How do you solve a problem like oil dependency? - A Case Study on Better Place

Hyperbole surrounds the Better Place conversation like an unwelcome gas cloud. And it’s no wonder; the six year project presented a rise and fall of epic proportions. An extraordinary level of hype and subsequent investment meant that the story of Better Place would never be a quiet one. A genuine alternative to the apocalyptic oil narrative, Better Place offered the thing that we have all been craving, and the means by which it could be actualized. When confronted with the question, how do we make the world a better place? Shai Agassi responded, we get rid of oil. The answer, it seemed, was to make electric cars achievable on a general scale. In order to do this the cost had to be the same, if not cheaper, than gas, and so called 'range anxiety' had to be confronted. Agassi proffered a subscription model, similar to a mobile phone contract, whereby customers paid for their usage through a rolling contract, rather than all in one go. Range could be dealt with through a battery swap system; Agassi intended to structure a system of battery stations that could swap a car's battery in a matter of seconds. So far so dreamy. And so when in 2013 the company found itself filing for bankruptcy, huge losses were implied. Manifestly, a lot of money was gone. But the very public failure of Better Place also prompted a sea change in attitudes towards electric vehicles in areas, such as Israel, where they offered the most significance. A Danish EV driver described the negativity that is now entangled with EV's, 'Unfortunately, the fact that our country, together with only Israel, was the test lab for Better Place and the unfortunate Renault Fluence has meant that many people are now sceptical toward EVs'... 'Better Place has made Denmark a worse place for electric vehicles since the company's dramatic demise in May 2013.' Much of the blame has been placed on Agassi himself, various publications have cited his essential character as the cause for Better Place's very dramatic downfall. This study explores how many, if any, of the reasons for the company's failure can really be attributed to leadership and the application of strategy. If so, what can be learnt from this, and where does it leave the position of electric vehicles in 2014 and beyond.

The Clean-Tech Missionary

Better Place was first proffered as a concept at the 2005 World Economic Forum in Davos, Switzerland, but most people will have learnt about it, and its enigmatic founder, at Shai Agassi's 2009 TED Talk. Agassi's talk is a representation of both his most valuable and his most destructive tendencies. 'A proud Israeli with a bit of a Steve Jobs complex' as Fast Company described him, Agassi did indeed turn up to the TED Talk in a signature Steve Jobs turtle neck. He then went on to describe his concept along the same terms as the mp3; an innovation so radical that it changed attitudes regarding ownership forever. He also likened it of the abolition of slavery. And this is where commentators stumble. Because in many senses Agassi is right. If implemented, the transition from oil to electric vehicles would make the world a profoundly better place, particularly in Agassi’s home country of Israel. Agassi was acting as a one man hype machine for a world saving idea; he did the job extraordinarily well. Investment and important friends poured in, and it wasn’t long before Agassi was positioned in a very conspicuous way as our saviour from big bad oil. Whether or not Agassi had begun the Better Place project with this understanding, it soon seeped into the rhetoric that surrounded him. In a feature with Wired magazine in 2008, Agassi was asked how he might deal with a competitor stealing his idea, to which he responded, 'The mission is to end oil, not create a company'. The trouble for Agassi was that he really needed one to achieve the other. From some of its earliest origins, Better Place was more an ideology than it was a company.
The first customer deliveries of the Renault Fluence Z.E cars didn’t take place until 2012, three years after Agassi’s TED Talk. In keeping with the dramatic manner with which the project had begun, the Better Place dream was perpetuated through a theme park. Opened in February 2010 in a Tel Aviv industrial park, the Better Place visitor centre featured a luxe cinema environment with reupholstered vintage car seats dubbed ‘the solution centre’, life size Agassi holograms, and a track where visitors could test drive the prototype cars. The centre has apparently hosted names such as Nicolas Sarkozy and Leonardo Di Caprio. A tour of the visitor centre can be viewed here: https://www.youtube.com/watch?v=E7cby1Ko71c.

Just as many had hopped onto the Better Place bandwagon in a flurry of idealism, there were many that continued to find the offer unsuitable. Notably, in 2009 the US Department of Energy offered loan guarantees to a collection of clean-tech startups, including Better Place’s competitor, Tesla Motors. Better Place received none of this funding. It simply had not partnered with a single carmaker whose vehicles were currently available in the US. Aliza Peleg, Better Place’s Vice President of Operations until 2010 said of Agassi, 'by the time he's thought of something, to him it's been completed, it's been achieved.' Carmakers needed a little longer than that. Any embedded conservatism in the carmakers’ negotiations automatically clashed with Agassi’s abundant futurism. The Renault Fluence Z.E was the only car to be available on the Better Place network. There was an urgency inherent in Better Place’s ideology, but attitudes within the motoring industry needed to time to adapt to Agassi’s radical innovation.

Making it Happen - The saga of the robotic arm and other cautionary tales

There is a story about the origins of Better Place’s ‘robotic arm’ battery switching stations. Detailed in the 2009 Wired magazine feature, the idea was the product of an engineers and executives meeting to discuss the design for the new charging spots. Tal Agassi, Shai’s little brother, proposed three potential designs, all of which were met with an abundance of questions. The nature of Better Place’s value proposition meant that everything they did was being done for the first time. All of the proposed designs were too complicated in Shai’s mind. Chaos ensued. Tal suggests a hydraulic arm. Further chaos. And before anyone knows it Shai has adopted a new idea with characteristic fervour, ‘In 2008, we put the cable in the unit, in 2010 we use an arm, in 2012, there’s a smart arm that connects automatically. For the home unit, the users get a pull cable for free, or they pay $500 and they get auto connect. It'll cost $250 to build, and we'll sell it for $500’. An example of what has been dubbed ‘Shai math’; excitement around a concept derails analytical calculations for grand, less considered statements.

The robotic arm characterizes the extraordinary nature of a project as entangled with the future as Better Place. It is a brave concept, and really, methodical, incremental innovation seems somewhat unsuitable to the task. Equally, in order to achieve inexpensive, widely available electric vehicles with a functioning infrastructure in a limited time frame, something has to give. You can’t be EasyJet and Concorde all at once. The robotic arm saga is a lesson in the necessity of reality checks. Every company - most people - will have their own ‘robotic arm’ moment. At this point priorities need to be evaluated - cost, time, technology, design - Better Place was acting as if it could have them all.

Further, there were oversights regarding the cultural infrastructure. Better Place was clearly doing something different, but it had to function within an already existing system. Car industry
specialists were startlingly few on the payroll. Israel particularly has a car industry that required specialist understanding. A large proportion of new car sales are to business fleets, who provide the vehicles to their employees. The workers pay a usage tax dependent on the vehicle's value, including the battery, making Agassi’s value proposition of an affordable car much less relevant to these consumers. Agassi had been a talented communicator, but Better Place might have benefitted from a team of specialists equally able to listen.

The Alternative Routes to a Better Place

The title of Agassi’s 2009 TED Talk implicated it’s magnitude, 'A new eco-system for electric cars'. An innovation this vast was bound to encounter hurdles. Disproportionate spending and a scarcity of reality checks featured in the company’s downfall; perhaps unsurprisingly, when the very nature of its founder is to dream big. Equally, if it hadn't been so, the idea might not have seen its way past Davos. Those now taking precedence as legitimate EV producers will be learning from Better Place. In June 2013 the Tesla Model S car was part of a demonstration showing a battery swap taking place in less than 90 seconds. Tesla offers the consumer a choice; between charge or replaceable batteries. In its shareholder letter of November 2013 Tesla reported that 90% of its customers opted for the charging facility. Significantly, Tesla exhibited the capacity for open innovation in accepting the potential of battery swaps. By offering consumers choice, they allow their EV options to develop organically - demonstrating that particularly valuable business trait - listening. Alternately, GreenWay, a Slovakian firm, is building an inexpensive EV charging infrastructure for its delivery vans. Developing on the Better Place concept, GreenWay has narrowed its market to a core segment. The vehicles operate on a lease basis, minimising high upfront costs to the customer. The radical innovation has been made- Agassi has suggested something completely new. Those taking the reins will be innovating incrementally on that basis. What can we expect from the future EV producers? Something a little quieter perhaps, a little more considered, and a lot less dramatic.

Further information on the Tesla Model S can be found here http://www.teslamotors.com/en_GB/goelectric#

and on GreenWay here http://www.greenway.sk/en