



IBM Global Business Services

IBM Global CEO Study 2008 Highlights:
The Utility of the Future



The 2008 IBM Global CEO Study is based on interviews with CEOs and organization leaders and in-depth analysis of the resulting data

The CEO Study focused on the effects of three developments on organizations:

- **New and changing customers** – changes at the end of the value chain
- **Global integration** – changes within the value chain
- **Business model innovation** – the business response to these changes

Scope

- Company CEOs or major company division leaders (78%) and senior public sector leaders (22%)
- Representative sample across geographies and industries
- Geographies and Markets:
 - 31% in Americas, 36% in EMEA, and 33% in Asia
 - 80% in Major Market countries and 20% in Growth Market countries
- Organization Size:
 - Companies with annual revenue of over \$500Mn in Major Markets and over \$250Mn in Growth Markets
 - Public sector organizations with over 1,000 employees



Approach

- Conducted interviews with 1,130 CEOs and leaders worldwide:
- Analyzed the results from both a quantitative and qualitative perspective
- Integrated the results with other IBM analysis and points of view on business topics and industry-specific issues
- Published *The Enterprise of the Future* – a summary of the key findings from the global executive sample

Source: IBM Global CEO Study 2008

Five Core Traits of the Enterprise of the Future were derived from the global, cross-industry responses to the CEO Study

The enterprise of the future is:

- Hungry for change:** The Enterprise of the Future is capable of changing quickly and successfully. Instead of merely responding to trends, it shapes and leads them. Market and industry shifts are a chance to move ahead of the competition.
- Innovative beyond customer imagination:** The Enterprise of the Future surpasses the expectations of increasingly demanding customers. Deep collaborative relationships allow it to surprise customers with innovations that make both its customers and its own business more successful.
- Globally integrated:** The Enterprise of the Future is integrating to take advantage of today's global economy. Its business is strategically designed to access the best capabilities, knowledge and assets from wherever they reside in the world and apply them wherever required in the world.
- Disruptive by nature:** The Enterprise of the Future radically challenges its business model, disrupting the basis of competition. It shifts the value proposition, overturns traditional delivery approaches and, as soon as opportunities arise, reinvents itself and its entire industry.
- Genuine, not just generous:** Enterprise of the Future goes beyond philanthropy and compliance and reflects genuine concern for society in all actions and decisions.

Source: IBM Global CEO Study 2008



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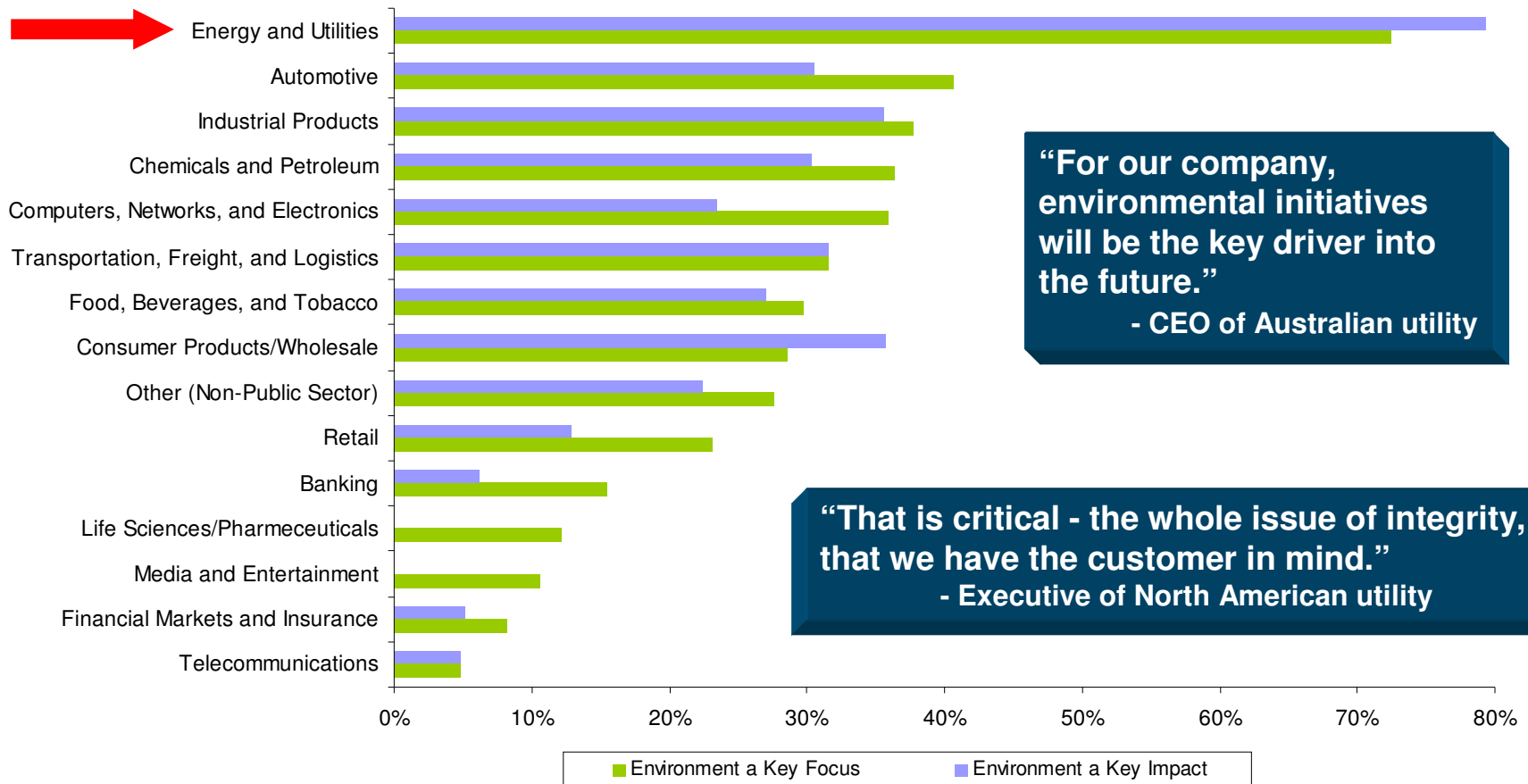
The Characteristics of
The Utility of the Future
Genuine, Not Just Generous



GENUINE, NOT JUST GENEROUS

For utilities, the environment is the key to reputation on corporate social responsibility (CSR) to a far greater degree than for other industries

Comparative analysis by industry: Impact of environmental issues and focus on environmental programs, 2008-2011



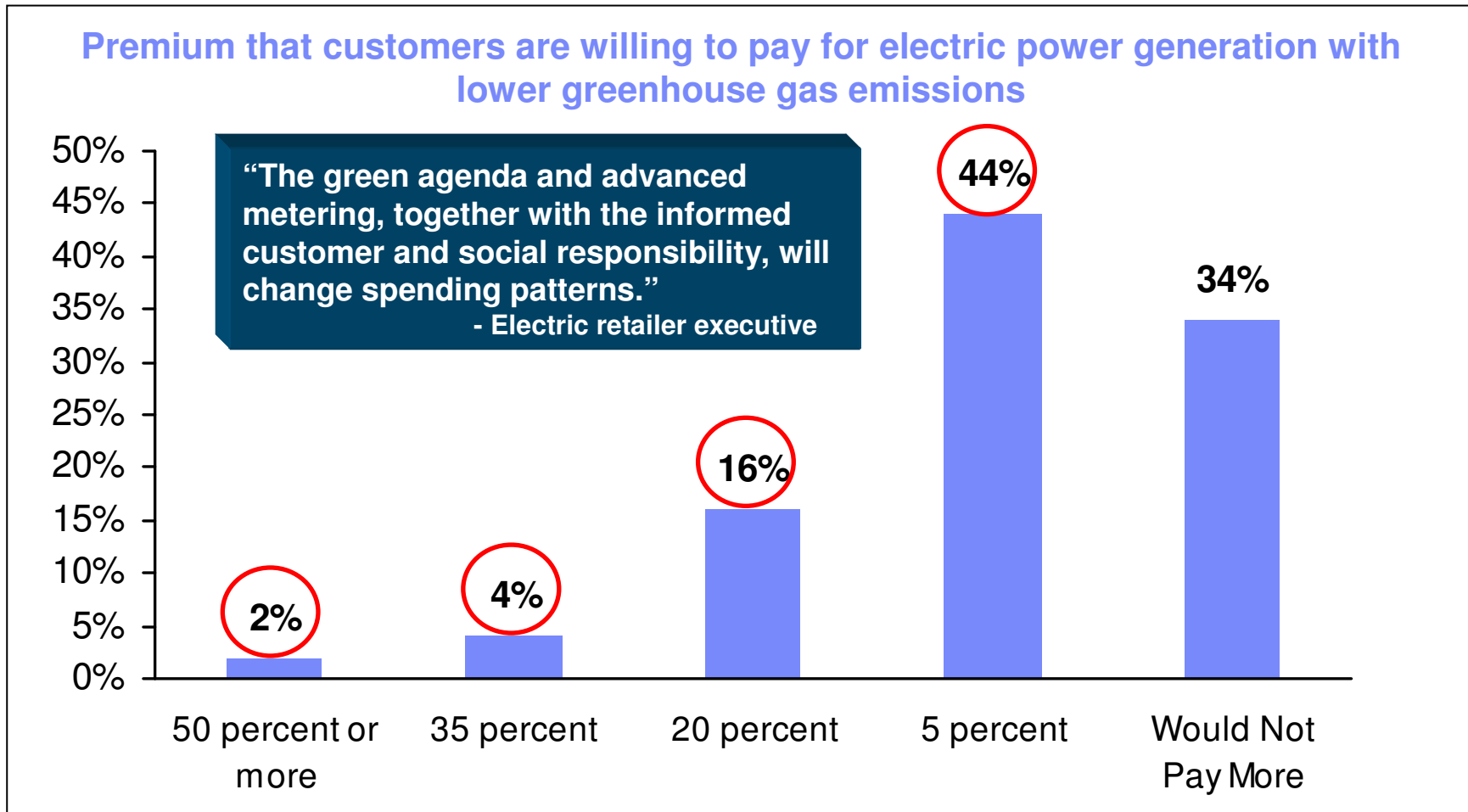
“For our company, environmental initiatives will be the key driver into the future.”
- CEO of Australian utility

“That is critical - the whole issue of integrity, that we have the customer in mind.”
- Executive of North American utility

Source: IBM Global CEO Study 2008

GENUINE, NOT JUST GENEROUS

Despite increased costs, 76% of utility CEOs view CSR expectations as an opportunity for growth – primarily through new products and services



Source: 2007 IBM Institute for Business Value Consumer Survey



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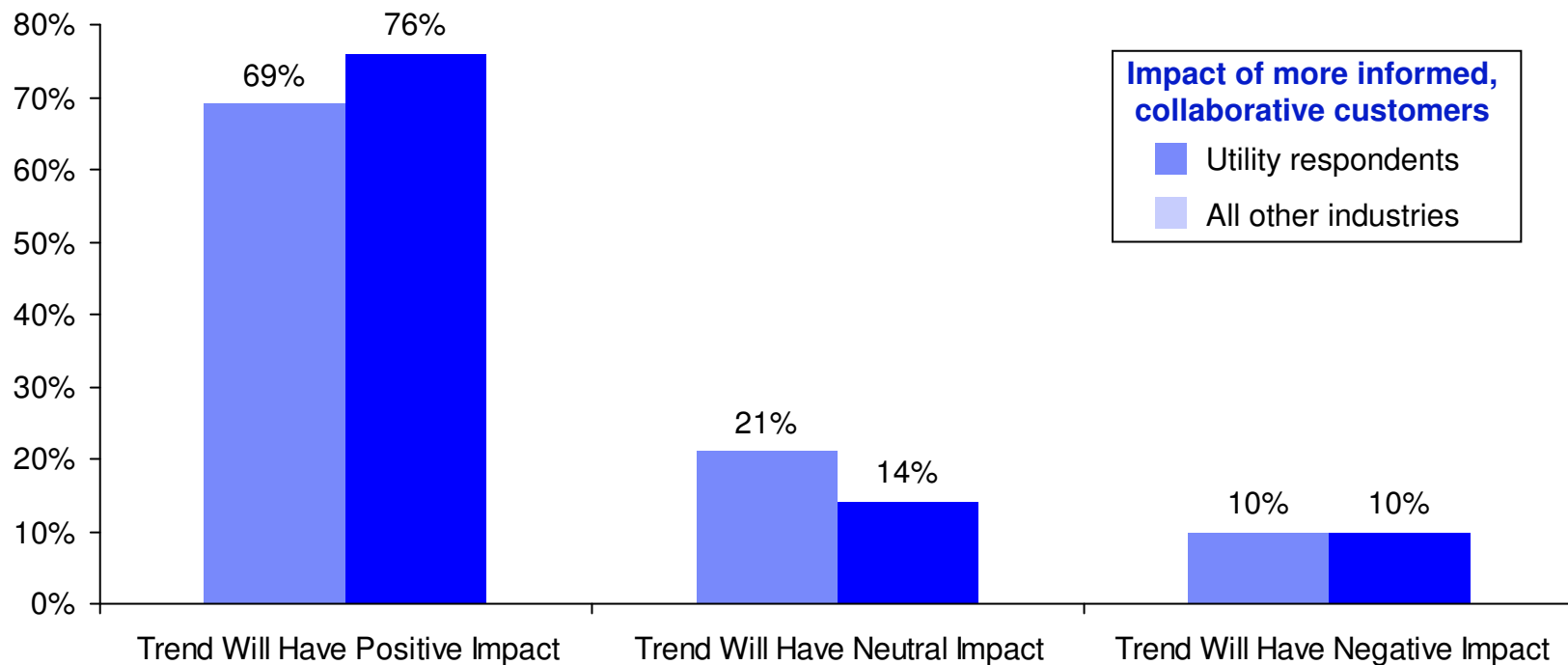
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The Utility of the Future
Innovate Beyond Customers' Imagination



INNOVATIVE BEYOND CUSTOMER IMAGINATION

Customers are becoming more informed, and utility executives view this as positively as their peers across all industries

CEO expectations of the impact of changing customers on their business



“Keeping up with the real-time needs and expectations of consumers will grow exponentially in the electric business over the next 3 years.”
 - North American utility executive

Source: IBM Global CEO Study 2008

INNOVATIVE BEYOND CUSTOMER IMAGINATION

Customers' imaginations about what they want from energy providers will be shaped by control and options available in other parts of their lives...

	Media Consumers	Energy Consumers	
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Decision-Making Initiative Taken</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">High (Active Consumer)</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Low (Traditional Consumer)</p>	<p>Passive receipt of content, with limited sources of content generated by major media companies</p>	<p>Passive receipt of power, with limited sources of generation controlled by incumbent utilities</p>	<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Time – Industry Evolution</p>
	<p>Consumer interest drives new and more targeted choices in content, and broader choice of providers drives more active role in provider selection</p>	<p>Consumer interest drives new and more targeted choices in power supply (e.g., green energy) and broader choice of providers drives more active role in provider selection</p>	
	<p>Dynamic, value-based pricing of content; provider-customer relationship dynamic is customized to specific entertainment and information interests, with consumer analytics a key driver</p>	<p>Dynamic, value-based pricing of power (e.g., time-of-use); provider-customer relationship dynamic is increasingly customized to specific energy management goals, with consumer analytics a key driver</p>	

“We do expect revolutionary change around customer centricity issues.”
 - CEO, large electric retailer

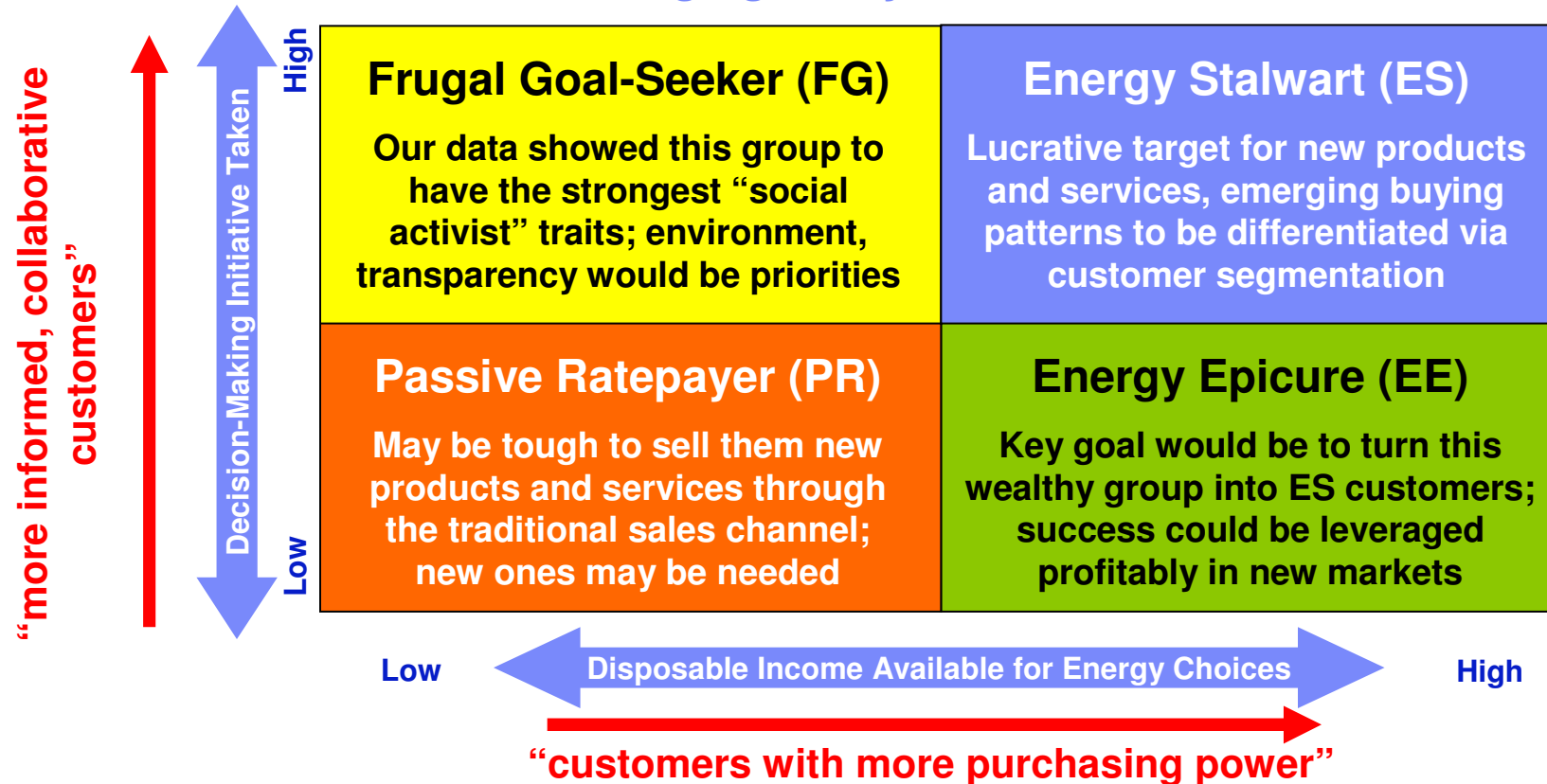
This will drive a shift from the traditional utility-controlled relationship with ratepayers to a more customer-driven experience

Source: “Plugging in the consumer: Innovating utility business models for the future,” IBM Institute for Business Value, 2007; IBM Global CEO Study 2008.

INNOVATIVE BEYOND CUSTOMER IMAGINATION

... which, in combination with technology that enables more control over energy decisions, will lead to new and more profitable customer segments

Emerging Utility Consumer Profiles



More details on these profiles can be found in the 2007 IBM Institute for Business Value paper [Plugging in the consumer: Innovating utility business models for the future](#)

Source: “Plugging in the consumer: Innovating utility business models for the future,” IBM Institute for Business Value, 2007; IBM Institute for Business Value analysis..



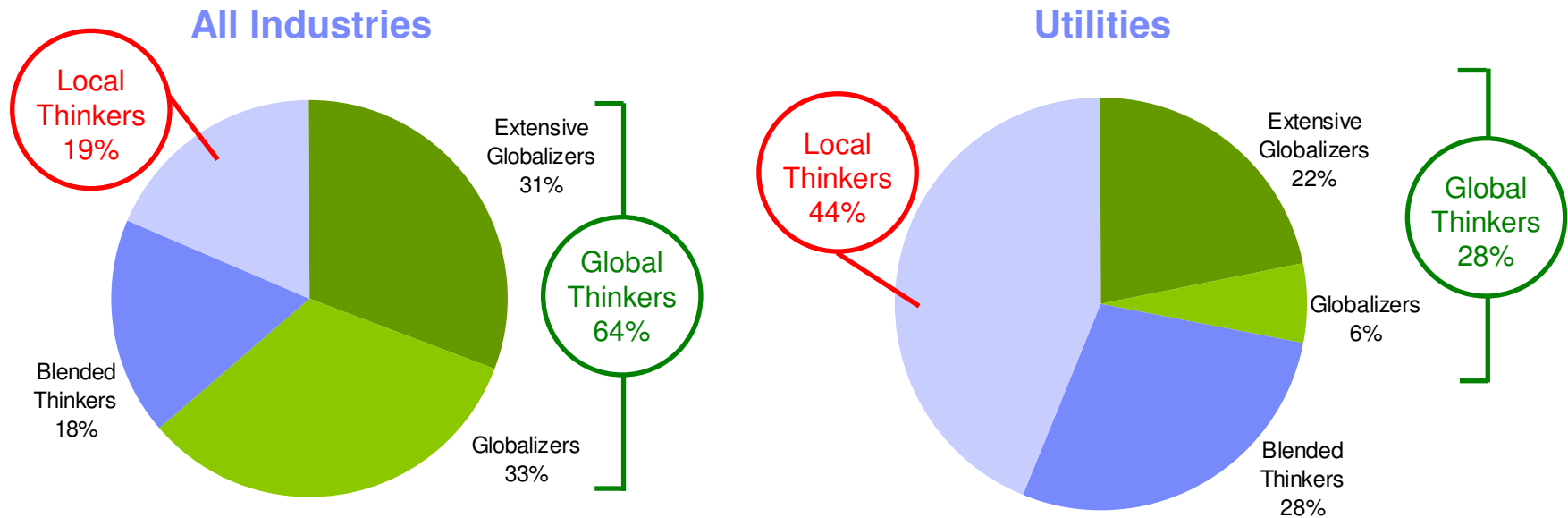
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The Characteristics of
The Utility of the Future
Globally Integrated



● GLOBALLY INTEGRATED

Utility CEOs see their companies as primarily locally-focused, which differs from the view other industry CEOs have of their businesses



“Global integration has slowed due to slower regulatory change diminishing opportunity. The issue is whether to wait for opportunities to open up again, or target other opportunities now.”
 - Utility CEO, Asia

Source: IBM Global CEO Study 2008



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The Characteristics of
The Utility of the Future
Disruptive By Nature



 **DISRUPTIVE BY NATURE**

Three types of Business Model Innovation are highlighted in the 2008 CEO Study

- **Enterprise Model Innovation (EMI):** This approach involves innovation in the structure of the enterprise and the role it plays in new or existing value chains. This approach focuses strongly on leveraging enterprise assets, technology, and core competencies – often through collaboration or partnerships.
- **Revenue Model Innovation (RMI):** This approach involves innovations in how companies generate revenues by reconfiguring offerings (product/service/value mix) and/or by introducing new pricing models. This is a dimension that leverages customer experience, choices, and preferences.
- **Industry Model Innovation (IMI):** This approach involves innovation in the industry value chain through redefining an existing industry, moving into a new industry, or creating an entirely new one.

“There are profound opportunities to benefit from changes in the industry and how business models will be challenged.”

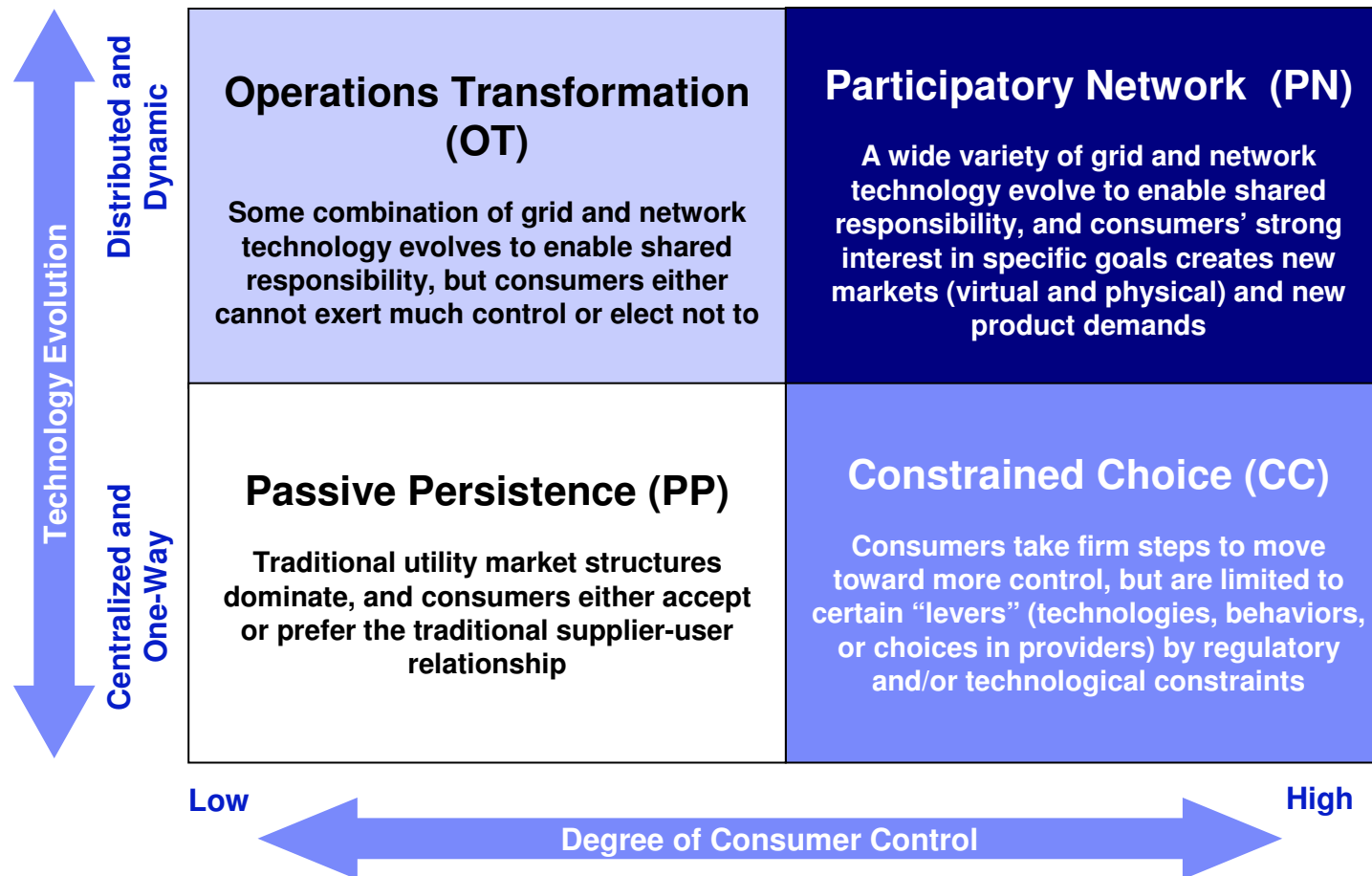
- Electric utility CEO

Source: “Paths to success: Three ways to innovate your business model,” IBM Institute for Business Value, 2007.

DISRUPTIVE BY NATURE

Four utility industry models will evolve over the next decade, determined by transfers of decision-making and deployment of advanced technologies

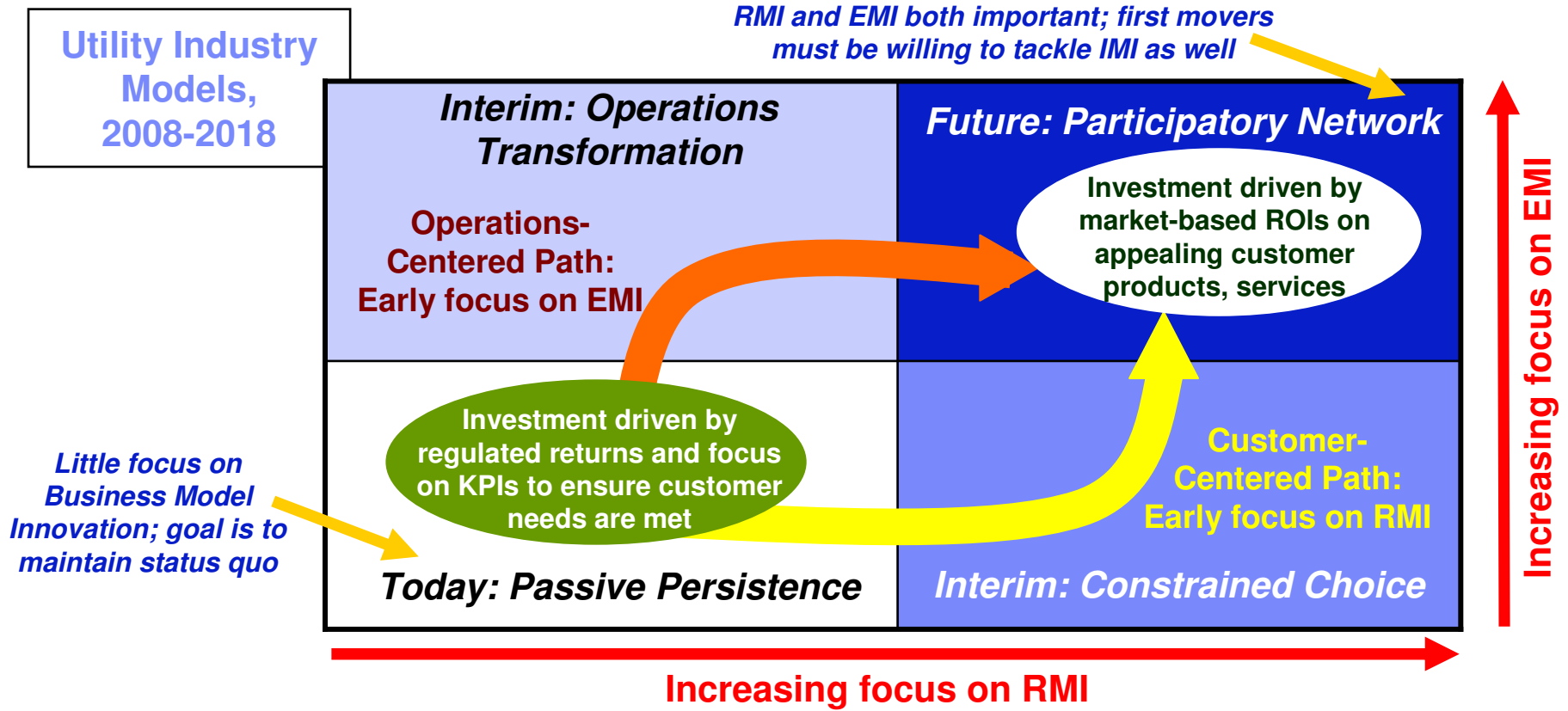
Utility Industry Models 2008-2018



Source: "Plugging in the consumer: Innovating utility business models for the future," IBM Institute for Business Value, 2007.

DISRUPTIVE BY NATURE

As the Participatory Network develops and evolves, most utilities will move through interim business model innovations on the path toward it



Excellence will come from finding the right mix between renewing the business model and the operations processes.”
- Utility CEO, Western Europe

Source: “Plugging in the consumer: Innovating utility business models for the future,” IBM Institute for Business Value, 2007; “Paths to success: Three ways to innovate your business model,” IBM Institute for Business Value, 2007; IBM Institute for Business Value Analysis.



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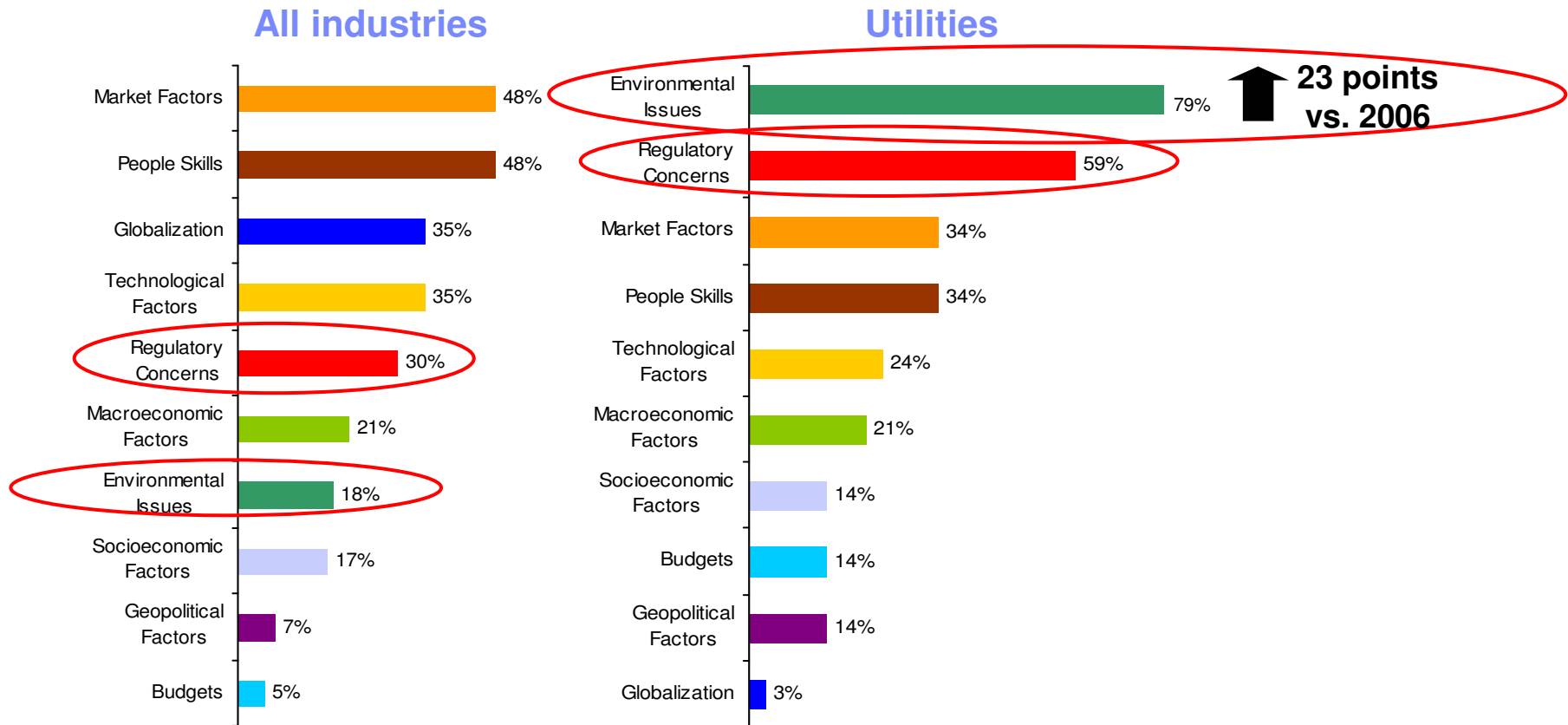
The Characteristics of
The Utility of the Future
Hungry for Change



HUNGRY FOR CHANGE

The need for utility change is driven by many of the same challenges as other industries, but environmental and regulatory issues are much more important

External forces impacting the organization



Source: IBM Global CEO Study 2008, IBM Global CEO Study 2006



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The Characteristics of The Utility of the Future

Summary



As Enterprises of the Future, utilities across the globe will be preparing for changes on several fronts



- More informed and collaborative customers will have a profound impact on the shape of the industry as they demand more control over their energy sources and consumption
- The utility industry's response to environmental issues has given the industry valuable experience and a leadership position in that area
- Most utilities are not Globally Integrated Enterprises, but understanding “globalization gaps” seen with other industries can help energy and utility companies think effectively about leveraging elements of globalization that are already present (e.g., supply chain and services) and finding new benefits
- These changes will cause major shifts in business models as “passive persistence” gives way to transformational innovation in enterprise and revenue models