

AboitizPower

Finding a better way



Incorporated in 1998, Aboitiz Power Corporation is the holding company for the Group's investments in power generation, distribution and retail electricity services and is a publicly listed holding company. Today, AboitizPower is a recognized leader in the Philippine power industry through its subsidiaries and affiliates and has interests in a number of privately-owned generation and distribution companies.

"It has been a privilege to be part of a great endeavor (as we say in AP) "to find better ways" of doing things within the company. But more than the projects themselves, the program, in my opinion, has started a cultural change within AP towards encouraging better creativity, as well as instilling a deeper sense of accountability, responsibility and professionalism."

Ochie Gloria,
First Vice President,
Trading & Sales

Key Results

Increased return on investment

Better communication between Buy and Sell through reviews as "Lessons Learned"

Reduction in budget variation (plan vs. actual)

Centralized Corporate Buying contributing to significant reductions in costs

Restructured organization for greater operational efficiencies and enhanced flexibility

RACI (Responsible, Accountable, Consulted, Informed) exercise to "right-size" the Organization

Reduced meeting costs by 53%

The relationship between the Aboitiz Group and Renoir goes back fifteen years. More recently, we successfully completed several projects focusing on operational efficiency and effectiveness.

PROJECT GENESIS

AboitizPower (AP) had experienced rapid growth over the last five years. As the power industry became more dynamic and competitive, AP needed to build an even stronger and more sustainable company. As such, the '1AP' strategy was launched as a first step in creating a well-designed, agile and integrated organization – one that would be responsive to AP's current and future business needs and be manned by competent professionals. Renoir was engaged to support AP in moving forward with their 1AP goals and preparing for future growth.

ANALYSIS

The first step was to study and analyze current ways of working by examining all areas of the operations. The focus was on management systems, processes and organizational structure, including the interfaces between AP and Aboitiz Equity Ventures. By observing how the businesses were being run and identifying areas for improving efficiencies and synergies, the analysis identified opportunities covering:

- KPIs not being cascaded fully across the organization
- Lack of clarity in roles and responsibilities,
- Unclear strategic alignment across the organization.

A plan and structure were also developed as part of a 50 week implementation project consisting of three workstreams: Revenue, Support Services and Organizational Design/Behaviors.

PROJECT APPROACH

AboitizPower dedicated six staff to work full-time with a Renoir team of two consultants and a project manager. Training in the Renoir methodologies and technical knowledge was then given to the AP team members in order to develop a strong and effective team. The endeavor was identified as 'Project Forward' and met daily to ensure efforts were aligned.

Three Management Action Teams (MATs) were established, one for each of the workstreams. The MATs were to be closely involved in the identification of opportunities, the development of solutions to address

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"Renoir has proven experience in helping many different types of companies around the world to improve their performance. They have also completed a number of successful projects within the Aboitiz Group."

Tony Moraza,
COO AboitizPower

"... the hour by hour managing of gross margin outcomes for sell is a powerful tool in combating 'operating by habit'."

Crisanto Laset,
Vice President of
Trading and Economics

"Renoir was able to put into sharp focus the needs of the company as it shifts from a large business to an enterprise. The creation of clear process measures and metrics that predict results rather than a postscript of performance was a clear sales win."

Roland Gaerlan,
Vice President of Sales

those opportunities and to implement the required changes in their areas. In addition to the MATs, a Steering Committee was formed comprising top AP personnel who reviewed Project Forward results, provided direction and removed roadblocks. The MATs met weekly and the Steering Committee bi-weekly. These were all standard operating procedures for Renoir with the objective of partnering with the client and ensuring sustainable results.

IMPLEMENTATION

The Revenue MAT began by conducting Brown Paper studies, listing and reviewing key processes and interviewing management. The output of these efforts were more than sixty opportunities that were refined into eight comprehensive solutions. These solutions included Business Development, Project Development, Energy Sales, Energy Trading, Energy Economics and Billing & Collection.

The **Support Services MAT** went through similar exercises that were undertaken in Revenue including Brown Papers, processes and interviews. The results of this work stream were tremendous with more than eight hundred opportunities being identified. These opportunities were condensed to eight solutions and involved the following departments: Regulatory, Human Resources, Reputation, Finance and Risk and will ultimately touch all thirteen departments in AP.

The **Organizational Structure and Behavior (OSB) MAT** was tasked with the redesigning the organization to improve structural efficiencies and prepare the company for continued growth. This group worked with approximately fifty opportunities and designed and implemented nine solutions that were all encompassing across the entire organization.

The value of the work that came out of Project Forward has been significant and wide-ranging. The Management team drove these efforts with the result that Sustainability scores quickly exceeded all expectations. The solutions were directly aligned with the 1AP initiatives, linking them directly Aboitiz Equity Ventures, as well as the Business and Distribution Units. Another important outcome was that many of the solutions are continuing to be developed and a Management Action Team has been put into place to further develop the systems and processes, thereby ensuring that AboitizPower benefits from the results for a long time to come.

RESULTS

The assignment covered twenty-five (25) solutions, each delivering one or more benefits. The results include:

Revenue Management Action Team:

- Increased return on investment (ROI) due to earlier binning of potential projects
- Split of Profit and Loss accountabilities allows for identification of root cause for loss and decrease in revenue loss with the Business Units focusing on operating efficiencies and Energy Sales concentrating on increasing revenue
- Better communication between Buy and Sell through reviews as "Lessons Learned" leading to a reduction in losses, for example, minimizing the \$4M USD loss in 2015

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Support Management Action Team:

- Reduction in budget variation (plan vs. actual) contributing to improved Forecasting that drives appropriate Revenue target setting and better control of expenses
- Centralized Corporate Buying of travel arrangements and office supplies to result in reduced man hour requirements and contributing to significant reductions in costs through better controls

Organization Structure and Behavior Management Action Team:

- Restructured organization that contributes to greater operational efficiencies and enhanced flexibility to adapt to changes due to growth which strengthens the company overall
- RACI (Responsible, Accountable, Consulted, Informed): Allows for “right-sizing” of the Organization and promotes efficiencies by identifying duplications of roles and responsibilities
- Improved meeting structure by reducing times and number of attendees costs for meetings by 53%

THE RENOIR GROUP

Renoir Consulting is a world leader in sustainable, implemented change. Founded in 1994, Renoir has offices located in North and South America, UK, Europe, Turkey, Middle East, Southern Africa, India, Pakistan, China, South East Asia and Australasia. With over 350 fully employed and highly trained consultants, their work across a wide range of industry sectors gives them a broader perspective of the issues facing your business, allowing them to be sensitive to your unique challenges, culture and specific business issues. This cross-pollination ensures truly effective, rapid and sustainable solutions.

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