Improving Efficiency through Operational Excellence

In order to continue to provide a high level of service to their customers at reduced costs, Energy and Utilities companies must manage their operations with greater efficiency.

Along with the economical uncertainties, several market drivers are putting Energy and Utilities companies under strong pressure.

Regulators are strongly encouraging companies to reduce their operating costs for regulated businesses (i.e. transport and distribution of power, gas, water, etc.).

The retail sector is under high market pressure due to increasing customer churn rates, entry of new players in the field, and the rise of energy prices that amplifies pressures on their costs to acquire and costs to serve.

In a market context requiring more flexibility, increased utilization of - often aging - assets is becoming an issue, especially with regard to CO₂ implications for power generation.

On the verge of facing a wave of retirements, the industry will have to determine how to perform better with fewer employees.

While aiming at delivering financial results to shareholders and financial markets, companies are under growing scrutiny for “indirects” (i.e. support functions) and have to look at synergies and economies of scale.

The current economic and financial context (less debt) mixed with reduced demand and different customer expectations, as well as sustainability challenges, leads to reinforced focus on adapting companies’ business models.

Companies have to deliver at their best the
values expected by all stakeholders with drastically scarcer resources (financial, environmental and human).

Capgemini considers that operational effectiveness and efficiency are the cornerstones of the challenge imposed by these unavoidable market drivers.

Launching and maintaining Operational Excellence best-in-class management systems is a crucial way to release unrealized potentials within Energy and Utilities companies.

**Unrealized Potentials...**

Based on our proven industry expertise, we see that major players in the Energy and Utilities market have unrealized potential in some of their businesses.

According to the position of the company in the value chain, we have identified five main business areas with commonalities in the Energy and Utilities sectors where we can help to significantly improve operations efficiency:

- **Retail optimization for B2C and B2B:** call centre processes, multi-channel policy and organization, as well as meter-to-cash and sales processes.
- **Mobile workforce optimization:** maintenance and emergency scheduling, planning in-depth redesign, and management of third-parties.
- **Logistics rationalization:** overall supply chain analysis.
- **Fixed assets operation and maintenance,** including flexibility optimization and increase in utilization.
- **Support functions optimization:** transactional activities, human resources, management control, and financial processes.

...in many parts of your value chain

We have already delivered many operational excellence programs throughout the whole value chain:

- Helping large power generators (nuclear, coal, gas) to realize more value from their assets
- Managing a full blown managerial transformation based on Lean Six Sigma tools for a large power and gas distributor

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**Figure 1: Improving Operations Efficiency in the main business areas along the Value Chain**

![Figure 1](image)

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1 Read more about recent Operational Excellence projects in our external Fuel for Thought Newsletter
Running benchmarking studies for various retailers to assess their level of efficiency gaps and then implementing a wide range of performance improvements

Defining the best route of sustained performance for a water company facing increased pressure from the regulator

We are also active in LNG terminal, gas storage facilities and many other parts of the value chain.

Our strong beliefs
The road to Operational Excellence has typically many paths - mainly driven by the speed and the sustainability of expected returns:

- Classical cost-cutting approaches are efficient but they can return one-shot quick results unsustainable.
- Performance achieved through autonomous Lean initiatives can be restrained if executed only at very operational level without genuine managerial transformation.
- Continuous improvement approaches are interesting but they don’t tend to generate big returns fast enough.

Capgemini believe that these approaches have value but they are limited either in time or in scope. We recommend to focus executive’s attention to an approach that could guarantee their company sustained economic return, full employee commitment as well as gradual adjustment of the business model:

Our transformational bottom-up approach can deliver sustainable high performance, based on Lean Six Sigma – Business Process Management philosophy blended with our sectorial capabilities.

We complete our Lean Management methodology by a strong focus on managerial transformation from the bottom up to the executive suite. We sustain value creation by transforming your organization culture and generating new managerial behaviours.

Figure 2: Typical Operational Excellence approaches and their returns

Typical approach

<table>
<thead>
<tr>
<th>Cost cutting top / down</th>
<th>Fast</th>
<th>Some</th>
<th>Risky</th>
<th>None</th>
<th>None</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lean localized</td>
<td>Okay</td>
<td>Limited</td>
<td>Limited</td>
<td>Possible</td>
<td>Great</td>
</tr>
<tr>
<td>Continuous improvement</td>
<td>Slow</td>
<td>Limited</td>
<td>Limited</td>
<td>Possible</td>
<td>Great</td>
</tr>
<tr>
<td>Lean bottom-up</td>
<td>Great &amp; recurrent</td>
<td>Strong</td>
<td>Limited</td>
<td>Possible</td>
<td>Great</td>
</tr>
</tbody>
</table>

* Safety and security, knowledge preservation, social ambiance, etc.

Figure 3: Implementing Operational Excellence with Capgemini

**Value centric process management**
Through a complete optimization of processes and the reduction of all types of waste, people and process management are focused on value-added activities (i.e. cost to serve optimization in retail).

**Tangible outcome**
By using a portfolio of projects and initiatives such as visual management or the 5S approach, benefits can be tracked down from day one, thereby motivating teams and encouraging continuous progress (around 20% the first year and then +5% per year on average).

**Organization mobilization**
The application of Lean management tools creates a continuous improvement system that involves daily discussion around operational performance, challenging pre-established truth and installing a teamwork atmosphere while developing individual skills. The whole organization and especially the management is fully dedicated to a single objective that is shared and recognized as fundamental to company development.

**Capgemini’s flexible approach**
Capgemini offers flexible phasing, including benchmarking, as well as methodologies based on Lean and business process management. It includes a sociological diagnosis and the implementation of internal transformation agents that will guarantee the sustainability of operational excellence.
On the road to Operational Excellence with Capgemini

The road to Operational Excellence is not an easy journey. Capgemini has developed a specific approach with several phases for Energy and Utilities clients.

**Phase 0** includes conversations with key stakeholders to fully uncover all issues around operational excellence. Capgemini provides expert views through benchmarking, case studies and learning tours.

A collaborative event called **Discovery Day** is organized to start aligning either a part of the organization or only the executive around what is really at stake with improving your company’s performance. Usually, an ambition is crafted during that collaborative event.

During **Phase 1** the ambition is confirmed and the various routes for transformation are assessed, according mainly to the speed of expected returns and the level of managerial changes. Our approach is far from theoretical as it will be based on real life pilots and well-proofed maturity gaps tools and it goes from team mobilization to IT business process enablement.

After this phase, the company can wisely launch the operational excellence transformation journey.

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**Figure 4: The different phases of Capgemini’s Operational Excellence Approach**

**Phase 0:** Issues based conversations with key stakeholders

- Benchmarks
- Case studies
- Learning tours

**D-DAY**

**Phase 1:** Piloting & Transformation strategy

- Rapid improvement workshops & pilots
- Performance gaps assessment

**Phase 2:** Transformation journey

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**About Capgemini and the Collaborative Business Experience**

Capgemini, one of the world’s foremost providers of consulting, technology and outsourcing services, enables its clients to transform and perform through technologies.

Capgemini provides its clients with insights and capabilities that boost their freedom to achieve superior results through a unique way of working, the Collaborative Business Experience™. The Group relies on its global delivery model called Rightshore®, which aims to get the right balance of the best talent from multiple locations, working as one team to create and deliver the optimum solution for clients. Present in more than 30 countries, Capgemini reported 2008 global revenues of EUR 8.7 billion and employs 90,000 people worldwide.

With 1.2 billion euros revenue in 2008 and 12,000+ dedicated consultants engaged in Energy, Utilities and Chemicals projects across Europe, North America and Asia Pacific. Capgemini’s Energy, Utilities & Chemicals Global Sector serves the business consulting and information technology needs of many of the world’s largest players of this industry.

More information is available at [www.capgemini.com/energy](http://www.capgemini.com/energy)

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Get in touch with Capgemini to find out more about our transformational bottom-up approach:

**Philippe David**  
Vice President Energy, Utilities & Chemicals  
Operational Excellence Leader  
philippe.david@capgemini.com

**Antoine Marty**  
Director Energy, Utilities & Chemicals, Operational Excellence Leader  
antoine.marty@capgemini.com

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