Title: A Strategic Change: The Delta Model—A Strategic Framework for a Networked industry

Course: ETM 526—Strategic Management for Technology

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Contents

***The Firm's name has been replaced with "The Company"

Abstract:

Three of "The Company's" management team completed a survey pertaining to Hax and Dean's strategic model called "The Delta Model." The survey's purpose was to acquire "The Company's" strategic intent, and use the Delta Model to construct a strategic plan. The survey determined where "The Company's" strategic position lied, and documented key business feature and improvements. The survey concluded that "The Company's" strategic position was the "System Lock-in position." The key business feature and improvement were then used to suggest an adaptive process, business metrics, and business experiments.

Introduction

"The Company" is a small business that has been in the industry since 2001. "The Company" began its business in the energy analytics market. The customer base consisted of mostly institutions that had many buildings to manage. "The Company" provided web-based dashboards for its clients. The dashboards presented building energy data in easily digestible forms and "The Company" would provide expert suggestions on how energy could be saved. Since then, the energy analytics market has become flooded with cheaper less accurate alternatives. This situation caused "The Company" to reassess their offerings while considering the resources they had available.

The outcome of this reassessment is an energy service program that leverages the energy analytical experience already at "The Company" and combines it with building HVAC and lighting controls. This program is aimed at small buildings. Two and a half years of research and development has been placed into this new service and now it is just beginning to hit the market. The market reaction has exceeded expectations. A formal strategic plan has yet to be defined.

The report will present information on the strategic framework in the Delta Model and use it to build a strategic plan for "The Company". The concepts, models, and methods within the Delta Model will be explored. The survey used to determine "The Company's" strategic intent will be explained, and the results of the survey will be displayed. Lastly, using the Delta Model, suggested strategic direction for "The Company" will be presented.

Literature Review

2001 Arnoldo Hax and Dean Wilde II introduced the Delta Model (DM) in a report titled "The Delta Model—Discovering New Sources of Profitability in a Networked Econonmy." This model introduced a framework that allowed a firm to be dynamic and yet maintain their core strategic intent. DM is constructed to allow for change because Hax and Wilde know the future is never predictable "What can we say about the future? Maybe two things: we will not be able to predict it, and it will surprise us" (Hax & Wilde II, 2001). The journal above by Hax and Wilde is the source of all methods and models used in the Literature Review section of this report.

At the core of DM are the three tenents of strategy. To satisfy these tenets, Hax and Dean bring together a set of frameworks and methodologies that helps a firm formulate and apply strategic intent while receiving feedback so the strategy can constantly evolve. The three tenents of strategy are explained first. Next, the framework and methodologies are explained, and they are structured as follows:

- Triangle
- Adaptive process
- The Metrics
- The experimentation and feedback

The Triangle	Opening the mindset to new Strategic Positions	The Best Product does not always win	Three Distinct Strategic Options: • Best Product • Total Customer Solutions • System Lock-In
The Adaptive Processes	How to really link Strategy with Execution	Execution is not the problem, linking to strategy is	Execution is captured through Three Adaptive Processes: • Operational Effectiveness • Customer Targeting • Innovation whose roles change as they support a different Strategic Option
The Metrics	Aggregate Metrics are not enough. They should be complemented with granular metrics	Managing by averages lead to below average performance	Performance metrics are also aligned with strategic options and processes. Granular metrics allow us to focus, to measure variability, to detect the sources of variability, to learn, to improve, to innovate
The Experimentation and Feedback	Experimentation and feedback are key adaptive mechanisms	Plans are not made to be followed	A major business transformation can only be wisely implemented through careful experimentation, learning, and roll out. Smart feedback mechanisms are critical for adaptation and flexible changes

Figure 1 The Delta Model

The Three Tenets of Strategy

The three basic tenets of strategy are the creation of economic value, the creation of the unique customer value proposition and the creation of the 'Spirit of Success'. The three tenets of strategy are designed to answer the following questions: What is the central purpose of strategy? And what are the basic means to achieve it (Hax & Wilde II, 2001)?

The creation of economic value is tenet number 1, and the central purpose of strategy. A unique financial proposition that is sustainable, in the long run, must be the firm's long-term goal. This type of financial superiority is never obtained by copying a competitor "sameness will never lead to greatness." The firm must think of the inevitable changes the environment will generate and respond; not react when the changes happen. All decision made to increase the economic value of a firm and metrics used to evaluate economic value are done with the long-term in mind. Always focusing on the long term is easier said than done because managers of today are expected to deliver in the short run, but looking towards the future offer risk and uncertainty. Economic value is the output of a properly formulated strategy; achieving is addressed in the next two tenets.

Tenet number 2 is the creation of the unique customer value proposition with customer bonding as the foundation of economic value creation. "The firm owes itself to the customer"(Hax & Wilde II, 2001). We have to serve the customer in a distinctive way to maintain superior performance. Establishing an unbreakable bond consists of attracting, satisfying, and retaining customers. A bond implies that a firm must understand its customers instead of having a product-centric mindset. With a product-centric mindset, products get overly standardized, and customers become commoditized. Being product-centric leads to an uninformed relationship with the customer that prevents any deep knowledge to be nurtured and developed.

Tenet number 3 is the creation of the 'Spirit of Success' with the net flow of talent as a key strategic performance indicator. The capacity to attract, satisfy, and retain key talent are more valid today than ever before and are the main metric to evaluating tenet number 3. A firm must create a working environment that is invigorating, and energized. This environment will induce the confidence needed to become a leading organization.

The Triangle

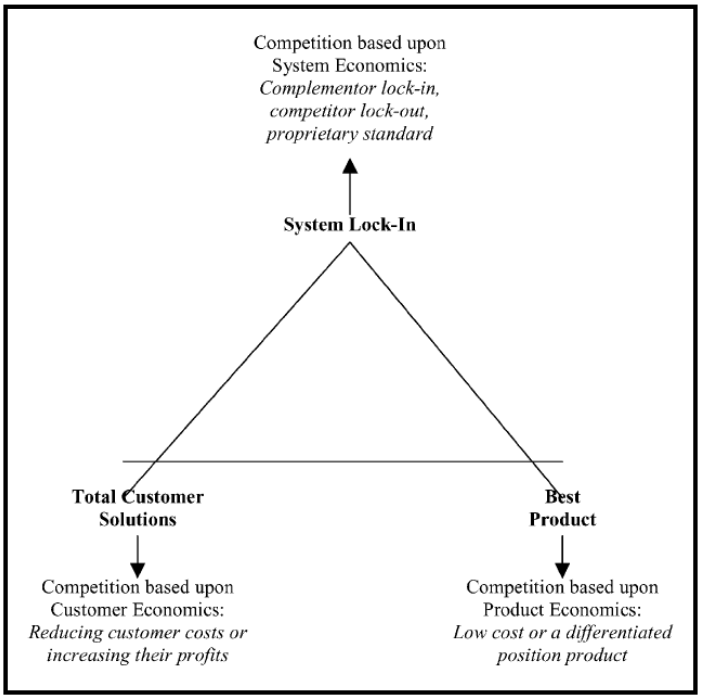

Figure 2 The Triangle Model

Figure 1 displays three distinctive strategic positions modeled in the shape of a triangle. It also signifies the Greek letter called a "delta" (Δ). The Δ represents change; a positive change is the whole point of this new strategic position. We will begin at the bottom right corner of the triangle starting with the Best Product position.

The **Best Product** position is based on the classical form of competition. The customer is either attracted to the low cost of the product or its differentiation. The product sells itself. With this classical approach, the product is standardized, and the customer is faceless. When a firm takes this position, they are focusing on the competitor by making sure the low cost or differentiation is maintained. Taking this strategic approach forces a firm to be centered around the product. Innovation only involves product improvement, but no feedback from the customer. The customer becomes a simple commodity. Being unfamiliar with the customer is risky behavior for any tech firms in today's world. Technology is rapidly evolving and with that evolution customer's needs change.

The **Total Customer Solution** is the exact opposite of the Best Product position. If a firm uses this position they seek and intimate relationship with the customers to offer them unique value propositions. A wide range of products is offered to the

customers. Instead of focusing on the internal supply chain, key suppliers and customers are the main focus. Enhancing the offering with an overall set of corporate capabilities and complimented by proper external vendors is a major part of the overall goal. The strategy is not to defeat the competition; it is to satisfy the customer with joint development of distinctive products.

At the top of the triangle is the **System Lock-In strategic option**. This option has the widest scope involving the customers, suppliers, and the key "complementors". The key complementors are the main focus in System Lock-In strategic option because they enhance the delivery of products and services. With this position, the key strategic tasks are to identify, attract, and nurture the key complementors. Key complementors are rarely detected and used effectively. When key complimenters are exploited effectively, great businesses emerge. Both Microsoft and Intel are good examples of firms that used their key complementors correctly and both firms had two of the most successful business ventures ever. Another element about the System Lock-In strategic option is that a massive adoption of the product or service must expand the value of the product or service to the customer.

The triangle provides guidance on how to begin the formation of the strategic position. Once a firm has determined their strategic position the next step is to identify the adaptive process.

The Adaptive Processes

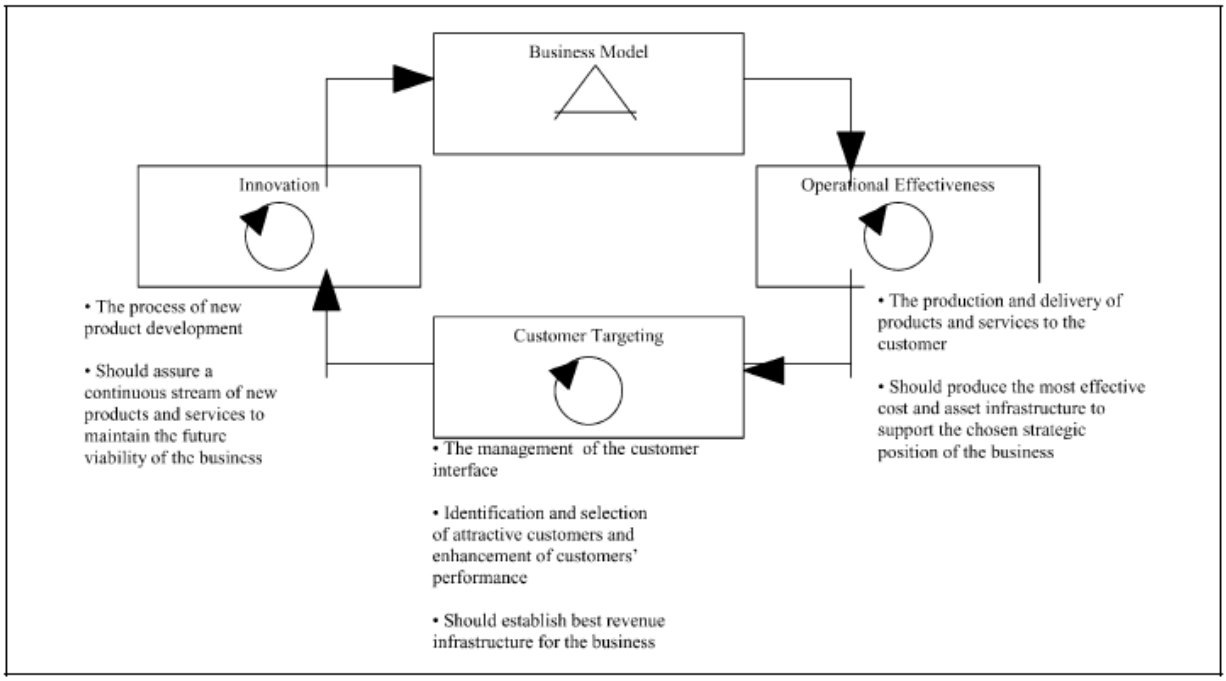

Figure 3 The adaptive process Model

Figure 3 displays the flow of the adaptive process. The adaptive process cannot be used prior to the strategic position—from the triangle—has been determined, because different adaptive processes are used for each strategic position. There are business processes that are captured within the adaptive process model. The three modules within the adaptive process are as follows:

1. **Operational Effectiveness (OE)—The production and delivery of goods and services**
2. **Customer Targeting (CT)—Managing the customer interface**
3. **Innovation (I)—The process of new product development**

The business processes within the adaptive process are aimed to support the strategic position determined in the triangle. Figure 4 displays a macro view of how the business processes should be aimed to support the strategic position selected using the triangle.

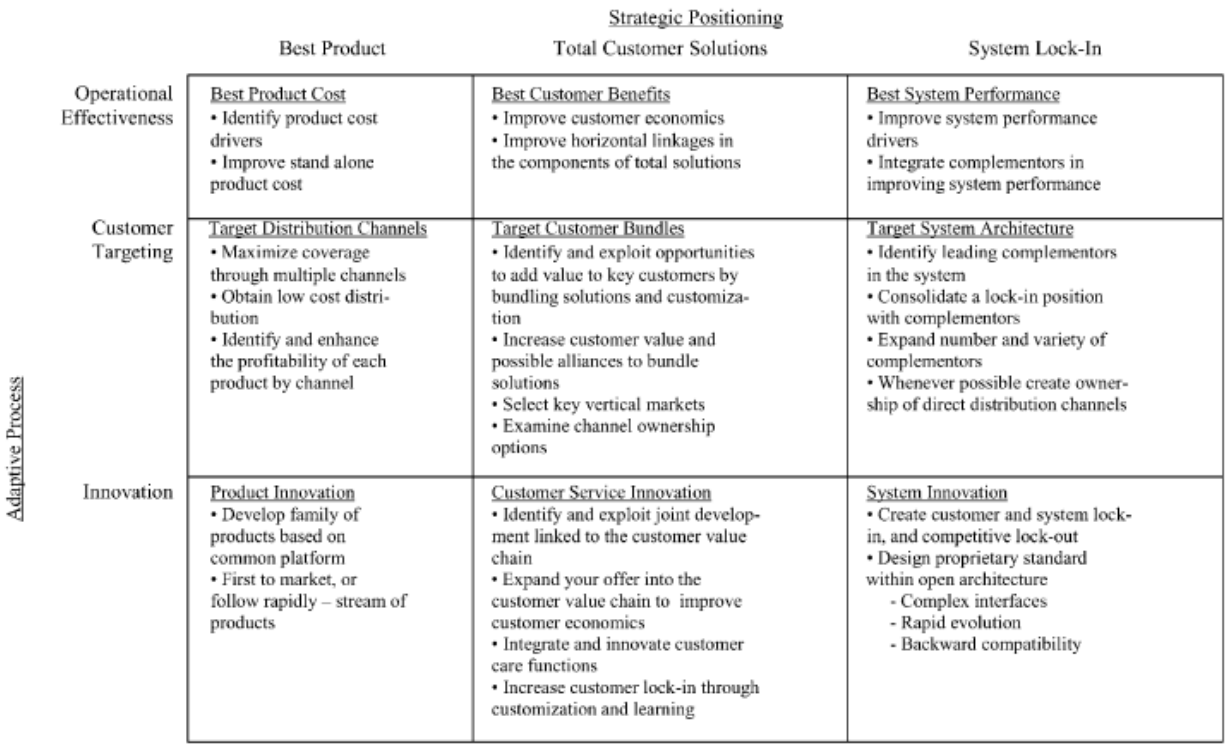

Figure 4 Strategic Positioning within the adaptive process

Figure 4 helps define the boundaries between each strategic position presented in the triangle by applying them to the adaptive process. For example, customer targeting has different meaning for a Best Product strategic position when compared to the other strategic positions. When using the System Lock-in position, customer targeting is directed at identifying key complementors and constructing direct distribution channels. While customer targeting in the Best Product position is focused on minimizing the cost and maximizing coverage. Next we will look at how performance is measured using DM.

The Metrics

The metrics used to analyze performance must be constructed in aggregate and granular form. The aggregate measure are constructed see the firm's total performance while the granular metrics are used to determine the dynamics of each business process within the adaptive model. In general the metrics must align with the Strategic Position chosen from the triangle. Figure 5 displays suggested outputs for the granular metrics.

	Best Product	Total Customer Solutions	System Lock-In
Operational Effectiveness *(Cost Drivers)*	• Cost performance - Unit cost - Lifecycle cost - Variable and total cost • Cost drivers • Quality performance • Degree of differentiation	• Customer value chain – Total cost - Total revenue and profit • Customer economic drivers • Impact on customer profit due to our service vs. competitors	• Description of System Infra-structure • Total system costs/revenues • Complementor's investments and profits • Complementor costs of adhering to your standard • System performance drivers
Customer Targeting *(Profit Drivers)*	• Product market share • Channel cost • Product profit - By product type - By offer – by channel • Profit drivers	• Customer share • Customer retention • Our profitability by customer-Individual and by segment • Customer bonding - Switching costs	• System market share • Our share of complementors - % of investments tied to our proprietary standard • Our profit by complementor
Innovation *(Renewal Drivers)*	• Rate of product intro-duction • Time to market • Percent of sales from new products • Cost of product development • R&D as % of sales	• Relative involvement in customer value chain • Percentage of product develop-ment - From joint development - Customized • Degree of product scope - Current vs. potential bundling	• Switching costs for comple-mentors and for customers • Rate of product development • Cost for competitor's to imitate standard

Figure 5 Granular metrics for the Delta Model

In figure 5 the adaptive business processes represent each of the rows, and the strategic positions are the columns. The granular metrics displayed in figure 5 are meant to support the corresponding strategic position.

Experimentation and Feedback

Experimentation is the key to responsible business transformation. Changing the aim of the business is like stepping into unknown territory without full understanding of which path to follow. Prior to committing to a full-scale organizational effort, well-aimed experiments should be used to collect more data about the new strategic position. Feedback from these experiments is critical to the success of the business because they invoke changes in the adaptive process. The adaptive process coupled with the metrics help to keep the system running as it should be, but experimentation allow us to modify the selected course of action. Changes in the initial hypothesis will undoubtedly happen. Therefore, measurement, monitoring, and feedback are crucial in a technology-driven industry.

Research Method

Members of "The Company's" management team agreed to take a survey. The positions in the company surveyed are as follows:

- Chief Executive Officer (CEO)

- Chief Operations Officer (COO)
- Program Manger (PM)

The survey was constructed to determine where the company fits in the triangle and the adaptive process of DM. No one surveyed knew the exact purpose of the survey. The survey was given to this "anonymous" context to make sure the answers were not swayed to fit a particular strategic position on the triangle. The following is an email sent out used to conduct the survey: (The names (RED) in the following email have been replaced with the position they represent.)

> "All,
>
> I hope everyone is having a wonderful weekend! I am writing this email with hopes that you will help me with a project I am participating in at Portland State University. Currently, I am perusing a master's degree in Engineering and Technology Management and a graduate Certificate in Strategic Management. This project is for a class called "Strategic Management for Technology."
>
> CEO has given me permission to do another school project that includes "The Company", so I have taken this opportunity to learn theory at school and apply it to my profession. Attached you will find a questionnaire that pertains to the business strategy driving our Agile Volt program. I would highly appreciate it if you could take the time to fill out the questionnaire.
>
> There are 6 questions. The questions are meant to make you think, so I do not expect well written "dissertation worthy" answers; I just want your thoughts. I will use the answers to analyze Agile Volt's strategic position using a "strategic model" I learned in class. Once the paper is written you will see the model I used, but I do not want my model choice to affect your answers to the questions. Therefore, the model must stay secret with the hope of gaining the most accurate answers.
>
> I would like to have the questionnaires back by Friday May 8th. Getting it back to me early is highly encouraged. If you have any question about the questionnaire do not hesitate to give me a call. If you do not think you can answer a question it is okay to leave in blank, but if you have any thoughts about the question--even if you feel you do not have the answer--please, tell me your thoughts.
>
> Thank You for your participation!
>
> Lead Project Engineer "

Everyone previously listed participated in the survey.

As stated in the email above, there were six questions in the survey. The following table will show each question, corresponding objective and how the question was scored.

Table 1 Survey Questions, Question's Objective, and Scoring

Questions	Objective and Scoring
1. Which of these statements are closest to the truth, and why? (Only choose one by click on the box) ☐Agile Volt is the best small buildings energy and control management system available, our customers should feel lucky to have it. ☐ We aim to understand our customers' needs and enhance their ability to increase their economic value by decreasing the building's operating expenses. ☐ Agile Volt is the best product of its kind because of its ability to include many different businesses into one integrated service. We would not be able to do what we do without our partners.	This question was given to obtain the perspective of Agile Volt's strategic position (the triangle) from each interviewee. The scoring for this question is as follows: ☐ Agile Volt is the best small buildings energy and control management system available, our customers should feel lucky to have it **(Best Product**)=1 ☐ We aim to understand our customers' needs and enhance their ability to increase their economic value by decreasing the building's operating expenses **(Total Customer Solution)=1** ☐ Agile Volt is the best product of its kind because of its ability to include many different businesses into one integrated service. We would not be able to do what we do without our partners (**System Lock-in)=1**
2. While developing Agile Volt do you think we focused on the customer or the technology? Why or why not?	This question was given to see if "The Company" followed a clear strategic intent through the development process of Agile Volt. The scoring for this question is as follows: Customer focus--**(Total Customer Solution)=1 and** (**System Lock-in)=1** Technology focus--**(Best Product)=1**
3. Do you think there is a possibility to create a more economic design of Agile Volt in order to reach more of the market? Why or why not?	This question was given to separate completely the Total Customer Solution and System Lock-in strategic positions from the Best Product position. One might ask "How" If "The Company" were perusing a System Lock-in strategic position or a total customer solution, they would be trying to reach more areas of the market or more areas of their current customer base. If "The Company" were perusing a Best Product solution, the focus would be on the "internal" efficiency and cost reduction of the product. The scoring for this question is as follows: Yes--(**System Lock-in) and (Total Customer Solution)=1** No--**(Best Product)=1**

4. Which of these statements are closest to the truth, and why? (Only choose one by click on the box) ☐Agile Volt is standardized because the cost of application engineering for each site does not justify the benefit. ☐Agile Volt's aim is to enhance customer value. Therefore, application engineering is a part of the service.	This question was given to separate Total customer solution from System lock in and Best product. The scoring for this question is as follows: ☐Agile Volt is standardized because the cost of application engineering for each site does not justify the benefit. **(Best Product)=1** and (**System Lock-in)=1** ☐Agile Volt's aim is to enhance customer value. Therefore, application engineering is a part of the service. **(Total Customer Solution)=1**
5. Do you believe we have proper metrics that match our business strategies? Why or Why not?	This question was given to see how "The Company" feels about the metrics being used to measure their primary business focus.
6. Name three features of Agile Volt that are essential to its strategic position. Why are they essential, and how would you improve them?	This data was collected to assist in presenting a pertinent adaptive process.

Results

Table 2 Survey Results

Question #	Best Product	Customer Centered	System Lock-in
1	0	1	2
2	1	2	2
3	0	3	3
4	1	1	1

Table 2 shows the outcome of the survey. The numbers in the first column represent questions 1 through 4 from Table 1. The next three columns represent the Strategic position from DM's triangle. The numbers in the last three columns are the total scores for each question taken in the survey **(Scoring in bold, column 2, Table 1)**. Notice, System lock-in is the most fitting strategic position with the

highest score of 8 points. Total Customer Solution came in second with 7 points, and Best Product was last with only 2.

Question 5 Results:

CEO—Believes that the metrics are sufficient for now, but also knows that as business ramps up, the metrics will have to be modified.

COO—Believes that the current metrics are insufficient

PM—Did not answer the question within the intended context. (The survey question should have been written in a more direct form.)

Question 6 Results:

Table 3 Business feature and possible improvements

	Feature 1	**Improvement 1**	Feature 2	**Improvement 2**	Feature 3	**Improvement 3**
CEO	**Financial Model**	**Lower cost of capital**	**Technology**	**Automation**	**Business Processes**	**Process Automation**
COO	**Financial Model**	**More Efficient Process**	**User Interface**	**A better Mobile Ready Interface**	**Data and Information Management Services**	**Properly Leverage Big data**
PM	**Financial Model**	**Give customer upfront incentive**	**Guaranteed energy savings**	**give customer upfront guaranteed energy savings**	**Mobile apps**	**A better Mobile Ready Interface**

***All surveys are located in the appendix.

Recommendations

According to the survey results in Table 2, a System Lock-in strategic position is the most fitting for "The Company". Total Customer solution came in at a close second, but since "The Company" depends on their key complementors (partners) (CEO and PM Survey) System Lock-in is the most logical strategic position.

The Triangle—System Lock-in

Exploiting the key partners is how "The Company" is going to be successful with their new business venture. Remember, with the System Lock-in strategic position identifying, attracting, and nurturing key partners are the main strategic tasks.

Identification: The key partners that "The Company" should obtain are financiers, HVAC energy efficiency vendors, and building control contractors. All three of these industries complements and adds value to "The Company's" new business venture.

Attraction: Attractions for each type of key partner mentioned in the identification section are different, but easily identified. The way to keep finances attracted is by returning the money borrowed in on time payments and borrowing a lot of money. Attracting HVAC energy efficient vendors can be done by using a lot of their products in "The Company's" new business venture. Building control contractors can be attracted by being guaranteed the contract to perform each installation and granted a commission for selling a new project.

Nurture: Nurturing each type of key partner is easier said than done. Nurturing the financiers is done by keeping their pipeline full of successful projects, as well as well as constantly streamlining the financing process. Nurturing the HVAC energy efficient vendors can be done by deeper integration of their product into the "The Company" new business venture. Building control contractors can be nurtured with educational seminars on marketing the projects and by making the product an easier sale (PM, Table 3, Guaranteeing energy savings upfront).

The Adaptive Process

Operation Effectiveness

For "The Company" to be most effective operationally the system most work efficiently. The system drivers must be identified and optimized. Finding ways to involve key partners in the operational system is a way to optimize and important when using the System Lock-in approach. In Table 3 the COO identified the financial model as being one of the key features. Involving our financing partners in creating a more streamlined financial model is a great example of how "The Company" can be operationally effective. If the financial system were to become more streamlined—less costly for financiers and "The Company"—then

the cost of capital might decrease as well. Decreasing the cost of capital is one of the system feature improvement that the CEO would like to see—also in Table 3.

Customer Targeting

When it comes to the System Lock-in model customer targeting is more like "partner" targeting; searching for key complementors that are motivated to get "The Company's" system into the Small to Medium building market (SMB) market. As stated above in the Attraction section, integrating vendor products into "The Company's" system will motivate them (vendors/partners). The integration also adds value to the vendor's products and creates a "lock-in" position with the vendor. The integration can include custom API's and proprietary functions. There must be a standard metric to justify this type of system integration.

Innovation

From a System Lock in perspective, innovation has to involve improving the connection between the key complementors and "The Company". The following list will show the most important improvements gathered from Table 3 that best fits in the chosen strategic position:

- Lowering the cost of capital/more efficient process—Involves the financing partners
- Giving customers upfront guaranteed energy savings—Make products more marketable, easier for partners to "make the sale."
- Process Automation—Involves all partners, and creates a lock-in position
- Properly Leverage Big Data—Creates opportunity to acquire more partners (Data collected on servers can be monetized)

Improvements listed above would add to the strategic position, but other improvements mentioned in Table 3 are important because they add to the quality of "The Company's" product. Therefore, indirectly adding value to the relationships between partners and "The Company".

Metrics

Operation Effectiveness

"The Company's" complete operational procedures should be documented, and a model of the infrastructure should be developed. Starting with this model would help identify the system drivers, and give "The Company" more visibility into their process.

Total system cost/revenue is already being tracked. As more integration between key partners and “The Company” takes place, metrics to identify adherence and investment (between partners and “The Company”) needs to be developed.

Customer Targeting

Metrics to identify the SMB market share, investment tied to proprietary integration, and profited collected due to relationships with complementor needs to be developed.

Innovation

Metrics to identify the switching cost for complementors and customers should be created. Tracking the rate of product development should be recorded, and the cost for competitors to imitate “The Company’s” product needs to be explored.

Experimentation and Feedback

“The Company” has already begun to integrate vendors into their product, but using HVAC control contractors as marketing leads is not a process that has reached its full potential. When it comes to “The Company” perspective using control contractors seems to be an obvious value add proposition—for the controls contractor, but past efforts have not produced forecasted results. Experiments should be developed to explore how HVAC control contractors can be made successful at selling “The Company’s” product.

Works Cited

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Anonomous. (2015, May 7). Cheif Operations Officer. (S. B. Burchfield, Survey)

Anonomous. (2015, May 7). Program Manager. (S. B. Burchfield, Survey)

Appendix

CEO

1. Which of these statements are closest to the truth, and why? (Only choose one by click on the box)

   ☐Agile Volt is the best small buildings energy and control management system available, our customers should feel lucky to have it.

   ☐ We aim to understand our customers' needs and enhance their ability to increase their economic value by decreasing the building's operating expenses.

   X Agile Volt is the best product of its kind because of its ability to include many different businesses into one integrated service. We would not be able to do what we do without our partners.

   Why?
   Agile Volt is unique and valuable primarily because of all the elements that we have brought together—technology, business process, and financing. Each of these is crucial to the effective market penetration of this offering. While any of the elements can be replicated, it is a very significant task to bring all of these pieces together in a cost-effective solution.

2. While developing Agile Volt do you think we focused on the customer or the technology? Why or why not?

   Both. It is difficult to separate one from the other. However, we first had to understand the customers, their businesses, facilities and the financial constraints they operate under (capital, incentives, utility rates, etc.) before we could determine how to best solve their problems with technology.

3. Do you think there is a possibility to create a more economic design of Agile Volt in order to reach more of the market? Why or why not?

   Of course! Even though we've moved the bar so much smaller facilities are economically viable targets for Agile Volt, we still cannot address the entire market. In fact, we currently don't have a cost effective solution for about 50% of the small commercial buildings in the country. To reach them, we have to develop an approach with much lower costs and ease of implementation. This is possible and something I look forward to working on in the near future.

4. Which of these statements are closest to the truth, and why? (Only choose one by click on the box)
   - ✓ ☐Agile Volt is standardized because the cost of application engineering for each site does not justify the benefit.

     ☐Agile Volt's aim is to enhance customer value. Therefore, application engineering is a part of the service.

     Why?
     To reach scale and make money in the SMB market, standardization is required. Period. You cannot custom engineer each project (too expensive), nor expect to be able to support it operationally afterwards (too complicated). Hence, standardization (equipment, controls, software, processes, financing, etc.) is critical.

5. Do you believe we have proper metrics that match our business strategies? Why or Why not?

Business metrics are critical for understanding the viability of a proposed project, the efficiency of project execution, and the overall profitability of the business. Do we have proper metrics? The answer really changes over time as the business scales. I think our metrics are appropriate—for now. In a year, they probably will need to be changed. Again, the year after that…and so on.

6. Name three features of Agile Volt that are essential to its strategic position. Why are they essential, and how would you improve them?

   a. Feature 1: **Financial Model.** Without it, we don't have an Agile Volt business. It is critical to have a well-constructed project financing mechanism in place for the SMB projects. These customers don't have the capital to execute these projects.

   b. Improvement 1: **Lower cost of capital.** The lower the cost of capital, the more projects that can be pursued and the more potential profit that is available for "The Company".

   c. Feature 2: **Technology.** Low cost, high performance hardware and supervisory controls are critical to the AV value proposition. We need to ensure the projects perform, squeeze out as much savings as possible, and make sure the savings persist for the term of the project.

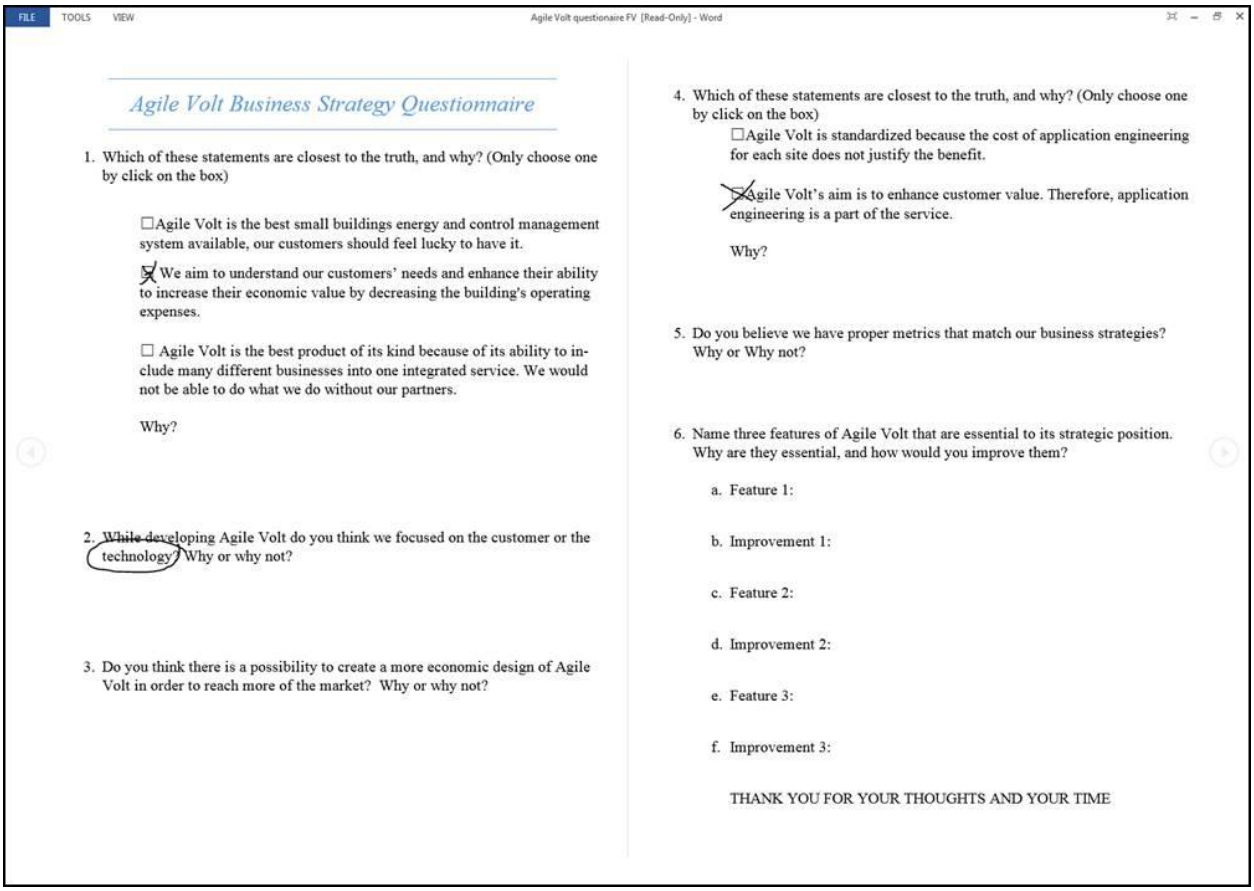
   d. Improvement 2: **Automation.** Removing people from the loop is the single best way to reduce costs and improve project performance. However, we can only do

that if we have a reliable way to automate a task or function. Examples include optimizing schedules, identifying operating anomalies, etc.

e. Feature 3: **Business Processes.** The key to the long-term viability of Agile Volt is scaling. There are multiple business steps in an AV project before a site is under contract, during installation and during years of ongoing operations. The business processes must ultimately support thousands of locations and need to grow/change/evolve with the business. What is required to support a few dozen sites will be wholly inadequate for hundreds or thousands.

f. Improvement 3: **Process Automation.** One of the absolute core competencies of the Agile Volt business will be an ongoing process automation function. There will need to be continuous attention paid to areas of inefficiencies, operational friction, or outright dysfunction. When found, it will be imperative to deploy technology, process improvements and business changes to address.

COO



FILE TOOLS VIEW — Agile Volt questionaire FV [Read-Only] - Word

Agile Volt Business Strategy Questionnaire

1. Which of these statements are closest to the truth, and why? (Only choose one by click on the box)

☐Agile Volt is the best small buildings energy and control management system available, our customers should feel lucky to have it.

☒ We aim to understand our customers' needs and enhance their ability to increase their economic value by decreasing the building's operating expenses.

☐ Agile Volt is the best product of its kind because of its ability to include many different businesses into one integrated service. We would not be able to do what we do without our partners.

Why?

2. While developing Agile Volt do you think we focused on the customer or the technology? Why or why not?

3. Do you think there is a possibility to create a more economic design of Agile Volt in order to reach more of the market? Why or why not?

4. Which of these statements are closest to the truth, and why? (Only choose one by click on the box)

☐Agile Volt is standardized because the cost of application engineering for each site does not justify the benefit.

☒Agile Volt's aim is to enhance customer value. Therefore, application engineering is a part of the service.

Why?

5. Do you believe we have proper metrics that match our business strategies? Why or Why not?

6. Name three features of Agile Volt that are essential to its strategic position. Why are they essential, and how would you improve them?

a. Feature 1:

b. Improvement 1:

c. Feature 2:

d. Improvement 2:

e. Feature 3:

f. Improvement 3:

THANK YOU FOR YOUR THOUGHTS AND YOUR TIME

1. Why. Our message has always been about lowering the energy usage in a facility – guaranteed savings. We don't talk about the technology

because it is typically beyond the scope of understanding by decision makers in the SMB market.

2. I chose Technology. We leveraged our existing technology knowledge of monitoring facilities, and took advantage of lower cost control solutions that have emerged in the last 5 years to lower energy usage.
3. Yes. The possibility is there if we segment the SMB marketing into common facilities or vertical markets. For example, if we simply concentrate on Fast Food Restaurants, we would attend fast food tradeshow, orient our marketing toward this segment, understand technical requirements and be a leader in that segment. That way we would start to build a knowledge base of how to work and operationally deliver efficiently and effectively. Jumping between commercial building, restaurants, cinemas, hardware stores, commercial properties, etc. At early stage dilutes our ability to create expertise and execute jobs profitably in the short term. We are choosing Jack-of-all-trades.
4. An analogy would be you wouldn't build a house without a plan. Application Engineering is the plan. It is required. We can capitalize on the "The Company" investment in application engineering by focusing on a target market (see comment 3).
5. No. We have an adhoc strategy at this point, learning as we go. We are building the metrics on the fly.
6. **Feature 1 – Financing and Incentives Model**

- Current - Ability to implement multi-facet financing model combined with ability to drive incentives and rebates from local utilities. High complexity would stop a SMB business owner from getting started.
- Improved – Less paperwork, simpler contracts. "The Company" moves quickly toward being: Easy To Do Business With.

Feature 2 - User Interface

- Current - The ability for a SMB client to view information that we provide has not been available to the market. We have built out our platform with an easy to understand User Interface of reports and metrics that are clear and concise.
- Improved – Move faster toward Mobile Ready interface so that individuals can take action, view results, and collaborate via mobile device.

Feature 3 – Data and Information Management Services

- Current – We track changes to the facility and equipment to make sure it is optimized and staying close to design standards and schedules.
- Improved – We are able to leverage "big data" across a vertical segment to start to see larger trends and information that will provide additional benefits to the entire customer base.

PM

1. Which of these statements are closest to the truth, and why? (Only choose one by click on the box)

☐Agile Volt is the best small buildings energy and control management system available, our customers should feel lucky to have it.

☐ We aim to understand our customers' needs and enhance their ability to increase their economic value by decreasing the building's operating expenses.

☒ Agile Volt is the best product of its kind because of its ability to include many different businesses into one integrated service. We would not be able to do what we do without our partners.

Why?

The financing of energy efficiency projects is often what prevents good projects from getting completed. Even though the long term savings of a project can be very high, often it is not financially viable for small firms to invest in the capital the project requires. AV is a unique offering because the financing is built in so that the energy savings over time and the incentives that accompany the measures allow small firms to participate.

2. While developing Agile Volt do you think we focused on the customer or the technology? Why or why not?

The customer was the focus because that was how the need was identified. The technology was chosen to fit the project and not vice versa.

3. Do you think there is a possibility to create a more economic design of Agile Volt in order to reach more of the market? Why or why not?

I'm sure there is although I'm not an expert on how the financing works.

4. Which of these statements are closest to the truth, and why? (Only choose one by click on the box)

   ☐Agile Volt is standardized because the cost of application engineering for each site does not justify the benefit.

   ☒Agile Volt's aim is to enhance customer value. Therefore, application engineering is a part of the service.

   Why?

Not sure I understand this question but I believe that customers expect technology to accompany a solution like AV and to offer transparency into the settings and building controls is a way they can participate using technology.

5. Do you believe we have proper metrics that match our business strategies? Why or Why not?

Yes, I believe we have implemented a wide variety of algorithms that are surely to address the various building types and equipment that we encounter.

6. Name three features of Agile Volt that are essential to its strategic position. Why are they essential, and how would you improve them?

   a. Feature 1: No up-front costs to the customer

   b. Improvement 1: up-front incentives

   c. Feature 2: Guaranteed energy savings

   d. Improvement 2: higher guaranteed energy savings

   e. Feature 3: mobile apps

f. Improvement 3: separation of applications into functional commands using wizards and operational status using current UI