

# The life of ESCo Project Facilitators: If only the client knew, understood, trusted, cared and engaged...

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## 1. Introduction

An ESCo (Energy Service Company) is a company that unburdens client organisations regarding energy management by providing energy solutions, installing energy systems and formulating favourable financial constructions (Vine, 2005. Pantaleo et al, 2013). ESCo services increasingly offer interesting opportunities for organising and financing more sustainable property. At the same time however, the demand for ESCo services appears to be hampered by a lack of awareness, knowledge and trust in the ESCos. ‘Facilitators’ (e.g. energy agencies, knowledge centres, and audit consultancies) can intermediate between ESCos and (potential) clients to lower these barriers. As such they can help to realise the latent and apparent demand for ESCo services and contribute to achieving a more sustainable, low-energy and future proof property.

This paper<sup>1</sup> focuses on possible solutions and practical guidance for (Project) Facilitators in dealing with potential clients’ perspectives, expectations and possible barriers concerning the outsourcing of comprehensive energy service packages (either Energy Supply or Energy Performance Contracting or other business models) to an ESCo. Successful market development for comprehensive ESCo models requires a strong commitment and a ‘driving position’ on the client’s side. In Bleyl et al (2013), many of the complex issues clients face when dealing with outsourcing to ESCos are discussed. The importance of enabling independent intermediaries in stimulating market and project development on the demand (and supply) side, e.g. in processes around the outsourcing to ESCos, are also recognised by the European Union’s Energy Efficiency Directive [2012/27/EU].

This paper is based on both a literature quick scan and semi-structured interviews with ESCos, ESCo clients and experts on ESCo practices. The following main questions guided this inquiry:

- What are the driving forces and what are the challenges for customers to engage in ESCo services?
- How can driving forces be stimulated and challenges overcome?
- What are the roles and tasks of facilitators?

The quick scan addressed literature on both the role of Facilitators in enabling clients to outsource comprehensive ESCo services and the issues potential clients face that are in need of further analysis (Hansen et al (2010), Sorrel (2005)). The semi-structured interviews were aimed at gaining a better understanding of these issues. In total, 11 interviews were held in the spring of 2014. Respondents were recruited from organisations in several European countries (see appendix). We use quotes from the interviews to illustrate our findings.

Based on our findings from literature quick scan and interviews, we were able to provide a first explorative overview of solutions and guidelines on the engagement of clients in ESCo services. The categorisation of issues below is used as a structure with a discussion of challenges and driving forces

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<sup>1</sup> This paper and a short summarising 5 page article are the result of cooperation between two International Energy Agency Tasks falling under the Demand Side Management Implementing Agreement: Task 16 and Task 24.

for each of the issues, and the paper will conclude with the roles and specific tasks for the facilitator in overcoming these issues:

- Awareness and knowledge issues - if only the client knew
- Trust, motivation and organisational issues - if only the client understood
- Issues around engagement and commitment - if only the client engaged

## **2. If only the client knew...**

### **2.1 Challenges**

#### **Unknown and complex**

One of the issues Facilitators face in the project development phase, especially when they use a push approach, is that potential clients' knowledge about ESCos is usually insufficient. They face comments from potential client such as "We've not heard of it"; "We are not familiar with this concept or what it brings to our business" or "We don't understand it, especially how you will measure it and what verification protocols you are going to use for assuring performance guarantees". The above challenges were also recognised by our interviewees:

*"There is a lack of knowledge about ESCos since these organisations and their services are widely unknown. Moreover, a lot of explanation is needed since the procedures and contracts involved are quite complex...it takes one or two hours before people fully understand the idea and purpose of Energy Performance Contracting." (Expert)*

Furthermore, another expert on ESCo practices mentioned that the diversity of different ESCo services is considered a problem by clients:

*"From my vantage point...the ESCos that are operating in the market are quite diverse and difficult to compare with one another." (Expert)*

### **2.2 Solutions**

#### **Inform and simplify**

When it comes to information supply, the literature (Vine (2005)) refers to the following more general and not project specific recommendations for Facilitators: increasing unified dissemination of information about what ESCo services and projects are or could be; lobbying with government for the launch of an accreditation system for ESCos (Hansen et al (2010)); lobbying or working on developing standardised savings measurement and verification (Vine (2005)). Findings of the interviews further elaborate on specific types of dissemination and on simplifying the information (supply):

*"One solution to [...] lacking knowledge is that Facilitators and professional organisations should create more knowledge, guidelines, instruction manuals and potentially even educational courses." (ESCo practitioner)*

## Stories and ambassadors

The interviewed experts, ESCOs and facilitators and clients propose another solution to this problem of lacking information on what ESCOs are and do: telling some good success stories and having testimonials from similar clients or businesses.

*"The ESCo-construction is relatively new, which makes it unknown. The solution to this problem is to actively find examples and to communicate them." (Expert)*

*"Best practices work really well. What we do is we create our own ambassadors. We make sure the CEO or CFO of our client is interviewed by professional magazines. We take potential clients to a location where we already implemented an ESCo. We walk them through the building, and ask them who they would like to talk to and arrange that talk, be it residents or civil servants. For corporations for example it is really important that they rest assured that there will be no future complaints from residents, so we make sure they can speak to residents who have undergone such a project." (ESCo practitioner)*

Accessing these best practice stories can however be a challenge as one ESCo practitioner mentioned:

*"In Belgium we have a lack of best practices that we can use, there are almost no reference projects. That is a pity because they can help build trust with clients, and demonstrate the benefits better than what you can show on paper." (ESCo practitioner)*

Vine (2005) suggests that best practices can be powerful, and recommends that Facilitators should stimulate the government to take the lead with measures in public buildings - leading by example is very powerful and has positive benefits in terms of PR for the government. This was also recommended by respondents:

*"A second important motivation is the public role of governments. For one, they feel a public responsibility, a moral obligation to invest in energy saving measures. A second reason is the fact that investing in energy saving contracts is a way of meeting the local, national or European policy goals on energy savings. Finally, administrative and governmental organisations set an example by showing the practicability of energy contracts with ESCOs, thereby encouraging other governments to invest as well." (Expert)*

One expert on ESCOs went even further by advising to create conducive internal rules about the consideration of ESCOs:

*"There should be more of a push from especially public authorities towards publicly owned real-estate companies to at least always evaluate the possibility of ESCo partnerships to increase savings and decrease investment risks etc. when executing energy efficiency projects." (Expert)*

## Connect and experience

Interestingly, one of the interviewees made the explicit remark that sometimes the trip to a best practice is as important as going to the best practice location itself. As a Facilitator you also need to stage an environment where clients and other stakeholders can get to know each other, and can learn from each other.

*"Best practices and ambassadors are crucial in overcoming lack of knowledge or information and even mistrust. You need positive examples and so we often invited front running stakeholders that could act as ambassadors. But what worked even better was to put all stakeholders in a bus and organise a trip to a concrete location a little further away, as we did in the case of the Building Energy Standards. We had examples in Freiburg but chose locations in Frankfurt so that the stakeholders would have more than enough time to get to know and to talk to each other. So we provided the environment where information could start flowing and trust could grow. And the concrete location provided hands on experience to take away any misconceptions. There is a need to comprehend literally how for example a passive house functions, walk through a building, and talk to those who live there. Sometimes mistrust is a deeply emotional issue and you need to provide an alternative physical experience." (Expert)*

This need to focus on experiencing, feeling the impact of outsourcing to an ESCo and having work done on a building can also be explained with the potential emotional connection clients might feel with the building they own or use, or with the risk aversion that is natural to human behaviour:

*"One of the most important reasons organisations are unwilling to search for ESCos is the emotional relationship with their building. 'My home is my castle' describes the feeling that when a building is property of a certain organisation, they want to take care of potential (sustainable) renovations themselves. It is a matter of pride and the idea that 'our own technical guys can do it better'. By showing good examples of contracts with successful results we replace it by trust in the expertise of ESCos. Another way is to not aim at the responsible sector within an organisation, but to aim at a higher management layer, from which the decisions overrule the responsible sector." (Expert)*

Facility managers may feel that new processes or technologies pose significant risks to ongoing business practices and consequently prefer to continue current processes and technology (Baedeker 2014). The use of best practices is again presented as a potential solution and the literature proposes that a skilled Facilitator can draw on expertise to showcase similar projects that have significantly saved energy and money without increasing their business risks.

## Organise workshops

Next to knowing about the existence of ESCos, clients need to understand (the need for) ESCo services and workshops are a useful tool for Facilitators to increase this understanding. Three critical success factors were highlighted in the interviews: to collect energy data before the workshops and visualize the energy cost and savings potential; organise the workshop in a familiar environment; take time to explain the concepts.

*"Workshops help to familiarize clients and to clear up misunderstandings. Focus should be on a familiar environment where there is no commercial intent (no consultants, no contest) and where customers dare to ask the questions from which they don't like to admit they don't know." (Expert)*

### **3. If only the client was willing or motivated**

#### **3.1 Challenges**

##### **Not really interested**

The second issue many Facilitators face in the project development phase is that the potential clients are insufficiently willing or motivated to think about energy efficiency, let alone about ESCos or outsourcing. "We don't think we need this" is an often heard comment in the project development phase. Baedeker (2014) found that at least in Germany amongst small-medium sized municipalities, when surveyed what the main reasons were why they did not use ESCos, lack of information was only mentioned by 5.5% as key barrier. In fact, 43% of the surveyed respondents estimated the energy savings potential of their municipalities as high or very high but did not act despite of this. This challenge in the form of a lack of interest in energy efficiency is also acknowledged in the interviews:

*"I have been working in the field for more than 15 years and we only just recently emerged from a period that experienced a lot of issues around energy efficiency implementation, e.g. financing. We have achieved much progress and many solutions are being developed, but we still face a very big problem: our potential client does not see energy efficiency as a product or a necessity. I started asking myself the question if I indeed know the answer to the real question of a potential client, this is truly the last hurdle to mass roll-out of outsourcing to ESCos. We have not been able yet, to make ESCos and energy efficiency something desirable, we need to package the package better." (ESCO)*

##### **Already efficient, low energy costs and high service costs**

Another often-heard comment from clients in the project development phase is: "We are already efficient and this would cost a lot for a small project"; "Energy costs are really not important to us, they are only a small fraction of general expenses or turnover/we do not feel that energy savings should be part of life-cycle costs". This was indeed also mentioned by interviewees as a big challenge:

*"Clients feel the time, efforts and costs are not worth the 5 to 20% savings they can achieve on their energy bill, since the energy costs are often only a very minor portion of the total costs of a company. Personnel costs for example often are 100% higher." (ESCO)*

##### **Time effort**

Also reflected in the quote above is the fear of clients that the time they need to invest is too high in comparison to the savings. Vine (2005) also mentions time as an issue for clients, both with respect to the length of implementation and the time that is needed to agree on contracts.

## Mobilisation problem

Yet another challenge identified by our respondents is that in larger organisations, different people within different sectors on different levels may disagree about the use and purpose of ESCo services, which may cause resistance:

*"Our experience is that when you talk to the CEO or CFO they often go along with the proposition of an ESCo. They see the added value; they see it as a feel good subject. But then, as soon as it becomes more real, and needs to be implemented in the organisation they face a mobilisation problem, employees and managers resist. The CFO/CEO find out that they do not have the right story to tell, and are trying to sell the absence of something to their employees and managers and the only concrete offer is a lower energy bill." (ESCo)*

## 3.2 Solutions

Very often, communicating the benefits of an ESCo (or the involvement of a facilitator) is not sufficient to motivate and engage clients in outsourcing ESCo services. Standard solutions often encompass showing that a 'one-stop-shop' solution can save time, energy and money and that a skilled facilitator can be a huge asset to a business, or that outsourcing to a skilled facilitator makes sense - seeing they can take on all functions of change management and deal with tendering, contracting, overseeing the ESCo performance and Measurement & Verification. These solutions however are not sufficiently successful in overcoming the 'inertia despite knowing better' present in many organisations. We found that several other solutions do work.

### Tailoring to the interests of clients

One key solution identified in both the literature and our interviews is analysing and understanding the clients' needs, and particularly the non-energy related ones. In other words: clients do not need technology or energy services, they need comfort, cost savings, production efficiency, increased capacity and more efficient processes (Irrak 2011). So the solution is not using a push approach but instead doing a pre-scoping study aimed at finding out what matters to the client and tailoring Energy Efficiency (EE) interventions and the ESCo to be a solution to that specific need, thus making it about more than energy and costs:

*"The most successful competitors, as are we, do not sell energy efficiency but something else, something that seems secondary but is actually the primary driver for the client. This can be the replacement of a heating installation, or increasing the efficiency of industrial processes, or creating a better energy label, or create an aesthetically more beautiful or modern building. And as added value we also sell energy efficiency. We focus on what the client knows and asks, and then demonstrate how an ESCo could contribute to that." (ESCo)*

However, not all organisations have the resources to take this more integral approach. For these companies, an approach that worked for one of our ESCo respondents was to communicate ESCos and EPCs as normal practices, downplaying their innovativeness:



*"It is important also to establish EPC as a normal practice, and not focus too much on how it differs from the standard approaches to renovations or deep retrofiting. If you focus too much on the innovativeness and difference of your approach, and thus position yourself as a frontrunner you can become your own biggest problem."* (ESCo)

The tailoring-strategy is also useful to work with different types of clients. Schools, hospitals, municipalities, private organisations – they all have different values and needs. The tailoring-strategy allows Facilitators to anticipate on these diverging features.

Furthermore, the tailoring-strategy offers solutions to more than just energy efficiency issues, which makes it more time efficient to invest in ESCo services.

### Tailoring to organisational strategies

Another solution to motivating a client is demonstrating that the change can be part of a strategy within the company or governmental agency to contribute to sustainability, or is usable in new marketing strategies, new product marketing, product quality improvement and generally better PR. Furthermore, framing the outsourcing as strategic since it leads to legal conformity of equipment and processes (pollution for example) is a solution as well. Demonstrating and focusing the initial client discussion on other co-benefits such as health, safety, productivity etc is also becoming a more common practice amongst certain Facilitators. Particularly indoor environmental quality and better work processes can be powerful motivators for staff engagement as one ESCo respondent experienced:

*"The solution we developed is that we use best practices to calculate what the increase in comfort and personnel satisfaction and productivity will be with the implementation of the ESCo. And luckily there is a growing group of clients, such as real estate brokers that are looking for these kinds of argument to get organisations to buy or rent their building."* (ESCo)

*"Many ESCos or EPC projects are driven by the expectation or common view that investments are driven by financial considerations. This is however not a very successful approach in practice. What I have learnt is that strategic considerations are most important drivers. So as facilitators you need to make your offer a strategic offer. ... These other values can be capacity building, marketing, communication, increased management skills."* (Expert)

In line with the above solution, becoming a strategic partner helps ESCos to get access to a client:

*"To know how to talk to a client you need to make a pre-scope of the target group on a strategic level. Find out what is going on in the market, in politics, and what it might mean for a client. Make sure you are one strategic step ahead of the CEO or CFO of a potential client and become a strategic partner for this client. You are aiming for a long relationship and therefore trust is quintessential. Demonstrating that you are a good listener that understands the client and his position in the market dynamics builds trust. And then you can start discussing how something as uninteresting as an ESCo can provide a solution to the perceived problems."* (ESCo)

## Clarify energy and cost savings

To confirm or debunk the perception that the company already is very efficient, a solution would be to perform a free scan of key items of energy-related equipment that need to be replaced or could be upgraded. The difference in energy use could determine the potential energy saving. Furthermore, the scan can be used to determine cost savings, by providing a list of potential investment costs in new equipment and the return of investment. The costs for a free scan and the needed expertise to determine energy and cost savings can be covered using economies of scale. These can be generated first of all through working with ESCos that have multiple clients so they can afford specialised technical and managerial expertise as each of these staff can service multiple clients. Second, by working with ESCos that purchase inputs in bulk and thus get volume discounts. Third, by working with ESCos that perform standardised M&V, control and data administration procedures across several client sites which allow performance benchmarks to be established. Standardisation furthermore reduces the amount of time that is needed for implementation and contracting.

## Choosing the right client, timing and location gets you started

Yet another solution to the motivation issue proposed in the literature is to choose the client and timing well, and work with early adopters/early movers. Analyses by Sorrel (2005) indicate that in general, the Energy Efficiency Services market is developed for local administrations, industry and hospitals; but less so for public housing, retail and residential sectors. Therefore, a recommendation could be to focus first on primary and secondary schools, universities, local administrations, hospitals and at a later stage public housing as possible main customer categories. In the private sector, possible main first customer categories could be hospitals and industry and at later stage residential buildings offices and retailers. The interviewees come to the same conclusion, but also propose a strategy aimed at keeping an eye open for context changes and opportunities:

*"Key to being a successful facilitator is to keep an eye on the context, be it institutional, political, infrastructural et cetera. In Belgium for example the next big markets for ESCos are school buildings. The last modernising effort was in the Seventies and at the moment issues such as healthy indoor climate and energy costs do play a role for schools. So what you need to do is make an inventory of the different needs for different clients based on external events and changes and then build your proposition on solutions to their problems or needs." (ESCO)*

## Listen to and communicate with all levels in an organisation

The interviewees were in consensus on the following solution: to work both top down and bottom-up in an organisation to create change in both management and other staff. Successful outsourcing comes down to appreciating that an essential part ESCo of the process is the phase before the standard project development and procurements phases. It is about finding the champions in a company, and helping them create the change, by means of tailored meaningful stories for all relevant stakeholders. Your champion should not be left alone to the task of implementing the commitment through the whole organisational hierarchy.

*"Once you have found a committed CFO or CEO you should not let go of them and support them in their own internal process of mobilising internal acceptance and commitment, because that is where the story usually ends: you talk to the head of business, they are enthusiastic, promise to take it up internally and then it dies, or faces too much internal opposition. The reason for that is a lack of different stories that matter to all relevant internal stakeholders. These first weeks are crucial. You need to accept that you need to offer a social process before the technical process. You need to be present at the client's organisation, listen, listen, listen and articulate how energy efficiency will benefit different stakeholders in different ways, tailor it to what matters to them. In Belgium, Nike did a similar strategic pre-phase to mobilise everyone in the organisation. They co-created the ambition of 4% efficiency incrementally, spent a lot of resources to do this and were extremely successful." (ESCo)*

One interviewee rightly commented that listening only works when this does not counter the existing climate/culture within an organisation and only if good relationships between CEOs and employees are in place:

*"CEOs and managers are the ones that make decisions about ESCos. Employers are however sceptic sometimes, because they might think they could be exposed as not carrying out their work well enough etc. To overcome this fear, facilitators need access inside organisations and to spend time with employers, make them clear it is helpful. When I was visiting customers in my ESCo-days, I was always warned to be very careful, helpful and supportive. Sometimes though, it is too late because the climate in the organisation is already negative. They need to know if they want the project before they start, an ESCo won't change that." (ESCo)*

Sometimes a Project Facilitator needs to become more of a Communications Facilitator than a Facilitator of energy efficiency projects to create an entry point for ESCo project development at all:

*"It is important to work with the right decision-making level. You need the decision makers to buy in and then get commitment from the other staff. To achieve this you need to create a communication flow between bottom-up and top-down. When an ESCo project development fails it is often due to a lack of a good communication flow between different levels in an organisation. A good Project Facilitator often needs to become the person responsible for this communication flow in a client organisation. But you cannot do this alone; you need ambassadors on all levels in the organisation." (LV, 2)*

## **Tell the five+ stories**

Finally, a key solution to actively changing peoples' behaviour and engaging the attention of individuals at all levels of the organisation, from top management to the front line is to provide comprehensive communication including clear goal definition and telling the transformation as a compelling story (McKinsey (2006)). Employees must see the point of change and agree with it, at least enough to give it a try (McKinsey (2006), Keller and Aiken (2009)). There are at least five sources of meaning and thus at least five different types of stories for people at work:

1. Impact on society,
2. impact on the customer,
3. impact on the company/shareholder

4. impact on the working team, and
5. Impact on “me” personally.

Examples of key motivators for different staff are: financial savings for the finance manager; production efficiency for leadership; energy performance for the buildings/energy manager; health and safety aspects for human resources; PR and marketing opportunities for the marketing department; leadership qualities for Board or CEO and improved workplace environment and well-being for staff. What’s more, workforces are evenly split as to which of these is a primary motivator. Telling five stories at once is thus a key solution. In order to unleash maximum energy for change within an organisation, it is necessary to tell all compelling stories at the same time.

So who needs to tell these stories? Role modelling is a key tool in telling the stories: employees must see colleagues they admire modelling the desired behaviour. Facilitators thus need to find out which employees are liked and or admired and get them to become ambassadors telling the stories. Surveying and face-to-face interviewing of all levels of the company are a good start. Another solution is to facilitate different employees in writing their own story. One of the stories to be told relates to fears of losing their job, which might be a prime reason for resistance in an organisation. Key to overcoming this hurdle is to work with the Energy or Facility Manager and help them build up their skills; create opportunity for on-task learning and a pre-defined hand-over period where the services can be provided largely in-house. This is indeed appreciated by practitioners:

*"Fear of losing their job is a key hurdle for many technical staff. Two solutions exist. Either you help the company set-up its own ESCo in which technical staff plays a key role. Or you outsource the ESCo but keep the technical staff engaged all the time, and build up their competency to manage the ESCo." (ESCo)*

Another story that can be used to alleviate fears of losing control or losing your job could be the following:

*"Another misconception is that clients might fear to lose control or lose their job. Usually we are able to show them that with the increased performance monitoring and metering you actually gain control and the ability to steer because you are able to make actions more performance based, more output driven. You indeed lose your old job in the sense of the competencies necessary for that old job, with the new means for monitoring your job will actually change but become at least as interesting. "(ESCo)*

Each story should furthermore speak the right language for different staff, and technical language is most likely not the best to start with:

*"Do not start the process from a technical point of view, which is not the language of the people you should target first: the executives. If your entry point in the organisation is the head of technical services you will face a scared person that fears of losing his job, and since the executive level needs to sign off anyways and it is much more difficult to talk your way up then down it is better to start there and then go down." (ESCo)*

## 4. If only the client engaged with us and trusted us (Facilitators or ESCos)...

### 4.1 Challenges

#### Lack of trust and mistrust

Both the literature and the interviews point out that (a lack of) trust is potentially one of the most important issues around successful outsourcing to ESCos (Hansen et al (2010); European workshop (2011); Sinkkonen & Pätäri (2012)). One ESCo interviewee mentioned the relation between trust and the distribution of costs and benefits of an ESCo:

*"Trust is an issue due to negative past experiences and the fact that ESCos are commercial parties, with a purpose of profit maximisation." (HK, 8) "We think there's a catch/we've heard that ESCos rip you off". "Many clients have this feeling of "what's the catch". They feel particularly concerned about the time and effort necessary on their side and how the costs and benefits are distributed. They fear they will experience the costs (not only financial) and the ESCo will reap the benefits." (ESCo)*

This "where is the catch"-feeling can find its origin in lack of trust of a client in the facilitator, but may also exist because of insecurity on the client side due to lack of understanding of the complex issues accompanying ESCo models:

*"In the Swedish context it's not really the "fear" of unethical business clients are afraid of, but the "insecurity" deriving from not understanding the pricing processes and ESCo margins et cetera." (Expert)*

Finally, a lack of trust may be contributed to the fact that people or organisations do not know each other. As both the literature and one interviewee mentioned, building trust takes time, since there have to be enough opportunities to observe and judge the behaviour of others (Lindenberg 2000).

*"Building trust requires a lot of time and a lot of personal contact." (Expert)*

### 4.2 Solutions

#### Ambassadors, stories and best practices are trust building tools

Many of the solutions discussed in earlier sections are key to creating trust, and since they were already discussed previously we only list them here:

- finding a senior manager in the client's organisation and getting them to be appointed to sponsor the energy audit programme or the energy management action programme;
- using concrete and reachable ambassadors amongst clients who can serve as reference, provide testimonials and tell best practice stories;
- discussing past experiences regarding Energy Efficiency projects and uncovering any reasons or examples of why there could be valid distrust;

- Acknowledging the reasoning behind hesitance or rejection, and building on communication and listening skills and social competences (Bleyl et al. 2013).

## Listening and relationship building

The sections above clearly demonstrate that the key to successful outsourcing to an ESCo is about much more than technology. Consequently a key solution is to make sure that the competencies of successful Facilitators go further than merely technological abilities:

*"What gives you an edge as Facilitator is not the technical know-how. The technology is of secondary importance, everyone can do that. What sets you apart is the building of a relationship, trust and acceptance." (ESCo)*

Trust, after all is also very much linked to taking the issues, fears, motivations of the client and all staff seriously. Especially when a client or key person in an organisation expresses the following issues: "we don't want to lose control/ we do not want to offload equipment performance and other risks to external parties". Another solution suggested by the literature is for a facilitator to spend time to know upfront what the inter-human; social and emotional make-up of a company - the organisational culture - is (Keller and Aiken 2009). Listening and spending solid time talking to the clients is essential to understand their activities, fears and motivations. Paying particular emphasis on emotional wording to uncover what may be underlying resentment or historical issues and keep asking 'why' until the underlying cause has been uncovered; a so-called Laddering Approach (Reynolds and Gutman 1988) is a useful tool for Facilitators. Reflecting back what you have heard/understood and provide flexible solutions to the key issues that you have uncovered is going to contribute to building up trust. The following interviewee indeed appreciates that spending time, listening and reasoning with the client is important for a facilitator:

*"It is imperative to find out what clients see, and perceive as problems or risks. You find out about these issues by asking a lot of questions. Questions about their organisation and the obstacles they perceive, and getting them to think about what obstacles relate to energy efficiency and which ones to the ESCo. We use a method to go through this process of eliciting and rethinking the way the client perceives energy efficiency and an ESCo. We work with workshops and ateliers (group learning sessions), with a strong educational aim in the first phase, and detailed investigation of different forms and models of EPC and ESCos in the second phase and strategic diagnostics in the third phase, with financial and technical simulations. In the final phase we perform the project facilitation." (ESCo)*

## Individual projects as building steps towards long term trust

Another solution to building trust experienced firsthand by one of the ESCos is to start the first project with the aim to get to know each other and build a relationship for the future:

*"Sometimes you need to accept that processes are slow and time consuming and that the first project you run in a city is not necessarily easy to implement, but if you do it right, that project can help you build future*

*relationships. We did an Energy Efficiency project in a neighbourhood in Freiburg with 20.000 inhabitants. The neighbourhood consists of old buildings from early 20<sup>th</sup> century, protected sometimes as cultural heritage so there was no possibility for insulation. Some inhabitants were active in an NGO that aimed to improve that neighbourhood, energetically criticizing the "city for not doing enough". For the first time we started working with them, and through that cooperation we created a better understanding on both sides and went from talking at them to having a dialogue. A quote from Captain Barbosa in Pirates of the Caribbean can describe that process: "sometimes we have to get lost to find the places that cannot be found". My translation is: We have to trust the process and the outcome can be something new and better."* (KH, 6)

If a big project is unattainable a solution is to build up trust in small steps, with ESCo 'light' projects first, especially when the ESCo is a commercial entity:

*"I believe an effective way of trust building is to take small steps, conclude a preliminary contract that would focus on the inventory of buildings, such as building type and the amount of energy that they use. A lot of organisations do not possess this information and an ESCo could support organisations to find this information. The ESCo could first use a 'no cure no pay' strategy to build trust in this preliminary phase, and regain the invested money in the second phase (the actual contract on energy saving systems/strategies). A company that is involved in this preliminary phase is called an 'ESCo Light', but it is well possible to combine the activities into an integral business model for ESCos. Larger organisations can start with an energy contract for initially one building for similar reasons: getting to know the ESCo and their procedures."* (Expert)

## Monitoring of the performance

Another solution, part of the solution discussed earlier of using best practices is to create and use good practice stories to build trust in Facilitators in general. To be able to create and use these stories it is important that Facilitators monitor their own processes. In addition, transferring learnings from one Facilitator to another can help build-up societal trust in the quality and experience of Facilitators:

*"Last but not least, we sometimes forget what we have learnt. This is why we should document these experiences and make them available for others."* (KH, 6)

## Transparency independency and partnering

Finally, one last solution to lack of trust is to strategically work on transparency, independency and partnering. Being transparent about all elements of the process of outsourcing, and also being transparent about mistakes made in the past is key to building a trusting relationship with a client:

*"Transparency is key to building trust, you need to discuss prior bad experiences with energy efficiency, even if these occurred years ago, with another company or municipality, you need to deal with these horror stories and explain what has changed today. You also need to be open upfront concerning the impact the*

*client or the climate might have on the ESCo outcome, e.g. if a winter is less cold or colder than anticipated, or if the building is used differently than expected." (ESCo)*

Transparency on the potential commercial links a facilitator has with products and brands is key, but a solution recommended by successful ESCos is to be product neutral but quality (read brand) loyal:

*"To build up trust, do not sell a product but offer the best solution. Make sure you are product neutral, but brand loyal. So provide the best quality, but do not limit yourself to providing heat pumps, but no micro CHP, or providing solar panels but no solar boilers... When we were able to let go of the product and focus on the solution for the client that created trust." (ESCo)*

The type of company an ESCo is can also influence the trust a client feels. The more commercial oriented an ESCo is the less a client is trusting that ESCo according to an interviewee, and therefore being transparent about your business model and what's in it for you as an ESCo is an important solution to avoid distrust:

*"This also has to do with them being sceptical about big companies with big law firms that want to make a profit out of public services and do not contribute locally with jobs or investment. These clients prefer local smaller providers that offer smaller services."(ESCo) "Public sector Facilitators receive more trust from clients because they are perceived as more neutral, and as operating in the public interest. Examples of public sector Facilitators are those that e.g. originate from energy agencies. This neutrality is conducive to the stimulation of the creation of a market for ESCos." (ESCo)*

This transparency can also be strengthened by means of the establishment of an independent information forum:

*"Information was provided for two different purposes: firstly, to create realistic expectations about what ESCos can do for you in the form of lectures, seminars and workshops. Secondly, to reduce insecurity about the cooperation with ESCos. In the latter case, customers are informed about tenders, contractual agreements and the back office support...The forum helped gaining experience with ESCos services by walking customers through the first steps, creating trust and taking away insecurity. (Expert)*

The last solution proposed to tackle the issue of lacking trust, in particular lacking trust in the expertise of both a facilitator and an ESCo is choosing the right partners to work with, and facilitators are the perfect partner to be in the middle of a consortium of partners as one interviewee mentioned:

*"I think we as facilitator play an important role in trust building between organisations and ESCos due to our objective intermediary position. It is not us who deliver the service, we merely advise. We do not represent one ESCo in specific, but we accompany the process to select the most economical offer out of a group of competitors, given the conditions of the client." (Expert)*

A very effective strategy for both facilitators and ESCos regarding partnering is to become member of a professional organisation and cooperating in research projects.



*"Partnering is also key in creating trust. You can create trust in your expertise as a Facilitator by being open about your own expertise and its potential limits. But, becoming a member of professional organisations, working with National Agencies and even better, working in research projects... also helps build up an image of reliability and expertise. Creating a cooperative with many partners, each with their own expertise, and with a clear quality level as we have done with MANESCO, is key to becoming a successful ESCo. First it reinforces the sector, builds societal trust. Many ESCos forget they not only need to build a relationship with their clients, but also with banks and municipalities and retailers. Second, it provides an integral approach to a project, and obliges different stakeholders, from architects to bankers, to talk to each other and make sure everything fits neatly together. That creates trust among clients." (ESCO)*

## **5. Roles and tasks of the facilitator**

In our paper we discussed the challenges, possible solutions and driving forces to engage clients in ESCo services. Here we focus on the roles and specific tasks of the facilitator based on earlier findings.

### **Knowledge broker**

Creating support for innovations is largely a matter of understanding and dissemination. Understanding is increased through 'connect and experience'-activities and educational workshops as discussed in the second section. Actively searching for best practices and suitable ambassadors to tell a convincing story are successful dissemination activities. An important additional task for the knowledge broker is to stimulate governments to act as ambassadors as well. Taking the lead with measures in public buildings would be a powerful example.<sup>11</sup> Part of the dissemination activities should focus on and lobby for standardisation guidelines for measurement and verification.

### **Bridge builder**

ESCO services are focused on energy saving measures and financial models to realise them. However, potential clients struggle with other issues, such as the complexity of services, mistrust and lack of interest. The Facilitator's primary role according to the findings of this research is to build a bridge between ESCos en potential clients, in other words, lowering the barriers of clients to engage in ESCo services. On the one hand, this is done by:

- increasing the understanding of clients by e.g. trips to best practices and educational workshops
- generating trust e.g. by building a step-by-step cooperation
- Increasing interest e.g. through storytelling and anticipate on clients' needs (e.g. comfort).

On the other hand, the facilitator should formulate some requirements for ESCos or cooperate with ESCos that can fulfil these requirements. An ESCo should for example be flexible to anticipate on the needs of clients. Consequently, ESCos are expected to have a certain independency in the choice of technology to best suit the client. Furthermore, an ESCos should be willing to invest in a relationship with the customer to build trust. They must thus be prepared to e.g. perform a free energy scan or use a 'no cure no pay' strategy as a first stepping stone towards cooperation.

## **Intermediary**

At a strategic level, a clear role for facilitators is to intermediate between ESCOs and clients. As an intermediary, the Facilitator can enhance societal and client trust through the facilitation of partnering with research projects, with professional organisations or energy agencies. A facilitator should ensure the full spectrum of relevant stakeholders with each their own relevant piece of the expertise puzzle are represented in such partnerships. This can contribute to reinforcing the sector and builds societal trust.

## **Relationship expert**

Once an organisation is interested, the next step is to get all people within the organisation enthusiastic. Facilitating this engagement within organisations is a clear role for facilitators. This means that a facilitator needs to work at and with all levels within the organisation to help create the right change movement. This role precedes the phase before the standard project development and procurements phases. Relationship management is key. Clients need to feel Facilitators and ESCOs are partners for the long run, good listeners that are able to understand the strategic issues and needs of companies and are able to understand the emotional make-up of a client and its entire staff. It is therefore not so much about changing the psychological and organisational culture of the client, but about facilitators having the necessary communicative competences.

## **6. Conclusions and discussion**

The literature quick scan did not identify many solutions related to the research questions and key issues underlying this short project, but the interviews with practitioners, clients and experts did. Although the findings in the interviews do appear to be in line with or supplementary to the theory, further research is needed for several reasons. We first of all emphasise the limited basis for generalization, due to a limited amount of interviewees. A larger sample size is needed to increase reliability and reinforce (or reject) our conclusions. Second, the context for outsourcing of ESCOs and the operational context for facilitators differs from country to country due to differing culture, institutional context of policy and market and sectorial structures. Finally, our study does not differentiate between types of organisations as ESCo clients, such as schools, hospitals, municipalities and public organisations. We do emphasise the need for tailoring to the values, needs and strategies and anticipating on the organisational climate. But prior knowledge on the general organisational differences (in relation to EE services) might be relevant as a starting point to e.g. save time and effort on preliminary research.

## 7. Appendix

### List of respondents

ESCo practitioners	<ol style="list-style-type: none"><li>1. Charles-Henri Bourgois- Factor 4 Belgium</li><li>2. Lieven Vanstraelen, co-CEO and Owner Energinvest, Belgium</li><li>3. Ger Kempen- ESCoplan, Netherlands</li><li>4. Mikko Jalas-Enespa_Finland</li></ol>
Experts	<ol style="list-style-type: none"><li>5. Catherine Cooremans, University Geneve, Switzerland</li><li>6. Klaus Hoppe, former head of energy department municipality Freiburg, Klaus Hoppe consulting Germany</li><li>7. Dr. Harald Baedeker, Ingenieurbüro Dr. H. Baedeker GmbH, Germany</li><li>8. Hans Korbee, Dutch Energy Agency, ESCo specialist</li><li>9. Anne Schenker, project leader Energy efficiency and buildings, Energy Agency, Germany</li><li>10. Manuel Sward, Facilitator on Swedish market, Sweden</li><li>11. Eva Heiskanen, National Consumer Research Centre, Finland</li></ol>
Clients	<ol style="list-style-type: none"><li>12. Leendert Odijk, Team coordinator Building and maintenance municipal property, municipality 's Hertogenbosch, The Netherlands</li></ol>

## Full list of guidelines for facilitators

### **My client is not sufficiently knowledgeable about ESCo, he has not heard of it, does not understand it**

- Increase dissemination of information about ESCo services and projects.
- Partner with government, NGOs and professional organisations to launch an accreditation system for ESCos.

### **My client does not understand the ESCo model, especially how measurements and verification protocols will be used to assure performance guarantees**

- Lobby or work on developing standardised savings measurement and verification
- Use, if available standardised savings measurement and verification.

### **My client is hesitant to think about outsourcing, or about ESCos at all, is not familiar with it**

- Organise workshops to inform and engage public parties
- Find examples and to communicate them: tell good success stories
- Have testimonials from similar clients or businesses
- Stimulate the government to take the lead with measures in public buildings - leading by example.
- Organise a trip to a best practice for clients and other stakeholders: the trip itself might be as important as going to the best practice location itself.
- Invite front running stakeholders to come and talk: they can act as ambassadors

### **• My client does not know his own energy costs, does not think he needs an ESCo**

- Provide an energy performance scan and evaluation,
- Perform a free scan of key items of energy-related equipment that need to be replaced or could be upgraded,
- Provide a list of potential investment costs in new equipment and the ROI,
- Define a baseline, assemble basic information on the energy cost, consumption and end use characteristics of the client's facilities
- Feedback the information in visuals
- Make an ESCo a strategic decision: demonstrate that the change can be part of a strategy within the company or governmental agency.

- **My clients feel the time, efforts and costs are not worth the 5 to 20% savings they can achieve on their energy bill**

- Use economies of scale of ESCOs with multiple clients so they can afford specialised technical and managerial expertise as each of these staff can service multiple clients,
- Work with ESCOs that purchase inputs in bulk and thus get volume discounts
- Work with ESCOs that perform standardised M&V, control and data administration procedures across several client sites which allow performance benchmarks to be established

- **Where do I find my best clients?**

- Focus first on primary and secondary schools, universities, local administrations, hospitals and public housing as possible main customer categories in the institutional sector.
- Focus on hospitals, offices and retailers, industry and residential buildings as possible main customer categories in the private sector.
- Keep an eye on the context, institutional, political, infrastructural etcetera;
- Make an inventory of the different needs for different clients based on external events and changes and then build your proposition on solutions to their problems or needs.
- Find out what is going on in the market, in politics, and what it might mean for a client.
- Make sure you are one strategic step ahead of the CEO or CFO of a potential client and become a strategic partner for this client.
- Demonstrate you are a good listener that understands the client and his position in the market dynamics.

- **My clients' energy costs are small or unimportant, only a small fraction of general expenses or turnover, I cannot use them as entry point**

- Do not start the process from a technical point of view, which is not the language of the people you should target first: the executives.
- Analyse and understand the clients' needs, also or explicitly the non-energy related ones.
- Do pre-scoping studies aimed at finding out what matters to the client, what ambitions this client has
- Do not sell Energy Efficiency but something else, something that seems secondary to you but is actually the primary driver for the client.
- Package the package: clients need comfort, cost savings, production efficiency, replacement of a heating installation, increase of the efficiency of industrial processes, a better energy label, an aesthetically more beautiful or modern building, a organisational reorganisation, increased building value, remodelling, personnel satisfaction, improved indoor climate, increased capacity and more efficient processes,

- Find out what matters to the client and tailor Energy Efficiency and the ESCo to be a solution.
- Create ESCos and EPC as normal practices, downplaying their innovativeness.
- Use best practices to calculate what the increase in comfort and personnel satisfaction and productivity will be with the implementation of the ESCo

**My client is afraid of losing control or feels that his home is his castle and wants to take care of potential (sustainable) renovations himself or with his technical guys.**

- Perform a preliminary analysis of the client's creditworthiness
- Provide an alternative physical experience: organise a visit to a building with an ESCo implemented.
- Demonstrate that ESCo companies have more experience in sustainable building solutions and those facilitators' ideas might be more creative and they follow an integral approach by combining the design and building phase. And demonstrate that this often results into more effective solutions.

**Some of the staff at my client are afraid of losing their jobs**

- Help the company set-up its own ESCo in which technical staff plays a key role.
- Work with the energy manager or facility manager and help them build up their skills to manage an ESCo; create opportunity for on-task learning and a pre-defined hand-over period where the services can be provided largely in-house.
- Show the client that with the increased performance monitoring and metering you actually gain control and ability to steer because you are able to make actions more performance based, more output driven.
- Acknowledge that the fear of losing their job for the respective staff is there. And if the job is not cancelled, then demonstrate that is only the competencies need to change, but that with the new means for monitoring their job will actually change but become at least as interesting.

**My client is afraid of potential problems with end-users of the building**

- Make sure they can speak to residents who have undergone such a project so that they rest assured there will be no complaints from residents.

**My client does not manage to get buy in throughout the organisation**

- Work both top down and bottom-up in an organisation to create the right change movement and management in both management and other staff in companies or hierarchy levels in a civil administration
- Appreciate that an essential part of a successful ESCo outsourcing process is the phase before the standard project development and procurements phases.
- Find the champions in a company, and help them create the change.

- Provide clear, comprehensive and compelling communication including defining clear goals and telling the transformation as a compelling story for the executives to use in their company or organisation
- Do not leave your champion alone to the task of implementing the commitment through the whole organisational hierarchy
- Provide different simple and true stories that matter to all relevant stakeholders internally. These first weeks are crucial.
- Be present at the client's organisation, listen, listen, listen and articulate how energy efficiency will benefit different stakeholders in different ways, tailor it to what matters to them
- Tell the five different stories for humans at work simultaneously: impact on society, the customer, the company/shareholder, the working team, and "me" personally. Examples of key motivators for different staff are: financial savings for Finance Manager; production efficiency for leadership; energy performance for Buildings/Energy Manager; health and safety aspects for HR; PR and marketing opportunities for Marketing Department; leadership qualities for Board or CEO; improved workplace environment for staff etc).
- Facilitate different layers of employees in writing their story: surveying and face-to-face interviewing of all levels of the company are a good start
- Use role modelling: employees must see colleagues they admire modelling the desired behaviour.
- Spend time to know upfront what the inter-human, social and emotional make-up of a company is before falling into traps that seem very irrational behaviour but are ingrained and locked-in to the company cultural make-up.
- Ask a lot of questions: listen to the reasoning and keep asking 'why' until the underlying cause has been uncovered.
- Reflect back what you have heard/understood and provide flexible solutions to the key issues that you have uncovered

- **My client is a civil administration that deals with a lot of politics and departmental differences**

- Endure, and start with a lot of cooperating and networking actions and negotiations.
- Get all relevant civil servants, from city planners to real estate managers down to the level of actual planning and implementation
- Get the civil servants to become ambassadors or champions.

- **My client does not know if he should and can trust me**

- Create more knowledge, guidelines, instruction manuals and potentially even educational courses

- Make sure to connect to or follow the guidelines, educational courses, accreditation provide independent services to help clients weigh and compare prices of different bids or build capacity of clients to do so themselves
- Become a member of professional organisations, work in research projects.
- Create a cooperative with many partners, each with their own expertise, and with a clear quality level. This also reinforces the sector, builds societal trust, and it provides an integral approach to a project, and obliges different stakeholders, from architects to bankers, to talk to each other and make sure everything fits neatly together, which builds up client trust.
- Highlight your objective intermediary position. It is not you who delivers the service, you merely advise. You do not represent one ESCo in specific, but recommend the ESCo that would suit best, given the conditions of the client.
- Assist the client in defining their decision-making process and the acceptable range of financing and contracting terms
- Be open about your own expertise and its potential limits.
- Create your own ambassadors: get happy clients to be interviewed by professional journals and use those interviews as testimonials.
- Build up a personal relationship with the client, establish friendship.
- Accept that building up trust is a slow and time consuming process and that the each project you run can help you build future relationships.
- Work with critical groups in society and create a better understanding that leads to a dialogue.
- Take small steps, do not try to push a full ESCo immediately: for example, start with a preliminary contract as an ESCo "light" that first performs a baseline, or focuses on the inventory of buildings, such as building type and the amount of energy that they use.
- Use a 'no cure no pay' strategy.
- Demonstrate that you monitor your own performance and learn from other examples. Doing this publicly also helps in creating societal trust in facilitators and ESCos.
- Offer neutrality: do not sell a product but offer the best solution. Make sure you are product neutral, but brand loyal. So provide the best quality, but do not limit yourself to providing heat pumps, and not micro CHP, or providing solar panels but not solar boilers.
- Appreciate that what gives you an edge as facilitator is not the technical know-how. The technology is of secondary importance, everyone can do that. What sets you apart is the building of a relationship, trust and acceptance.

### **My client thinks there is a catch**

- Find a senior manager in the client's organisation and get them to be appointed to sponsor the energy audit programme or the energy management action programme



- Use concrete and reachable ambassador clients who can serve as reference, provide testimonials and tell stories of best practice
- Discuss prior bad experiences with energy efficiency, even if these occurred years ago, with another company or municipality, you need to deal with these horror stories and explain what has changed today.
- Transparency is key to building trust, you need to
- Acknowledge the reasoning, and build on communication and listening skills and social competences.
- Explain that you adhere to general norms of behaviour established both in society at large and within your particular professional and occupational sector. Demonstrate that you honour and keep obligations promises.
- Demonstrate that the long-term benefits to be gained from maintaining a contractual relationship with the client outweigh the short-term benefits of behaving opportunistically.
- Discuss the details, all the details: be open upfront concerning the impact the client or the climate might have on the ESCo outcome, e.g. if a winter is less cold or colder than anticipated, or if the building is used differently than expected.
- Work with workshops and ateliers, with a strong educational aim in the first phase, and detailed investigation of different forms and models of EPC and ESCos in the second phase and strategic diagnostics in the third phase, with financial and technical simulations.
- Become a communication facilitator to create a communication flow between bottom-up and top-down.

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