

Enel: Redefining the Value Chain

By Georgina Hurst, The Shared Value Initiative

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COMPANY DESCRIPTION

Enel is a global leader in the generation and distribution of energy, and at the vanguard in the development of renewables. The Rome-based electric utility company, founded in 1962 by the Italian government which currently owns only 24% of capital, employs 68,000 people, services more than 61 million customers in more than 30 countries, and brought in \$82.7 billion (€75.7 billion) in revenue in 2015¹. **Enel Green Power**—founded in 2008 as a subsidiary dedicated to renewable energy production—began creating shared value across its value chain in 2012 and the Enel Group CEO Francesco Starace extended the approach to the Group in 2014.



THE OPPORTUNITY

Energy is a fundamental enabler for social and economic development and growth; yet research shows more than 1.3 billion people globally can't reach modern sources. While many organizations strive to expand energy access to help meet development goals, doing so boosts greenhouse gas emissions and propels climate change.

In a revolutionary step, **Enel** has set out to tackle the real challenge: **Providing access to affordable, reliable and clean energy** by reducing fuel poverty, safeguarding the environment, and protecting local communities. Aligning long-term socio-environmental sustainability goals with business objectives requires a worldwide transformation of operations for Enel—a traditional energy company with sizable coal, oil, and natural gas assets. The Italy-based firm is:

- Expanding and improving access to electricity in emerging markets;
- Reducing the impact of energy generation across global business lines;
- Promoting job opportunities for local manpower;
- Establishing responsible relations with communities;
- Enhancing energy efficiency at existing sites in mature markets.

Enel, committed to being **carbon neutral by 2050**, is creating lasting shared value across the three levels of its value chain—**Business Development, Engineering and Construction, and Operation and Maintenance**. The company has made significant strides already, with some of the highest levels of technological diversification among companies worldwide in the renewable energies sector, and a commitment of more than €5 billion from 2017 to 2019 to foster renewable sources and to change Enel's energy mix.

¹ 2015 revenue figures from Enel [2015 annual report](#)

THE STRATEGY



Enel's journey towards its shared value model began in response to a business need to expand the company's long-term presence in emerging-market countries. In 2012 Enel Green Power (EGP) set out to foster a profitable business strategy outside Europe built around renewable energy generation, and avoiding the "compensation" attitude, where compensation doesn't guarantee real value creation. The team initiated a series of brainstorming workshops to integrate a new and effective sustainability model within the business decision-making process, which led to the launch of the **Engagement and Empowerment Program**—300 people from 10 countries participating in workshops to define 27 CSV tools.

In 2014 **Francesco Starace** became CEO and general manager of Enel Group and decided to gradually spread EGP's approach throughout the whole company. In early 2015, Enel's conventional energy generation business began adopting the shared value model through **CSV IN Program**, a joint 8-week 'learning by doing' program that in countries such as Brazil and Spain was applied in the distribution of energy sector as well. The integration throughout the rest of the value chain progressed once the standards of implementation were set and CSV tools for the Engineering & Construction and Operation & Maintenance phases were developed.

Today, Enel is embedding shared value into its value chain first by analyzing economic, environmental and social contexts to identify local business issues, and to find local stakeholders. A Materiality Matrix maps company and stakeholder priorities to pinpoint initiatives, activities, and projects Enel should invest in in alignment with site-specific needs.

Regional context and stage of development affect the model's implementation:

- **BD phase**—Enel conducts in-depth context and risk analysis to select opportunities aimed at generating competitiveness in the long term. The company opened its first geothermal plant in Latin America—**Cerro Pabellón, Chile**—using this development criteria;
- **E&C phase**—Enel mitigates environmental and social impacts during construction, adopts solutions such as sustainable construction sites, and repowers and demolishes conventional power plants to create a veritable circular economy and to foster local social and economic development. The **Apiacás project in Brazil**, for instance, produces more renewable energy at lower cost, trains local people to work on site, and works with a local NGO to preserve the surrounding environment;
- **O&M phase**—Enel follows and amends existing projects or initiates new ones on the basis of changes and local needs over the long term.

In emerging markets such as Latin America, Enel projects relate to creating job opportunities, and developing health care, education and local infrastructures. In mature markets, such as Europe where Enel is not growing but wants to innovate and capture opportunities offered by technology evolution, there are other issues to tackle from fuel poverty to a different pact with stakeholders, accounting for old agreements more focused on compensation or on institutional needs that often have a short-term vision.

The overhaul of operations worldwide required Enel to innovate across all levels of shared value creation:

- **Reconceiving products and markets**— Enel extends access to electricity and employment opportunities to more communities by creating shared value across the entire value chain through renewable energy technologies;
- **Redefining productivity in the value chain**— Enel uses several methodologies to assess the short-term and long-term impacts projects have on local communities and environments with a five-year timeframe, and works to remove or minimize waste;
- **Creating local clusters**— Enel is actively expanding its energy production and distribution services across emerging markets, working closely with local communities and stakeholders.

“For Enel a shared value approach is key to opening new business opportunities by addressing social and environmental challenges in all phases of the value chain. An inclusive approach allows communities to benefit from our presence by developing the local economy for the long term, while ensuring efficient business solutions in Enel's commercial and industrial activity.”— Francesco Starace, CEO, Enel Group

RESULTS – VALUE FOR BUSINESS AND SOCIETY

1. Enel applied the Creating Shared Value methodology on **528 assets**, including plants and distribution networks, in the first half of 2016.
2. The creating shared value model enables Enel to introduce new technologies, hire new employees, discover new business opportunities and expand job training capacity worldwide.

LESSONS LEARNED, CHALLENGES AND OUTLOOK

There is no single solution to creating shared value across an enterprise and its diverse operations, particularly given the sizable number and variety of projects and geographies Enel oversees. While a leader in the field, the company faced internal and external challenges introducing shared value in business lines:



- It was difficult to break the perception of sustainability as philanthropy, sponsorships, funding, or as compensation agreements separate from the business, and to help Enel employees, especially engineers, **understand the importance of Creating Shared Value**;
- Enel thinks about achieving results in the short term, while the CSV approach adds value in the long term. To gain internal traction, the team highlighted the **competitive advantage**, and demonstrated how a social and environmental impact risk assessment and accurate and proactive stakeholder management **improve the business**;
- Formalizing the CSV application in procedures and organizational structures meant **assigning new roles** to the functions involved: responsibility, accountability, and consultancy. The current challenge is ensuring its application;
- Stakeholders come from differing environments, circumstances, business lines and project phases;
- Being a private company, Enel had to deal with:
 - a **lack of trust from stakeholders** who believed the company was pursuing profit to its detriment;
 - communities looking for **immediate compensation**; and
 - **limited knowledge and awareness in mature markets** on a safe and efficient use of energy at home, leading to fuel poverty.
- **The greatest challenge is spreading the CSV model into the final O&M business phase**—Enel is dealing with assets in operation, which means facing old agreements with stakeholders in terms of compensation, cultural mindsets, plant manager operational expenditure targets, and other factors;
 - Applying the CSV model from the start of the business opportunity enables Enel to know the technical and social point of view, integrating the social and environmental investments in the capital expenditure.

Enel has made tremendous strides in shifting the internal mindset towards creating shared value with the help of its dedicated CEO, and hopes its new strategic approach in the utility market will help **drive change across the industry**.

Establishing and maintaining a long-term, positive presence surrounding the plant and in the country can lead to new business opportunities as Enel becomes more appealing than competitors. With that in mind, Enel hopes to **expand access to electricity to 3 million people** by 2020, **help 1.5 million people socially and economically** by 2020, and **increase renewable energy presence** around the world.