



IBM Global Business Services

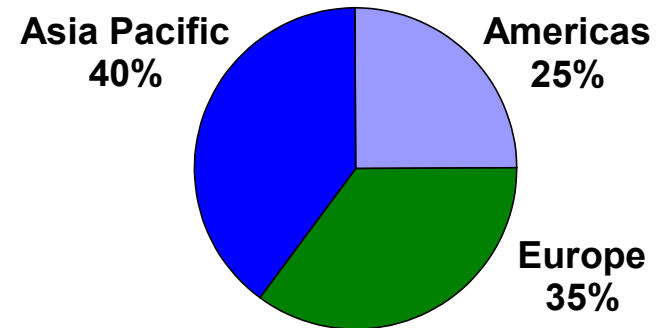
Expanding the Innovation Horizon: 2006 Global CEO Study

Public Sector Viewpoint

Krishna Giri
Public Sector Leader, ASEAN / South Asia
IBM Global Business Services

2006 Global CEO Study is based on interviews with a large representative sample of CEOs across Geographies

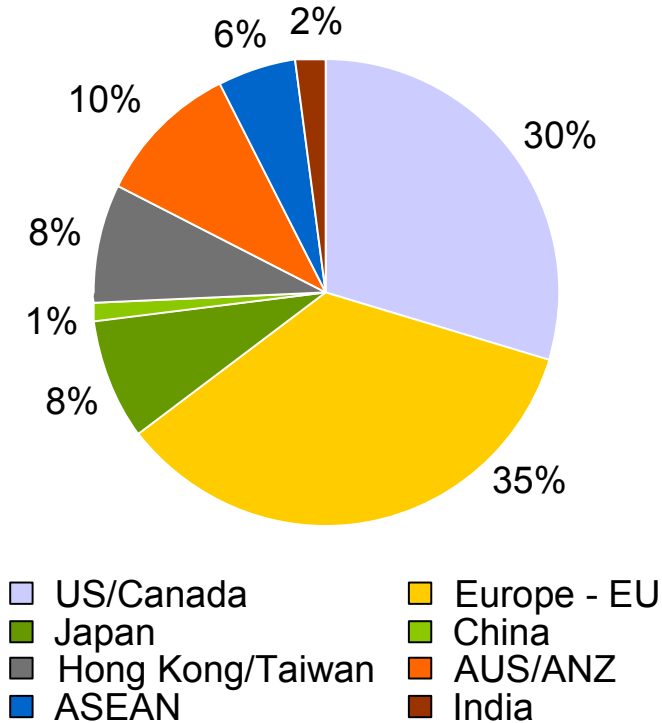
- **Participation:** 765 CEOs and business leaders with strong AP representation
- **Method:** in-person, in-depth dialogue based on business strategy review tool
- **Innovation Definition:** New ideas or current thinking applied in fundamentally different ways to deliver value for the customer and the organisation
- **Innovation goes beyond invention:** Innovation occurs at the intersection of business and technology insight
- **View into Innovation focus as it relates to growth:**
 - Products, Services, and Markets
 - Business Models
 - Operations



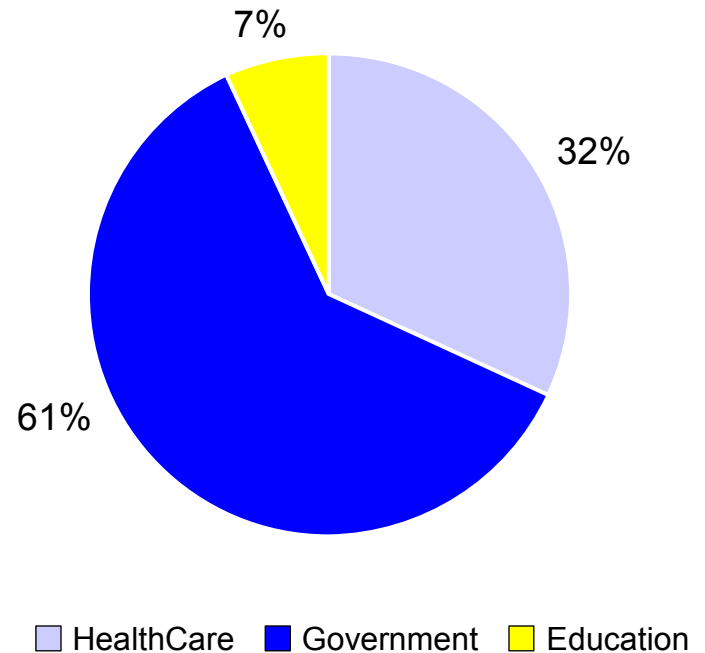
Source: The IBM Global CEO Study 2006

Of the 765 CEOs who participated, 108 were public sector leaders from a mix of countries and domains

Respondents Geography



Industry Breakdown



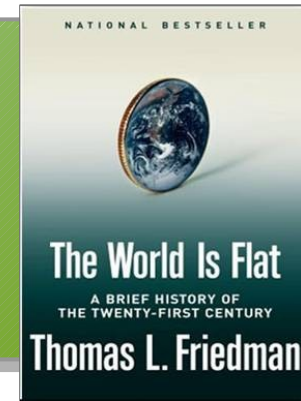
Sample size: 108

Source: The Global CEO Survey 2006

IBM chose Innovation as our theme for 2006 based on 2004 Study, the profile of the topic, and our work with clients

“Economic competition in the flat world will be more equal and more intense... the most important attribute you can have is creative imagination.”

- Thomas Friedman



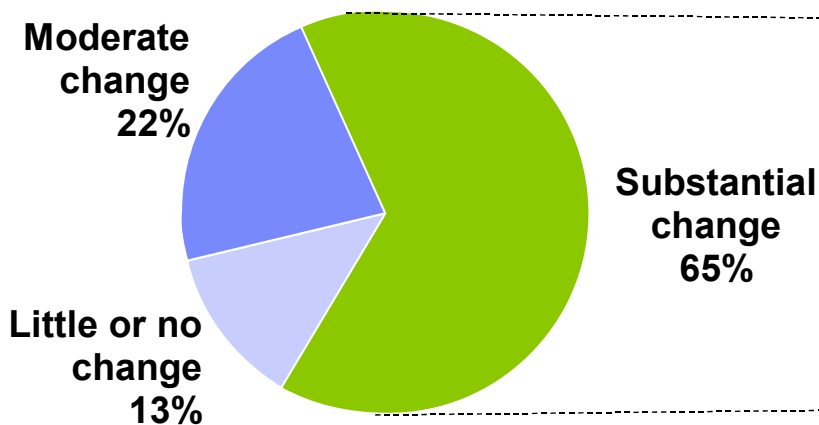
“We will fight our battles not on the low road to commoditization, but on the high road of innovation.” - Howard Stringer, Chairman and CEO, Sony Corporation

“The only source of profit, the only reason to invest in companies in the future, is their ability to innovate and their ability to differentiate.”- Jeffrey Immelt, Chairman and CEO, GE

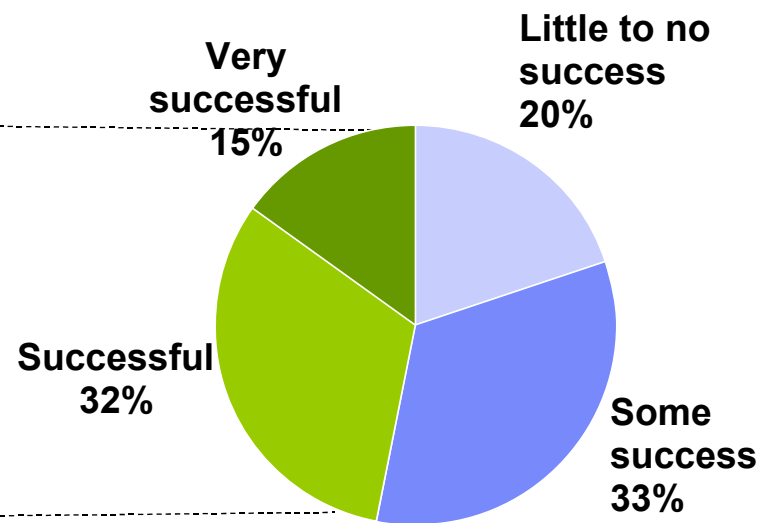
Innovation has become the industrial religion of the 20th century. Business sees it as the key to increasing profits and market share and governments reach for it when trying to fix the economy. It is the new theology... - Gregory Daines,

CEOs expect fundamental change in their organizations over the next two years – the ‘flat world’ becomes real

Extent of Fundamental Change Needed Over the Next Two Years



Past Level of Success at Managing Fundamental Change



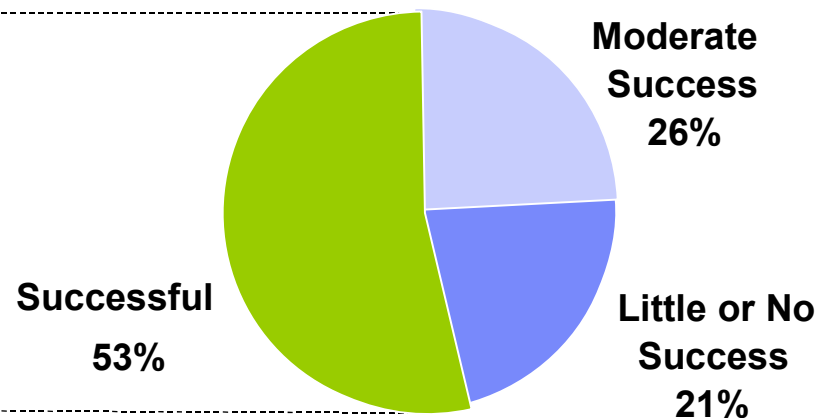
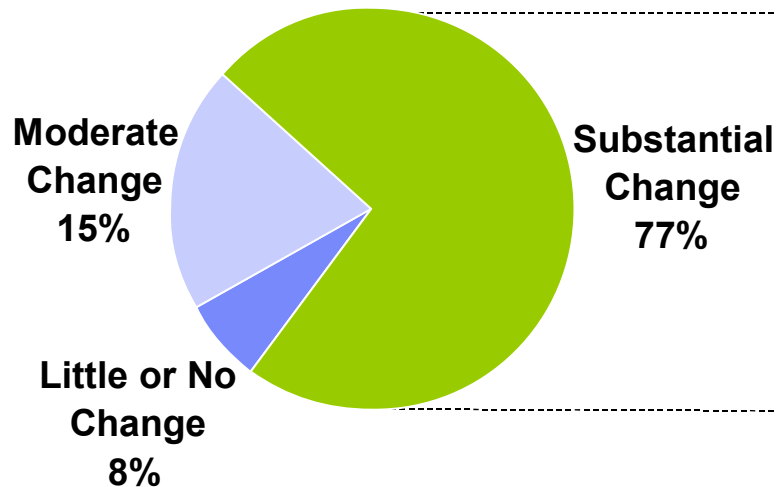
Sample Size: 765 total respondents

Source: The Global CEO Survey 2006

An even larger percentage of public sector leaders expect fundamental change

Extent of Fundamental Change Needed Over the Next Two Years

Past Level of Success at Managing Fundamental Change



Sample size: 108

Source: The Global CEO Survey 2006

Three key themes emerge for public sector leaders from findings of the Global CEO Study 2006

1

Enhance existing capabilities and develop new business models

2

Collaborate and drive Innovation

3

Integrate strategy business and technology

CEOs are embracing change —

“CEOs do not seem intimidated or content simply to cope... [They see change] as both reason and license to expand their innovation horizon...”

Source: IBM Global CEO Study 2006

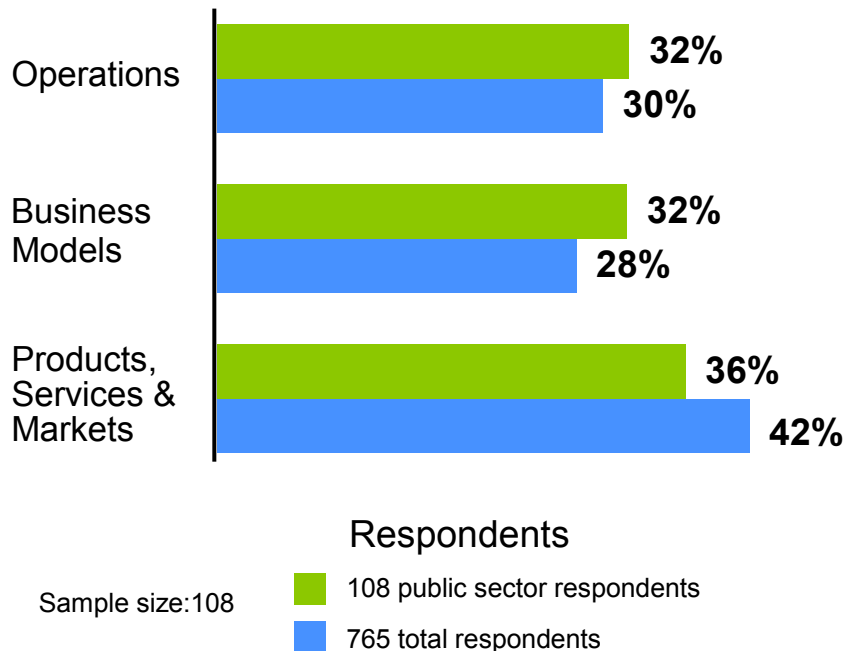
Three key themes emerge for public sector leaders from findings of the Global CEO Study 2006

1**Enhance existing capabilities and develop new business models****2****Collaborate and drive Innovation****3****Integrate strategy business and technology**

Source: IBM Global CEO Study 2006

Nature of innovation is broadening – and public sector leaders place even more emphasis on business models

Innovation Area of Most Importance



“All the areas are linked - however product/services innovation add the most value....”

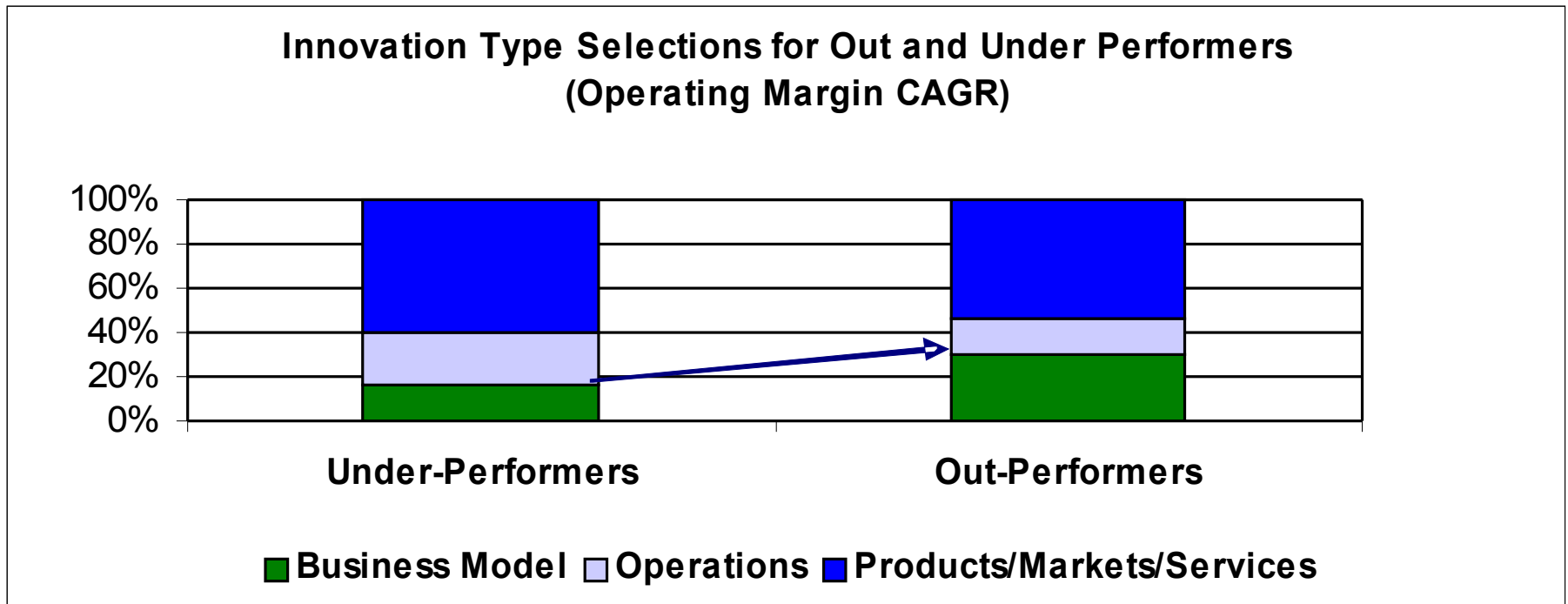
“Business and enterprise model should support products, services and markets”

“Efficient operations are a prerequisite to make any enterprise model work.”

Public sector respondents

Source: The Global CEO Survey 2006

Our financial analysis shows the more profitable companies put twice the focus on business model innovation



Public sector organizations need to enhance capabilities and identify new business models

Using public choice theory to create market-based government

Trends

- **New approaches to delivering public services such as; *competitive sourcing, public-private partnerships and vouchers***
- **Different approaches to delivering internal government services such as; *shared services, competitive grants, and pay-for-performance***
- **Better approaches for setting regulatory standards or prices such as; *auctions and deposit/refunds systems***

“We must develop the right business model for our organization, develop the most effective ways of delivering these services, and manage risk. Innovation and risk-taking are fundamental.”

“New business models are crucial to enabling service innovation, beyond our traditional constraints”

Public sector respondents

Sources: The Global CEO Survey 2006 and Six Trends Transforming Government

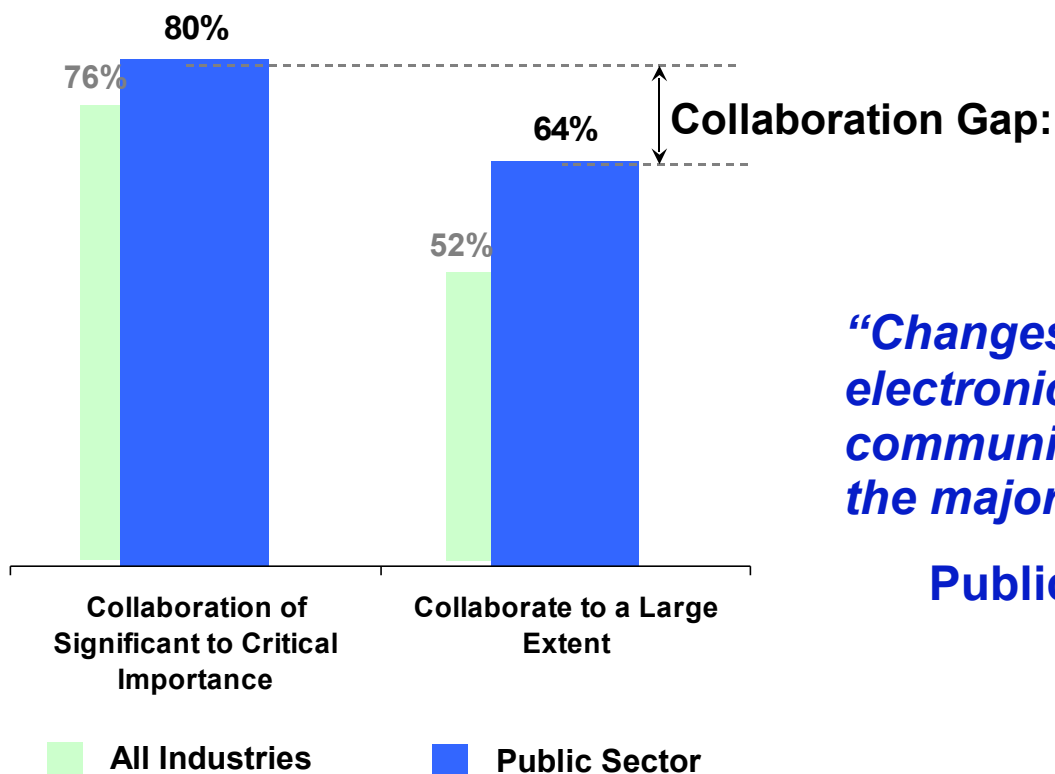
Three key themes emerge for public sector leaders from findings of the Global CEO Study 2006

1**Enhance existing capabilities and develop new business models****2****Collaborate and drive Innovation****3****Integrate strategy business and technology**

Source: IBM Global CEO Study 2006

Public sector leaders rate the importance and extent of collaboration as higher – but a gap remains

Importance & Extent of Collaboration

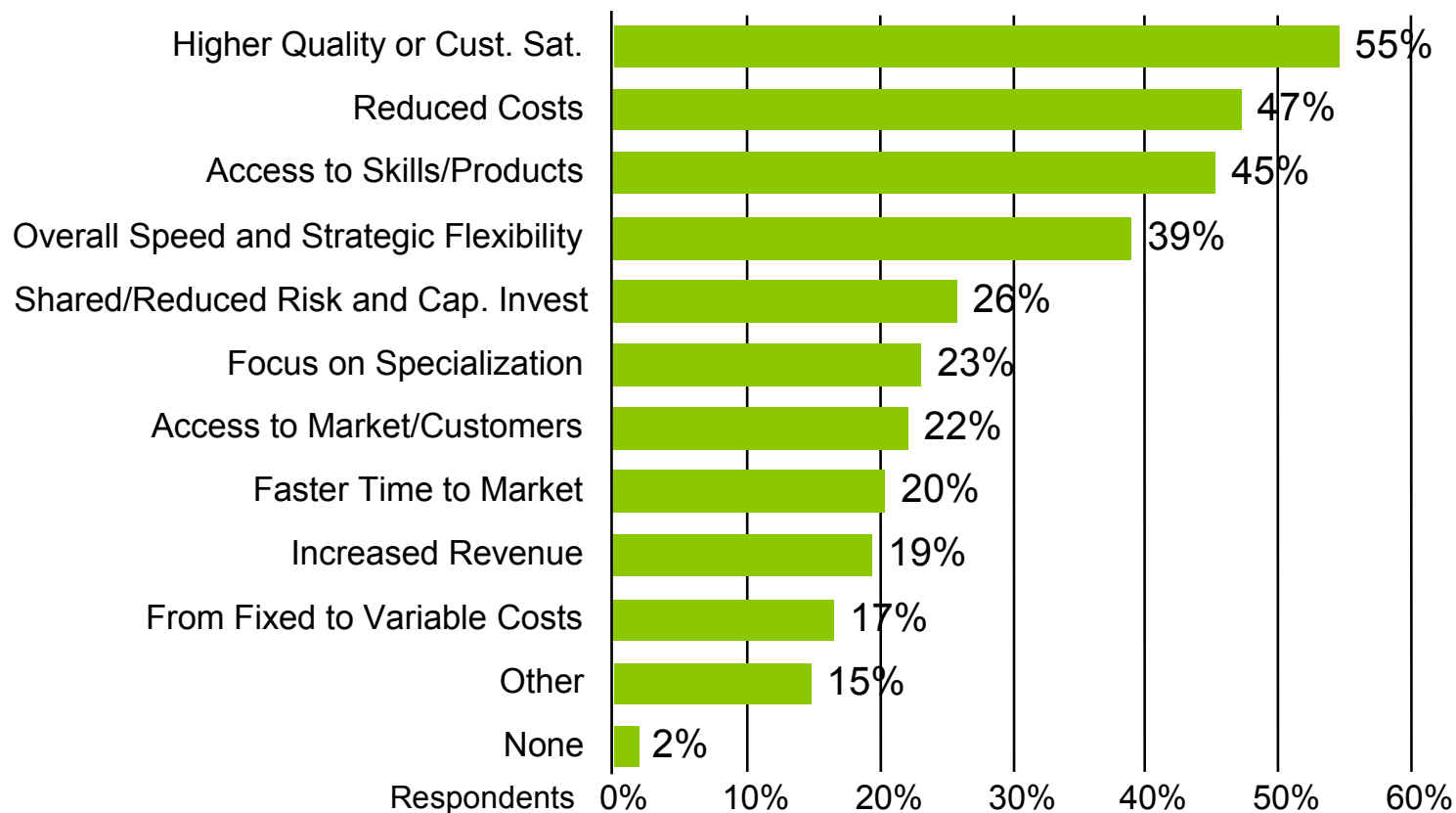


“Changes due to increased electronic (Internet) based communication have been the major impact”

Public Sector respondent

Higher quality or customer satisfaction is seen by public sector leaders as top benefit of collaboration and partnering

Benefits Realized - through Collaboration and Partnering

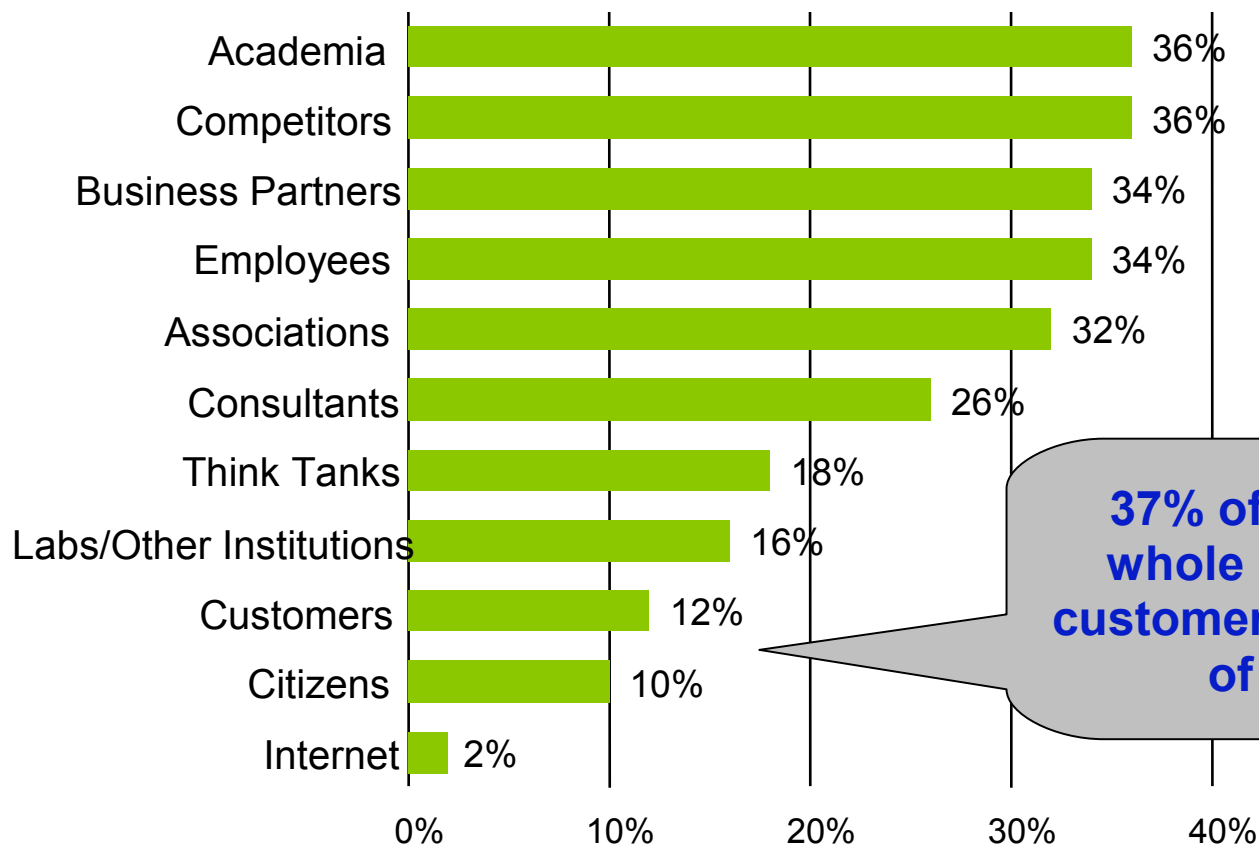


Sample size: 108

Source: The Global CEO Survey 2006

However, public sector leaders rarely rely on citizens or customers for new idea generation

Internal & External Sources for New Idea Generation



Sample size: 50

Source: The Global CEO Survey 2006

Public sector will greatly benefit from collaborative Innovation through citizen engagement

Trends

- Shift from “inform, consult” to “engage, collaborate” such as; *Brazilian citizens in some communities vote on certain neighborhood budget issues, and Canadian government’s policy consultation process*
- Face-to-face approaches such as; *Citizens Jury Process, Deliberative Polling®, AmericaSpeaks’ 21st Century Town Meeting and Citizen Assemblies on Electoral Reform*
- On-line approaches such as; *UK digital citizen participation beyond ballot box, EPA On-Line Dialogue and Imagine New York*
- **“Governance - instilling in staff a citizen/customer-centric approach. Culture and behavior needs to change to align with above.”**
- **“Need to understand public expectations and see technology as an important enabler.”**

Public Sector respondents

Sources: The Global CEO Survey 2006
Six Trends Transforming Government & OECD E-Government Symposium

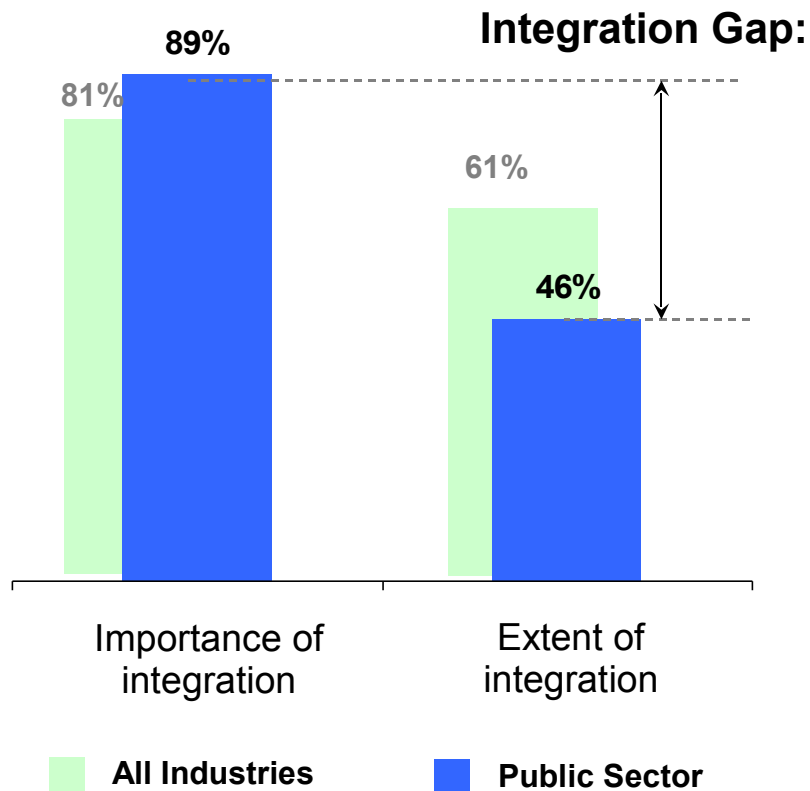
Three key themes emerge for public sector leaders from findings of the Global CEO Study 2006

1**Enhance existing capabilities and develop new business models****2****Collaborate and drive Innovation****3****Integrate strategy business and technology**

Source: IBM Global CEO Study 2006

Comprehensive integration of business and technology is valued by Public Sector but continues to be a challenge

Importance and Extent of Business and Technology Integration



“Need to speed up the process to implement new technology and adjust to new trends”

“Essential to combine policy imperatives and technical/technology know how”

“Its not just about technology – but that’s a vital enabler”

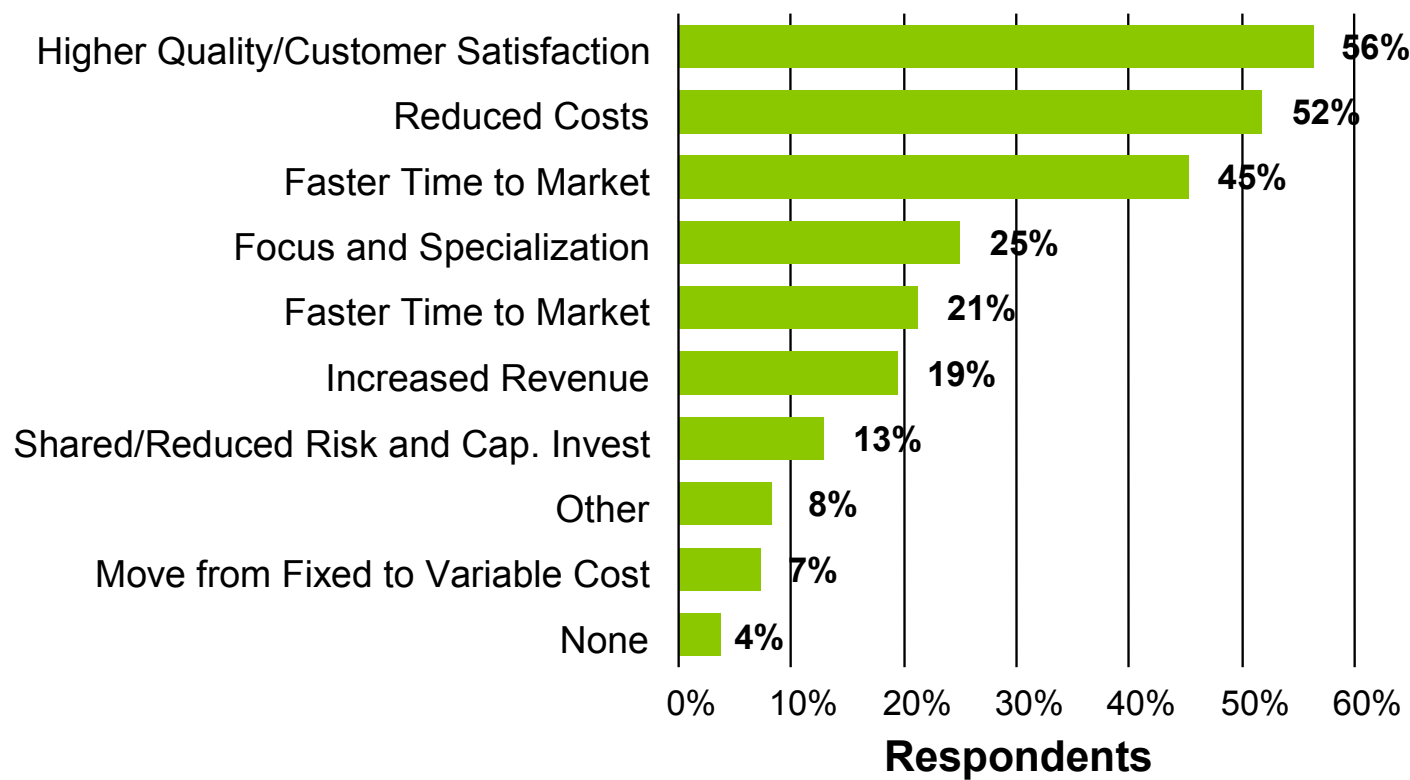
Public sector respondents

Sample size: 108

Source: The Global CEO Survey 2006

Again, higher quality or customer satisfaction is the top benefit of integration of business and technology insight

Benefits Realized through Integration of Business and Technology



Sample size: 108

Source: The Global CEO Survey 2006

Integration of business and technology is challenging

Challenges

- Legacy bespoke systems limit collaboration and flexibility
- Hard to find people who can span business and technology spheres
- Shortage of capabilities (including project managers) makes business modernization slow and challenging
- Technology programs are too often budgeted for and pursued independently of business and process modernization

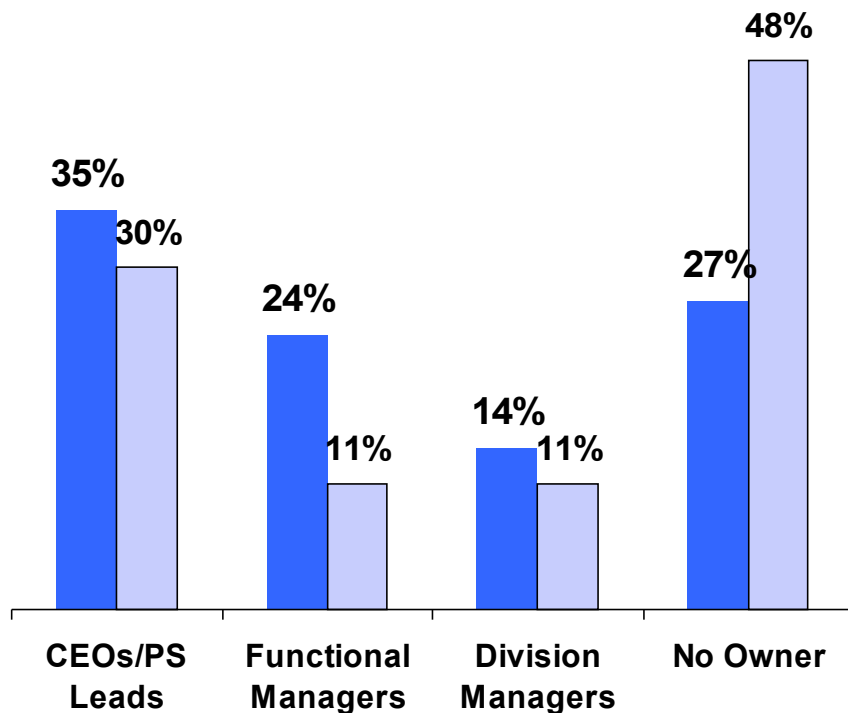
“Early technology adaptors like us are today stuck in our old tailor-made legacy systems. New organizations in eastern Europe etc can start from scratch and do not have that problem.”

“Need to understand public expectations and see technology as an important enabler.”

Public sector respondents

Sources: The Global CEO Survey 2006
Six Trends Transforming Government

Innovation was top of mind – yet 48% of the public sector leaders said no individual has responsibility for innovation



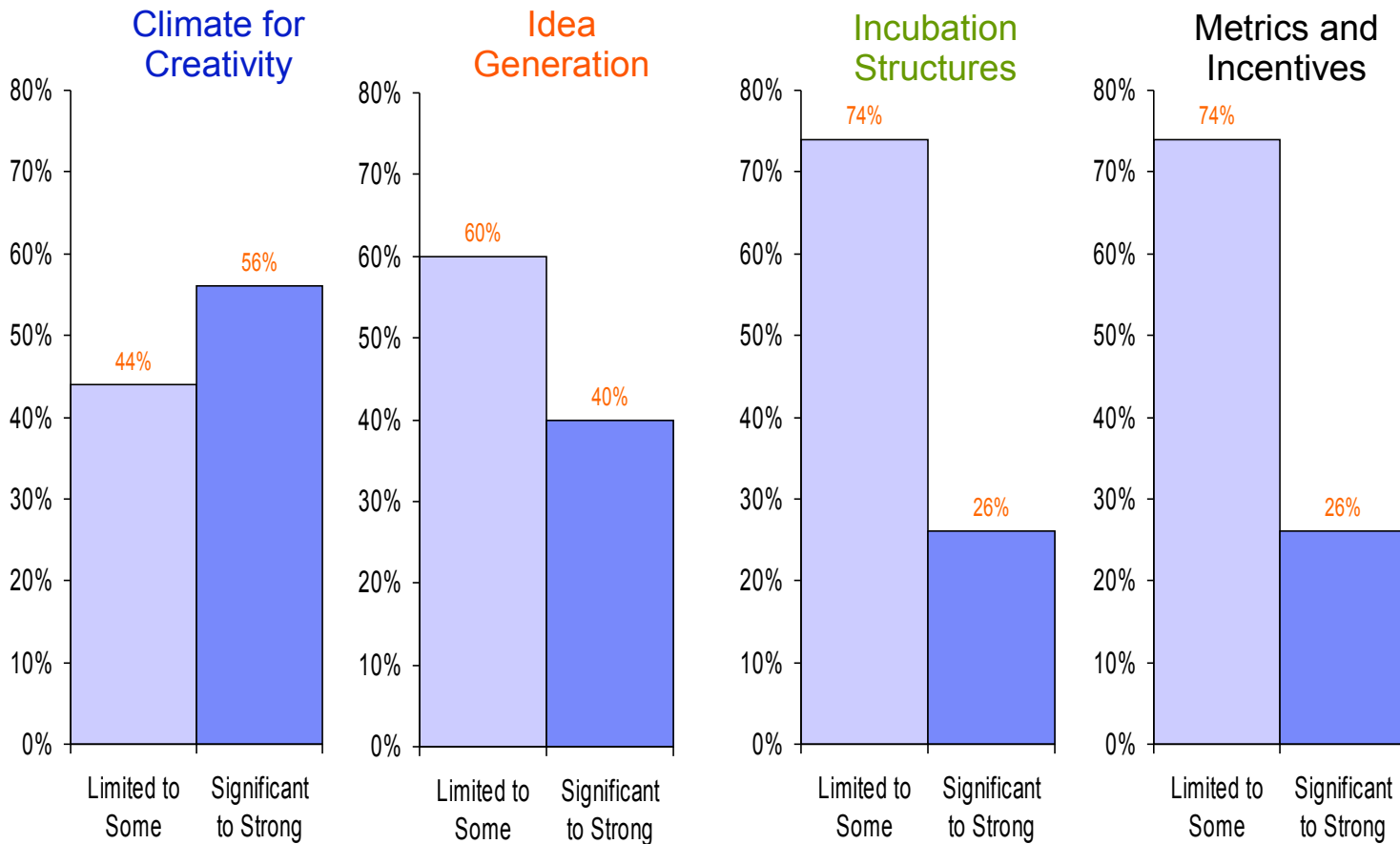
“In one sense I have to lead innovation and set the tone and expectation, but in another everyone has to lead and drive innovation.”

Public sector respondent



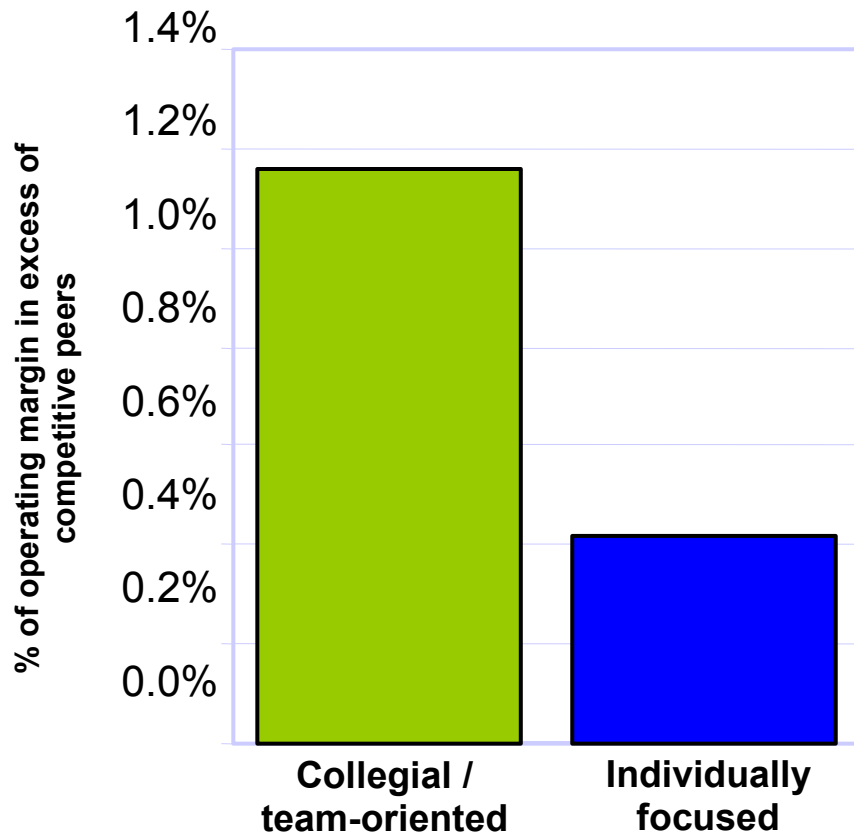
Organizational capabilities – public sector

Organization Capability



Outperformers reported an established, innovative culture – one that was collaborative, collegial and team-oriented

Profitability of Companies with Different Cultures



“Climate for creativity is the DNA heart of this organisation.”

Where CEOs said they recognized innovative individuals their organizations performed more strongly

Companies who rewarded individual innovation contributions

Increased revenue growth by 2.5% more than companies who did not

Increased operating margin by 2% more than companies who did not

❖ *“People are the differentiating asset and their overall working environment is the only truly actionable factor.”*

❖ *“People feel they can use their skills, imagination and out-of-the-box thinking in order to meet their targets. Taking risk is allowed.”*

Key questions for public sector leaders

- **What role does innovation play in the strategy for your organisation – do you manage innovation explicitly?**
- **What is your personal role in driving innovation in your agency?**
- **Is your innovation agenda broad enough? Are you really challenging your ‘business’ / service and operational models?**
- **How effective is your organization at collaboration internally and externally?**
- **How well do you access external ideas? What expanded role could your customers or citizens play as collaborators and partners in support of Innovation?**
- **How well does your organization integrate business and technology insights – what can you to do improve this?**