Energy Management Efforts Can Yield Recognizable Benefits...If Companies Make Them Stick

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Companies today must successfully navigate various challenges if they are to consistently realize strong financial returns and growth. Of these challenges, energy and environmental concerns are gaining in importance among the daily pressures that impact an organization's performance, and they are driving many companies to improve how they manage their energy consumption and costs.

The volatility of energy costs continues to increase the urgency for companies to improve energy efficiency and management. While oil and natural gas prices have seen significant declines lately (largely due to increased production in North America), these and other energy costs are projected to steadily rise in the coming decades, according to the U.S. Energy Information Administration's 2016 International Energy Outlook.

Also, governments and global institutions continue to develop public policies and regulations that increasingly require companies to more effectively manage their energy sources to reduce energy consumption and their environmental footprint. In addition to domestic clean energy regulations, international agreements such as COP 21, which establishes reduction targets for greenhouse gas emissions, and ISO 50001, which specifies standards for an organization's energy performance, provide the goals that companies should achieve from their energy programs. However, they do not provide the process to effectively achieve them -- and sustain and improve them -- over time.

Public opinion now weighs more heavily than ever before on companies' energy usage, as well. The rise of social media and today's "always on" news cycle enables consumers to closely monitor the environmental performance of companies and quickly share content that can negatively impact a company's reputation with the simple click of a computer mouse, or touch of a smart phone screen. Many companies now publish annual sustainability reports and energy improvement goals, and they are held accountable in the court of public opinion for delivering results.

As a result, companies that successfully improve their energy efficiency often gain a competitive edge over others in their industry sector, which makes having an energy management system in place -- and implementing it successfully across the organization -- a key area of distinction for organizations in the marketplace.

And therein lies the rub for most companies – it is one thing to develop an energy management system that addresses these challenges, but it is quite another to successfully implement it in a way that achieves consistent results and is self-sustaining year after year. The acceptance and execution of the program enterprise-wide is where many organizations fall flat.

All too often, companies view energy management as a siloed initiative, frequently embedded within the production process where energy use is perceived to be most closely linked, and not a concern of the wider organization. Some companies see it as a one-off program where goals are established, and don't include it as an integral component of the larger ongoing corporate strategy. Both these approaches will eventually doom any energy management effort to failure.

There are five steps that companies can follow to achieve and sustain an effective energy management system:

1. **Elevate energy management to a strategic business issue.** Companies must understand and acknowledge the impact that energy usage has on their bottom line, make it a business priority and allocate appropriate resources, both people and finances, to optimize energy utilization.
2. **Identify and execute cost-effective energy projects.** Companies should focus on operational tasks and changes to behaviors that deliver significant results and require little to no financial investment as a first priority.
3. **Implement a systematic management approach.** Organizations should design and implement an enterprise-wide energy strategy and management system that establishes both an organizational structure and necessary processes to achieve results.
4. **Integrate energy management into existing processes.** Energy management efforts should be built into all business processes and resource planning, and accomplishments must be sustained.
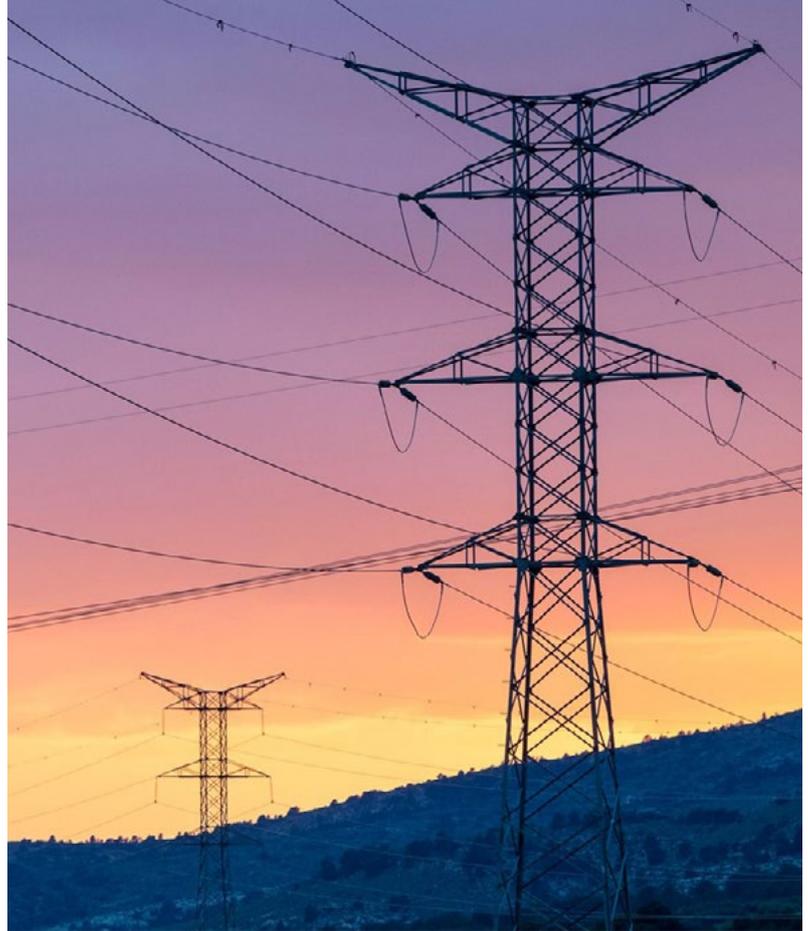
5. **Develop organizational capability to continuously drive energy management performance.** Competencies and conscious attitudes for continuous improvement in energy performance should be established.

But to really make the program stick – that is, to implement a long-lasting energy management program that grows in effectiveness over time – organizations must make energy management part of their very culture. It must be seen by everyone in the company as more than merely a checklist of procedures to follow (though these are important), but as a top priority that needs to be consciously pursued and improved day after day.

Fundamentally, this must be driven by a company's top leaders, including and especially those in the Csuite. Demonstrated commitment and engagement in energy management efforts by these leaders is vital to creating a culture that sees value in making and maintaining efficiency improvements. Corporate leaders should visibly demonstrate their commitment to energy efficiency in their interactions with everyone in the company.

It is equally important that line management be actively engaged and committed to improving energy use in their units and that they recognize efficiency as an essential part of running the operation. This is often no easy task given the many daily responsibilities faced by managers; but because they are frequently on the front lines of energy management efforts in an organization, meeting efficiency performance goals should quickly be made a part of their performance reviews, bonuses and incentive arrangements.

Apart from leadership by C-suite executives and managers, achieving culture change also requires providing workers with necessary training and skills. Workers need basic training in energy efficiency, such as knowing how to calculate energy usage and its associated costs, and a better understanding of equipment to help identify undiscovered ways of reducing energy use. Because many areas of energy efficiency improvement may not be readily apparent, training technical personnel to detect such opportunities is important.

Setting measurable goals for energy management also is vital. Both long- and short-term energy consumption and cost-reduction goals should be established. Metrics should be easily accessible and understandable in every level of the organization, and must be frequently monitored and updated to continue making progress toward improvement.

The energy savings that can be achieved through such culture change is significant. When dss+ was asked by Kümaş Manyezit Sanayi A.Ş. (Turkey's leading producer of refractory materials for steel, cement and glass manufacturers) to evaluate the company's energy efficiency, we found a notable lack of energy-use-monitoring occurring throughout the facility. By identifying high-energy consumption activities within Kümaş and helping the company implement a total of 24 continuous energy improvement projects, Kümaş was able to achieve total energy savings of US $2 million in 2015.

Because energy and environmental concerns increasingly have the potential to impact a company's bottom line, energy efficiency should be viewed as a strategic business imperative. Implementing an energy management system that is integrated into the very culture of an organization will not only achieve notable cost savings, but will make energy management a self-sustaining and ever-improving endeavor.

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