



Commentaries and Insights from Allawos & Company

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Are you managing the dynamics of Energy as well as your IT?

Michael Allawos, Principal Consultant

As business professionals, we have become accustomed to a rapidly evolving technology picture, usually associated with Information Technology. It has driven business processes to become agile when it comes to leveraging the productivity enhancements that are enabled by IT. Whether its big data analytics for Health Care or mechatronics in Automotive, IT has been the underlying key to productivity enhancement for some time now.

But over the last decade, another set of productivity opportunities have emerged related to managing the resources needed to fuel your business and how you deal with the waste from your business. While these topics were partially driven over sustainability concerns related to potential carbon management regimes, businesses quickly realized that a company's energy balance (to include waste) was an area ripe for cost take out. Andrew Winston's book "Green to Gold" said it all. Energy Efficiency and Waste Reduction initiatives in business can easily yield what is called "triple bottom line" results. Improve profits, the environment and the world all at the same time. When profitability is improved, the topic tends to get attentional.

The last 5 years has demonstrated that the Energy Picture now changes as fast as IT and must be included in the strategic planning of business. The US has gone from declining Oil and Gas production to what is forecasted as a Global Leadership position. Natural Gas reserves are at a point where forecasts of 50-200 years of reserves are discussed. The net result has been the US no longer imports Natural Gas and is now considering exporting in the form of LNG. But even more important, the price of natural gas has recently become competitive with coal. This has driven investment in power generation from natural gas across all scales and forms of power generation, from micro-grids supporting data centers to utility scale power.

Interestingly, US carbon emissions have been declining due to the displacement of coal with natural gas. Low priced natural gas has also allowed businesses that use that fuel as feedstock to consider moving their facilities back to the US or transitioning fleet vehicles from diesel to natural gas power, both cleaner and cheaper. When the "manufacturing renaissance" in the US is discussed, the root cause is often not discussed, but there is little doubt about the low price of natural gas feedstock.

Business should achieve a strategic understanding of the global energy picture for business planning on at least the same cycle as they consider IT. The same breakthroughs that have occurred in US energy production are possible in other countries range from China, to South Africa, to Poland. We forecast massive hybridization of power generation in the near future. It will not be uncommon to bridge the intermittency of solar and wind power with natural gas turbines to create predictable base load power. It will not be unusual for manufacturing facilities to generate their own power from their own waste.

Since energy and waste management for businesses is typically not consolidated, it can be difficult to manage. Long ago, this issue was addressed in IT by naming a CIO. Have you considered how your business is going to think about energy and its enterprise impact on productivity and profitability?

Have you considered the business processes and organizational design necessary to do this well. These changes are coming. Are you ready?

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*Michael Allawos
President & CEO
Principal Consultant
California, USA*

*Larry Vertal
Senior Consultant
Corporate Development
California, USA*

*Ambassador Werner
Brandstetter
International Diplomat &
Strategist, Vienna*

*Albert van Rensburg
Senior Consultant
International Bus. Dev.
Guateng, South Africa*

*James Kohlhaas
Senior Consultant
Systems Integration
Washington DC, USA*

*Dennis Alfieri
Senior Consultant
Real Estate/Gov. Affairs
California, USA*

*Stephanie Jones
Senior Specialist
Employee Relations
California, USA*

*Jim Shivers
Senior Specialist
Water Treatment
California, USA*

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