The Industrialist

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Michael Loechle
Chief Information Officer, Hitachi Energy

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Hitachi Energy's journey to becoming future-ready with data and IT

Each month we speak to a different industry leader about their approach to innovation and the emerging trends impacting the industrial sector. For this edition we talked with Michael Loechle, CIO of Hitachi Energy, about the company's recent journey: re-building its IT estate from the ground up after the carve out from ABB, prioritizing its cybersecurity and its invaluable data, and becoming the future-ready organization it now is. Michael also shared how they are advancing the shift to sustainable energy.

Hitachi Energy´s journey and the role of the CIO

Managing data for insight and growth

Addressing cybersecurity in IT and OT environments

Advancing a sustainable future

In conversation with Hitachi Energy's CIO, Michael Loechle

Michael Loechle
Chief Information Officer,
Hitachi Energy

The energy business finds itself in a volatile situation—geopolitical, macroeconomic, environmental and technological. Hitachi Energy, an industry leader, has an unusual advantage: it is a newly formed company with more than two centuries of technology leadership. As a new company, its IT estate was designed and built very recently. We asked its CIO Michael Loechle how that affected the company's priorities and approach.

What one word describes you best?

Reliable

Can you tell us about Hitachi Energy, how the company got where it is today, and your role as CIO in this journey?

It was quite a journey! It all started a few years ago when ABB divested its power grids business to Hitachi.

I was then the CIO of ABB. I was involved in the due diligence to transition the company to Hitachi. I moved to the Hitachi ABB Power Grids joint venture in 2019 and in 2023, Hitachi Energy became a fully owned subsidiary of Hitachi.

We serve customers in the utility, industry and infrastructure sectors with innovative solutions and services across the value chain.

I think what made this journey a unique experience is that Hitachi's acquisition strategy required us to come into the group as a totally independent unit. No integration at all—not with their IT network, or their email system, or even as a tenant in their offices. This meant we had to build everything from scratch: our network, our infrastructure, everything! And that was for a company generating over $10 billion in business volumes. We migrated over three-and-a-half thousand applications and eliminated thousand. In the middle of all this came the pandemic, which forced many of us to work remotely and later interrupted our supply chain for semiconductors and computers. In spite of this we completed our IT Build Up program on July 1 this year—on time and within budget, which I think is a major achievement.

The journey obviously continues. Where are you today and what is top of your priority agenda for the foreseeable future?

We are in the middle of the energy transition and we are championing the urgency and pace of change needed to reach Net Zero. And our IT team needs to support the growth accordingly. Another major project is our SAP S/4HANA implementation, which will replace more than 30 local, country-based ERPs. This is a big deal because it's not just a software implementation, it's also a big transformation effort on the business side.

At the same time we have to support our business drivers, with focus areas such as Service (our Service business) and Digital. Digitalization is very important to achieve this and we're putting a lot of effort into it.
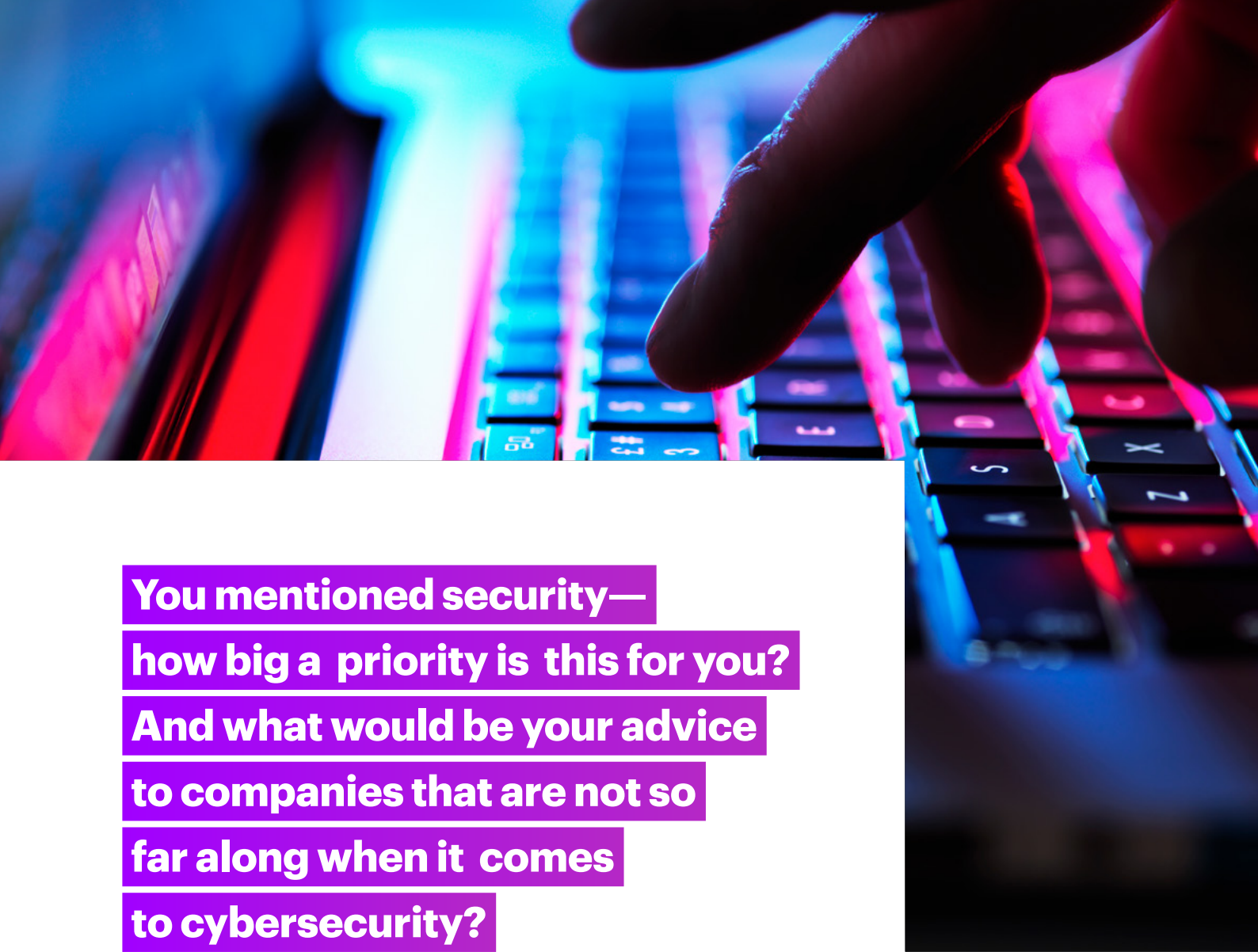
You mentioned security—how big a priority is this for you? And what would be your advice to companies that are not so far along when it comes to cybersecurity?

It has always been important, but it has become one of the top issues—it's a boardroom topic.

Cybersecurity across our business and value chain is a priority. Hitachi Energy takes cyber and information security seriously to protect ourselves and our customers.

Our cybersecurity team is putting governance behind it, proper architecture guidelines, and similar security policies and actions to those we have on the IT side. This will help ensure the business environment is up to date, safe and secure.

The second step is just as important: taking care of our operational technology (OT). We are addressing this, and as before this starts with an asset register. It's a matter of defining the procedures for doing things like introducing a new computer in the production environment—the things we tend to take for granted in the IT environment. It's about ensuring security without being inflexible or bureaucratic.

Every factory is on the internet. If you want to be 100% secure, take it offline. But that's not an option, so security remains a top priority.

How relevant is AI, and generative AI in particular, for your organization?

It's going to be a game-changer in many respects.

Our business is technology. Elements of AI in various parts of the business have been used for quite some time. In quality assurance, for example, we take photographs at different stages of the manufacturing cycle and analyze them with AI for early detection of deviations from the expected standard. In legal, HR and supply chain we have been using chatbots for the past two years that can understand questions in natural language and provide pretty sophisticated answers that are based on data that is relevant to the person asking the question.

You can call this and the other examples AI because obviously there is AI behind them.

What is new, of course, is the broad availability of these generative AI tools. And the way they can be used by almost everyone. They will be everywhere—in the Microsoft suite, in Google´s products and services, in all the everyday apps and tools we are using. You get it for free and sometimes you don't even know that there is AI behind it.

The potential is enormous, and we're only at the very beginning of understanding what it can do for us and drive our business further.

What is your view about data, and how do you manage it?

Data is everything. I get annoyed when people say data is the new oil—data has always been the oil.

I mean, data is everything, and we're still not paying enough attention to it.

I mentioned our S/4HANA project. And guess what: the problem we have is data. ERP has been around for probably 25 years and the issue has always been data. S/4HANA is even less forgiving than some of the older versions because you really need to have data in a proper shape. And not only master data, not only financial data, but all kinds of data. Any data within a company needs to be treated with a certain respect, because we may rely on it at some point.

We talk about data lakes, big data and analytics, and how AI can reveal patterns and insights which we never had before. But it all starts at a very simple level: be very picky about your data and make sure it's right when you enter it the first time.

If you get it right from the beginning, you can dream about digital twins and all that. Get it wrong and your bad data will ensure that your digital twin won't.

So I continuously highlight how important data is. This is more a mindset than a technology problem and we communicate how important data is across our whole organization.

Your installed base plays a key role in supplying the data you need for your product solutions and services. How do you manage this

That's a very, very relevant question, especially as we move toward strengthening our service business. It has been obvious for years that companies can be more profitable servicing products like gas turbines than just selling them. This is also where companies can provide huge benefit to customers: getting the right information from sensors that warns in advance that some component is about to fail. At a company I previously worked for, I saw this in action. Having this information available made it possible to ring the customer and say "Hey, you know what? Your gas turbine may have issues. We'd better come out because if a blade wears out,

the turbine is gone for a couple of days, and that means you probably can't generate energy for a couple of days, which of course would be a disaster." That's fantastic!

So the data coming back from our installed base is our crown jewel. It's the core of our service business going forward and the key to giving more value to our customers. We're working hard to collect it better and quicker than we do today, with Salesforce as our strategic platform. Spare parts management will also be key, whether it's on S/4HANA or some other platform.

Sustainability is a critical factor for manufacturing as well as adjacent industries. How is your organization responding?

Sustainability is at the heart of our Purpose, which is advancing a sustainable energy future for all.

We are committed to the UN Sustainable Development Goals (SDGs) and are making a significant contribution to 8 SDGs in particular. Four pillars guide us: Planet, People, Peace, and Partnerships.

In June 2021, we launched "Sustainability 2030," and one year later, our "Hitachi Energy 2030 plan," a purpose-driven strategic plan setting out our commitments to drive sustainable and profitable growth. Aligned with the UN's Sustainable Development Goals (SDGs), it also allows us to create a platform for stronger collaboration and innovation with our customers and partners.

With our core technologies and portfolio of products, systems, software, and services, we contribute to decarbonizing the existing and future energy infrastructure.

High-Voltage Direct Current (HVDC) systems—a technology we introduced in the market over 60 years ago has become a key enabler for large-scale renewable integration and interconnections. With the latest generation of our HVDC Light, we are enabling >30 percent carbon reductions.

Our EconiQ™ portfolio of products, services, and solutions that are proven to deliver exceptional environmental performance is another good example of our commitment toward a carbon-neutral energy future.

We were awarded the EcoVadis Gold Medal for our strategic approach to sustainability in 2022.

When it comes to IT, we require all our top providers to be certified for carbon neutrality going forward. We do not want to work with partners who are not fulfilling or working toward that target. That's a direct influence we have. An indirect influence is to provide data and information to our businesses which give them visibility of the CO2 footprint of their factories, allowing them to make the right decisions toward carbon neutrality.

We are at the heart of energy transition, and we are taking practical steps on a daily basis with all our projects and the products and services we provide to our customers. And while it is part of the purpose of our company, it has other benefits too. It puts us in a strong position and resonates very well with talents who care what their employer stands for.
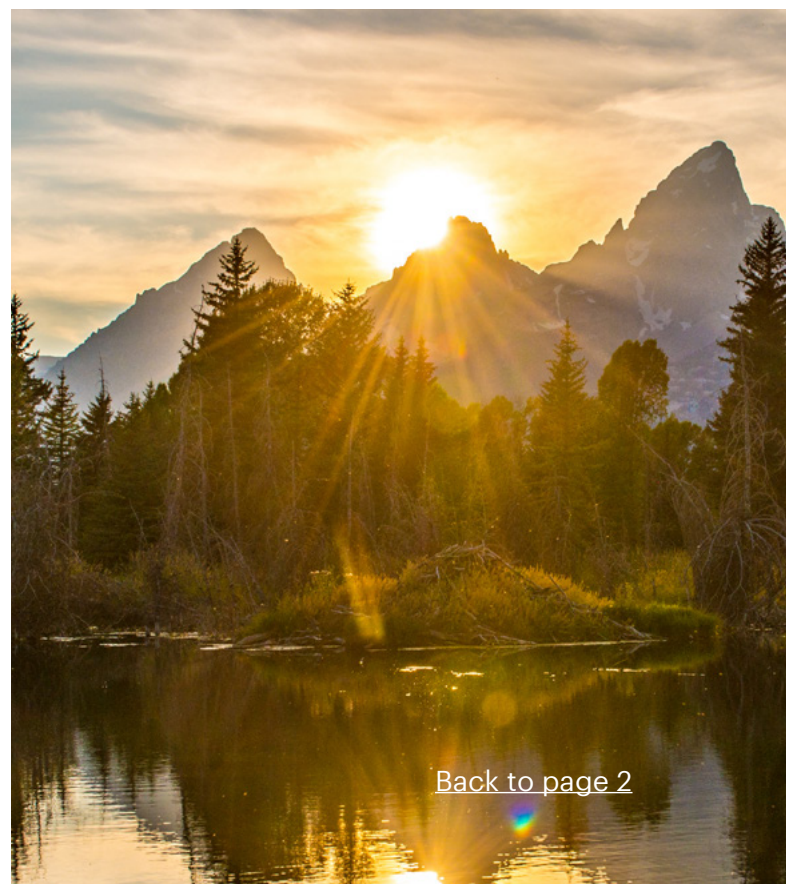
What inspires you the most?

I've been in international businesses for almost 30 years. I think what I enjoy most about it, and what inspires me the most, is working with a truly global, diverse, multi-cultural team. It's such a privilege to be surrounded by excellent people from different cultural backgrounds, different countries, different walks of life. I never tire of it, and after all this time I'm still inspired by this environment daily.

In closing

The role that technology plays in helping organizations compete and succeed has never been greater. Cloud, data analytics, artificial intelligence—these are among the key technologies that companies are using to create a strong digital core. As a result, tech leaders such as CIOs and CTOs have a critical role in unlocking data´s value to capture business value and to help industrial organizations reinvent.

How can industrials orchestrate data and technology effectively to achieve business value?

Every enterprise knows how important data is—and always has been—for running a business: managing day-to-day enterprise operations, making critical decisions, forecasting the future, and reporting on the health of the business. But over the past decade, data volumes have grown exponentially, while cloud has continued to open an ever-greater array of advanced data capabilities—especially artificial intelligence (AI) and machine learning (ML). The pace of advancement was becoming breathtaking, and at the same time the data landscape has just become more and more complex. Put simply, there's much more to handle now, at greater speed. So, it doesn't come as a surprise that industrial companies are still struggling to work out where investment in tech should be prioritized and how to apply it.

CIOs and CTOs are now center stage to help guide the C-Suite in capturing value for the business. This journey begins with figuring out data as a key driver of reinvention and more advanced technologies like AI. A recent Accenture report around cloud data offers six foundational data practices—including from freeing data from silos and

legacy systems, to sharing data seamlessly and securely with the broader ecosystem—that can help tech leaders get started and effectively harness the power of data to create measurable business value from its insights.

What's more, is for industrial companies to get ahead by shifting their mindsets: start thinking of data as a form of capital that is essential for the business to thrive in the future. This is exactly what Hitachi Energy's Michael Loechle emphasized in his interview for this edition of The Industrialist. It becomes clear that investing in the digital core underpins all the other strategic needs of the enterprise. Industrial companies that do just that stand to gain greater business agility, higher production efficiency, more opportunities to reach new untapped profit pools and an engine for generating sustainable value and lasting profitability.

Best regards,

Thomas Rinn
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Global Industrial Lead, Accenture
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About The Industrialist

The Industrialist is our monthly digital publication that puts game-changing perspectives in the spotlight. It combines thought-provoking content and insights, to keep you on top of what's new in the industrial industry.

Featuring different CXOs and diverse views, you can be inspired by leading innovators, explore the latest trends, tools, technologies, and innovations, and ignite your industry interest with transformational thought leadership.

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