



Utz Claassen

Personal details

Born in 1963

German nationality

Economics Degree from Hanover University (1985)

Dissertation at Hanover University (1989)

Appointed honorary professor at the University of Hanover (2001)

Career

1989-1992: Various management positions at Ford Europe

1992-1994: Various senior management positions, culminating in Executive Director, Controlling Product Lines, and Deputy of the Executive Vice President, Controlling and Accounting, Volkswagen brand; formal appointment into top management at Volkswagen AG, Wolfsburg

1994-1997: Executive Vice President of Finance and Permanent Substitute of the President of SEAT, S.A. Barcelona

1997-2003: Chairman of the board at Sartorius AG

Since May 2003: Chairman of the board of EnBW Energie Baden-Wuerttemberg AG, Karlsruhe

External board assignments

2001-2003: Chairman association of the German fine mechanical and optical industry e. V., Cologne

2001-2003: Member of the board of the Confederation of the German industry (BDI), Berlin

Since 2003: Member of the board of the German electrical industry association (VDEW), Frankfurt

Awards

2002: Medal and diploma of the presidium of the Russian Academy of Natural Science, Moscow

2003: Knowledge Manager of the Year

2003: Order of Merit First Class of the Order of Merit of Lower Saxony

2005: Cross of the Order of Saint Nicholas, Moscow

About EnBW

EnBW Energie Baden-Wuerttemberg AG with its headquarters in Karlsruhe is the third largest energy company in Germany serving some five million customers. In 2005, EnBW generated annual sales of approx. €10,769.3 million with around 17,800 employees. EnBW's core activities focus on the segments electricity, gas as well as energy and environmental services.

“Truth, clarity and consistency – that’s what it takes to be successful”

Interview with Prof Dr Utz Claassen, chairman of the board of EnBW Energie Baden-Wuerttemberg AG.

EnBW has changed dramatically since you took office in 2003. What have been the major changes and how would you characterise the firm nowadays?

We’ve professionalised the processes and structures throughout the company and at all stages of the output chain. We also put our activities on a strategically sensible economic and ecological base. Typically the major changes in a modernisation process can always be linked to three main areas - cost reduction, profit optimisation and portfolio realignment. We have also taken major decisions about our future strategy.

What importance does innovation have for EnBW, whose major products are electricity and gas, – two homogenous volume products?

Our innovation strength is the major determining factor of our future success. Therefore innovation is extremely important to us. Innovative capacity is of fundamental importance in an industry such as energy that faces major challenges and change processes.

Is the claim to be an innovation leader in that industry of any genuine relevance? Aren’t cost and quality leadership all that matter?

Innovation leadership is important in this industry too. Those exclusively seeking cost and quality leadership maximise current liquidity and profits. The innovation leader also maximises future potential.

There’s a lot of public discussion about which countries are the most innovation-friendly, and what conditions government must create to enable companies to succeed in global competition. Surely the question should be allowed here of what a company can do for its country in the sense of good corporate citizenship?

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We at EnBW consider being a good corporate citizen in all we do very important. This can be seen in our involvement in sports, culture, science and social matters, and particularly in the public-private partnerships we employ to make major contributions to energy efficiency, innovation and climate protection, among other fields. Two interesting examples of this are our financial and personnel support of the energy-efficient school project and our efforts together with German federal and local government in the geothermal science field.

Innovation can arise in various dimensions. Apart from classical product and technology innovation, innovation in process and business model are also worth mentioning. Which is especially important to EnBW?



All the innovation dimensions mentioned are basically of equal importance. Energy efficiency consulting is an example of product innovation. Our efforts to build Germany's first tidal power station integrated in a Lower Saxony coastal protection project is an example of technology innovation. Another trendsetting project is our 1 megawatt fuel cell plant, which is the biggest commercial one of its kind to date. As far as business model innovation is concerned, I'd think of internal procedures on the one hand and of political matters such as incentive management on the other hand. By the way, the integrated modernisation of the company was another innovation because of its modular structure. It won recognition from the Confederation of German Industry as well as its innovation prize.

What's EnBW's current business model like? Do you assume that the company's business model as an integrated energy concern will still be valid in five years' time?

That model envisages the process chain beginning with the client and not the power station. This will still be the case five years from now. The more holistic and integrated the optimisation of the output chain, the better for clients, the environment and the company.

How does the EnBW slogan "Energy needs impulses" influence the company's day-to-day business activities?

We make every effort to maintain a culture operationally and otherwise in which every interesting impulse is considered an important opportunity and worthwhile challenge.

You presented a really interesting approach to how a traditional energy company can develop new business approaches with your EnyCity concept. What's innovative about it and what role does EnBW play?

EnyCity is a concept for the energy city of the future, with the aim of reducing energy consumption, emissions and total costs. It is basically a networking innovation involving the bundling of expertise from widely differing sources. The innovation isn't in the individual elements or modules but in the overall linking. EnBW was mainly responsible for developing this concept and will make it a genuine innovation by successfully realising it.

The "Energy Contracting" idea can be considered a product innovation in which the utility company is responsible for all forms of energy supply. If we look at the turnover share of this business in your books and those of your competitors, it doesn't seem to be really successful. Why?

Synergies such as those you mention are never defined by suppliers but always by clients. The contracting field is important but in the past we had too optimistic a view of the synergy potential. We have to learn from this. That doesn't mean that we reject the whole idea but that in the future we should check more carefully from the beginning what the client considers synergetic in the sense of fulfilling his expectations.

Do you measure innovation successes and their impact on your business? If so, what are the major characteristic figures?

In the long term the innovative strength of any company will show up in its overall performance figures. In the short term it makes no sense to emphasise such individual figures excessively.

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How is innovation organisationally embedded at EnBW? Apart from the central R&D division are there any organisational measures at board level to promote and manage innovation?

On my initiative we have set up an Innovation Management department at group level. This is decisive as the innovation process must be structured, organised and managed in the truest sense of the word. The distribution of tasks and expertise between the holding company and the operating divisions is pretty clear. Operational realisation is usually a task of those divisions. But giving impulses and being the innovation motor must always remain the task of the holding company - and in particular the CEO.

Embedding innovation in a firm has to do above all with culture and staff motivation. We now certainly have, in an industry in which competition wasn't on the agenda until not long ago, the task of not only enthusing staff for innovation but of convincing some managers too. How has this gone to date at EnBW?

The need for change at EnBW was clear enough and large enough to greatly ease the necessary task of persuading people. We have an excellent team at all levels of the organisation. I really am convinced that we're well on the way to developing, living and experiencing a culture adapted as best as it can be to the promotion of the existing talent potential.

EnBW seems greatly committed to technology innovation, as is demonstrated by the tidal power station and the fuel cell plant that you mentioned before. What role do relationships with mechanical and energy engineering companies such as Siemens or General Electric play here in particular? How much does EnBW have to understand of these innovative technologies and to what extent can you rely on your suppliers and commercial associates?

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Relationships with major mechanical and energy engineering companies are extremely important. We are pleased with our excellent relations with such companies. I'm sure we can always rely on our suppliers and commercial associates here. At the same time I believe we cannot leave comprehension of innovative technologies or of the innovation process itself entirely to them. If we wish to realise our entrepreneurial ambitions we must ourselves contribute to adding value in the innovation process. We must also initiate and realise such major processes ourselves insofar as possible.

In your career you've worked at two companies in which the state had a major stake. Does ownership structure influence how important innovation is to a company? Does it make a difference whether the state or private investors have the majority stake in a company?

The importance of innovation in a company and its innovative strength always depend on the expertise and communications skills of the board, management and personnel – not on the ownership structure. I've never heard of any shareholder opposing innovation. To my mind it makes absolutely no difference in this respect whether a company is mainly privately or state owned.

Since you took office the financial performance of EnBW has dramatically improved. What were the main factors?

Higher profits, much lower costs and long-term portfolio optimisation. We've cut our costs by about a billion Euros and sold, resolved, merged into partnerships or otherwise consolidated well over 150 stakes in optimising our portfolio. It was a major restructuring process. The results can be summarised in three fields - profit improvement before tax from about -1.1 billion Euros to around +1.1 billion Euros, net debt more than halved, and capital ratio more than doubled within just two years.

Finally, we'd like to ask what characterises a CEO who has to steer a company successfully through fundamental change of the kind the energy industry has experienced already and will presumably have to endure to an even greater extent in coming years?

Truth, clarity and consistency – that's what it takes to be successful. Plus the ability to combine decision strength, vision and integration capacity into a single coherent whole.

Mr. Claassen, thank you very much.

It's been a pleasure.

Interview conducted by Thorsten Gerhard (Director and Co-Head of the Energy & Utilities Practice Central Europe) and Jochen Gerber (Senior Manager of the Energy & Utilities Practice), both in the Wiesbaden office.