

COVID-19 accelerates new business models

Despite the current challenges, utilities are coming up with different operating methods, with lasting benefits

The COVID-19 crisis is adversely affecting the whole world and the utility industry has been no exception. Nevertheless, the industry is keeping essential services such as lighting, heating, water and waste collection going for us amid the pandemic while at the same time rapidly adapting to the changing conditions. Egon Zehnder discovered in recent video panels with CEOs of global utility companies the many opportunities for transformation within the sector. Some of the new measures have changed the industry for the better, and many are here to stay.

Improved risk management process

The utility industry is routinely geared up to overcome catastrophes – earthquakes, hurricanes and cyber attacks can all threaten to disrupt critical infrastructure. Even so, the ravages of the corona virus have largely come as an unexpected shock to the industry.

The CEO of one Italian utility company reflected on the quick adaptation to a “general lack of preparation in terms of risk management and issues regarding the availability of staff and resources in what is generally a regulated industry”. The fast unfolding of events particularly shocked middle management and changed their role within the companies. “They had to rethink the way they plan, organize and communicate. They weren’t ready to plan at that scale nor at that speed,” he continues. As a result, the company is rethinking the way it deals with risk management, now examining risk on a daily basis.

For one US energy company this meant sequestering all power plant control room operators and transmission control operators for four weeks and then testing them. For a transmission system operator covering both the Netherlands and Germany this involved accommodating both countries’ differing government guidelines.

Overall, utility companies have had to adjust quickly to new ways of working to meet unexpected challenges. This taught them how to assess risks at a faster pace and at a greater scale.

Agile supply chain management

Entire supply chain has emerged as critical across the industry. Even disruption to a small part can bring the whole system to standstill. One of the CEOs says, “An enormous amount of procurement is done within the company. We had to see key providers of supply chain and then help them with cash flow management and gaining permissions to continue to work. We also had to readjust our procurement to speed up processes to buy new equipment, such as protective clothing for our staff.”

The crisis has prompted utilities to make supply chain management more agile. It has also highlighted the importance of relationships with suppliers, with “the power of collaboration and of managing the weakest link emerging as critical”, says the Dutch CEO. These changes are clearly for the better.

Digital accelerator

As elsewhere, COVID-19 has catalyzed a massive adoption of digitalization. In an industry that widely expects workers to be on the operations floor at 6.30a.m. this involves a huge cultural shift as more people work from home. But remote working is here to stay. A company is even rethinking the way its new headquarters is being rebuilt to accommodate an increase in smart working and the impact of social distancing on open space layouts.

The efficiency of virtual technology has impressed the Dutch CEO so much that she plans to make virtual meetings a permanent fixture. “I normally meet all my European colleagues six times a year – we have to fly in everyone and it takes me about one and a half days to travel. Last week we met virtually and it took me three hours. From now on, we will meet physically once a year for networking and the rest can be done virtually.”

Virtual communication is also highlighting some inefficiencies, points out one CEO. In his view, a certain degree of interaction among top management does not appear to add value and he queries to what extent that should be reduced on a daily basis.

A large number of utilities are also using other technical advances, such as using cameras for remote scanning and smart metering. Many of these initiatives have been central in keeping the operations going and are here to stay, with adoption taking place at an accelerated rate.

Customized products and services

The immediate future requires rethinking in terms of what type of personal protection to invest in, what type of client interaction to pursue and what types of services to provide. This is leading to innovative offerings, customized to the current changing needs of the

market. The Italian utility company, which covers an area badly affected by the crisis, plans to introduce a new offering set at a flat rate for a year to help budget conscious families plan the year ahead.

Being a force for good

A higher sense of belonging: Within companies, the crisis is fostering a higher sense of belonging, reported all the CEOs. “People are feeling more attached to company values, and to their colleagues, and it will be good to build on that,” says one. One leader spoke of how staff morale was buoyed after a staff member recovered from COVID-19 and returned to work. Another CEO spoke of how difficult it was to telephone the wife of an employee who passed away recently.

Empowered managers: Things will change after the crisis, especially the way leaders see their organization, says one of the CEOs. “We should learn to work faster, delegate more and provide more power to others to exercise their leadership skills.” Which is why it’s key right now to take the time to both talk to and listen to employees and find out their fears and expectations.

Attracting future talent: People tend to come together in a crisis, and this is proving true among utilities, whose employees are being portrayed as “heroes” for continuing to provide citizens with essential services. In future, this improved reputation will help companies attract the best talent, according to one CEO.

Increased opportunities for women: The current crisis is leading companies to think more flexibly about their working hours and location. The industry has always struggled with diversity because of lack of flexibility in key operational roles, and it has now proven that it can be extremely flexible. There is therefore great optimism that this can be used to attract and promote more women within their ranks.

Collaboration with regulators: In this crisis, companies have grown much closer to regulators and are collaborating with them at a level that has never been seen before. For some companies this means engaging with different government in different countries but all towards one common goal. One of the CEOs says, “If we can work together with governments and other agencies, and if they can retain this in future, it could be very helpful.”

Alliances over competition: Just like their employees, companies are drawing closer together. Firms are exchanging best practices and showing more willingness to share technologies. “I hope that one outcome of the crisis will be to explore ways to cooperate, generate alliances and in this way build up hope,” a CEO tells Egon Zehnder.

But there are also impending risks

Dealing with fears and apprehensions post COVID-19: One thing that still concerns the CEOs is how to return to normal operations after the crisis. The current situation is going to have a lasting impact on employees and they will have fears and apprehensions, ranging from health and safety to job security. As one CEO says, “The average age of our workforce is about 49, which is quite high, so it could be a challenge to bring them back to the office.”

Ascertaining right level of virtual communication: It is important to strike the right tone when communicating virtually. Communication has to be targeted at the right people, pitched at the right cadence and be efficient, says one CEO. “For example, each week I send over a short video message to employees, saying where we are and what we’re doing as a company.”

They also believe that while there could be instances when in-person interactions didn’t add value, there is still greater value creation in having some human interaction than in virtual meetings.

Questions on pay parity: Remote working is also prompting some to question parity of payments, adds the CEO of a US state public power utility. “Some are asking why staff working from home are being paid as much as someone at risk, working out in the field? This is going to cause a massive change in mentality, mindset and culture.”

Overall the utility industry is gearing up to deal with challenges that have never been seen before and is building on the changes in the way they operate and interact. They are confident that they will come out of this stronger and there will be lot of positive change, which are here to stay.

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Covid-19 Micro-Website

We have launched a micro-website where this and other informative pieces are posted. This site will be regularly updated: [click here](#) for further details.

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