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**FOR IMMEDIATE RELEASE**

**WHEN IT COMES TO BUILDING CHINA'S SMART GRID,  
WESTERN COMPANIES NEED TO DEAL WITH  
MULTIPLE ELEPHANTS IN THE ROOM**

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*Strategic intelligence firm, Fuld & Company, runs 6<sup>th</sup> Annual  
National War Game and offers predictions on China's Smart Grid*

**CAMBRIDGE, MA (APRIL 29, 2010)** — With 30-plus executives from energy and technology giants GE, IBM, Siemens, Hewlett-Packard and others looking on, four leading business schools yesterday participated in a war game to stress test the global strategies of these firms in competing for China's \$100 billion Smart Grid — only to encounter obstacles that had nothing to do with their companies' technological prowess and everything to do with how they work with and within China.

Through rapid-fire arguments, interrogation by an expert panel of judges, as well as questions from the corporate observers, "The Battle for China's Smart Grid" War Game revealed many obstacles that many observers admitted that their companies must acknowledge and overcome if they are to win a piece of the \$10 billion-per-year funding China has offered. These predictions included:

- **To fully take advantage of the emerging opportunities regarding the "smart grid" in China, Western companies, such as GE Energy, Siemens and Cisco, may have to sell a stake in their business.** Alliances and so-called loose partnerships are becoming less and less viable as tenable business positions in China. The Chinese government is likely to want a piece of the intellectual property action for Chinese firms, and giving them a stake in publicly held Western companies would provide that stake. At the same time, Western companies generally are uneasy about selling a piece of their business (or will have some difficulty pitching the sale to their domestic stockholders). This poses some important strategic dilemmas and may necessitate a fundamental re-thinking of how foreign firms approach the Chinese market.
- **Western companies need China to take on the world:** Western companies such as Siemens and GE have long believed that they can dictate the terms of expansion by their Chinese partners outside of China. But a Chinese partner will likely become a necessary ingredient in any Western company's global expansion plans by absorbing some of the financial and political risk among the diverse

array of emerging opportunities across the globe. The market in China is only the beginning for the Chinese government-run State Grid-approved corporations.

- **Standards setting and the capability to manage the buildout process represented by companies such as IBM may trump China-legacy firms such as GE and Siemens, selling technology and hardware into the Smart Grid.** As the IBM team (represented by the winning business school team, Kellogg) demonstrated, while IBM may have fewer years clocked in China than do GE or Siemens, it is offering an entirely different and high value sales proposition. China wants and needs what IBM has to sell: skills in systems integration. Aside from representing a true standards setter, IBM or companies like it can serve as the Smart Grid's maestro, coordinating and vetting the other players in the Grid's construction. Cisco will need to participate in the standards setting process in order to preserve a place for itself against strong competition from Huawei, Cisco's chief China rival.

The other elephants in this Smart Grid room identified by the judges and the teams playing out their roles included China's concern about its own security in preventing others hacking the country's system, as it hires Western firms who have the technological prowess to build out the Smart Grid. Another elephant that Western companies have underestimated is capacity. The grid needs to add enormous transmission capacity at the breakneck pace China will demand. China's acceptance or nonparticipation in carbon pricing will also speed or slow down the expansion of the power grid.

“With a potential annual value of approximately US\$20 billion over the next five years, the onset of the Smart Grid initiative in the PRC represents one of the largest, most strategically important global business opportunities for the coming decades,” commented Denis Simon, professor of International Affairs at the School of International Affairs, Penn State University and senior China advisor to Fuld & Company. “Not only will the Smart Grid project define a potentially new, transformational economic trajectory for China in the energy field, but it also may serve as a catalyst for changing the rules of the road in terms of the way firms compete and cooperate across the global commercial landscape.”

All four teams worked hard to identify how the firms they represented in the War Game could add enough value to the Smart Grid initiative in China to earn profits for their companies. They recognized the need to enter into strong partnerships with Chinese and potentially other Western firms in order to bring a successful package of products and/or services to the table.

The Annual Strategy War Game National Championship, “The Battle for China's Smart Grid,” was organized by Fuld & Company ([www.Fuld.com](http://www.Fuld.com)). IBM, Siemens, GE Energy and Cisco were represented by business students from Northwestern's Kellogg Graduate School of Management, MIT Sloan School of Management, University of Pennsylvania's Wharton School, and Yale School of Management. Most of the students have worked in

energy, technology and/or in China. Last year, the War Game was on “The Battle for Healthcare Information”. Fuld's public War Games have made successful marketplace predictions each year.

Industry observers also included Kraft Foods, Starbucks, Cigna, RIM (Blackberry), and Xstrata that either do business in China or wanted to see the process and benefits of war gaming.

### **Fuld & Company**

Fuld & Company, based in Cambridge, Massachusetts, with offices in London and Dalian (PRC), is the world's preeminent research and consulting firm in the field of competitive intelligence. Founded by Leonard Fuld, a pioneer and recognized leading authority in the field, Fuld & Company has serviced more than half the Fortune 500 and FTSE 100 for over 30 years. The firm does research and analysis, strategic gaming, intelligence process consulting, and training to help clients understand the external competitive environment. For additional information, please contact Kyra Baltzar, Fuld & Company, kbaltzar@fuld.com, +1 (617) 492-5900 or [www.fuld.com](http://www.fuld.com).