Engaging the C-suite

A guide to gaining senior management support for your energy management programme

EECA BUSINESS
PUTTING ENERGY TO WORK

Energy Management Programme 3

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New Zealand Government

Energy management is about the bottom line

Adopt ISO 50001

ISO 50001 makes it easier for organisations to integrate energy management into their overall management framework as it adopts the same management system model of continual improvement used for other standards such as ISO 9001 or ISO 14001. It requires organisations to:

- develop an energy policy
- set targets and objectives to meet the policy
- use data to better understand and make decisions about energy management
- measure the results
- review how well the policy is working, and
- commit to the continual improvement of energy management.

You can learn more about ISO 50001 at www.iso.org/iso/home/standards/management-standards/iso50001.html

Energy management is not just about sustainability, it's also about the bottom-line. Energy is often a significant expense, as high as 40% in some industries. And yet, in many organisations, no one in the senior management team - the 'C-Suite' - is responsible for it.

Improving energy efficiency is one of the most cost-effective strategies for controlling business expense and improving overall business performance.

The fact is, energy management should be a strategic priority for every business. Energy isn't a fixed cost overhead, it's a variable cost that can be controlled and can have a significant impact on the bottom-line.

The good news is that more companies are engaging in energy management strategies to control operating expense related to energy costs.

Adopting a strategic approach to energy management allows an organisation to enjoy a broad range of both financial and non-financial benefits, reduced operating expense, improved cash flow and profit, improved reputation, staff satisfaction, and productivity and safety improvements.

The most successful companies at energy management set attainable goals and more importantly, specific tactics to attain their objectives, such as reducing energy consumption, reducing wastage, improving efficiency and reducing their carbon footprint.

However, for an energy management programme to be effective, it is critical to have the full support of the C-Suite. They must 'walk the talk' and provide support and resources, including time, to energy management initiatives. Their participation will increase staff engagement, accountability and commitment throughout the organisation.

Getting buy-in

An organisation's internal environment will influence its activities, decisions, employee behaviour and attitudes. Changes in the leadership style, the organisation's mission or culture can have a considerable impact on the direction a company takes and the priorities it sets.

To improve buy-in for energy management, it's important to understand the attitudes and culture within your own team, across your organisation, and even within your service providers (who can be significant influencers in the decision making process). Success will come when there is cultural synergy between the energy management team and the rest of the organisation.

There are five key enablers that will influence C-Suite buy-in for energy management:

Leadership

Your ability to effectively influence the C-Suite will be impacted by how well you understand their individual attitudes and personalities. The more you can understand what makes your C-Suite 'tick', the more you'll be able to think like them, and therefore present your case in a way that receives their buy-in. So make sure you understand:

- what attitudes they have
- what's important to them
- the key business problems they are facing
- their management style and personality
- their preferred style of communication
- whether they are sympathetic to what you're looking to achieve (and, if not, how do you align your activities so that they will support them?).

Be aware that changes at the CEO/CFO level can have significant implications for an organisation in terms of its culture. Each CEO/CFO is likely to have different management styles and attitudes towards sustainability, including energy management, and this will likely require you to modify your approach to suit these differing styles.

For example, a CEO who has come from an engineering background is likely to have a different approach to energy management than one who has come from an accounting background. The key is to understand their philosophy and how to present your case in a way they will find compelling.

Technology

Technology can assist with gaining buy-in in a number of ways, from sharing knowledge across an organisation (e.g. email, intranet, website, video conferencing, streaming video, instant messaging, etc), to monitoring and reporting results to help increase knowledge.

It can help deliver project outcomes and assist in providing knowledge around KPI's, performance and ROI.

Implementing technology can be an expensive undertaking, so strengthen the case for technology by looking for ways to collaborate with other areas of the business, such as the finance team. If you can demonstrate how it will benefit other areas of the business, you'll increase the chances of securing approval.

Culture and Networks

To drive change within an organisation, you need to understand the culture of both your organisation and your team, and identify if there is a clash or a synergy.

To improve buy-in for energy management, you need to understand the attitudes and culture within your team, across your organisation, and with your service providers, then work to create cultural alignment across all of the groups.

Get to know the culture of your organisation – who are the influencers? what are the networks you need to tap into (both internal and external)? is the culture in your team aligned to the organisational culture? and, if not, how do you create synergy?

Take time to understand what makes your C-Suite tick, and to identify the energy management team's social networks – the people across and outside the organisation who can influence decision making and support your initiatives.

Then closely align the energy management team to the rest of the business by identifying advocates from across the business to help drive change. Look to move away from being internally driven and engineering-focused, creating a broader team that includes representatives from other areas of the business, such as the finance and building management teams, as well as encouraging suppliers to provide more input to support initiatives and programmes. This will help to more closely align the team to the rest of the business and create advocates across the business to help drive change.

Process

Once a solid, balanced foundation of technology, leadership, and culture is in place, the next step is to ensure there are good processes in place to create and share knowledge.

It's important to link your activities back to the organisational values, and demonstrate why it's a good idea to support your initiatives. Create a solid platform for ongoing support for your initiatives by:

- introducing educational activities such as workshops and presentations, and sharing stories of successful projects
- capturing lessons learned and identifying where improvements could be made in future can be achieved through post-project review processes, and
- documenting processes and creating 'best practices' methodologies to entrench your activities across the organisation and create a central knowledge base to ensure a consistent and efficient approach.

Measurement

An effective energy management programme is driven by strategy and based on results, so performance measurement is an important part of the overall system.

Technology and process will be significant contributors to this, enabling data to be gathered and consolidated into performance indicators, and the measures adopted may vary from simple (such as spreadsheets and dashboards) through to more complex indicators (such as adopting a Balanced Scorecard approach).

Whatever measurement methods your organisation adopts, the ideal situation is to ensure your objectives are reflected in, and can contribute to, these performance indicators. If you're driving energy management across the organisation, make sure you can link it back to a business purpose to increase the chance of getting buy-in.

Adopt a knowledge management framework

Adopting a knowledge management framework ensures key strategies and challenges are understood and addressed throughout the organisation, making it easier to implement your programmes across the organisation.

Following this approach ensures that:

- all the necessary elements (accountabilities, processes, technologies and governance) are in place, and interconnected
- there are no gaps in the system, and
- knowledge flows freely through the organisation.

Case Study

Auckland Airport

Auckland Airport has implemented fully automated EnergyPro software in their organisation, removing the need for time consuming spreadsheets. They were able to justify this expense by demonstrating benefits for other areas of the business.

In developing the business case for the implementation of the fully automated EnergyPro software at Auckland Airport, the energy management team focused on demonstrating how the software would deliver efficiency gains for the other areas of the business, not just energy management. By showing how the new software would offer better utilities monitoring, management and billing from a financial perspective, and create dashboards to report on the organisation's corporate responsibility commitments, the team was able to gain approval for its implementation.

Understand the financials

"Don't presuppose our appetite for risk.

Give us the options and let us make a fully informed choice"

Mark Yeoman, CFO,
The Warehouse Group

Senior management teams follow a consistent decision making process to any investment decision - and energy investment decisions are no different.

All investments involve the application of scarce resources (finances, people, time) to deliver the expected benefits - you'll be competing with other departments and managers for these same resources so you need to present a strong business case in favour of your energy investment proposal.

The role of the C-Suite is to allocate the limited resources the organisation has to deliver the benefits they feel offer the greatest reward for the organisation.

By understanding the principles that drive investment decisions within your organisation, you'll be able to identify those projects that will have the best chance for success, then build a much stronger case for their implementation.

Risk is acceptable, but the expected return needs to reflect the level of risk the business is being asked to accept. Lower risk projects will typically deliver lower levels of return, while higher risk projects are expected to offer the chance for much greater returns.

It's the senior management team's job to decide the level of risk they're prepared to accept, and the achievability of the benefits promised.

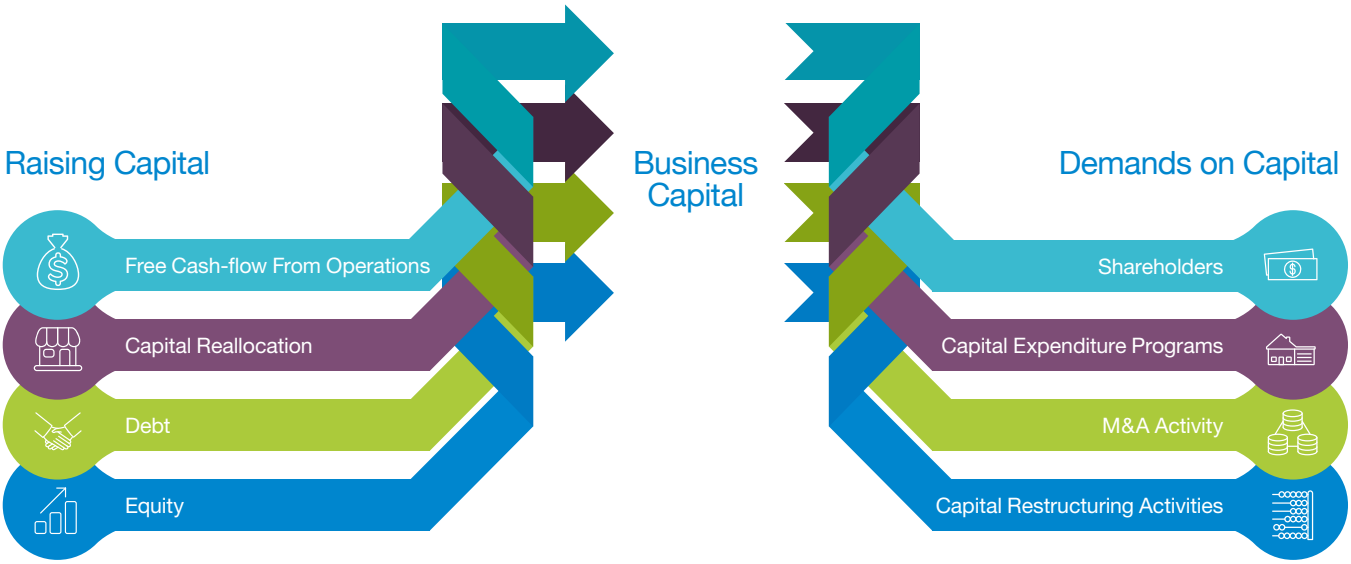
By understanding the principles that drive investment decisions within your organisation, you'll be able to identify those projects that will have the best chance for success, then build a much stronger case for their implementation. So make sure you understand the fundamental principles of investment, including:

- the various sources of capital and the demands placed on it within an organisation
- the full range of costs and benefits that should be considered
- the concept of capital portfolio management, and
- how an integrated reporting framework can help to identify the total value a project can deliver to an organisation.

Understand the sources of, and demands on capital

Within any organisation capital is scarce and costly, and there are lots of demands on it.

Capital generally comes from four key areas:



Consider the full range of costs and benefits

There are many costs, direct and indirect, associated with securing the capital to fund projects, and it's important to acknowledge these costs when developing a business case. These costs can be categorised as:

1. **Direct costs:** these are the costs directly associated with the project. What's the weighted average cost of capital? In other words, what's the return you expect to generate from the project and what's the breakeven point?
2. **Indirect costs:** these are the 'opportunity cost' of proceeding with your project. What other potential projects will be put on hold to fund your project – what's the trade-off? And what existing projects may need to be terminated early as capital is diverted to your project – what is the value of the benefits that were forecast (as part of their original business case) but will not be realised?
3. **Other costs:** Finally, and not as well understood as the other costs, what (internal) political capital will be required to get the project across the line? Higher risk projects will require senior management backing and failure is likely to damage future support. Make sure the team you assemble to deliver the project reflects the level of risk involved – give yourself the best chance of success.

Clearly the decision to invest in a project is based on the benefits the organisation expects to accrue over time.

And when it comes to business case development, the obvious benefits are generally financial. They're typically attained by improving existing operating cost profiles, and avoiding both current costs and future investment, and expenditure.

Benefits typically also accrue over time, often over long time periods, so it's important to be able to effectively scrutinise future cash flows and to ensure these benefits are actually realised. Don't just focus on the investment phase where assets are being constructed, make sure you also factor in the benefits phase where the whole purpose of the investment is realised.

While financial benefits are an important aspect of any business case, it's equally important to identify and list the non-financial benefits (and costs) the project will deliver.

One aspect to consider is the 'option value'. This means identifying any opportunities the investment will create, leave open, or close. For example, does keeping choices alive have any future value for the business?

Another important consideration is understanding the base case against which active decisions can be weighed. For instance, create a 'status quo option' that establishes a set of default options that need explanation so that the benefits of investment choices can be accurately assessed. By creating a good understanding of the existing cost profiles you can more accurately identify the savings that will be achieved.

The final factor to consider is technology change. For example, the increasing capability and reducing cost of IT means that your preference could be to defer the project until a more cost effective solution becomes available. However, the issue with applying this logic is that you may never make a change. In this situation it could be a case of demonstrating that the benefits are sufficient to proceed now, with further benefits available in future.

So is an energy management project any different from an investment perspective? Not really. It's important to clearly articulate the benefits both financially and non-financially, and to be able to identify, measure and report these benefits.

Understand capital portfolio management

Not all investments are created equally, and the nature of business means that investment requests aren't typically presented at the same time which makes it difficult to make considered trade-offs between proposals. It's also important to understand that not all investments should be measured by the same criteria.

It's for these reasons that most large organisations use the concept of capital portfolio management. Each portfolio will have an allocation of capital, and will employ different decision criteria and time horizons when assessing business cases that are seeking to access capital from that portfolio.

When it comes to your energy management project, it's important to understand the portfolios within your organisation and identify the portfolio your proposed project fits within. This will help you to understand the criteria on which the project will be judged, where a project sits in relation to other investment choices and the type of benefits it will be expected to deliver.

Case Study

The Warehouse Group

When it comes to capital portfolio management at the Warehouse Group, CFO Mark Yeoman says the Group operates six separate portfolios of capital.

- **Asset Management:** capital set aside for refreshing and replacing existing stores, and for ongoing improvements to assets. “A key factor here is to ‘get more for less’ from any investment, and to protect or extend the economic life of existing assets in general,” says Mark.
- **Risk and Compliance:** capital for reducing risk and improving compliance across the Group, for example in the area of health and safety. “The challenge in this area is that it’s extremely difficult to place financial measures on the benefits from the investment – for example, how do you measure the benefits from improved safety?” says Mark. Avoided costs or consequences, is one approach, however it will often come down to a structured understanding of an organisation’s risk appetite and their desire to mitigate these risks.
- **Cost Out:** capital typically available for short term, low risk projects that offer smaller returns. “These projects are typically small in nature, and should ideally be self-funding (i.e. the savings generated will cover the costs of implementation). It’s therefore important to demonstrate actual savings,” Mark explains.
- **Business Growth:** capital available for large, longer term projects that are focused on generating revenue growth. “These projects may not deliver immediate returns. In fact, there could well be negative returns over the first few years,” says Mark. “Achievability of the benefits, and having staged investment are typical approaches to mitigating uncertainty around future benefits such as those faced when entering new markets.”
- **R&D (Innovation):** capital for investing in projects that will create or improve a distinct competitive advantage. “The nature of these investments means there needs to be a system of ‘fail fast’ built in to enable the organisation to terminate the project if the expected benefits are unlikely to be realised.”
- **M&A:** capital for stimulating inorganic business and revenue growth (e.g. Buying a complementary business).

Most energy projects at the Warehouse Group sit within the Asset Management or R&D Portfolios.

Understand the integrated reporting framework ('The 6 Capitals')

Value in an organisation is impacted by uncontrollable factors such as externalities, and controllable factors such as the company's process of performing its business activity. And it is recognised in more ways than just through financial measures.

In the past there was a focus on the 'triple bottom line' (financial, natural and human), but today many organisations operate an Integrated Reporting Framework that identifies six major sources of value – the '6 capitals' of the value creation process.

Financial Capital: the financial value the project will deliver (e.g. earnings, equity, assets, etc)

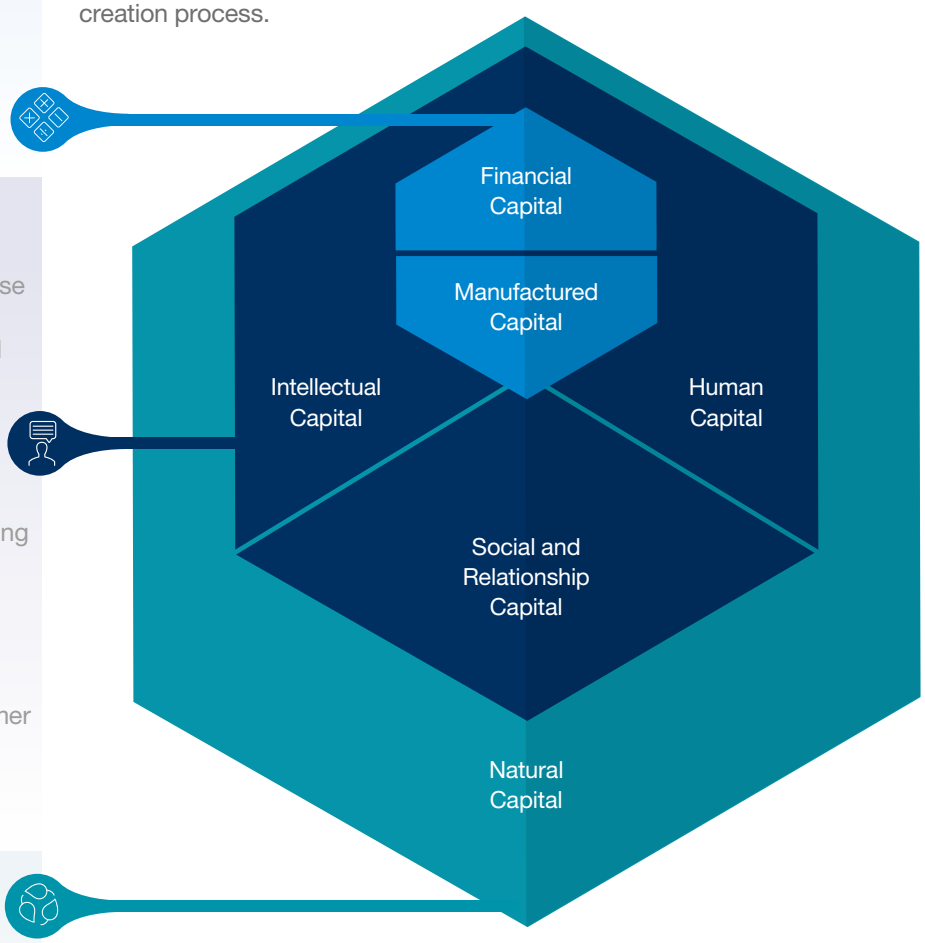
Manufactured Capital: the value generated by having production capacity, effective processes and quality management, productivity and efficiency advantages, etc

Intellectual Capital: internal value created around know-how, patents, scarce skills and expertise (e.g. improved leadership and culture, governance, policies and practices, risk management, etc)

Human Capital: the human value the project will deliver (e.g. health and safety improvements, benefits and remuneration, learning and development, job creation/ security, etc)

Social and Relationship Capital: value derived through stakeholder relationships, customer goodwill, supplier relationships, community involvement and interaction, partnerships, etc

Natural Capital: the environmental value the project will deliver (e.g. reduced carbon emissions, energy management, water management, waste and resource management, etc)



Your business case needs to identify and define which of these 'capitals' the project will deliver – in other words, the value your project will add across your business.

It's not always possible to monetise the value being delivered, and you shouldn't try to. However, it's important to identify these benefits and then measure and report them. For example, the response via social media can't easily be monetised but it should be tracked, measured and reported.

Many decisions have significant long-term future impact and, while an organisation's activities may change over time, the '6 capitals' will always continue to matter. As a result, this framework is useful for considering non-financial impacts that your business case can focus on.

Building the case for energy management investment

As a team, senior management are responsible for setting strategic objectives and prioritising projects to deliver them. It's also their responsibility to allocate the limited resources of the company to deliver the benefits they feel offer the greatest reward.

This will mean preparing a formal business case that clearly outlines the costs and benefits, and provides sufficient detail that satisfies management's information needs and allows them to make a fully informed decision.

The better you present your business case, the better your chances of receiving the required investment. It must be easy to see the value of your project and how the results will affect the bottom line.

As much as possible, your business case needs to refer to and be aligned with the business's strategic objectives.

It also needs to provide a rigorous assessment, investigation and analysis that will give senior management the confidence that the project will be a success.

The decisions an organisation makes today commits it to a future investment path, and sometimes it's very difficult to change this. Having a solid, well researched and produced business case goes a long way to ensuring the best decisions can be made with the best available information, acknowledging that there is never perfect information when dealing with the future.

So let's look at how you can turn an energy management project proposal into an investment proposal.

Increase the chance of success

There are a number of things you can do to improve your business case and increase the chances of receiving a favourable investment decision.

- **Understand capital allocation:** understand how investments of this nature fit the company's view on capital allocation, and identify the other projects it may be competing with. This will help you to understand the strategy you need to adopt to give your project the best chance of success.
- **Get it to the Board table:** if possible, make the investment large enough to get it to the Board table. At this level there will be a different perspective on the strategic, risk and governance perspectives of the project, while brand and other value will also resonate. There may also be other experience or perspective around the Board table that could support your case.
- **Position your business case positively:** state the goal as desirable then offer options that are focused on achieving the goal (rather than focused on justifying the goal as being worthwhile). Do not blend a strategic organisational goal with a proposal to achieve that goal within the same business case – this will lead to discussions around the merits of actually achieving the goal, rather than how the goal will be achieved.
- **Establish the baseline:** this is what you'll base your analysis on. And it may be different to the status quo – for example, the organisation's future trend could be growth or decline. So the first place to start is to ask 'what will happen if we do nothing?' A project that halts a decline could be a significant benefit for the business.

"A business case isn't an 'advocacy document' – it's a decision-making tool for senior management. Offering three or four valid options will create genuine discussion around risk and return and lead to the correct investment decision being made.

If you only provide one realistic path it's more likely the answer will be 'no' and you will have burnt political capital bringing it to the table"

Mark Yeoman, CFO, The Warehouse Group

- **Focus on the benefits:** what they are, how they'll be achieved and what's the horizon over which they'll be achieved. Make sure these are well articulated. After all, the goal of an investment is to realise the benefits, not to fund activity. Include all financial and non-financial benefits and make sure the value of each benefit can be specified and measured. Also, make sure the benefits are directly related to your project – if they aren't, leave them out. There are many instances in organisations of multiple projects trying to claim the same benefits – doing this erodes the credibility of your business case.
- **Identify the associated risks:** explain the risks that are likely to be associated with the project and explain how they'll be mitigated (i.e. risk management).
- **Identify the downstream investments:** these are the investments that will be both needed and avoided as a result of the project. Be honest about your assessment - ensure you include the total project cash flows and ongoing investment commitment (e.g. maintenance, upgrades, etc) that will be required for your project.
- **Explain the rationale for proceeding:** explain why the organisation should proceed with the investment now (rather than deferring it to a later date). Be factual and realistic – forcing a sense of 'crisis' to create a compelling case will not create the best decision-making environment.
- **Provide a genuine choice of investment options:** this will stimulate the right discussions about issues, objectives and risk. Presenting only one viable option makes it easier for decision makers to reject the proposal or to request more investigation and analysis be undertaken. Equally as bad is presenting one clearly preferred option alongside a couple of alternatives that have clearly been 'crippled' to make the preferred option look like the obvious choice. This can negatively impact decision making. It is better to show several realistic options and the clear costs and benefits (and risks) associated with each option. Give them the high risk/high return option and the low risk/low return option, and let them decide what the organisation is prepared to accept.
- **Explain how the project will be tracked and reported:** investments aren't about activity (such as delivering the project on time and within budget), they're about achieving the identified benefits. An organisation should be prepared to end a project early if the expected benefits have already been delivered, or the costs associated with extracting the final value from the project are uneconomic. So explain how your project will be monitored and reported on both during and post-implementation.

The business case framework

The strength of your business case will determine whether or not you are successful in obtaining approval and/or funding for your project.

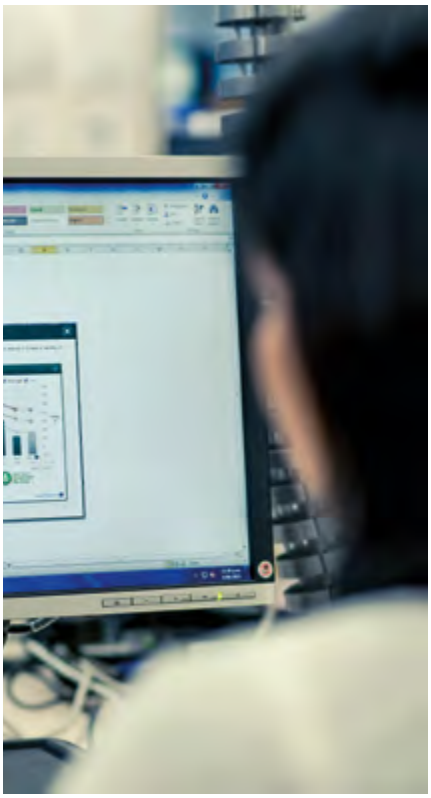
Remember to write your business case for the people who will be reviewing it – it's likely they will be more interested in financial rather than technical aspects. The more money your business case is asking for, the greater level of scrutiny it will get, and the more information and accuracy will be needed.

Writing a compelling business case is an art, so remember to:

- use a clear, concise format
- be factual and to the point
- write with a sense of urgency
- use relevant statistics and external, verified data to add weight and credibility to your proposal
- only use graphs or diagrams if they are clear and easy to interpret, and
- only include other types of information (e.g. case studies, benchmarking information, competitor information, etc) if it will support your case.

Ensure your case is as strong as it can be by having your draft business case reviewed by other staff who can provide a fresh set of eyes.

The following framework provides a structure for producing a solid business case.



Summary

Provide senior management with a succinct summary of your proposed project, including benefits and costs. This concise statement needs to explain what you want to do, why you want to do it, how much it will cost to deliver, and when it will be delivered by.

Help them to understand how your project fits within organisational goals and why it deserves to receive funding.

Problem/Opportunity

Provide a high level explanation of the energy management opportunity, and describe any problems with the current situation (e.g. increased energy cost, reliability issues, production limitations, etc). Position your business case positively - state the goal as desirable then offer options that are focused on achieving the goal.

Establish a baseline on which you'll base your analysis - this will help you to demonstrate what will happen if no action is taken.

"Benefits typically accrue over time, often over long time periods, so it's important to be able to effectively scrutinise cash flows and to ensure these benefits are actually realised.

Too often projects focus on the investment phase where assets are being constructed, rather than on the benefits phase where the whole purpose of the investment is realised"

Mark Yeoman, CFO,
The Warehouse Group

Remember that the audience are unlikely to be engineers so avoid too much technical detail, but you need to include:

- the scale of the current situation (e.g. current energy expenditure)
- a description of the problem, including the risks and consequences, and
- the high level proposal to resolve the problem (but not the detailed solution), presented as an opportunity to decrease operating costs, reduce risks, etc.

Solution/Recommendation

Explain the proposed solution and how it will address the problem(s). Summarise all the benefits the proposed solution will deliver, not just the energy efficiency benefits.

Identify the downstream investments that will be both needed and avoided as a result of the project. Ensure you include the total project cashflows and ongoing investment commitment that will be required for your project.

Again, avoid using too much technical detail.

Financial Benefits

Ensure you provide enough data for a sound financial decision to be made.

Your economic analysis needs to include all possible savings (and cost increases) accruing from the project (e.g. energy, water, maintenance, etc), using data from your monitoring and targeting system.

Provide a detailed capital breakdown. Make sure you provide realistic estimates for commissioning and project management, and build in a contingency for unexpected costs.

Clearly illustrate the economic justification for the project. While a simple payback analysis is quick and easy to calculate, it is preferable to use Net Present Value Analysis as it will more accurately present a 'whole of life' value of the project.

Co-Benefits

Most energy projects will deliver a combination of financial and non-financial benefits. Your business case therefore needs to go beyond a simple payback calculation, incorporating all benefits (also known as 'co-benefits') into the overall project analysis.

Decision makers will often not have an intimate understanding of the operational issues, so explain what these benefits will mean for the business. If you put the benefits in terms used by other parts of the organisation, you'll see greater engagement.

For example, while a project may deliver some energy efficiency benefits, the greater benefit to the business could be an increase in production capacity or replacement of old equipment (resulting in a significant reduction in maintenance costs) rather than just an energy saving.

There are many potential co-benefits, such as:

- risk reduction (e.g. lower risk of failure or downtime)
- increased capacity or productivity
- improved business competitiveness
- improved sustainability
- better process control or improved performance
- reduced maintenance costs or deferred capital investment
- improved health and safety or working conditions
- improved compliance (e.g. contributions towards a reduction in carbon emissions and related costs)
- improved energy security, or reduced exposure to energy price increases
- increased attractiveness to investors and access to capital, and
- enhanced reputation with customers, suppliers and the public.

"In my experience, the area where energy projects fail is that they fail to clearly articulate the benefits both financially and non-financially. **It's important that you're able to identify, measure and report these benefits"**

Mark Yeoman, CFO,
The Warehouse Group

"Presenting only one viable option makes it easier for decision makers to reject your proposal, while presenting a preferred option alongside a couple of alternatives that have clearly been 'crippled' is an equally bad approach.

So give us options and let us make a fully informed choice"

Mark Yeoman, CFO,
The Warehouse Group

Consider the Alternatives

There are always alternatives, including the status quo, so demonstrate that you have considered all the options and why your solution is the best approach.

Make sure you provide a genuine choice of investment options to stimulate the right discussions about issues, objectives and risk. Give senior management a high risk/high return option and a low risk/low return option, then let them decide what the organisation is prepared to accept.

Project Management

A major barrier to implementing a project can often be a lack of human resource, not capital funding.

So make sure your proposal outlines who will be responsible for implementation (including any external resource that may be required), and demonstrate how they will have enough time to manage the project.

Also explain how the project will be delivered to ensure the minimum level of disruption to the business.

Project Risks

All projects contain an element of risk, so make sure you include a summary of potential risks (e.g. technology risk, reliability risk, plant risk), the expected likelihood of them actually happening (e.g. low, medium, high) and suggested mitigation measures.

Risk is part of business, but the expected return needs to reflect the level of risk the business is being asked to accept.

Ideally a formal Risk Assessment should be performed, but this will depend on the size of the project.

Project Timeline

Provide a high level timeframe for the project, including the expected completion date. Don't focus too much on specific steps, but include allowances for equipment delivery, external resource availability, plant shutdowns and other operational requirements.

Review Process

The final but most important part of the project is to explain how the project will be tracked and reported on both during and post-implementation.

Build in a formal post-implementation review, using data from the monitoring and targeting system. Delivering a 'good news' story will improve the chances of future funding requests.

Provide senior management with a brief (1-2 page) review of the project, demonstrating the performance achieved and savings realised.

"All projects have risk, we recognise and accept that.

It's our job to decide the level of risk we're prepared to accept - don't presuppose our appetite for risk"

Mark Yeoman, CFO,
The Warehouse Group

Case Study

Christchurch Airport (CIAL)

A long overdue review of the energy management plan at New Zealand's second largest airport has delivered annual energy savings of 2.1 GWh - a financial saving of $200,000 per annum.

Andy Lester, Chief Operating Officer at CIAL, says "One of the most surprising things was just how easy and inexpensive it was to implement many of the initiatives. The payback on some of these was virtually instantaneous, with all implementation costs recouped within six months."

"The challenge for us now is, having set a new benchmark, to maintain it over time by regular monitoring and maintenance and ensuring energy consumption is not allowed to drift back to where it was. In fact we have set ourselves an internal challenge to find even further savings, by continuing to improve the status quo every day by being smart, being innovative and trying new things."

Successful engagement is the key

Improving energy efficiency is one of the most cost-effective strategies for controlling business expense and improving overall business performance.

Adopting a strategic approach to energy management allows an organisation to enjoy a broad range of both financial and non-financial benefits (reduced operating expense, improved cash flow and profit, improved reputation, staff satisfaction, etc).

But for an energy management programme to be effective, it is critical to have the full support of the C-Suite. They must ‘walk the talk’ and provide support and resources, including time, to energy management initiatives. Their participation will increase staff engagement, accountability and commitment throughout the organisation.

To improve buy-in for energy management, it’s important to understand the attitudes and culture within your own team, across your organisation, and even within your service providers (who can be significant influencers in the decision making process). Success will come when there is cultural synergy between the energy management team and the rest of the organisation.

Organisations typically operate under a ‘capital is scarce and expensive’ principle when it comes to the assessment of business cases for any type of investment, and energy investment decisions are no different.

So the strength of your business case will determine whether or not you are successful in obtaining approval and/or funding for your project.

Having an understanding of these business fundamentals will help you to identify those projects that will have the best chance for success, and build a much stronger case for their implementation.

Case Study

ANZCO Foods

ANZCO committed to a two-year energy management partnership with EECA in 2012 to achieve $2.4 million energy savings across several of their sites. Having seen an additional $400,000 in savings achieved, ANZCO's Board signed up to extend the contract, to address culture, policy, best practice and transport for years to come.

John Corcoran, one of ANZCO Foods Asset Managers, says senior management were keen to extend the programme beyond the initial two years. "It's good for the business from every perspective. Our sites are better maintained, more robust and reliable. We've seen processing efficiencies, leading to greater plant availability and reduced business risks. Energy costs are down, and we're in a position to publicise our gains to conscious consumers, which is increasingly important internationally."

John acknowledges the effort ANZCO put into gaining support at all levels throughout the organisation. "The challenge, as in most cases, was changing people. A lot of the focus was on engaging with all ANZCO Foods employees. We made regular presentations and updates to senior leadership and site management, and used the company newsletter 'Team Talk' for broader internal communication."

"The numbers can work on paper, but to see them translate to real life gains and positively influence the bottom line is very satisfying."

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