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RR002

The business - tech divide with
John Koerwer, UGI Corporation



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Right. And your title, CIO of the UGI Corporation. Right. Perfect.

(00:10.406)

I was just going to say David, you picked the worst possible time to put a mint in. I don't know why you did it. As you can see we're very professional Tom. We like to uphold the standards.

(00:32.782)

I'm Dave Chapman. I'm Esme Van der Giese. I'm Rob Kiernehan. And this is Realities Remixed, an original podcast from Capgemini. And this week we are going to look deep into the business tech divide. And coming up later in the show, we're going to talk to John Kerwer, who's the CIO of UGI Corporation, about some of the things that he has done to manage and grow a healthy and constructive conversation between tech and the business. If you want to jump straight to that conversation and you know get straight into John's commentary. There's a TLDR in the show notes so you can find out for these shows going forward at what point you might want to jump to. In the meantime we're going to explore that subject a little bit but before I get to that, ready to look into the Biz Tech divide Esme? Yes, because it's huge. It's like a chasm. Generally is isn't it and sometimes the people around the chasm know the chasms there and sometimes they don't know the chasms there.

a lot of people fall into the chasm and then we never see them again. You know, it reminds me of, you know, that bit on Indiana Jones and the last crusade. yeah. Where he gets towards, he's nearly there. He's nearly found the Holy Grail and he has to cross the chasm. yeah. how he gets across. The leap of fate where he just stands and he takes the... He throws the throws like the sand across. Yeah. You need to find the pathway. That's a good metaphor for this one, isn't it? The sort of like find your way and it's very difficult.

Now, before we get onto that though, Robert, talking about finding you in very difficult, someone's got a new toy, Esme. Has Robert told you about his new toy? What? no. I'm so confused. You're confused. I'm confused. What's this? Come on, Robert. Hey. Show it. Yes. He can't show it because...I'll give you a clue Rob, it's plugged in in your kitchen. yeah, okay, yeah, yeah, yeah. I'm over caffeinated after Christmas. Yes. I've got into the whole coffee thing and now obsessed. Have you been down the coffee rabbit hole Esme? Yes, I have been and I've also found my way back. Where do you stand on putting a couple of drops of saline in your coffee? (02:46.029)

Not too much effort, you know. I love the idea of brewing coffee, but it takes so much effort. But please do tell Rob. I don't put it in. I want the easy path through. I've got one those machines that does it all for you. You just let your bean grind size or whatever. Is automated? You still get the handle thing from the grind and the tamp you have to put across and then select all your options and everything else. It's all digital. It doesn't really sound like it's all digital.

Like a real barista, the handle thing. yeah. have to crack the He's not on top of the terminology, he? No. The handle. What's it called that thing? I know. What is that thing called? The handle. Put the coffee in your tamper, you scrape it, tamp it, whatever. Google it, Robert. What's that thing called? Ask. Ask AI. Ask AI. So for those who haven't been down the coffee rabbit hole, it's an interesting world in there in the sense of like all of very, very specific measures for coffee beans and also to get a good creme. You're not supposed to use old coffee beans. You're to recently roasted ones. One week and then you've got a three week window and then they go again. So you've got the roast, wait a week and then you got to use the beans at that point. A mate of mine got a coffee machine, pretty much the same one as you Rob, a couple of years back. And it took him months to a point where he was really, he nearly sent the machine back like calling up about the, you know, there's a problem with my machine, Kremmer's rubbish, which is hilarious concern in the first place. And like right at very beginning, I'd said, are you using tried out coffee beans? And he was like, no, don't be ridiculous. Don't be ridiculous. I get good coffee beans. Anyway, turned out to be that problem. Coffee beans, it is the coffee beans. So I've tried that. I put like supermarket stuff in and then put the fresh stuff that's roasted. It makes a massive difference. It's called a Porter filter, Dave. It's called a Porter filter.

And then the thing that goes in it is the Porter filter basket. They've about that, haven't they? There you go. Well, top news from Rob there. I'm glad we figured that out. I'm jittering now. I have an increased amount of jitter associated with my days. What is your current favourite coffee to make and do you think you make it to a professional standard, Robert? So, I'm not going to judge special, but I am doing the Dutch Crema one.

(05:01.166)

So I like the way the Dutch do their coffee, sort of smallish, bigger than an espresso. You're just trying to, you're just trying to... favour. We like the way you do tea. Yeah, yeah, there you go. Hey! Mutual respect. No, but I do like a Dutch coffee style, so I tend to go with that rather than the Americano or the espresso. Crema. Talking of tea, that's a brilliant bridge because like before Christmas, I went to a famous tea room in the north of England in York called Betty's Tea Room. Classic David, classic in Arrogance. How do you say Arrogance? Harrogate and one in York. How are you saying Arrogant? Because you're from the North. I say Harrogate. I've lived in the South for years. the H. Arrogance. Oh my God. Anyway. yourself a Northerner. Really, really nice. But this is a niche. I recognise this is niche subject matter. We will get onto the subject of the part in a sec. But I bet these tea room blend is really absolutely excellent, I have to say. We're not sponsored by Betty's, unfortunately. Other tea rooms are available. but Betty's Tea Room Blend. Who is she? I don't know the law. I don't know the law. We'll maybe look into that at some point. But he's where I was going to go with it. This is a bit like you trying to ingratiate yourself a second ago, Rob. But I'm late. I'll tell you what I'm late to the party on. Black tea with honey.

Oh no, no, no, no. Black tea with lemon, not honey. Why does everything have to be sweet? Why does everything have to be sweet? It's like the tomato ketchup thing. Here's some nice food, let's make it taste of sweet tomatoes. Why do people... I'm with Barack Obama. If you're over the age of eight, you shouldn't eat tomato ketchup. That's what he says. that Barack Obama? He has said that and his wife disagrees. That's his lesser known quotes. I mean, no less effective than some of his Hope stuff.

That's what, that's the most, that's after all the things he did and all the things he said, the one I remember is if you're over the age of eight, shouldn't be eating tomato ketchup. I'm with him on I actually, I think I'm 10 % ketchup. Why do you like everything tasting like sweet tomatoes? It's a ridiculous thing to do. If you want the tomato flavour, grill a tomato and put it in it. I thought you were supposed to like mayonnaise. Yeah, the Dutch mayonnaise thing. you supposed to like mayonnaise more? Why choose?

(07:17.388)

I put them together and then even also put apple. That's a prawn cocktail sauce though when you mix them together. That's a Mary Rose. but without the alcohol. What do mean without the alcohol? Why would there be alcohol in it? I'm actually on my alcohol free year. Alcohol free year? Yeah. But you don't drink that much anyway. No. So it really doesn't make a difference. Yeah. It's not like you're coming off four nights a week sort of thing. Can you imagine?

Well, there you go. We started at coffee. We've ended up with a prawn Mary Rose sauce. everybody's much full circle. Yeah. Full circle. Drinks covered. All right then. Let's move on to our big subject of the day. We are going to talk about the divide between technology organizations and, and I'm using air quotes as I say this, but the business and how we end up with sometimes not the best conversation between the two. And later in the show, I'm delighted to say we'll have a guest with us, John Koerwer, who's the CIO from UGI Corporation. And it's a big and really interesting conversation, I think. And part of it, John talks about some of his philosophy on that. But I thought before we get into it, we would just try and identify and put some parameters around what the problem is. I'll tell you where the problem started, David. I'll tell you where the problem started. When computers were introduced, it tackled finance tasks. And so most computer departments in their beginning started under the CFO. Now, you've to love a CFO, know, cracking people, but they shouldn't have led the IT into the business. And so it's always remained a cost centre under a part of the business that's hidden away and forgotten about. And then IT starts to permeate everything. And then suddenly this disconnected team in the corner that everybody just thought was a cost centre suddenly is left. And that chasm that you discussed at the beginning has been created. I think It was like 30, 40 years ago, that organisational decision has been the real reason why IT remains disconnected from the business in some organisations. Yes, so just a couple of extra ideas to throw into that, which I think build on the same point if I think about it. I think there's the managing proficiency aspect and the over-consolidation of IT. So seeing IT, you're right. So quite often (09:40.63)



in the remit of the CFO, seen through a financial lens, seen through a cost-centre lens, and therefore managed into a position where the predominant conversation in IT was around cost and trying to be efficient with the delivery of technology. And there was a movement that went on probably post-millennium, maybe a little later, but certainly post-millennium, where IT, to the point you made Rob, was spreading throughout organizations, becoming more more part of it. It shifted, didn't it, from being a tool that was being used for word processing and spreadsheets and maybe some ERP into being the center of how a lot of business actually functions. And the organizational construct, which started in the way that you described, never really caught up to that shift.

Yeah, that's very fair. So it remained a cost center, remained efficiency focused, most businesses, well, all businesses do not work without technology integration, information or operational. you've got to, it should be different, but we've never broken free of that constraint, I think. I think it's in the core of tech development, right? It was a lot of better, even understanding what a machine could do. So it has a lot of numbers. That's the first thing that, you know a computer could actually do and make it understandable. I think that's going to your point Rob, obviously CFO related. And then the usability increased and I think more and more people from a customer experience point of view actually understand what tech could possibly do and that helps it move towards other applications, moving it more towards business. So I think it's in the core of tech development in itself, moving from better to more business perspective. And there's quite a stark reality when you look at businesses that are technology is their business. So streaming services like, I don't know, you take the Netflix, the Spotify's, world that use technology to create the subscription business model, what they do very successfully. They're a good example. Everybody talks about the way they operate, chaos engineering and the Spotify model. Does it work for other businesses? Raging debate. But actually, where tech was your business, you see this beautifully integrated (11:57.346) tech and business type model is one and the same. It's fused. in newer companies also that haven't got the legacy of those early decisions. Where you've had, I've been around since the 50s and I'm in manufacturing or I'm in complex global supply chains, you have to agree that there's certain constraints and maybe some people try and do too much of like, let's be like a tech startup and you go, but you're not a tech startup. You've got these horribly complex physical things that you have to deal with you've got to accept that you've got to be a bit different. think sometimes people over-index on the highly successful tech companies and forget what they are and so they try and implement something that's not practical. You say you can't take a company like yours and turn it into a company like that. That's not your business model. It's got to be for you. (12:42.242)

during the sort of outsourcing boom in AI, which is also driven by sort of efficiency goals and things like that, is that a lot of IT shops during that period of time became very good at supplier management and perhaps less good at technology and tool development and an application to whatever business it needed. So you had then three layers away from the actual co-face of tech. You know, you had the business consumer person, then you had the IT department and then you had the supplier who were the ones that were often at the call phase and that created even an increasing distance. I think you must always remember that operating models need to be tied to the technology that they're operating. So mainframe required everything to circle around it, client server needed, it had coupling in it so we had to change our operating structure to manage coupling but we could be more free and more distributed. Cloud native allows us to decouple much further which means product teams. are able to think about business outcomes, etc. over the last 15 years, because of technology change, it's allowed adaptation of operating models. So I think when you talk about the early noughties and what ERP was doing at the time, the operating model had to beat to the drum of the technology. Now the technology allows us to be much more free. It's allowed a different way of working, etc. So we must never forget that companies with legacy who have those types of old operating models did it at the time probably because it was a necessity.

Yeah, absolutely. Absolutely. was, well, there was lots about IT at the time that was a necessity. You make an absolutely excellent point, which is design your organization often around the technology and that led to, and that was really another way to put it is around the constraints of technology at that time, including things like lead time and equipment and all of those sorts of things. Now you saw a bridge there already, but let's talk next about the fix that is required here. So what we've seen, certainly since the first couple of years of the advent of cloud, is a shift here. think partly to your point, which is there is something about cloud and then all of the technologies that come off the back of that style of delivery that removes some of those constraints and therefore allows the kind of rapid connection between business decision, market signal, and being able to implement it in the technology. And that shows up in things like product centric organizations. So Robert (15:08.878) very briefly, out product-centric organisation and more from a perspective of what makes one successful. okay. I mean, a product at its core does... It either creates a great experience for a human at the end of it or it achieves a business outcome that's significant. And so what you do is you build everything around the technology to facilitate the outcome of the experience. The product itself should have all the things it needs to be independent and all the things it needs to do to achieve its outcomes or its experience and so I'm not coupled. So I'm loosely coupled. I'm

able to operate with autonomy. I've often thought you were loosely coupled. I like it. No, but I don't need anyone else to go fast and deliver my outcome and I know how to work with everybody else around me. So I've got clean communication pathways. I have a financial model that allows me to create my outcome. I have all the capability that allows me to do that outcome and I know what the experience is that I'm trying to achieve, or I know what the business outcome I'm trying to achieve. And then all the technology and everything else piles behind that to go on that goal. And you should measure yourself against business metrics and business outcomes and drop all the useless IT measurement that doesn't actually tell us whether we're being successful or not. It just tells us about what the technology is doing. If I was to sum it up very quickly, those would be the things I would want to see in a successful organisation. And, Ez, when you think about the human aspect of this And maybe the human aspect within the context of how fast markets are running these days and being able to adapt to what's going on. What resonates with you in terms of good interface between business and technology, maybe in the model that Rob suggests or a different one? Yeah, in the last couple of weeks, I've been working a lot with teams on team DNA. So strategy sessions are mostly about market. What's the market? How is it responding? And then how do we want to be? What is our strategy? But the question is, and I think that's what Rob also said, especially when you're already in business for quite some time. Sometimes you see a lot of marketing around who we want to be. And then there's a huge perfect, you know, we all know those liners and then we have suddenly we have values all on the walls and then, you know, we're supposed to act differently. (17:29.134)

But now I've been working a lot with team DNA, which actually works with who are we really? And it's quite confronting to be honest, because maybe you are a bit dull or not so fancy or not so sexy, but you're steady. You're trustworthy. It's a session for Dave. Hang on, go off the therapy. That's later. I thought you were talking about me. I mean, it actually says a lot that you're reacting, you know that, but we can work Don't psychoanalyze me on here. Okay, okay, okay. So if you go to that DNA, who are we truly, what we were meant to do in the first place, you what is your reason of existence and then go to, how does that show up in tech? How does that show up in customer interactions and how, you know, so that you can really drill down all the way to strategy, but also in how do we show up in partnerships? And how do we show up in conversations with our clients? But especially that it's not that sexy. It's very like mind blowing what happens in a room and people also at some point they actually feel, okay, thank God we don't have to act differently. And at the same time they walk out of the room like, we're not that, maybe we're not that cool. The other thing that occurs to me a bit when it comes down to the human aspect of what we're talking about.

It's simply, it literally can sometimes be, you know, are you like friends with them? Do you know what concerns, you know, your kind of colleagues? Do you know? So therefore, if that's across a tech business divide, if you're sitting on the tech side and really the interactions you're having with your business colleagues are in meeting rooms around spreadsheets or being talked to and you haven't done coffee or a conversation about whatever box that you're churning through at the moment or a dinner and you've got to know them and you've got to know what is challenging them. How can you really help them? That's quite difficult if you have a huge, huge company. Then you have a lot of dinners. (19:39.362) So that's why also, if you have that DNA. Hello, I'm into that one. How many dinners do I have to have? Let's just get through that number. So what you would like to have is like sort of a, you know, something that connects us all and that we all understand how IT is contributing or tech and how business is contributing. And obviously you would love to be in fusion teams. They're both in the same team, not so much the Chinese wall between them. And you see that more and more often, those fusion teams. I agree with you and I think that is ultimately the real way forward. Here's a, if you're in an organization really where, to Rob's point earlier, tech is not central, though even, you know, most organizations have got a tremendous amount of tech in just how they run. But if you've got an organization where it's leveraging tech for the services or the products that it builds for its own consumers or customers, then I think Fusion makes a great deal of sense, but it's a It's a radical shift in an organization.

Now on that note, let's go to our conversation with John Koerwer, who's going to share with us some of his perspectives on what he has done in organizations to create the right conversation at the meeting point of tech and business. And also he's going to talk about digital transformation in the energy sector.

(21:08.15)

So we're here with John Koerwer, he's the CIO of the UGI Corporation. John, how are doing today? Good, welcome. Dave. Lovely to see you. You too. Tell us a little bit initially about the UGI Corporation. So UGI is actually a very old company, we're 140 years old. We were one of the first public utility companies in the United States. We

have four different businesses. They're all related in the fact that they're all involved in energy transportation. So we have regulated gas utilities in both Pennsylvania as well as West Virginia. We have a small electric utility as well in Pennsylvania. We have a midstream energy company that owns and operates pipelines as well as LNG, liquefaction that we use for, know, peaking services for other utilities as well as our customers. We have an energy marketing business as well. And then we have LPG businesses in both the US and in Europe. In the U S we have the largest LPG distributor in the country with the trade name of AmeriGas, which is more recognizable than the brand of UGI because UGI is more Pennsylvania based. Right. And in Europe, have LPG businesses in 15 countries that more or less have the same type of a business as Amerigas. It's all about energy transportation and it's transportation to what I call sort of the last mile, which is going to the end customer. I see. I see. And before we dig into that, just in terms of Your good self, what was your journey to UGI? So I spent 30 years in the industrial gases business. Okay. Actually started off in the U S but working for a company called British oxygen, was then merged with a German company called Linda group. And I moved to Germany at that time, lived in Europe for 10 years in Germany. And then when I came back to the U S that's when I came to UGI. I see. Whereabouts in Germany were you? In Munich. How did you find I love Munich. It's just the greatest place to live, have to It's a very nice city, isn't it? You're only like two hours from the skiing as well. yeah. It's brilliant. Our kids were in the Munich International School, which is a sort of an international school for people who don't speak German. And they had a program called Ski Saturdays. And every Saturday you take your kids, and they started in kindergarten and they went by themselves. You didn't go with them. They put them on a bus. The teachers from the school were actually on the bus as well. (23:31.02) and they had ski instructors that would meet them and they went to a different ski resort in Austria every weekend, always in Austria. And you had the same ski instructors each week, so they moved from different places. So once you met the ski instructor, it was consistent. Every week? Every weekend. But you must say, you bet your kids are fantastic at skiing now, my word, that's a lot Incredible skiers, yeah, because they progress through a progression to the point where they get to racing quality, then they would start over and move into snowboards.

It's incredible. And have you always been in the IT or the tech side of organizations? Actually, no, I started out as an engineer. I was a mechanical engineer coming out of college and I worked for a large architectural engineering firm. In fact, building petrochemical plants. In fact, the very first project that I worked on when I got out of school was to build the city of Basra in Iraq. which is a large petrochemical plant. We had to build the whole city as well, because it was in the middle of nowhere. We had to build schools, we had to bring over, I remember shipping taxis and buses over on ships to build this whole town. And then you had to overbuy because there was no way to make sure you had enough to build it. So whatever we didn't use, we buried in the desert. If you dig under the city of Basra, you'll find all kinds of piping and taxis and everything we didn't need. And how and why did you?

Did you transition over to digital? Great question. when I started, there was no computers. I mean, I didn't have a PC at my desk. The best computing power I had was my TI-59 programmable calculator. In fact, I remember programming the bolt stress for a high pressure hydrogen system in Ohio on a calculator, because that's all you could do it. And then we actually partnered with Cambridge University. who produced a 3D design system called PDMS. It was the first of its kind. When I started building large-scale petrochemical plants, we used plastic models, scale plastic models. We had a huge model shop and built the entire petrochemical plant in a scaled model in plastic. And you had little people on sticks and you would stick the people in to make sure they could fit. You'd up the ladder and fit between the pipes and then you would actually make the drawings off the model. (25:45.646)

The people who drew the drawings to cut the steel pipes, they would actually make it off the model. Well, what Cambridge designed was this way to do that in 3D design on a computer instead of a plastic model. And we partnered with them. In fact, we bought the rights to the software and started to develop it on our own. And I got involved in that because I was a piping engineer. So of course I got heavily involved in this project and that's what transformed my career. I now want to be in IT. don't want to.

I mean obviously using something like PDMS far more accurate, lots of reasons, faster, but it doesn't sound as much fun as having little people in a model. I mean I'm going to go, prefer the model. Do you also do the voices? It was very hard to transition. mean people couldn't make the change exactly as you said, they couldn't see it. You can't walk up and see the entire plant. I mean I'm sure you've gone into big customers and you see they have a little 3D model of some plant they're building, because it's like a showpiece. Well, that was the way we built everything. And everybody loved to look at that model. And it was a hard transition for people to get away from that model because in those days, those 3D screens, you couldn't see much. You were seeing one little slice and you couldn't see much. You had to then produce the drawings, which were also not easy to produce. It was like,

okay, just like today, print your drawing. Now the creation of a drawing of a slice of that model would take hours to actually get it from that slice into a printed drawing. So it wasn't so easy to make different prescriptives. When you had a plastic bottle, you could just move around the table and look at any angle you wanted instantly. it did take a while to transition. when, around when was this? Are we talking the We're 1984. So it is the early 80s, you're right. I started my journey in about 86, 87, something like that, so a million miles away. I was going to say 76 for you, Very good. That's very good. So then I transitioned into IT, but I focused mostly on engineering IT. And in fact, I was hired into what was then BOC. And the reason why they hired me is because I had this engineering and IT background. (27:55.638) and they were building a new global division of their company focusing on semiconductors. Because what many people don't know is how many gases are actually used in the production of a semiconductor chip. There's like 30, 40 different gases actually required to make a chip. And the lifeblood of a semiconductor plant is nitrogen. Without nitrogen, the whole plant has to stop and everything in it gets scrapped because it provides the inert atmosphere for all of those tools. And as you're making those chips, any impurity whatsoever destroys the chip. So that nitrogen, very, very pure nitrogen without moisture was critical to the infrastructure or the manufacturing of chips. So that, if you go back to the early 90s, this is when the DRAM plants were exploding all over the world, especially in Japan, in Taiwan and in the United States and a little bit in Europe as well. And what those manufacturers of those chips demanded was exactly the same quality in every country.

And the industrial gases companies were not global. They were not designed to deliver a global product to a global standard. So we were creating a new division focused on that. And I was part of the engineering IT team to create technology to then allow us to design the gas systems in these fabrication plants. And in fact, in 1992 was the first AI project I was involved with. I hired my first person I hired was a graduate from Princeton University with a PhD in artificial intelligence. And we built a AI-based system to automatically design the piping systems throughout... Was that expert systems at that point? It was expert systems with actually technology called wisdom technology. It was all based on CLOS or Common Lisp Object System. So it was cumbersome to use, but it was a neural network. And you would build objects and they could interact with other objects and we could then create mathematical models in every object that could permeate down the pipeline so we can measure moisture. The whole point of the model was to be able to predict the moisture in the gas and how long did you have to blow out the system to get the moisture to an acceptable level. it's not only just a one-time effort because once you, if a component fails in the middle of a process, you have to take that component out put a new one in. When you put a new one in, you introduce all kinds of moisture in the system. (30:17.518)

And now you have to say, long do I have to run this pipeline without producing anything until the moisture is acceptable? Nobody could calculate that. But this system could calculate it. Right, like early dabbling with kind of high results and high business value technology perhaps will return to that theme shortly. But you find yourself at UGI and you gave us a bit of an overview of UGI and how it's structured and the fact you're in energy transportation. I think one of the interesting things about the nature of the companies, how localized it is in terms of structure. Yes. I I've worked, I said there's, different types of global companies. You know, there are global companies who have global products and global supply chains. And then there are companies like us who actually have local products and local services. And our local focus on our customers is the key to our success as opposed to a global product, such as something like Apple would have, you know, we have a completely different company with a completely different approach. So one of the things that, that I've always done, even when I worked in the industrial gases business, which was very similar, by the way, we had operations in over a hundred countries, but you couldn't transport nitrogen, you know, between one country or another. couldn't transfer to more than a couple of hundred miles because it would actually disappear. You're transporting it at 300 degrees below zero and it just, it vaporizes all by itself in the truck. So you can't go very far. So by NAFR, it had to be a local business. So I was used to the concept of global company and a global brand but very very local services and local products because that was the only way you could do it. Energy transportation is similar to that and the cost of transportation prohibits you from having a you know a global supply and shipping it all over the place. The transportation costs get too high so you have to operate locally close to your customers. is a thing I discovered recently which was they have to do the same with potatoes because they're really heavy.

They're incredibly expensive to transport, so it needs a local infrastructure to get your potatoes. it's like chocolate, know, because chocolate has this issue where the temperature really affects it. So if try to ship chocolate, it gets all messed up. So you have to produce it locally. Yeah, so the product literally is demanding the business structure that it needs. I wonder if we talk a little bit about the nature of the culture at your organization before we get into then how from a technology perspective you can support that.

(32:39.352)

That's a really great question because we've gone on a sort of a cultural transformation. We started about a year ago and we got together as an executive team and started to look at, what is the culture we want to produce in our company? And we came up with four core stands that define our culture. And if I go through those stands, the first one is that everything and everyone is always safe. Because safety is the most important thing in our business. It's that way in any energy business. It is that we are transporting a dangerous material. These are liquid trucks that you take a turn too fast and just the liquid in the truck, makes the truck flip over. mean, safety is the most important stand we have in our company. And then the second stand we have is that every customer matters because we are very customer focused in our company and our customers are all local. We don't have large global customers. And so all of them are local. We have millions of customers and it's all about customer service. So every customer that we have matters.

Our third standard is about our employees. We want our employees to thrive. So it's like our employees matter as well. We want them to thrive at our company. And then our last stand is about making sure we secure a sustainable future. And that not only does that reflect the fact that we are in the energy business. And of course, everyone in the energy business has to partake somehow in the energy transition, which is different in different parts of the world. But we also want to make sure we secure our financial future. As I said, we're a 140 year old company who has had to change its stripes over the years and change its mix of business over the years many times. In fact, it's a little known fact that our company, UGI, which is an energy company today, used to have a construction arm and we built 30th Street Station in Philadelphia, which is the main train station. Philadelphia still stands today. As well as the Franklin Institute, two kind of landmark buildings that we built as part of a division we no longer have, that's many years ago. So we have changed over the years. How hard was it to get to those four stances? Because we all know those sessions like, we're going to start with white papers and before you know it, you've got seven values on the walls and then that's that. But how did that work for you? It's a great question. We've actually launched a process within our company called breakthrough thinking or breakthrough outcomes. And we have now deployed it, so to speak, to the top three or four hundred people within our company.

(35:03.884)

And it has made a tremendous difference because our company history is that we have very separate companies who are used to operating very separately and they rarely ever interact with each other. And we kind of forced that interaction with this whole breakthrough outcome approach, which has made a tremendous impact on everyone's interactability in their cooperation with each other, their collaboration. We've opened up so many people to so many ideas. And we have as an executive team, we go through the same process ourselves and every single month we meet for an entire day and focus on breakthrough outcomes, breakthrough thinking. And as part of those sessions, we have created these four stands. And you're right, it didn't happen in an hour. It happened through the course of two full day meetings to come up with our mission, our vision and these four stands. And just trying to get the words right. You're it goes a lot of work to. the smallest number of words that we can come up with that conveys the message. And that makes it easy for everyone to now understand, to latch onto. And it's come to the point where you hear so many people using those phrases and everything you do is okay, if it doesn't try to promote one of our four stands, why are we doing it? Is it really that important? If it doesn't promote or enhance one of those four stands, why are we doing this? And the breakthrough thinking approach.

How long has that been active in your organization? is it, do you see visible results of it driving innovation? Yeah, so it's only, this is now the 11th month, because we started in January of last year. Right. And we do see results without a doubt. And the biggest result I see is just in the behavior change of people. Because you sit in meetings and everyone now challenges each other. Is that really the best outcome? Is that the best idea? Is that, would you call that a breakthrough? Not everything has to be a breakthrough course, but you say, okay, if you have your goals for the year, which of these goals are considered a breakthrough? Could you go little bit extra mile here? Could you think a little bit more? Could you come go out of the box a bit more and remove those boundaries? What are the boundaries that's preventing it from being a breakthrough? I was about to go to that exact sort of place. Is it completely unconstrained? Yes. mean, the thinking is, of course, in practicality, when you want to do something, you have to look at constraints. (37:20.878)

We try to have people completely remove constraints. It's a great point you bring up because we actually use this concept of the reality table and the table is not reality. Right. You're talking about the reality. Forget the reality

and talk about if there are no boundaries, are no constraints. That's really cool. I like that. It doesn't mean we're going to end up doing it, but make sure you have no constraints when you're talking about where you're trying to go. Fundamentally believe that is the right way to do strategy. Yeah. Because if you do it from reality up, it's inevitably compromised. constrained. It's compromised and you don't even know it's compromised because it's your own thinking and your own files of what has happened to you in the past, which is subconsciously limiting your thinking. you have an example of a breakthrough outcome? So, you know, just a recent example, it's a simple one, but we were going to, we had a situation coming up where our utility had to go forward the rating agencies to get their credit rating renewed. And we've had some business units that have been kind of dragging down our corporate financial picture, which has been impacting our utility. Now our utility, obviously spending capital is the lifeblood of our utility as returned. So it's very important that they have as high a public rating as possible as it affects our ability to borrow, affects our cost of borrowing. So we've been going through these rating agency processes for quite a while.

We know the challenges we have and we made a decision to say, let's take this a different way. Let's actually bring the people from the part of our business which has been kind of dragging our business down a bit. Let's bring them with the team to the rating agency and have them explain what they're doing to turn around our business and how we're using our whole breakthrough approach to turn around that business process yielded in an actual upgrade of our rating instead of a downgrade that we had expected. And so it was a very simple example of what we call a breakthrough outcome. And that's also including the voices that maybe usually were not part of the conversation. right. If they weren't there, we don't think we would have achieved that breakthrough outcome. And we actually went through a breakthrough thinking process to say, okay, what could we do to change the outcome? We think they made up their mind before we actually got there. We were convinced they had made up their mind before we got there. And we actually changed that opinion during that. (39:39.116) discussion, which to us is a breakthrough. Very good. If we just pivot slightly and we'll probably return to that theme, I think, in a second, because I think it's, it is a very progressive thing, I think, to have like an innovation tone like that running through the company. But before we delve any further into it, I just want to talk about the tech organization itself that you run. Give us an idea against that heavily localized structure that you're that you described it from a business perspective, how have you organized your supporting tech? So it's a great question. So for the last 50, 60 years, you know, we have run completely independent companies and independent HR, finance, IT, everything independent. Three or four years ago, we decided, hey, let's try to bring the functions to the center and get a little bit more synergy, get some productivity improvements around bringing HR, finance, IT to the center.

And so I was tasked with the IT team, let's form the IT team, bring it to the center. So we eliminated the CIOs of the individual businesses and we condensed the organization. So were you doing that as a cost play fundamentally or was that with the other outcomes that you wanted to try and drive from it? There was other outcomes. Of course cost was a factor. But one of the bigger outcomes to us was talent retention. Because if we look at, know, if you have an IT team that works in one individual business division,

There's always so much room for expansion. always so much career potential in that one business. If you then combine four businesses and combine the IT organization to a bigger one, you then open up new career advancement possibilities for that same talent. to us, it was as much about talent retention as it was about cost. And how, when you look at the diversity of the way the independent CIOs had implemented everything, was it?

broadly aligned 80 % aligned or was it sort of like it was about 20 % overlap and then the rest was all crazy. was the, you couldn't get any more diversity than it was amazing to me that I mean, I looked at, for example, endpoint detection. had 18 different endpoint detection systems. We had nine completely separate email environments. When I joined the company, you couldn't look up an email address from one, some business crazy. You have the business card. You actually took pictures of the business card. What year was this? year was this? I joined in, uh, (41:59.338) 2017 and you could not look up an email address from someone from a different company. You couldn't schedule a meeting because they're free busy day. wasn't blocked. wasn't checked. maybe to cut them a bit of slack. sounds a bit crazy, but of course that's just how the business was structured. That's how the business operated. They gave a lot of freedom though, so each business could do what they needed at the time. So there is always that freedom versus central control point, it? Well, I assume that was key to the balance that you were trying And key to the balance. So I had to decide, okay, what is the balance I'm going to create here? So I did actually create what I call business aligned sections and central sections. So I took IT infrastructure, IT security. governance and made strong central teams, but all of the IT application teams, I kept them business aligned, which means they were completely autonomous from each other. They're independent. There's really no overlap

and they focused because the IT portfolio, the application portfolios, there was virtually no overlap between businesses. They were all very different. And we kept those teams separate. The other thing I did, even the teams that I'd made central, I left the people where they were in their businesses. So out of the entire IT organization, less than 5 % actually sits in the center. That's actually a member of the corporate entity. The other 95 % are all stayed members of their businesses. And my theory was I wanted them to be as close as they possibly could to our customers, to our business customers. wanted them to eat lunch in the same canteen. I want them to be able to hear the same stories, to share in the same struggles that our business struggled with. I didn't want them in a sort of ivory tower That's Rob's favorite type of building. There's so much in that. think, first of all, that stance is entirely validated by the industry's move to things like product teams, which is calling for business and technology teams to be blended. It also appears to me, kind of having worked in IT for similar amounts to you, like the last 30 years or so, that IT had over-centralized (44:03.072) it has become over focused on cost. No intimacy was there in it. Intimacy wasn't even a question. It was a series of transactional orders that were being taken and therefore of course immensely frustrating to businesses. So I think the approach you took is very much where the rest of the industry is now catching you up a little bit. where I was going with this was that I wonder how much your early career influenced your decision making? that's a great question because it influenced it a lot because I went through a similar process twice in my early career because when I worked for BOC and later for Linda, know, were hundreds of businesses become because they were all country based and they all remain country based, but we were building a global IT organization and I saw the ill effects of too much centralization clearly and that influenced how I did it the second time and that influenced even more when I did it the third time at I went even further into the, we're not going to bring these teams together because I've seen it fail twice now, third time. It just fundamentally doesn't work when you separate the application teams in particular. They're the teams that delivering the business functionality that's going to make the business run that team needs to sit with the business. when you create a prioritizing agenda for those teams that's reflective of an IT organization versus reflective of what the business needs to That's a great point because we don't have one project prioritization list, for example. We have one in every business. They're all separate. And there's another thing there about the markets getting the level of service they need. So if you have a big dominant market, the central team tend to respond to its requirements. If you've got a small burgeoning market, They often are left as noise in the background and they don't get any need, but actually that might be where your growth is going to come from. So the way you service a market, it doesn't work when you've got different sizes. That can be a big thing as well. also think it stifles innovation because, know, innovation often happens where you're close to the market you're working in. If you try to innovate only at the center, you ignore the whole customer factor. I mean, our enterprise group services no customers. (46:12.268) I remind people all the time, we don't service any customers here. They're all at our business units. If you're going to innovate at the center, you're innovating as far away from your customers as you possibly can. How does that make any sense? Yeah, it doesn't seem right, does it? Yeah, it seems backwards. Yeah, right. And are you dealing with, in that construct, because you inherited an organization that was in its different dispersed businesses, and you went through a consolidation journey, what kind of cultural shift in either IT or the business have you had to deal with, if any, given the history of it, to create the join up you're talking about and slight extension of that, which is on the business leader side of things, how much have they welcomed that versus, yeah, tech feels like your problem, why are you making it my problem?

So I mean, the fact that we left our application teams with the business and what I did was everyone who the people who lead to that organization, they report to me and they report to the business head. jointly report and they join the business teams, management teams. And I tell my team all the time, if there's a conflict between what I need and what your business leader needs, it's a clear answer. You don't have to ask me, you don't have to question it's your business leader. They will win every time. If you have a two meeting advice you have to pick, you don't have to call, it's an easy answer, you pick the business, because that's what you're there to serve. So that made it easier for the business to accept. They saw it as, this isn't a big change from where I work. It doesn't feel like IT, just trying to roll me on something. Yeah, exactly. So I mean, I think that that's key to making the process where of course there's adjustments. And of course the biggest issue we had really was the fact that the businesses didn't exactly trust each other because they didn't know each other.

So they were very wrapped up in their own agenda and that collaboration across businesses was tough to create. So what we did was we created a governance process by which every single month, every individual business IT team would basically share all their projects and all their progress with everyone else. So that whole combined team became the governance team that would question and challenge (48:22.722) hey, how is your project, why is it behind, why is it this? And so that educated everyone. And then through that education, you find all kinds of things that say, hey, I'm actually trying to do the same thing or we have the same challenge. Can we use what

you're doing and learn from that? And did you have your sort of hybrid teams now, or was it more the people that are reporting to you, like the technical people in that conversation? So, you know, I think if we talk about recent introduction of AI, we talk a lot more about hybrid teams, but I mean, What I was trying to foster all along was close collaboration between IT and the business. have, and that's always key to me, I think, to actually, you'll move ahead so much faster if those teams work together as opposed to just sort of throwing things over the wall. And I've always been a proponent of that. So I think now with the introduction of AI, we have doubled down on that and even driven that concept far more than we did in the past. Well, let's use that as a bridge into what you're doing with it and how you're approaching that.

It sounds like the natural sort of, so I think we're in a point of context with AI at the moment that, you know, we're coming out of POC world, tools are starting to emerge for how you manage then the kind of the thousand agents or something like that every organization is going to have. think Microsoft said recently, 1.3 billion agents globally in the next three years or something absolutely insane. So all that's going to need managed at some point. therefore there's an element of platforming of that to think about. And then I think there's like a governance element of it, which is like, what's our philosophy going to be? Is our philosophy going to be, we'll have a backlog of agents that we're going to deploy out of some sort of central team. I'm inferring immediately that that's not the direction you're going in, or it's the, it's the, let's a thousand flowers bloom and see what goodness comes out of it.

I'm guessing you're erring towards the second of those paradigms, but what's your current thinking on the emergence from POC into scaling and how that's kind of how you're driving business value out of it? Maybe let's maybe start with the sort of governance and guardrails that we built from day one. you're right in the fact that this was a challenging question for us now because we've we have gone around this protest. Our application teams are very business focused. (50:42.594) We looked at AI and said, that really gonna be the best way to do it? Do we really wanna have everyone doing their own thing in a different way? That scared us a bit. Obviously there's so much about AI that you worry about. The governance is so important. And of course we started out like almost every other company. We blocked every public AI tool we can get our hands on. So to make sure that we didn't distribute non-public information without people knowing it and so forth. we took the very secure route of blocking everything. And then we started to deploy and small teams to experiment on technologies and see how could this technology apply to our business. And we weren't getting very far with that approach. And then I realized, hey, I need a lot more people involved in this. I'm never going to get. some really good ideas unless I have a lot of So you didn't think, need an innovation room and we can do crazy things like put some grass on the wall because it will make people think outside the box. Yeah, no, we didn't go down that route. So I use the same principle I've used always. I need a collaboration team between my IT team and my business team. So we use the same approach. We actually found ourselves a technology that we could secure. So we secured it that we had our own confidential container that was at the UGI level.

And then we actually have confidential containers down at the project and person level. So we take the risk out of it. can play with whatever you want. There's no risk of this information leaving our environment. We took all the shackles off for people that we basically permitted to use the technology. And how wide were you trying to push the guardrails? One of the things that I often observed in the years of like, early to mid years of digital transformation when you would get in different industries to yours, would get challenger bank like scenarios where, you know, there'd be some sort of challenger bank coming in, a traditional bank would then go, right, we'll create a separate business unit that's unencumbered with the pain of the main business and let it go and therefore (52:48.534) I'm changing the financial framework, how the delegation works, maybe even how regulation applies to that. So, you know, that's that size of business. I'm removing old legacy constraints from business cases, for example. Did you manage to get it that far? Did you feel like it needed to go that far? No, we didn't. I mean, we actually did. There were some scenarios where we actually had that thought process. We played with the idea of, is it better that we create another company to actually compete with ourselves. Maybe even cannibalize our business someday. Does that make sense? Change the brand. We've thought of all those things. We haven't done that. Still might happen, but we haven't done that. going back to guardrails, mean, one of the things that we had to decide was this how much global and how much local. And what the decision we made was all of the technology choices that we were make were gonna be at the global level.

And we have an architecture review board process already installed. All of the technology that we introduce in the infrastructure What kind of lag does that have? I knew you were going to go there. Dave, you managed to get it down to six months. So we only used it for things that were affecting our global environment. So we kept it to infrastructure and security. We didn't use it for applications within our businesses. They had their own architecture process in each business. Did you let the business leaders manage their own position on risk? So in

the business teams, yes, but of course risk is globally tracked as well. We have a large list, mostly focused on security, which these days covers like every aspect of IT. There's virtually no part of IT that doesn't touch on security. So the risk profile, the risk register is quite large, but we have that risk register cut by business unit and by risk. So every business unit has a slice because it could be slightly different specially around the legacy application risk, that is different in every business unit because they all have a different middle portfolio of legacy applications. One of the things it occurs to me when you do a thousand flowers bloom strategy is it's great from an inclusion perspective because everybody feels involved and particularly with when you bring that together with your breakthrough thinking process and philosophy and things like that, there must be something very powerful in that. (55:01.262) But I'm interested in both sides of the coin. Are you seeing powerful outcome from it? And the other side of the coin is, are you seeing a vast amount of noise as a result of it? So we see both, but I mean, it's easier to focus on the outcomes that are positive. I mean, to me, the biggest outcome that I've seen that is positive is the effect on change management. One of the biggest problems you have with technology, and it's always been the same, is the people aspect know, the technology sometimes is simple, but the people part's really hard. It's no different with AI. You have people challenges. The fact that we have unleashed this technology on so many people, most of the ideas have come from our business users, you know, not from technologists and not from consultants we've brought in. It's all come from our own people. So they're going through the change curve as they're experimenting. And they're actually proving to themselves in a small case, say, this technology can produce a change here. If this thing got scaled, this would be significant, but that change process, they're creating it themselves. And ultimately, would you like to get it to the point where it's as close to 100 % democratized as possible, so one of your business units has an idea, they can personally immediately create an agent? Well, that's exactly what we are doing. So we're going to build projects and we're going to fund projects at the business level. We're not building or funding and we're not prioritizing globally, that'll happen at the business level, like we've always done for projects. So they'll control their own funding, they'll control their own prioritization. If they have an idea that's number one in their list, it might be number six if we combine them all together, but we're not doing that. Say, hey, you have your own prioritized list, you can move ahead at your own pace. We want to dictate what technology you use and maybe what partner you use to build it if you can't build it in-house. But as far as the...prioritization and the speed at which that's the speed at which your own business wants to operate. And that was important to us to make a, you know, come up with a solution where we didn't encumber any business, but we had enough control and governance where we didn't have, you know, a zoo at the end of the day of technology mix that that's something we didn't want to have. And have you done anything with, um, like not created here mindset? So, (57:20.302) And by that I mean the outcome of that might mean you get like a tremendous amount of duplication. So you might get like 30 of the same thing. And is that like an inefficiency you tolerate because the effectiveness is so high? There's something in AWS, for example, think that's the sort of approach. They always cut the daisies afterwards. No, it's happened at the experimentation level for sure. But that's one of the things that we could share and notice. We've actually gone through these use cases. We identify ones that are particularly interesting.

And then we actually create, it was like a creative team session. We record an interview with the person who created it they show it on the screen and they talk about what they've done. We've then taken these interviews and turn them into videos. And then we push the videos out to the organization. I've even used the videos for some other purposes as well, but it educates our workforce and what people are doing. It also raises the profile of people who were one day an accountant in a business and now they're known throughout the company because they're on video talking about what they developed in their experiment. And you know how AI works. You've got normal business people now writing Python code and doing all kinds of things. And they're very proud of it. So they want to show people what they've done. It will be pure natural language eventually, right? Which is like, hey, just need a quick little agent that's going to mock up an entire social media platform for me, please. Can you do it in the next 10 minutes? And that's exactly why I think the only way to go forward and be successful is to blur that organizational boundary between IT and business. You can't stay with the additional approach of, I'm IT, I'll take care of technology, just tell me what you want and I'll build it. It's just not gonna work that way in the future. You are gonna be so limiting to your organization if you continue that mindset. You need to blur those lines and allow people to have more influence directly in the outcome. Because as you say, in a short amount of time, you don't need to be a technology professional to produce that technology product. think that's a wonderful note to end our conversation for today on. Thank you for spending some time with us today, just walking us through that journey to, I think, like a really progressive and cutting edge way to think about AI adoption. (59:40.654)

We end every episode of this podcast by asking our guests what they're excited about doing next That could be you've got an exciting thing coming up this weekend in your personal life like a great restaurant that you're go to

where it could be something in your Professional life. So John what you excited about doing next? Well, maybe as opposed to talk about doing next like to do what I did last night Because last night I went to the I went to see a an immersive showIt was a Wizard of Oz adapted to an immersive environment. Google were involved in that. Yes, there's a lot of people. One of the cool things at the end of the show, you know how typically when a movie ends you see screens and screens of rolling credits? Well, this thing is so big that all the credits were up at one time. entire thing, one All the credits on one screen. So you don't have remember one you missed before you can look at all the data. Google is up there and all kinds of companies. So it was really cool to see. when you take a movie that everybody knows, everybody saw as a kid, so you know the storyline. And this show, of course, was much shorter than the movie was, but they've used AI to enhance it and widen it. And now, rather than focusing on a small part of the scene, you now see everything that would have been happening around it. You see forests and trees, and the best part was the tornado. You're immersed in the tornado and you see all aspects of the tornado you could never have seen. in the original movie because the screen was so small. I wonder how did it feel? Did it feel like you were watching, say, like the next generation of cinema? Did it feel like a fairground ride? Because I can't even get my head around 4DX really. you 4DX, I want to sit still in the cinema and I don't want water sprayed on me. know. There wasn't much of that, but it clearly felt like you were in the scene.

You felt like you were part of the show. You were it actually felt like you were... You were in the tornado. Wow. And when the cow was coming at you, you were ducking. Yeah, that's a really different... Was it like VR almost? It wasn't that... It wasn't like augmented reality. It wasn't that far. (01:01:47.394)

But of course you weren't moving. It wasn't a Disney 3D thing where your seat's moving. You weren't moving, but you felt like you were moving because the way the screen rolls, you get that feeling that you're moving. it was made so much better, I think, because of the fact that it was a movie you're familiar with. So even though they shortened it, you knew the storylines. So you knew which pieces they skipped over. They skipped over all the boring parts. And all the great stuff. And a condensed version.

It's interesting, isn't it? When you see these new technologies that an analogous one, it's not exactly the same analogous one, is the ABBA voyage show that's in London, which is like ILM, like recreate ABBA avatars. And it is eye-poppingly impressive. when I was looking at that, I was thinking, what is this heralding? Because on one side you've got theatrical,presentation of films like unfortunately in trouble at the moment whether it's via streaming or a million other different reasons and you wonder whether a sphere like environment or a like an ABBA voyage environment is going to be the next evolution of that kind of public screening of stuff Hollywood did create the digitally only actor

Yes. I forget the name they used for a persona, but it was a completely created person. Yeah. And then they put that to the film. So I think you're to get more of that as well. But didn't SAG go on strike and were like, no, no, no. They had that strike when they first introduced it while ago. And then you're right. They recently came out with that completely created actress. Oh, maybe that's then the result of the SAG thing. Because they're not using anyone's image. They a brand new one that actually had no one's persona. Completely from scratch. Yeah. It was pretty interesting. I also have a funny story, something that happened to me last weekend and it showed a very simple example of how AI can fail. You need to make sure you fact check this stuff. So I was in a drug store in Midtown Manhattan and I was getting a prescription filled. So I had some time to kill. was walking around the store just studying all the new Christmas things that were coming out on display. And there was these tin cans all stacked up, you the typical tin can you'd see of holiday popcorn of different flavors of popcorn. (01:04:03.586) but the can didn't say what it was. It just had a Christmas scene on the can. And this was of a small reindeer with a wreath around his neck and some snow in the background. So clearly a holiday can, right? But they had it, I am assuming an AI program that produced the signs for what was on sale, the sale signs. And the sign on top of the can said, for sale, at the price, it said traditional holiday ass.

And I'm like, how could it have come up with that? Did I realize, you know, that reindeer does look like a donkey. And that was the only picture. Human in the loop. No human in the loop. And there it is in the store. mean, no one says anything. Well, on that note, I think that's a perfect time to call a conclusion. So John, thanks again. Really good to see you today. You're welcome. Thank you. Thanks. Bye bye.

If you would like to discuss any of the issues on this week's show and how they might impact you and your business, please get in touch with us at realitiesremixed@Capgemini.com. all on LinkedIn. We'd love to hear from you, so feel free to connect and DM if you have any questions for the show to tackle. And of course, please rate and subscribe to our podcast. It really helps us improve the show. A huge thanks to John. Our sound and editing visits Ben and Louis, our producer Marcel, and of course, to all our listeners. See you in another reality next week.

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