

Industrial Sector Insights

Power and Energy
'Keeping the Lights On'



ODGERS BERNDTSON



INTRODUCTION

The pandemic we're all still navigating has caused two major impacts globally – a health crisis and a financial crisis. Australia's reputation as 'the lucky country' has stood firm from a health perspective, with both the spread of C19 and mortality rates far lower in our country than in most. However, the financial crisis that we now face will affect us for at least a generation. According to the Australian government, the way out of this financial crisis is to spend big and invest in infrastructure, transportation and energy.

Energy companies have had to adapt fast this year. Critical infrastructure and energy security has never been more important or more scrutinised. Customer expectations of generators and network providers have been high, with the need expressed to 'keep the lights on', no matter what it takes, wherever and whenever needed.

Relationships, collaboration and understanding the needs of the customer have become more important than ever. According to the CEOs and EGMs we interviewed, there is an increasing need for companies to forge strong, authentic

relationships with their entire community, from supply chain to end-user – and for top executives to model this behaviour.

We spoke to 50 CEOs and EGMs of Australian power generators, transmission network operators and network service providers about their experiences over the past nine months. We wanted to know what worked and what didn't – and the changes they recommend for the future.

In this paper we look at:

- 1. Customer needs and expectations:** How have these changed as a result of the pandemic?
- 2. Organisational strategy:** What strategies gave some companies resilience under stress?
- 3. The role of the leadership team:** How did leadership teams ensure adaptive, collaborative and productive behaviour in the midst of disruption?
- 4. Changed work practices:** Which new practices will companies keep, and which will they leave behind, post pandemic?
- 5. Culture:** Always a big one. How does one maintain a strong culture in a decentralised operating model?



THE CUSTOMER IS ALWAYS RIGHT – MOSTLY

Depending on where you sit in the energy supply chain, ‘the customer’ can mean different things. However, almost every person we spoke to acknowledged that customer needs, expectations and behaviour have changed – not only because of the pandemic.

Most leaders agreed that the same volume of work was delivered throughout the period of the pandemic, but that customers, now working from home, placed additional demands on networks. Routine maintenance and planned outages have always been timed to cause the least disruption to residential areas, but with people now working from home, occasional disruptions to services were inevitable. The best outcomes were those that had minimal impact on the customer and strengthened the relationship between customer and service provider, and customer communication and interaction was fundamental for success.

Customer interactions were becoming digital even before the pandemic, with the crisis simply accelerating the process. However, expectations of digital interactions are increasing; when people cannot meet face to face, they expect their digital interactions to be swifter and better. Companies have had to design external communication systems at pace, ensuring a streamlined customer experience that will leave callers or texters feeling listened to and valued.

During lockdown, project and investment decisions took longer, causing supply and demand issues which delayed the availability of machinery and equipment in some parts of the country. Interestingly, however, there was no fall in overall productivity, with some companies actually reporting higher levels of productivity during the pandemic than before.

In many cases, too, decision making was speeded up, with virtual meetings far easier to coordinate than those requiring people to be in the same place at the same time. The challenge, as always, was with complex decisions involving ambiguity and the human factor. It became difficult to manage challenging and complex problems via videoconferencing; when it comes to certain issues, nothing replaces the face-to-face meeting. Generally, teams and their leaders rose to the challenge, with many finding novel and creative ways around the restrictions to ensure that customer engagement remained high.



STRATEGIES FOR RESILIENCE

Perhaps unsurprisingly, critical infrastructure has held up extremely well under the stresses and strains of the pandemic. Australia's electricity network is highly resilient, largely thanks to mature business continuity and risk planning, but also because of the calibre and experience of our senior leaders in the sector.

For most companies, the original business strategy withstood the test of the past nine months, attributable, to some degree, to the fact that the industry has been going through fundamental reform and change for some time, irrespective of the pandemic.

Digital transformation accelerated over the period, reinforcing the wisdom of strategies that were already underway before the pandemic hit. The synergy between government aims and organisational aims was a welcome boost for many, enabling more efficient execution of strategy. While the overall strategic focus therefore remained the same, the pandemic propelled some to focus more closely on changing to digital.

Working from home, however, posed network restraints that nobody could have foretold, effectively changing the nature of the network. Organisations had to rethink how they deliver work and how they keep their people safe while maintaining operational effectiveness. Most teams working in the field have well developed resilience and coping strategies because of the remote nature of their work, so for them it was very much business as usual. For those working in urban centres, methods of working changed far more dramatically and embracing digital tools was essential to success.

“Fundamentally, we became more efficient at what we do - adapted processes, adopted technology faster and learned to communicate better”

LEADING BY EXAMPLE



CHANGE IN THE SECTOR

The power and energy sector has changed – a lot. Transformational change has seen most of the underfunded, overstaffed, state-owned engineering departments – run by engineers for engineers – shift into (partly, at least) privatised, sometimes publicly listed assets which generate significant revenues and profit. These companies attract fantastic leaders from a diverse range of industries, who bring a range of new skills and insights to the energy sector.

Without vision and purpose from the executive, the level of transformational change we have seen in this sector would not have been possible.

A NEW BREED OF LEADER

All acknowledge seismic shifts in the way leadership is conducted, a process that began at least a decade ago and intensified during the pandemic. Leadership styles in all sectors are moving away from the old hierarchical, routine-driven, command-and-control approach to one that is flexible, transparent, consultative and emotionally intelligent. Pandemic-related stresses brought faults in the traditional approach to the fore, giving a boost to the more relationship-oriented leadership style, which really came into its own as the world plunged into unexpected and new terrain.

According to the executives we interviewed, the ‘compassionate leader’ is now more sought after than ever. The compassionate leader is genuinely interested in their team members, taking the time to find out how people are feeling and coping under pressure. He or she displays authenticity, vulnerability, transparency and the formerly undervalued qualities of humour, empathy and wisdom. This kind of leader shone brightly during the pandemic, being able to bring out the best in individuals and teams under trying circumstances.

“We saw natural leaders weren’t typically those currently in management roles. Those with the crisis management skills came from areas we never expected.”

The effectiveness of the compassionate leader was most apparent in companies where the CEO gave the majority of the communications, showing a clear-sighted and flexible crisis management approach. Most agreed it was hard to maintain crisis management mode for long periods because it posed mental health challenges for staff at all levels. Fortunately, empathy and understanding of fellow team members is now more of a focus, and talking more openly about mental health has been tremendously helpful for those who are challenged by it.

Great leaders quickly identified the importance of their people feeling connected, included and supported and leaders in the energy sector agreed that three key leadership pillars, already well developed, upheld their crisis management during the pandemic. All, of course, are relevant beyond the immediate pressures of a crisis.


THE 3 Cs

Communication, Compassion and Collaboration

COMMUNICATION

Communication is a cornerstone of effective leadership, crisis or not. Those who found creative ways to communicate both strategies and a genuine interest in the welfare of team members during the pandemic have emerged as the industry's true leaders. They were able to provide clear, concise, transparent, simple communication, and thus to create a safe framework within which staff could operate. Clear communication from the top enabled teams to grasp the essentials, interact more meaningfully and remain engaged throughout the period. As a result, many ended up being far more productive than they had been before. Crisis, it seems, can bring out the best in people, where leadership sends a strong, compassionate message.

The changes in communication ushered in by the crisis and the capabilities of technology have left many pondering whether we will ever return to the way things were before. The question remains much debated. We have all learned how to use multiple communication platforms and applications and have experienced how effective we can be when working remotely, so that the disruption, overall, has simply accelerated a journey we were already on.



"We have all become virtual meeting ninjas. Nobody has felt isolated or excluded."

COMPASSION

Leaders with highly developed EQ display compassion and empathy, which has been proven to enhance the effectiveness of leadership. Those with lower EQ tend to fail during crisis, displaying all the qualities that instill distrust, anxiety and confusion.

High EQ leaders were more successful during the pandemic because they are personally more adaptable and because they know how to communicate expertly. The success of high EQ leaders during this period has really consolidated a growing trend in leadership, demonstrating that leaders who understand and respond to people with compassion tend to draw out the best from them. This trend is attested to globally and was articulated by all whom we interviewed. It is a trend that will emphatically change the kinds of leadership traits we look for in the future.



"We need stronger EQ now more than ever."

COLLABORATION

In the future, companies will want leaders who know how to build trusting relationships; leaders who care about their teams and understand them, so that they can work with people's motivations and areas of strength rather than operate through control. Technology has enabled teams to remain connected and collaborative, but new platforms still require leaders who can listen, distill the essentials, restate complex idea in simple terms and motivate appropriate action, mostly through example.

Whether we go back to workplaces or adapt to a new hybrid model of home/office working, the ability to inspire collaboration and creativity will mark the successful leader.



WORK PRACTICES – A NEW NORMAL?

Uncertainty still surrounds how we will work post pandemic. Most of the senior leaders we interviewed believed that a hybrid or flexi model will prevail, ensuring that we derive maximum benefit from both working alone, undisturbed, and of being together. The energy and creativity that result from meeting in person cannot be altogether replaced. Many pointed out, however, that office ‘presenteeism’ is not the way forward, and does more harm than good.

All agreed that we need to capture the positive changes yielded by this unique time and not revert to pre-C19 practices. Many suggest that they and their staff will be working from home 30-40% of the time in future, and that they their teams will be given some measure of choice and flexibility.

Organisations in the energy sector say that they have learned the importance of running the business from the executive team. The pandemic forced executives to be more ‘present’ to their teams, with the increased contact proving beneficial to all. Dealing with complex issues at the executive level and then discussing with teams clearly resulted in greater cohesion, depth of analysis and motivation.

Diversity and inclusion are key concepts in the way business is done now. With digital tools available to most, virtual team meetings are yielding far greater diversity of thought than might have been the case pre-pandemic. Enterprise wide, there is also a greater focus on upskilling teams and individuals so that they can take advantage of online learning and growth.

“In future, the office will be a place to meet and collaborate. The office needs to be a place of creativity and conversation.”

“We have realised that a whole host of roles can be performed from anywhere in the country. We should expect a whole new way of working in future.”

CULTURE CLUB



Undoubtedly there will be an impact on culture if a large proportion of an organisation is away from the office at any one time. However, culture is now visible in a very different way. Organisational culture comes from leadership; it's about how a leader and their team behave in any setting, which essentially means that culture is portable and transferable. We may communicate differently, but ironically, physical distancing has in many ways strengthened social connections. Teams are more connected than ever, as are leaders with their teams, and that deeper level of connection is forging a stronger cultural bond.

Making events more inclusive via digital tools such as group Townhall events has helped break down divisions in corporate structure. Inclusive events like these demonstrate clear values, which, together with purpose and strategy, shape the culture of an organisation. Whether or not teams are virtual or in-person is irrelevant if the culture is values based and well communicated.

“The difference in high performing cultures is a sense of purpose and what the organisation is working on – also what you as an individual are working on and adding to the company.”



FINAL SAY

ADAPT TO A NEW LEADERSHIP STYLE

It's a case of adapt or be squeezed out when it comes to how leaders lead. Leadership now embraces compassion, communication and collaboration; it is purpose led, team based and customer centric. Innovations in technology have meant that leaders need to surround themselves with highly talented knowledge workers who don't like to be micromanaged and who value flexibility, humour and consultation. Leaders need high EQ, and to win the hearts and minds of their teams before they engage in tasks. Listening, empathy, and the ability to give positive feedback – coupled with a clear vision and sense of purpose – are the leadership qualities that improve engagement. Ultimately, this flexible, people-centred approach drives higher engagement by staff and better overall outcomes.

EMBRACE AMBIGUITY

It's been said before, and is true now more than ever – leaders don't have to know all the answers. Displaying a tough, command-and-control exterior convinces no one and often sows the seeds of discontent. In the current state of rapid change, it is far more realistic for leaders to be honest about the issues that have no answers yet, and show occasional vulnerability.

Teams will give what they get. If leaders show they are authentic and approachable, team members will mirror that behaviour and bring more of their whole selves to the workplace.

OPEN YOUR MIND

Energy companies are already well aware of the need for change at the macro level – it is at the company and personal level that the challenge to change is most felt. From our interviews with 50 top energy CEOs, it became clear that leaders have to model change from the inside.

Be prepared to try new ways of doing things; trust your teams more and stop being risk averse. Instead, take calculated risks based on a solid foundation of well informed, collaborative, responsible teams who know the processes, trust one another and understand the risks.

Change in the energy sector is well underway. Leaders who will be most in demand in the coming years are those who embrace change, listen, learn and bring out the best in others. Spotting these qualities in potential leaders is part of the skill set – as is a recognition that no single person holds all the answers.

THE AUTHORS



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James has 20 years' experience in executive search and leadership advisory for clients in the industrial sector across property, infrastructure, transportation, manufacturing and energy & natural resources. He has lived and worked extensively in European, MENA and APAC markets and is a trusted partner for the delivery of C-suite and ELT search mandates with MNC's, SME's, public, private and family owned enterprises.

James has completed numerous CEO, SVP, EGM, VP, GM, regional and functional leadership roles across the region and is an integral part of the Odgers Berndtson APAC Industrials team.

James holds a degree in Oceanography from the School of Ocean and Earth Science at Southampton University, and post graduate qualifications in leadership from MGSM.



MARK SLOAN

Partner, Australia

Mark Sloan is a Partner in the Sydney Office of Odgers Berndtson where he leads the Industrials, Energy and Infrastructure practice across the ANZ region.

With 13 years of experience in executive search, Mark had successfully completed international searches for clients across the entire infrastructure and industrials supply chain.

His focus is on Board, C suite and executive level appointments in the commercial sector where he has assisted clients such as investment banks, private equity, fund managers, asset owners and operators, engineering and construction companies, property developers, transport owners and operators, energy utilities, infrastructure consultancies and integrated facilities management companies.

Mark prides himself on his market intelligence and proven track record of delivery. He works closely with the Odgers Berndtson global Industrial's team to leverage knowledge and capability on behalf of his clients.

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