

Third Opinion

Energy Efficiency

Saj-nicole A. Joni 12.14.07, 10:00 AM ET

Accelerating global demand for power, national needs for secure, steady fuel supplies and widespread concern about environmental impact are changing everything about the energy business.



Paul Hanrahan, AES CEO, is at the helm of a global power company that is redefining the energy business. AES has an impressive growth trajectory: It's one of the top five independent producers of electricity, with plans to effectively double earnings by 2011. But for Hanrahan, numbers are the byproduct of a unique culture and profound commitment to the future. He's all about answering the questions: What does it take to create new and reliable sources of energy? Methods of power generation? Alternative fuel supplies? The global talent who can make it happen?

PH: This is an exciting time in the energy industry. The rapid changes in the world have led us to think very differently about AES. We have always been a leader in meeting the electricity needs for developing economies in ways that are socially responsible. Now we're taking a leadership position in developing renewable forms of energy and solutions to climate change. Wind, hydro and the whole new area of carbon management are most likely to play a major role in the near term. Renewables are 20% of our portfolio and we expect to grow that number significantly over the next few years.



This is not a fad for us--as far back as the late 1980s we made decisions to develop carbon-neutral power generation. We did it because it was the right thing to do, not because it drove margins to our bottom line or because it was a PR trend.

SNJ: What makes you think AES is the right company to lead this change?

We are in a position to lead because we have the right combination of capital, vision and global capacity to implement technologies. We are a company with \$30 billion in assets, and we have great access to capital. With operations in 28 countries on five continents, we also have the ability to rapidly deploy at scale, which makes us quite unique. AES has this capacity because we've invested in it for a long time--we have

a shared, well-honed purpose of social responsibility, a passion for what we do, a commitment to developing globally diverse talent and a culture of sharing and teamwork.

What's hard about doing this?

The biggest challenge is creating and sustaining the necessary coordination and control without destroying our entrepreneurial spirit. It's a lot of work to develop and reinforce an entire ecosystem where people want to reach out and share experiences and insights, and get input from other folks. In most countries, we have someone senior who comes from a different culture. We encourage networks; we make sure our incentives support this commitment. We let people come to work and get excited about it without putting a lot of bureaucracy in place. The most fun part of working in AES is the interaction we have with each other. We understand that having real-time data from passionate people who are integrated into many economies across the globe gives different points of view. This is part of what makes us great.

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You've been with AES about 20 years, starting in a junior position and becoming CEO in 2002. How did you personally develop into a leader whose company is changing the energy business and therefore the world?

I first learned to lead in the Navy, where I was an officer on a nuclear submarine. In that environment, it's a small group of people. They have to work together, do multiple jobs--if anyone messes up, you can get into serious trouble. So you learn to trust each other, work together. That's the kind of environment that motivates me--having a highly talented group of people committed to working together.

Did you always have such a strong sense of social purpose?

I was drawn to AES because of the people in the company and their ability to make a difference in so many lives by producing electricity. A lot of people talk about what you do to be socially responsible, but the product we produce in itself is socially responsible because we are providing electricity in many places where it has never been available before. I evolved from interacting with so many great AES people and learning from them new ways to think: global respect, the power of collective wisdom, the creative possibility of diverse people. Today we approach problems in ways that allow for very different, profoundly better, outcomes.

I work with the top leadership in many global companies--everyone struggles with transforming to embrace collaboration and diversity. What you're doing isn't just structural; every leader lives and breathes teamwork and connectivity--it's a big part of what it means to lead at AES.

Yes. That's a key part of what makes us different. Teamwork isn't something added on--it's at the root of everything we do. Dissent, different view points and sharing knowledge. Because that's what it takes to meet the challenges of safe and reliable energy for our changing world.

Saj-nicole Joni is CEO of Cambridge International Group.