

THE HIGH PERFORMANCE PORTFOLIO:

ORGANIZATIONAL APPROACHES TO ENERGY MANAGEMENT



BETTERBRICKS
Bottom line thinking on energy.

SUMMARY:

Successful energy management requires that responsibilities for energy performance are clearly defined within the organizational structure. Which structure is most appropriate depends on the size of the company, its overall management structure, in-house fields of expertise, whether you outsource energy management, and other considerations. Evaluate these issues to design an effective structure that will best align energy goals with the overall business plan.

IN DEPTH:

In a recent survey, 66% of US decision-makers stated that the executive suites should be expanded to include a Chief Energy Officer¹. While some companies may not be quite ready to make that move, others have successfully integrated energy managers and teams into their organizational structures. The experiences of these firms reveal a variety of effective approaches to structuring energy management teams and integrating them into the business. Consider the following variations:

- The team may consist of many people, just a few, or a single individual
- A team may consist of a stand-alone group, or be distributed among existing job functions or geographic regions
- It may be entirely internal, or make extensive use of consultants and contractors
- An "Energy Director" role might be created to focus on energy full-time, or key personnel may include energy as one of many responsibilities
- A "Sustainability Director" or corporate office might be created to manage both energy issues as well as sustainability or environmental initiatives

One similarity among most successful organizations is strong leadership with a top-down commitment to high-performance buildings.

¹ Hill and Knowlton: Return on the Environment (<http://www.hillandknowlton.com/roe/findings1.html>)



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Some organizations have long recognized energy as a priority, and have comprehensive, well-integrated organizational structures for energy management. In other cases, the level of human and financial resources dedicated to energy management gradually increases as companies achieve greater successes with energy efficiency – and see greater returns.

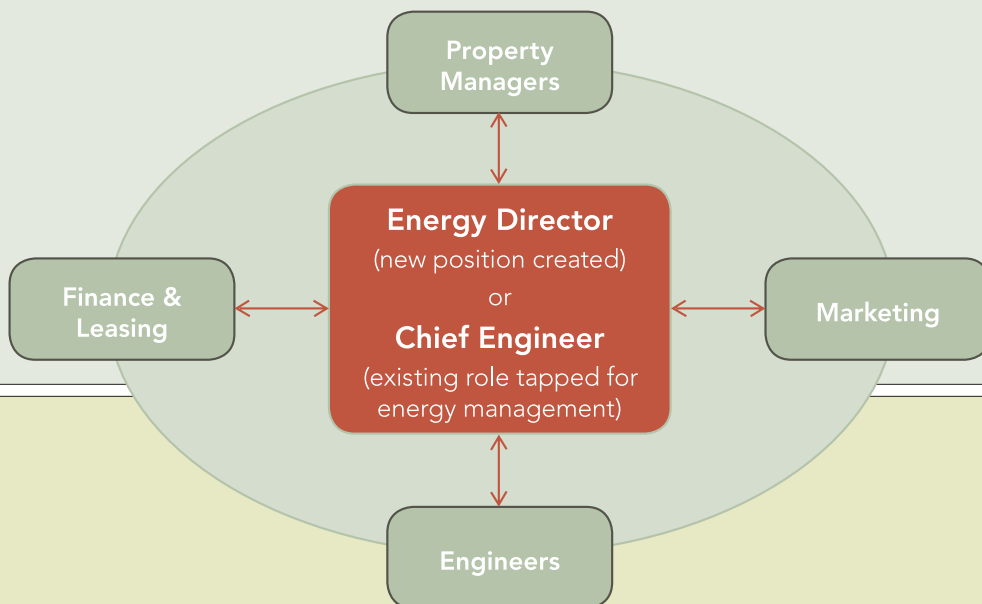
Regardless of the organizational model you choose, you may need to reorganize departments, reassign roles and responsibilities, and adjust chains of command to make it work. The key is making sure that energy is recognized as a major driver of financial success, and that accountability is clearly defined. Avoid gaps in responsibility by setting specific goals for the energy team and incorporating energy into job descriptions and reporting structures. For example, you may need to specify that building engineers report to the energy director for particular responsibilities, such as benchmarking and periodic updates on energy performance.

Below are a few examples of how some industry leaders have approached energy management. Each method has its pros and cons and varying levels of adaptability to different types of organizations. In some cases, a hybrid of multiple approaches works best. However, one similarity among most successful organizations is strong leadership with a top-down commitment to high-performance buildings.

- **Individual Approach:** At the simplest level, a real estate firm might assign an individual all energy management tasks (often in addition to other responsibilities and competing priorities). Typically, this individual interacts with the major functional areas of the business, and coordinates efforts to meet energy and financial goals. In some cases this role might evolve into a full-time Energy Director. This person could be an existing property manager or engineer who demonstrated a passion and talent for energy management, or a new employee hired specifically to fill this role. *Example: Advance Realty Group. Advantage: Clear accountability; reduced risk of miscommunication.*

Organizational Models for Managing Energy

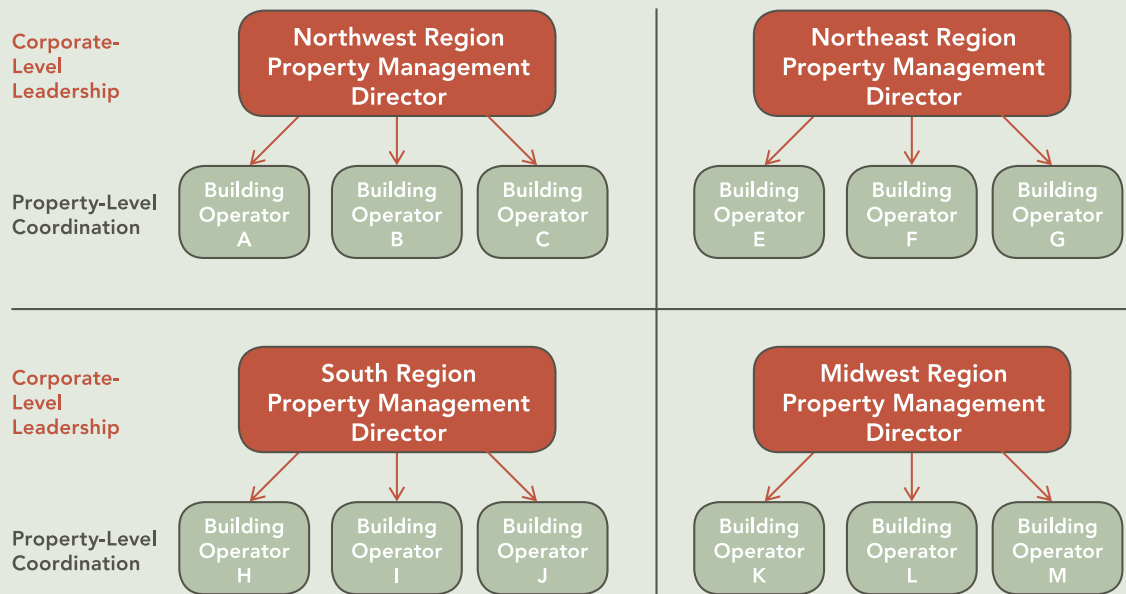
Individual Approach



- Regional Approach:** Other companies take regional approaches to managing energy. The organization might be divided into geographic regions, each with an engineering or property management director to oversee individual building operators. In addition to their oversight duties, the directors are tapped to develop and administer energy management plans for their regions. *Example: Transwestern Commercial Services. Advantage: Priorities can be tailored for each region; building operators have hands-on control over energy performance.*

Organizational Models for Managing Energy

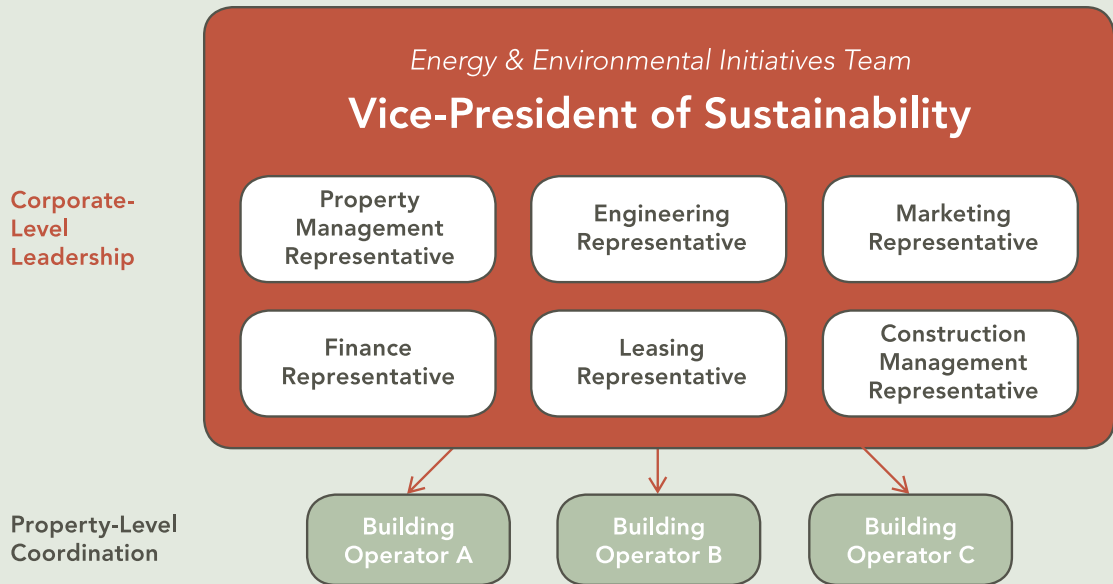
Regional Approach



- Centralized Approach:** Some firms have large, centralized energy management teams with national responsibilities for managing energy and coordinating building operators. These multi-disciplinary teams consist of representatives from the companies' different departments. This approach is particularly useful for centralizing and standardizing all management functions related to energy, such as training, communications, and marketing activities. *Example: Cushman & Wakefield, CB Richard Ellis. Advantage: More consistency among buildings, since corporate headquarters can monitor all efforts; a sizable team means there are more people to do the work.*

Organizational Models for Managing Energy

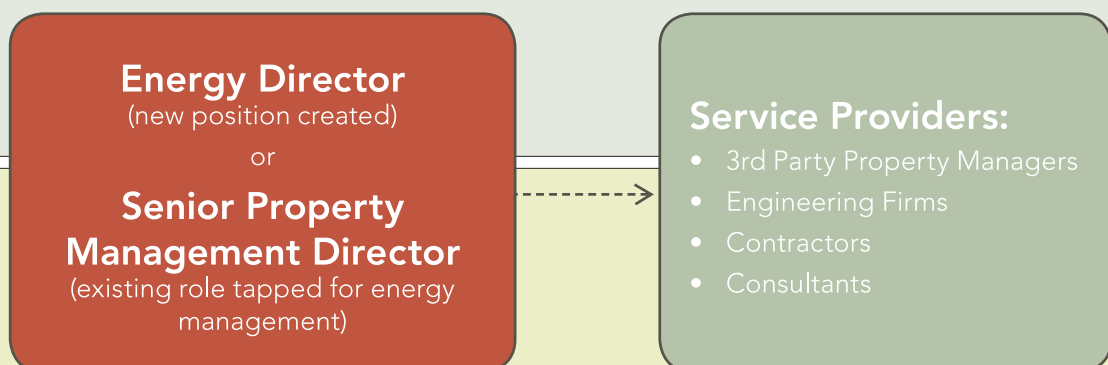
Centralized Approach



- **Outsourced Approach:** Other organizations take yet a different approach, outsourcing various functions to service providers. Outsourced functions might include scoping studies, energy tracking and reporting, and turn-key improvement projects. Contracts with service providers define explicit goals for energy performance and remedies if those goals are not met. A senior executive – possibly along with a myriad of other responsibilities – establishes goals for the portfolio’s energy performance, coordinates outsourced projects, monitors consultants’ activities, and promotes the company’s successes in this area. Even if outsourcing is not the most prominent feature of your selected model, outsourcing one or two roles, functions, or projects is still an effective way to obtain the expertise you require. *Example: USAA Real Estate Company. Advantage: Quick access to specialized expertise in particular areas.*

Organizational Models for Managing Energy

Outsourced Approach



An alternative to outsourcing is to hire individuals to augment or fill various roles on your energy team. Consult with your human resources group to create job descriptions, pay scales, and hiring policies that will bring in and retain the most qualified candidates.

If you'd rather bring knowledge in-house, professional development and training is an effective way to expand organizational expertise. It allows individuals to strengthen their contribution and builds competitive distinction for your firm, especially over the long term. Link training activities to energy responsibilities to ensure the appropriate skills are developed.

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Once you have determined which approach or combination is suitable for your organization, you'll need to gain support and integrate the team into the organization. Begin by illustrating how high performance goals support individual job responsibilities in various departments. If all parts of the organization understand their role in better energy management and the value they can derive from it, they will be more inclined to accept energy as a valid component of decision-making.

Every function in the organization can benefit from high performance buildings, and can make valuable contributions. The team must be given the leeway to cross functional boundaries in the organization – from existing building operations to new construction to marketing and leasing practices – as well as geographical boundaries. Because energy underlies and supplements many other important business functions – leasing, marketing, construction, business development, etc. – the energy team will need the authority and reach to better align energy goals with business objectives.

External resources can also be instrumental to your energy team. For example, leverage your relationship with utility account representatives. They can help you understand your energy use, what resources are available to improve performance, and what other programs exist. Also consider adding representatives to the team from your third-party property managers, contractors, suppliers, and leasing agents.



THE BOTTOM LINE:

- An organization's approach to managing energy depends on the size of the company, overall management structure, fields of expertise, and other factors
- An effective energy team may take many forms:
 - A stand-alone group, or be distributed among existing job functions
 - Many people, just a few, or a single individual
 - Entirely internal, or make extensive use of consultants and contractors
- Successful approaches range from a single energy director responsible for coordinating all activities, to an extended energy team containing representatives from the company's regions or departments
- Leveraging external resources, hiring new employees, and focusing on training and professional development are all strategies for augmenting in-house skills

LEARN MORE:

The High Performance Portfolio Framework

www.betterbricks.com/office/framework

ENERGY STAR Teaming Guide

www.energystar.gov/ia/business/guidelines/continuous_improvement/Teaming_Up_To_Save_Energy.pdf



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