

Energy “gentailer” Innovating the Transformation Approach



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Situation

Client

Electricity utility with generation assets and retail business

Challenges and opportunities

- CEO committed to transformation with new top team
- Disruption to energy markets/ retail coupled with customer centricity lagging behind competitors
 - Threat in retail from new-entrants with advanced digital offers
 - Zero growth in net residential customer numbers and declining customer base in commercial
 - Product set out-of-date and falling behind offers from major competitions
- Legacy IT systems inhibiting ability to perform customer & market analytics
- Bottom quartile organisational health with poor record of implementing change and poor performance management culture due to influence of ownership structure

Approach

RTS methodology

Established **new operational cadence** through centralised turnaround office

All levers, revenue focus

Delivering **both ambitious revenue growth (>50% of value) and cost reduction** across entire business (80% from M&S and service ops)

Customer focus

Step-change to customer focus to deliver benefits through new products and customer segments, un-developed geographies and sales effectiveness

Digital innovation

McKinsey Digital working directly with client team using agile methodology to develop new product offerings and improve digital channel effectiveness

Advanced analytics

McKinsey Periscope analytics service line used to improve pricing approach with big data tools

Health

‘Non-digital agile’ approach rolled out across M&S function bringing:

- Rapid testing & iteration of offerings into market
- Statistical underpinning to all marketing/product decisions

‘Beyond RTS’ - fix underlying org functioning

Transformation highlighted ineffectiveness in M&S org functioning, counsel to CMO on **reshaping the BU**; overhauling marketing planning process; ‘TTE’-style interventions with M&S leadership team

Impact

- **>\$300m in ongoing run rate with detailed implementation plans** developed in the ‘Customer’ stream, including \$180m in revenue-specific opportunities
- **Further ~\$100m of one off value identified to be reinvested in transformational change**
- **Initiatives worth ~\$100m fully implemented** from Customer stream within first 4 months
- **New capabilities embedded in client organisation**
 - Embedding turnaround approach within client organisation to become new “way of working”
 - Ran capability development programme focused on core skills: implementation, leadership, performance management and business acumen
 - Agile methodology exhibited to Exco & Board, and being adopted beyond the Customer stream through the organisation