

WHERE IDEAS LEARN TO SWIM

A public utility reinvents itself: Technische Werke Ludwigshafen takes a courageous path of transformation to becoming a nationwide energy service provider. The company has launched an accelerator program in which startups work on the business fields of tomorrow, housed in a former swimming pool building.

The venue could hardly be more symbolic: It's where former German Chancellor Helmut Kohl used to sweat in the sauna on Saturdays, and perhaps where he conceived a new political world order with guests of state such as Russian president Mikhail Gorbachev – and it's now home to startups developing future-oriented business ideas. The goal is that the resulting innovations refresh the core business of Technische Werke Ludwigshafen (TWL), an energy provider headquartered in Ludwigshafen, an industrial city on the Rhine.

At the end of 2016, the company converted the Hallenbad Nord former municipal swimming pool – also the location of the chancellor's sauna, steeped in history – to form the Freischwimmer (free swimmers) Innovation Center. The center has attracted many teams of founders since it opened last summer. Startups have traveled from throughout Germany to deliver pitches in the empty swimming pool that has been converted into a presentation space, hoping to be recruited to the accelerator program.

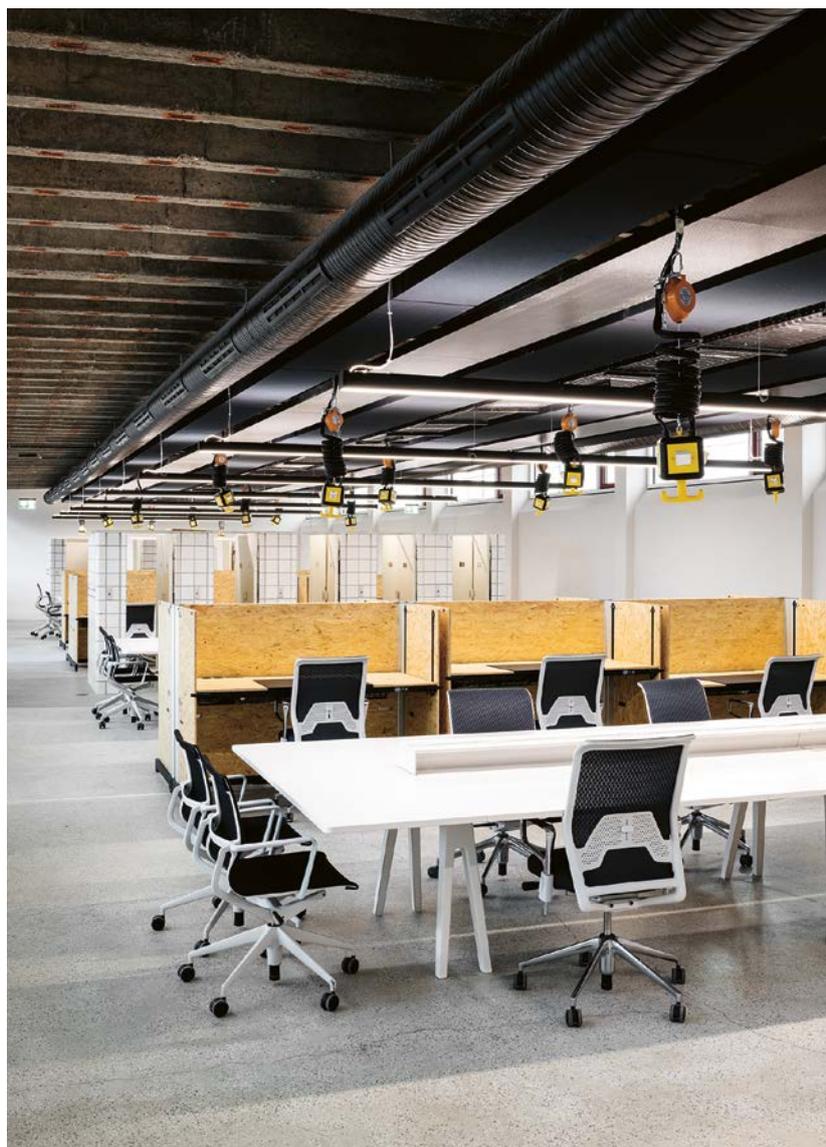
WORKING ON THE BUSINESS OF TOMORROW

TWL landed a coup with "Freischwimmer" – not only because the listed swimming pool building from the 1950s offers a wonderfully inspiring atmosphere for innovation work, but also because the "Freischwimmer" idea is unique in the public utilities sector. This long-established supply company created an accelerator program with the intention of using innovation to advance the Group growth in two respects: First, the entity supports the formation of businesses in the energy industry and integrates them into the company's ecosystem. At the same time, a startup owned by the Group works on the future in "Freischwimmer". It is an in-house ideas forge, developing the business areas of tomorrow, detached from day-to-day operations.

"We recognized back in 2010 that our business model as a traditional, regional supply company was no longer working," comments Dr. Hans-Heinrich Kleuker, Commercial Director of TWL. "We then kicked-off a fundamental transformation of our organization, with the objective of becoming a nationwide energy service provider by 2020. Freischwimmer is an important milestone on this journey."

CHANGE FOR GROWTH

Innovation work in the accelerator targets radical improvements involving TWL's value proposition. "We want to create and



implement radical innovations at the necessary speed," Hans-Heinrich Kleuker says. "To achieve this, we create startups which advance our Energy and Water, Mobility, and Future City and Digital City Solutions areas." Experienced mentors are also on hand for young entrepreneurs in the founders center to help make business ideas quickly ready for market. The building itself has open co-working spaces and a plant-filled interior courtyard, with a 1950s-style milk bar soon to come – it offers plenty of space for dialog and networking.

However, TWL is also driving change forward outside the accelerator, and transformation within the Group is advancing at great speed. The company has identified clear growth areas that it is now specifically cultivating. Wherever the Group is able to approach new areas using in-house resources, it founds subsidiaries that – as small, fast-moving entities – are able to concentrate

on these tasks. If supplementary expertise needs to be sourced from outside the organization, TWL searches out suitable companies for strategic takeover or investment. More than anything, this has driven the growth of the Group's digital expertise.

EXCELLENCE IN THE CORE BUSINESS

TWL has undertaken an excellence initiative in parallel with this, with the objective of increasing quality and efficiency. It involves the scrutinizing of all business processes, and prescribing of new management methods and control instruments. The Group uses innovations in its core business to strengthen its position in the changing energy market. Among other projects, the company has developed a patent-registered battery-supported backup power system that stabilizes the power network during fluctuations in the infeed of renewable energies – a lever for more secure supply during the energy transition.

Feedback on TWL's transformation is very positive. The company is a recipient of the "TOP 100" prize, distinguishing it as one of Germany's most innovative SMEs; in addition, its courageous overall strategy also earned it second place in the "Stadtwerke Award" (public utilities award) in summer 2017. ■

// Fabian Goretzki

FGoretzki@horvath-partners.com

Tel. +41 44 42123-10



THREE QUESTIONS FOR DR.-ING. HANS-HEINRICH KLEUKER, COMMERCIAL DIRECTOR AT TWL



WHAT WAS THE STARTING POINT FOR TWL'S REALIGNMENT?

KLEUKER / It was clear to us relatively early that the liberalization of the energy market would result in decreasing margins in our core business, and at the same time that the energy transition – as well as growing requirements in the area of energy efficiency – would lead to declining sales quantities. Digitization was identified as a further challenge, for example because of intelligent measurement systems and the need for data security which demand a completely new IT infrastructure.

HOW DID TWL RISE TO MEET THESE CHALLENGES?

KLEUKER / With a wide range of measures. We used the TWL 2020 strategy and a restructuring process to align our organization to the demands of the future, and are implementing an excellence initiative to optimize our efficiency, quality, and customer orientation. We have also invested heavily in external growth.

WHICH BUSINESS AREAS IS THAT INVESTMENT FOCUSED ON?

KLEUKER / The transformation from a traditional energy supply company to a nationwide energy service provider can only be successful if we have a greater digital presence – and so we're primarily investing in IT infrastructure. Through new associated companies, our portfolio now includes monitoring, control, and analysis software for decentralized plants, as well as cloud solutions for the energy industry, among other products and services. ■