

Not your Dad's power companies – three surprising things about the energy business

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Dear Colleagues,

November was great – with major events in Houston ([the Project Management Institute](#)), Munich ([the Fujitsu Forum](#)), London ([the Thinkers50](#)), and Vienna ([the Drucker Forum](#)). It was what my team calls a “Monster Trip.” That’s what I was doing instead of writing the November newsletter.

We’re back now with our final newsletter for the year, with some observations on the energy business, some updates on what we’ve been up to and some heads-up on things to watch for in (gulp) 2018.

If it can trip up GE, it can trip up anybody - inflection points in the global energy business

When people think of sectors that are immune from cutthroat competition, power generation and electricity distribution often come to mind. Most of the industry operates under heavy regulation, investment and depreciation cycles run into the decades and the very idea of building a direct relationship with users is a tad foreign. The very name “utility” suggests stable, taken-for-granted and **natural monopoly**. In preparation for some client work, I started to look into the business and some of what I learned was surprising.

Surprise #1: Energy consumption is in decline while disruptive innovation is on the rise

With all the hubbub about climate change and the need to reduce our carbon footprint, it would be reasonable to think that the ravenous human appetite for energy is on the upsurge. Much to my surprise, it turns out that technological innovation and conservation are actually helping to dampen demand.



The **U. S. Energy Information Administration** and its international counterparts, report that energy consumption is down and that demand will be flat or in decline in most of the developed economies. The slowdown is significant, with revenue growth rates that are well behind GDP growth rates. Introducing more efficient equipment, higher standards for efficiency (for instance in lighting and appliances), slowing population growth and an economic transition away from energy-intensive activities such as manufacturing have all contributed.

Companies are starting to pay more than lip service to energy efficiency. For example, **Procter and Gamble** has announced that by 2020, it wants to have 30% of the energy used in its plants to be from renewable resources. **Walmart** points with pride to its energy consumption increasing at a slower rate than its sales. Many others have added “sustainability” to their strategy talking points.

This isn’t going to stop any time soon. According to experts, there is a lot more energy to be saved. A recent study reported that some 30% of energy used in **commercial buildings goes to waste**.

Even executives at such storied companies as General Electric have been taken by surprise at the sluggish pace of demand growth, and have announced **significant**

directly from their energy provider. The opportunities to get smarter about direct relationships with customers are boundless, but will require some innovative re-thinking on the part of utilities. Customers will increasingly expect the same kinds of pleasant interfaces and simple ways of getting their needs met that they can experience from on-line shopping or banking. PwC calls this trend “retailization” and it promises to have a huge impact.

Surprise #3: Providing services & access to assets is coming to the power company

A final surprise for me in looking at this sector was how it, too, is being transformed by the **increasing ability to access assets** on-demand. Using the assets as part of a service ecosystem that is already evident in many other sectors.

Rather than just selling units of energy, power companies may well find growth in highly related fields such as energy management, as well as in rather new areas such as cybersecurity. We are also likely to see new revenue models emerge, particularly in the interplay between centrally generated power and distributed networks, like those solar power panels that allow consumers to sell energy back to the providers.



These newer areas are likely to offer the greatest scope for going beyond the traditional model. At the same time, new things almost always create unintended consequences that companies will have to be alert for. For a fairly trivial, yet hilarious example, have a look at how **Burger King** was able to hijack a Google Home device to advertise its Whopper burger.

Leading Strategic Growth and Change

Discovering new sources of growth and transforming organizations to stay competitive are two of the biggest challenges I find my clients face. This course, covers the latest thinking on these topics, including how to manage the entire cycle of competitive advantage, how to manage growth portfolios, design thinking and inspiration from unusual places, platform (2 sided) strategies and managing organizational politics. It runs in New York City during the day for a week.

Participants bring a real organizational challenge to the program and work on it throughout the week. [Click here](#) for more information. Or drop me a line at rdm20@gsb.columbia.edu.

Columbia Course: Women in Leadership

The topic could not be more timely – how can we build strong, inclusive, workplaces that promote diversity of thought and provide access to advancement for all of our talent? Women in Leadership builds on a vast amount of research into how organizations can change and how women (and other underrepresented groups) can best prepare themselves to take more senior roles in their organizations. I manage the strategy and leadership portions of the course while subject matter experts on the research tackle topics such as learning to ask, storytelling, building out your network, effectively advocating for yourself and articulating strategic vision. If you or a person you know (and we accept men, too!) could benefit from learning about the latest in taking advantage of a diverse workforce, this would be a great way to spend three days.

For more information, please see the [course web site](#).

It isn't too early to start planning for the Drucker Forum's 10th Annual meeting

An event I've really come to enjoy is the annual [Peter Drucker Forum](#), held in Vienna. Next year marks the 10th annual meeting, and it promises to be a star-studded event at the Vienna Imperial Palace on November 29 and 30, 2018. The conference theme will be "Management; The Human Dimension." If past events are any gauge, the speakers will be world-famous management thinkers and scholars. We've never needed Drucker's wisdom more than now!

To get a flavor of the discussions at this year's Forum, see this [excellent overview by Steve Denning](#).

Recent Press Coverage

- [Good questions to ask a startup, even in a transient advantage context](#)
- [Closer Look: Why Are Women Underrepresented in Some Industries More Than Others](#)
- [From 'Built To Last' To 'Made For Change': The Drucker Forum 2017 Meets Agile](#)
- [Why we should all feel sorry for corporate leaders Observations by the Financial Times' Andrew Hill](#)
- [Managed Cultures Lead the Pack](#)
- [Project Management Institute to Host Sixth Annual PMO Symposium in Houston](#)
- [What kind of IT organization supports a more agile way of operating?](#)
- [Rita named on Thinkers50 2017 Top 10 Strategy Awards List](#)
- [Using a discovery driven approach in building your content strategy](#)
- [Rita cited in Marketplace article about PayPal's growth](#)
- [New set of success factors based on co-creation, innovation engines and trailblazing IT leadership.](#)
- [A five point guide for Indian IT companies](#)

Upcoming Events

Onto the year 2018!

My revamped Executive Education courses at Columbia Business School -

[Mastering Corporate Entrepreneurship](#) - OnLine

Spring 2018 date to be announced

[Advanced Management Program](#) - New York, New York

April 29 - May 25, 2018

October 14 - November 9, 2018

[Leading Strategic Growth and Change](#) - New York, New York

May 7 -11, 2018

[Women in Leadership](#) - New York, New York

June 5 - 7, 2018

November 13 -15, 2018

As before, where there is uncertainty, there is also opportunity

For some time, large enterprises have wanted to more strategically control how much energy they use, but until recently, most ways of doing this have been pretty clunky. Over the last twenty years or so, an explosion of new solutions has made more precise control over energy utilization possible.

Embedding smart sensors in hardware was revolutionary then, when our clients at Honeywell started doing it to create an information layer around airline brake shoes. It was innovative enough that it got them included as an example in our book *MarketBusters*. Today, a major revolution in the utilization of such technologies promises to be transformative. Let's keep an eye on that journey.

Here's to your next advantage! Happy holidays!

Rita

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