accenture

In conversation with
The Industrialist

inspire. innovate. ignite.
September 2020

"

It's always better to disrupt yourself than be disrupted by someone else

EMMANUEL LAGARRIGUE
Chief Innovation Officer
Schneider Electric

AN ELECTRIC FUTURE IS A RESILIENT ONE

The electric revolution is here, and Schneider Electric plans to ensure it's as sustainable, efficient and resilient as possible.

From energy guzzling data centers - which we believe is predicted to use up a third of the world's electricity by 2040 - to electric vehicles dominating our roads, a necessary global shift in the way we generate, store and distribute energy is underway.

And it's Emmanuel Lagarrigue's job to ensure Schneider Electric is at the forefront of the innovation needed to accelerate that transformation.

"There's a huge demand for electricity," says Lagarrigue. "At the same time, we predict that the world will consume three times as much electricity in the next 20 years as we consume today. There's no way that electricity is going to be generated, produced and transported as it is today, with a centralized utilities system."

We talk to Lagarrigue about the path to a decentralized energy grid, the importance of software in balancing urban energy needs, and why the climate emergency inspires him to do more every day.

What's the one word that describes you best?

Curious. Curious about experimenting, meeting new people and discovering the world. Curious to discover new ways to solve business or technology problems. I was amazed, for instance, by the acceleration of trends during the ongoing crisis - underlying good ones, and not so good ones. My curiosity has been overwhelmed by all the new situations we're living through.

Can you tell us about your role and journey with Schneider Electric?

I have had the opportunity to live on four continents and lead teams and businesses across more than 10 countries. When I joined Schneider Electric almost 27 years ago that was not the plan. I swore that after three years I would go discover the world. But before I could get to that point, someone had tapped on my shoulder and offered me the opportunity to discover something else - and I was curious. That went on and on for 27 years! Each time it was an opportunity to learn something new. What kept me at Schneider Electric is the mission and culture. It's a company where you can create a lot of things - and you have a lot of freedom and a lot of accountability. I joined the executive committee five years ago, first as a Chief Strategy Officer and then as Chief Innovation Officer. Now I'm trying to figure out what the next iteration of Schneider Electric will be, and the next portfolio of businesses.

What is your approach to innovation?

I think there are two types of innovation. The first is what we call 'innovation at the core' - innovation that will make your company the best in class in its industry. This innovation can be expressed through R&D, where you outsmart competitors by bringing in more features and more value to customers, and produce better and more resilient cash flows for shareholders. If you just focus on this, you create the best in class company in your industry with a known set of customers and competitors. It's a good start. But it may not be enough, because what you have also created is an incumbent.

And incumbents are there to be disrupted.

So you also have to take care of what we call 'innovation at the edge' - disruptive innovation. This takes you to a world where you don't know exactly who your competitors will be. Maybe your current customers are going to become competitors, or allies. You don't know exactly what the business models will look like, and you don't know exactly how monetization will happen.

You need both types of innovations. Innovation at the core to become the best in class, and innovation at the edge to step into disruption. Because **it's always better to be disrupted by yourself than to be disrupted by someone else**. I'm personally spending most of my time on innovation at the edge because it's the one that requires a lot of effort, a lot of change management, and a lot of investment.

Can you give an example of groundbreaking innovations at Schneider Electric?

We've launched something very innovative in a field where everybody thought everything had already been invented. I'm talking about SF6 medium voltage circuit breakers, through which we're bringing a more sustainable, more efficient way to manage power in medium voltage. We're still bringing a lot of innovation in that field of power management and distribution management. And it's not only about connectivity and digital - which are very important and where the bulk of core innovation is coming from - but also in changing the way we use products. In edge innovation, there is the creation of infrastructure. For instance, last year we developed

a joint venture between The Carlyle Group and Schneider Electric. The idea with Carlyle was, inject infrastructure with technology to make it more efficient, resilient and sustainable, maybe we can create better, faster returns and more attractive assets. Case in point is JFK airport in New York, which is going to be the airport New York deserves - sustainable, efficient, and resilient. More technology is needed to make air travel safer in the COVID crisis, and the infrastructure value proposition we've created with Carlyle is gaining even more sense as we speak.

Which digital technologies do you embed in your product and services?

The first big thing I would highlight is the connectivity of our assets. Our mission is to provide power distribution and automation systems to data centers, buildings, homes, manufacturing facilities and infrastructure. All those end customers always had automation - but now it's more complete and everything is connected to the internet. It provides more value, efficiency, resiliency and sustainability to customers. It also introduces new value propositions, such as cybersecurity. We advise many of our industrial customers on how to make automation infrastructure more resilient and safe. Last but not least, software is becoming a huge part of our value proposition through acquisitions including Invensys, AVEVA and ProLeiT. The COVID crisis has accelerated the need for digital transformation for customers, and it's something we want to accelerate with all these tools - IoT, analytics, cybersecurity and software.

How is your team contributing to this acceleration?

It ties back to two things: being agile and understanding that everything is possible and things can be done differently; and being accountable to your customers, shareholders, and people. It's the ability to think out of the box to understand how the world is changing.

"

I remember when we were starting this IoT journey with Accenture back in 2016, we were not sure where it was going. Now we are able to create digital twins for buildings, data centers, and manufacturing. But the way we are doing this versus the way we were imagining things five years ago is quite different. It's about having that mental agility and flexibility to pivot - despite being a $60 billion market cap company - while at the same time remaining very accountable. Managing that balance is one of the key elements of accelerating transformation.

What will the next big game changers be?

You will see more software in our value proposition. We're at the beginning of that journey with all our acquisitions. The next big transformation is towards a low carbon economy. We've been positioning Schneider Electric behind the meter on the demand side of electricity for the last decade. We know what's happening in buildings, data centers (which we believe will be the largest users of electricity, **using a third of electricity by 2040**), manufacturing operations and infrastructure. There's a huge demand for electricity. At the same time, we predict that the world will consume three times as much electricity in the next 20 years as we consume today. There's no way that electricity is going to be generated, produced and transported as it is today, with a centralized utilities system. More and more power will be generated by the same users because it's cheaper, more efficient and sustainable. I'm not saying utilities are going away. I'm just saying their business model will be transformed. We need utilities - not as power suppliers, but probably more as software companies that organize decentralized producers.

Transportation is another transformation. Even though electric vehicles will not be a major consumer of electricity, I believe it will probably account for 10 percent of our consumption once it's at scale in 2035. That will create stress points on the grid, which you will have to mitigate with software. For instance, how do you balance the electricity demand in a large building when you also have a lot of users asking for power to talk to their car? Our software and knowledge will enable that transition to a low carbon economy. In that world - where we see electricity generated in a decentralized and sustainable fashion, then shared across a grid - it becomes mostly a matter of software and balancing those loads. This is the vision and next transformation we're working on.

Where do you see the company in two to five years?

We feel very legitimate as a major player in this new world of decentralized energy, and an electric, much more sustainable world. Sustainability is one of the values we deliver to our customers today. And the software that would be needed for this energy transition is also part of our work. Some utilities, especially European and North American utilities, have understood this move towards decentralised, electric energy, and are undertaking their own transformation. Oil and gas players also understand that the world of energy will probably be more electric and decentralized. So I see Schneider Electric in that energy transition in markets we don't know, where most of the utilities, oil and gas players - or technology suppliers like us - will still be there but with different roles, different business models, and different ways to monetize things. I see Schneider Electric as a major software player, where a lot of the value we create for shareholders and customers comes from software and services. This will start with energy and sustainability services, helping customers decarbonize their operation and be more efficient and resilient. In fact, if I had to bet on one big trend for the next decade that Schneider Electric will help with, it's resilience. We came from a decade of efficiency after the global financial crisis of 2008, we're now in a decade of resilience that really began emerging over the last six months.

What inspires you the most?

I work for a company that's trying to bring a solution to the climate emergency. I feel almost guilty when I look at my children and the world we're leaving behind, with pandemics and the climate emergency looming. So I feel responsible, and inspired by the impact Schneider Electric can have on solving this and making the world more resilient, and definitely much more sustainable.

"

I'm also inspired by what I've seen during this crisis - many managers and leaders at Schneider Electric going out of their way to make sure that in China and Europe, in India and South and North America, hospitals and data centers have power no matter the conditions.

About Accenture

Accenture is a leading global professional services company, providing a broad range of services in strategy and consulting, interactive, technology and operations, with digital capabilities across all of these services. We combine unmatched experience and specialized capabilities across more than 40 industries — powered by the world's largest network of Advanced Technology and Intelligent Operations centers. With 513,000 people serving clients in more than 120 countries, Accenture brings continuous innovation to help clients improve their performance and create lasting value across their enterprises.

Visit us at **www.accenture.com**.