RWE CHANGE FRAMEWORK

Pathway for Navigating Change

Organisation
Team
Me

Seeing & Understanding
Sustainability & Continuously improving
Framing & Choosing
Get going & Moving

Learning & Experiencing

Business environment

© Transcend Consultancy 2010
Winter 2012 – Seeing and understanding
A Systems Approach to Change – What is going on?
Understanding the Current Reality – Seeing Deeply

Ability To learn

- What just happened?
- Has it happened before?
- Why is this trend happening?
- What is it about our own way of thinking that allows it?

Ability To Influence

- React
- Anticipate
- Create
- Transform

Events
Patterns
Structures
Mental
Summer 2013: Framing & Chosing

Change Principles chosen

> Change is the disturbance of repeating patterns - Breaking dogma's

> Change is for a goal, it is inseparable from work (WHAT and HOW)

> The only thing you can change is what is happening right now

> Change starts with Self - Showing Courage and Getting out of the comfort zone

> Work with, not on an organisation… people support what they create (“masterful change”)

> Change approach has to mirror the future (“parallel process”)
Summer 2013: Framing & Chosing
How you "approach" change will determine where will you end up

There is a relationship between the success of complex change and the change approach

One Look | Complex
---|---
Simple | Distributed

- Master
  - Capacity build
  - Frameworks
- Emergent
  - Self organised
  - Maps: hard rules
- Self-assembly
  - Templates
  - Tool kits
- Directive
  - Tell/sell
  - Recipes
Winter 2013 / Spring 2014: Get going and moving

Change gives an emotional reaction to everyone, each employee goes through the "Personal Change Curve"

Personal Change Curve and reactions

<table>
<thead>
<tr>
<th>Phase</th>
<th>Shock</th>
<th>Denial</th>
<th>Anger</th>
<th>Bargaining</th>
<th>Low point</th>
<th>Acceptance</th>
<th>Hope/Commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reaction</td>
<td>&gt; Feelings of numbness</td>
<td>&gt; This isn't happening to me</td>
<td>&gt; Ok, it is happening</td>
<td>&gt; Feelings of guilt</td>
<td>&gt; Emotionally low, reacting to change in role and loss of meaning</td>
<td>&gt; No more strong feelings expressed</td>
<td>&gt; Learning to adapt to a new reality</td>
</tr>
<tr>
<td></td>
<td>&gt; Recuperate gradually</td>
<td>&gt; Seek disconfirming data; fear of confirming data</td>
<td>&gt; Why me?</td>
<td>&gt; If I change this one thing, or make this one promise, can I be spared?</td>
<td>&gt; Ready to change - or &quot;check out&quot;</td>
<td>&gt; Creativity level rises</td>
<td>&gt; New potential for performance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt; Cut off from feelings</td>
<td>&gt; Envy and resentment</td>
<td>&gt; Anticipating loss of valued relationships</td>
<td>&gt; &quot;Check out&quot; coincides with a loss of hope, though not in despair</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>&gt; Escape into fantasies about the future</td>
<td>&gt; Everyone seen as more fortunate is target</td>
<td></td>
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</tbody>
</table>

Source: Elisabeth Kubler-Ross
Winter 2013 / Spring 2014: Get going and moving
Manage human dynamics in change: SCARF model

The SCARF model captures the common factors that can activate a reward or threat response in social situations. In general, people want to minimize their threats and maximize reward. Applied to human dynamics in change, SCARF gives drivers of human behaviour and anxiety of people. Awareness of these drivers are important in managing human dynamics.

<table>
<thead>
<tr>
<th>SCARF</th>
<th>Description</th>
<th>Threats and Rewards and Examples of Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>S</strong>tatus</td>
<td>The relative importance to others</td>
<td>Threat: advice, instruction, negative feedback, performance reviews</td>
</tr>
<tr>
<td><strong>C</strong>ertainty</td>
<td>Ability to predict the future</td>
<td>Reward: promotion, attention to improvements a person made, positive feedback, value people</td>
</tr>
<tr>
<td><strong>A</strong>utonomy</td>
<td>Sense of control over events</td>
<td>Threat: change generates uncertainty: decreased by giving clarity on strategy, organisational structure, break a complex project in small steps, clear expectations, expected outcomes, provide people a certain date when more information will be available</td>
</tr>
<tr>
<td><strong>R</strong>elatedness</td>
<td>Sense of safety with others</td>
<td>Reward: value people who increase certainty in times of change</td>
</tr>
<tr>
<td><strong>F</strong>airness</td>
<td>Perception of fair exchange between people</td>
<td>Threat: change takes often autonomy away: decreased by creating awareness and pay attention, give people options</td>
</tr>
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<td>Reward: empower people (even in small things), manage your own hours, work at home</td>
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<td>Threat: a person may feel “out” of a group: decrease by sharing personal aspects, social networking, encourage social networking</td>
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<td>Reward: involvement. People support what they create, fairness is perception hence work on the perception</td>
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</tbody>
</table>

**Source:** David Rock Neuroleadership Institute
Winter 2013 / Spring 2014: Get going and moving
Summary – WHAT and HOW being addressed simultaneously

From…

<table>
<thead>
<tr>
<th>Burning platform</th>
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<tbody>
<tr>
<td>&gt; High net debt</td>
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<tr>
<td>&gt; Insufficient profitability</td>
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<tr>
<td>&gt; Fundamental changes in market environment</td>
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<tr>
<td>&gt; Current leadership &amp; team / individual capabilities and behaviours are a competitive disadvantage</td>
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<td>&gt; Lack of innovation and learning</td>
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</tbody>
</table>

Strategy – new strategy to achieve our RWE Future Picture

RWE 2015 / Performance 2017

Leadership Teams¹

Mental models

NLL²

DBP³

NWoW⁴

Change priorities

> Through strategy translation, everybody knows how to win
> Take leadership to the next level
> Increase your outward orientation and engage with the outside world
> Give clear feedback and reward performance
> Have courage to trust

To…

Compelling Corporate Story

Platform and multiplication into/translation for OpCos

Future Picture

Mission

Corporate responsibility/Brand – Corporate values

Trust - Performance - Passion

Become the most trusted, high performing partner for the transformation of the European energy system

Create value by leading the transition to the future energy world

¹ Leadership Teams = GLT = Group Leadership Team; GEM = Group Executive Meeting; Top 300/Top1400 = Leaders of the Group
² NLL = Next Level Leadership
³ DBP = Delivering Breakthrough Performance
⁴ NWoW = New Way of Working
Backup
RWE Management Agenda: Forging The Future

**Reshape the current business**
- Establish the case for change
- Dismantle no longer needed assets
- Take out unnecessary layers and costs
- Move to an integrated European functional structure and establish functional teams across Europe
- Create a winning team of the top 40 leaders
- Build change skills among the top 1400 leaders, roll-out “new way of working” to all employees

**Create new future opportunities**
- Create the compelling future picture story: Capture opportunities arising from combination of decentral and central energy supply
- Establish a group-wide Innovation platform with incubator
- Work with external partners to co-fund new revenue streams
- Leverage the “new DNA” of the group: Train top 180 on how to “lead from the future”

**Build a modern dynamic culture**
- **Let go**
  - Internal focus, entitlement, “we know best”
- **Continue**
  - Professionalism & mission to serve society, innovation
- **Create**
  - Empowered, informal, open, accountable, diverse, “we work together to solve things”, restore optimism and pride