Finding Profit in Creating a Smarter Planet

By Gilbert Lenssen, Founding President of the Academy of Business in Society, and N. Craig Smith , INSEAD Chaired Professor of Ethics and Social Responsibility

The IBM story has been one of rise, fall and subsequent recovery with some major strategic transformations. Today it's looking to help other organisations find similar success, equipping them with smarter technology and systems to create change not just for the firm but for the betterment of the planet.

Once undisputed king of the computing world - building and selling low-margin PCs, computer chips and other hardware – by the late 1990s IBM found itself unable to compete with companies from emerging countries and made the major strategic decision to move up the value chain and focus on providing IT expertise and computing services to businesses.

The company's executives recognised that not only was the world becoming smaller, due to improvements in technology and explosion of bandwidth, it was also becoming increasingly more complex, with the proliferation of inter-related systems and partnerships. Organisations would have to become smarter if they wanted to take full advantage of this greater connectedness. In fact the world itself would be a better place with the smart use of

technology, and IBM had the capabilities to provide the consulting, software and management systems for addressing some of the most pressing global challenges.

To this end in 2008, during the melt-down of the global financial crisis, the company launched the **Smarter Planet Strategy**; an initiative to help firms achieve their economic, operational and environmental sustainability objectives by leveraging technology innovation and business analytics.

By tapping into and interconnecting with new (often global) production systems and workforces, the Smarter Planet Strategy helps companies gain deep industry insight, giving them the competitive advantage of being able to identify opportunities not previously visible, and the capability to transform the way things are done.

Along with business potential, this increased knowledge opens the way for organisations to link sustainability to the purpose of their business, to integrate it into their strategy and, in the process, help change the world.

Smart projects

The possibilities are endless. According to IBM, smarter use of technology opens the way for smarter law enforcement, smarter water and sewer systems, smarter government services, smarter transportation and smarter operations centres.

Some of the strategy's flagship examples include working with Stockholm city authorities to design and implement a congestion-management system substantially reducing traffic build-up, vehicle emissions and encouraging greater use of public transport. It helped Syracuse University's Green Data Centre halve the energy requirements of standard data centres, using advanced techniques in building design, energy generation, cooling technology and IT systems. Meanwhile in rural Louisiana, a Smarter Planet telemedicine initiative has helped provide advanced healthcare to patients with limited access to services, by creating a portal allowing doctors to record and share test results and vital signs, aiming for faster and more accurate diagnosis.

In each of its projects Smarter Planet aims to demonstrate both the business case and the sustainability case for improving systems to become more sensitive, collaborative and responsive, introducing the benefits of

innovation rapidly and at scale.

Pillar for growth

For IBM, the introduction of 'Smart' solutions is a $66 billion opportunity and one of its four key pillars for growth. Based on the vision that data integration reinforces a united world, IBM software is the key driver for this proposition, giving clients the capabilities required to transform their industries by integrating information, empowering people, connecting global ecosystems, and optimising business processes.

In 2010, the Smarter Planet Strategy generated US$3 billion in revenue and it accounted for more than 25 percent of IBM's research work. It is in the process of doubling this to 50 percent by focusing its efforts on high-growth industries such as healthcare; oil and gas; energy and utilities; transportation; telecommunications; retail; banking; government; and electronics.

In order to optimally manage its business IBM develops a yearly roadmap, which includes a long--term perspective on technology, business and the global economy, and seeks to align this business model with clients' needs.

Core strengths for succeeding in an integrated world

This focus on the enabling powers of technology is not new to the company. IBM played a central role in scientific breakthroughs at several stages of its history, supporting NASA in putting a man on the moon and assisting with the decoding of the human genome. Seeing and solving problems has long been at the core of its operations, as has the recognition that, with innovative thinking, many different types of resource can contribute to the solution.

After applying these principles to its own operations, the company is now turning its eye to the world becoming, in essence, a sustainability enabler, demonstrating the culture, structure and governance needed to adapt to a globally integrated market.

The philosophy that 'any problem can be solved as long as people are willing to think' reflects a mindset that does not accept existing boundaries while the development and subsequent sharing with the world of its advancements shows an understanding of the value of the availability and use of common standards.

The company's refusal to adopt segregation policies for its plants in southern US states in the 60s and its progressive emancipation policies towards workers throughout its corporate history, reflects its attitude of inclusion and openness. IBM believes that talented people can be found anywhere in what they call the 'human family'. It embraces the fact that all people are different and it is these differences that facilitate innovation and the ability to adapt.

These values are a cultural asset of paramount importance to any company operating as a globally integrated enterprise. But having the cultural capability alone is not enough. A company's organisational architecture needs to look beyond the traditional, and fragmented, idea of brand, process, product and country. IBM acknowledged this by putting in place an integrated design with a strong overall governance model to become congruent with the realities of today's dynamic, integrated, global economy.

Addressing challenges

In 2016, the world is not short of problems, many of which have sustainability issues at their core. The number and size of these issues trump the capability of governments to solve them. IBM recognises the business opportunity for delivering systems that enhance sustainability within firms and in doing so address many of these challenges. In a world where integrated enterprises increasingly tap into global production systems and workforces, competitive advantage comes from dynamic learning, greater insight, and in the potential of transforming the way things are done to keep relevant and competitive in a high-paced, rapidly changing globalised marketplace.

This article is based on a chapter in the forthcoming book by Gilbert Lenssen and N. Craig Smith, Managing the Sustainable Enterprise, to be published later this year by Springer.

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