters in technology initiatives…

Proactively identifies **process and data ownership**, which enables smoother and faster system integration

Ensures **cross-functional alignment**—think end-to-end business processes throughout the organization

Positions the organization to have a **successful system go-live** and **realize benefits** faster

Process efficiencies position organizations for sustainable growth and **create a seamless customer experience**
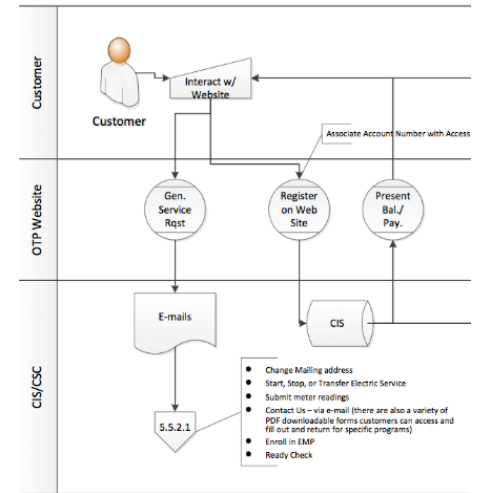

Where most cities want to go; where few arrive

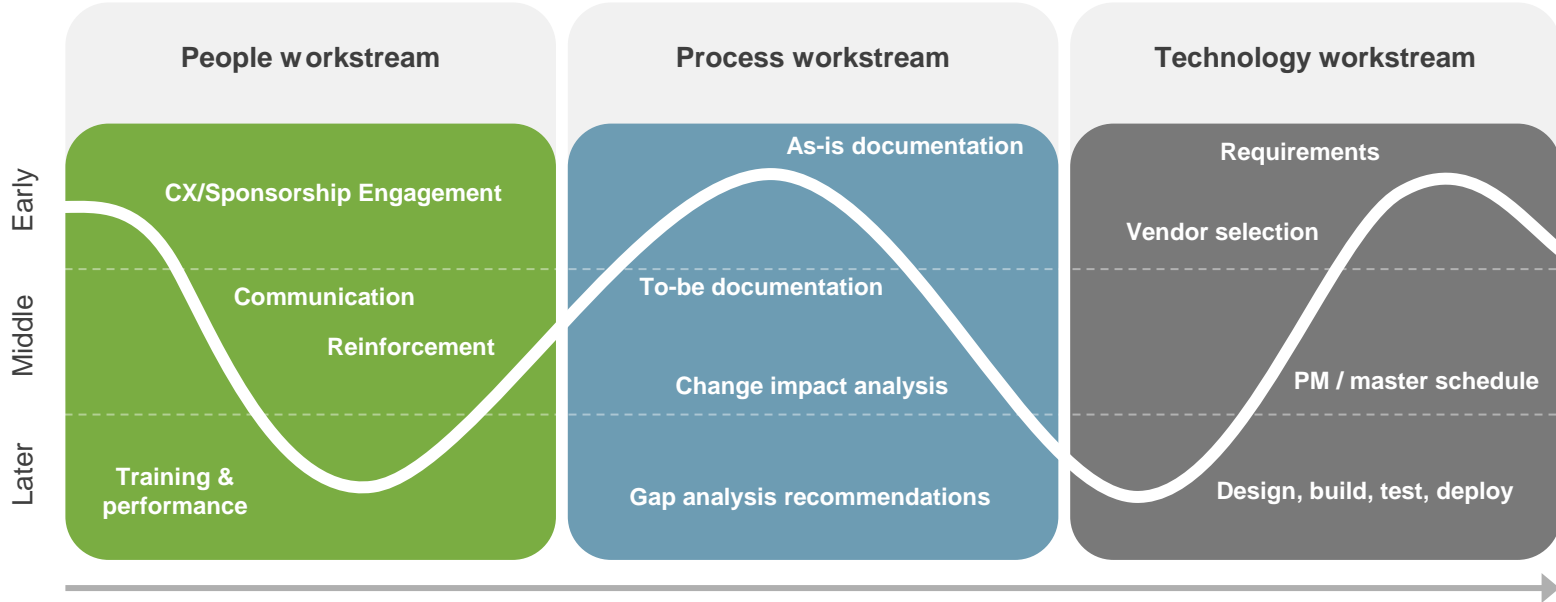# Poll: Our technology initiatives are best described as…

Bringing it all together

Transformation happens at the intersection of optimal business design and stakeholder engagement through effective organizational change management

Benefits realization
Complexity made easy to understand

	People workstream	Process workstream	Technology workstream
Early	CX/Sponsorship Engagement	As-is documentation	Requirements
			Vendor selection
Middle	Communication	To-be documentation	
	Reinforcement	Change impact analysis	PM / master schedule
Later	Training & performance	Gap analysis recommendations	Design, build, test, deploy

Three project workstreams

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A few strategy reminders for your digital business transformation journey

- Envision your desired future state for the business

- Scope transformation objectives

- Move the organization from vision to action

- Build support to empower the organization to change

Unfortunately, many utilities prematurely dive into digital transformation projects before doing strategy and process work

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Our industry is transforming.
We can help with the transition.

Our industry experts execute leading strategies for your mission-critical priorities

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Questions?

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Thank you!

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E Source Consulting

Transitioning to using the latest technologies is a difficult process and requires working on your culture, processes, and technology roadmaps. E Source can help you define your digital strategy or design your digital future to better inform your next technology selection and implementation initiative.

Defining your digital strategy

Phase 1: 60 to 90 days
Discovery/current state assessment

Designing your digital future

Phase 2: 6 to 12 months
Desired future state planning

Delivering your digital future

Phase 3: 2 to 5 years
Deployment/transition

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Possible questions

- What is the difference between digital transformation and business transformation?

- Our utility struggles with enforcing accountability. Do you have any suggestions?

- What type of data is good to collect via the assessment tools?

- How can you get the highest level of participation for your program?

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