



fachhochschule

munich university of applied sciences

münchen

30.01.2006

Gastvortrag an der ETH Zürich

"Does IT matter?" – Zur Rolle der IT
im strategischen Management
am Fallbeispiel Siemens

Prof. Dr. Hermann Englberger

"Does IT matter?" – Zur Rolle der IT im strategischen Management am Fallbeispiel Siemens

- Agenda:**
- 1 Corporate Strategy
 - 2 Strategic IT Alignment
 - 3 "Does IT matter?"

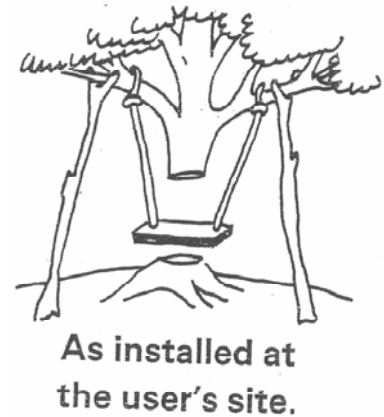
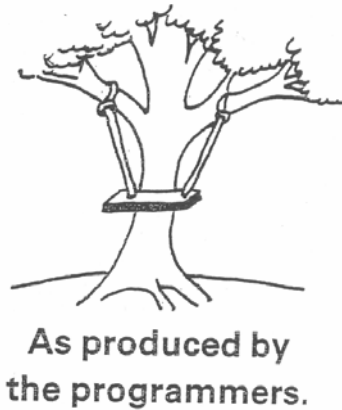
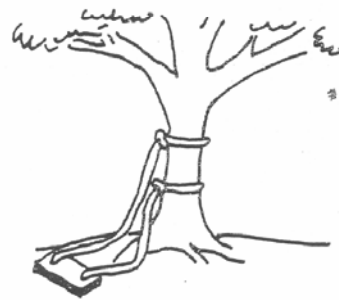
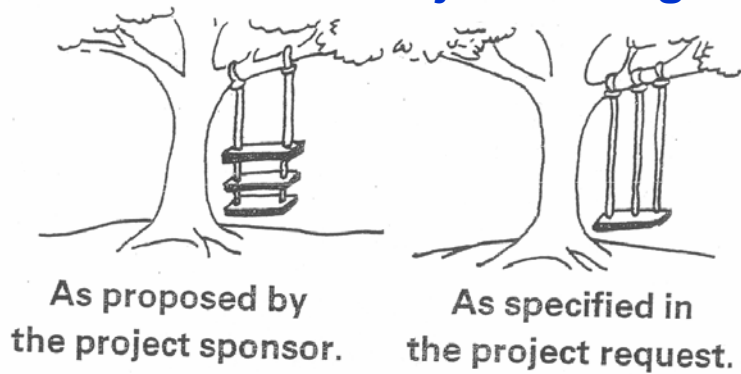
Referent: Prof. Dr. Hermann Englberger

hermann.englberger@fhm.edu

www.e-berger.de, www.fhm.edu



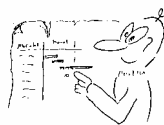
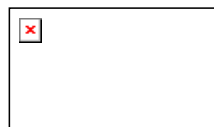
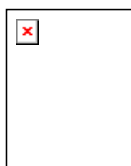
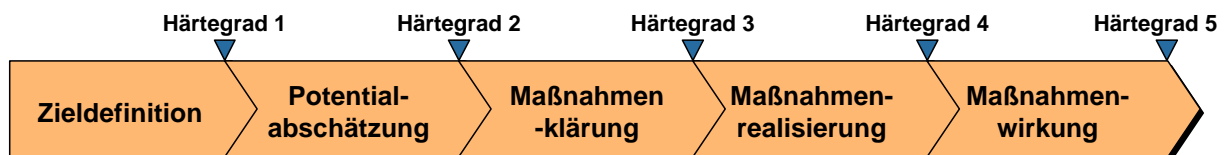
Project Management?



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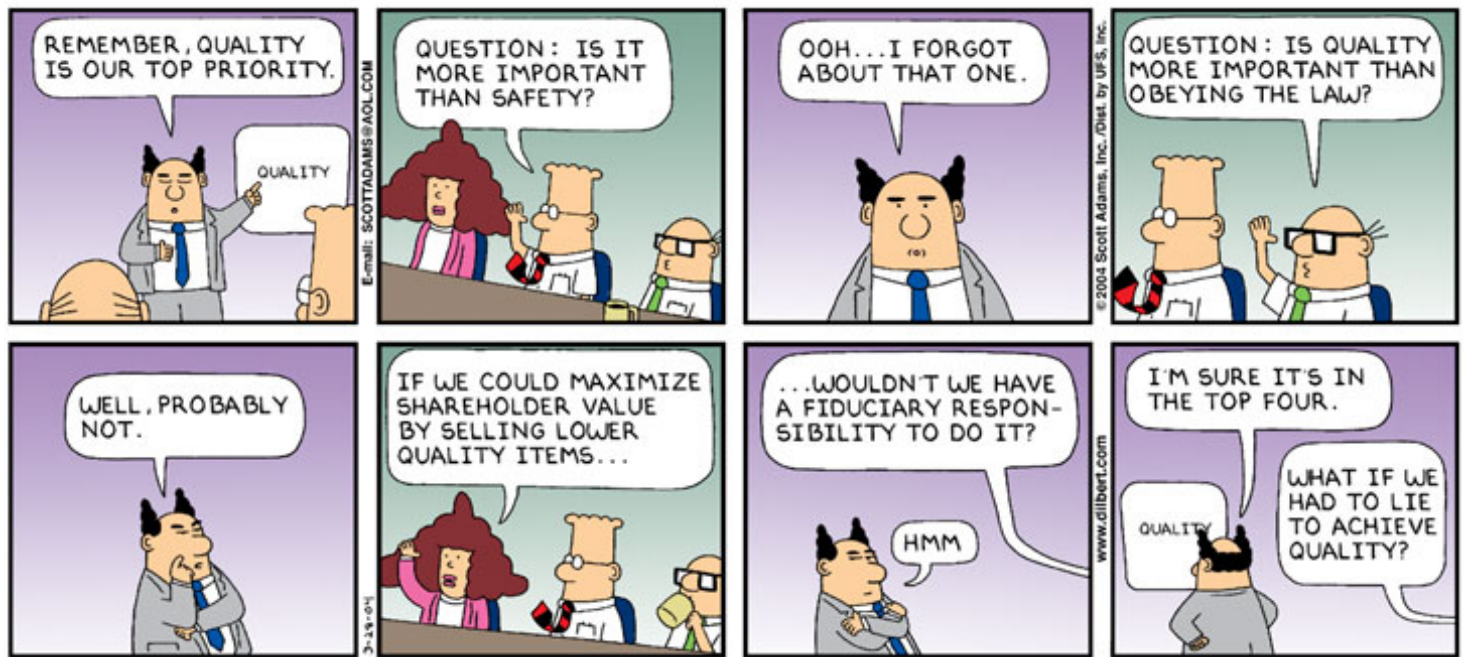
Project Management?



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Project Management?



"Does IT matter?" – Zur Rolle der IT im strategischen Management am Fallbeispiel Siemens

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| Unternehmen | Umsatz 2004 | | Gewinn/Verlust 2004 | |
|---------------------------|----------------|----------------|---------------------|---------------|
| | in Mio. Dollar | Veränd. in % * | in Mio. Dollar | Veränd. in % |
| Royal Dutch/Shell | 337 522 | 27,9 | 18 183 | 47,7 |
| Exxon Mobil | 298 035 | 20,8 | 25 330 | 17,8 |
| Wal-Mart ⁴ | 285 222 | 11,3 | 10 267 | 13,4 |
| BP | 285 059 | 22,6 | 15 731 | 50,1 |
| General Motors | 193 517 | 4,1 | 2 805 | -26,6 |
| DaimlerChrysler | 192 319 | 11,9 (4,1) | 3 338 | 491,8 (450,4) |
| Toyota ⁶ | 173 232 | 5,9 (7,3) | 10 937 | -0,5 (0,8) |
| Ford | 171 652 | 4,5 | 3 487 | 604,4 |
| Total | 167 351 | 27,1 (17,2) | 12 328 | 33,4 (23,1) |
| Mitsubishi ^{6 7} | 159 983 | 9,9 (12,9) | 1 703 | 53,0 (57,2) |
| General Electric | 152 866 | 13,5 | 16 819 | 10,4 |
| Chevron | 151 156 | 25,9 | 13 328 | 84,3 |
| ConocoPhillips | 136 916 | 30,3 | 8 129 | 71,7 |
| Mitsui ⁶ | 127 136 | 7,9 (10,8) | 1 131 | 71,9 (77,1) |
| Volkswagen | 121 337 | 13,7 (4,9) | 923 | -25,1 (-30,9) |
| NTT ⁶ | 100 990 | -5,1 (-2,6) | 6 637 | 7,5 (10,3) |
| Carrefour | 99 112 | 11,7 (3,1) | 1 891 | -7,8 (-14,9) |
| IBM | 96 293 | 8,0 | 8 430 | 11,2 |
| Siemens ² | 92 711 | 7,1 (1,3) | 4 200 | 47,4 (39,3) |

Süddeutsche Zeitung, 22.07.2005, S. 24



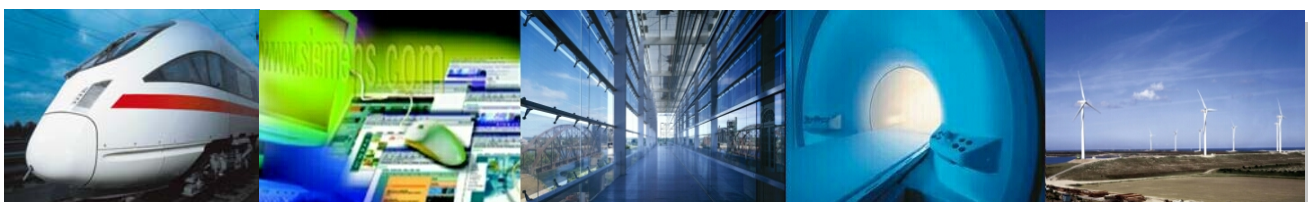
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SIEMENS

That's SIEMENS

- A global leader in **electrical** and **electronic engineering**
- Comprehensive range of **products, systems, solutions** and **services**
– from light emitting diodes to power stations
- More than 80 percent of business involves **investment goods** and **infrastructure systems**
- Annual sales of approximately **€75 billion**, 80% of revenue outside Germany
- **430,000 employees** in **more than 190 countries all over the world**
(164,000 Germany, 266,000 abroad)
- Shares in the hands of **1,000,000 stockholders**, half of them international investors

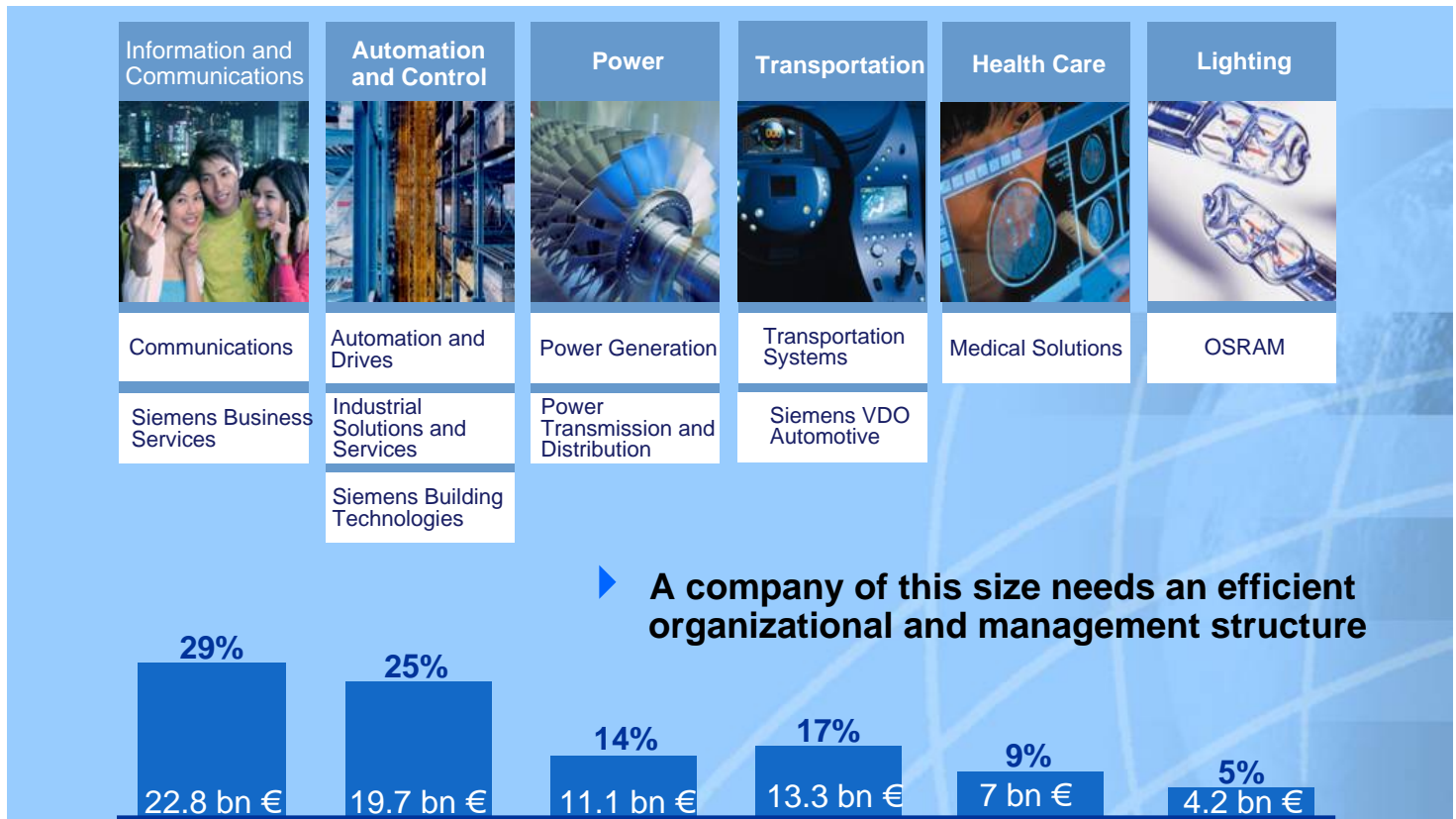


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Siemens is a multi-business company with **six Business Areas**

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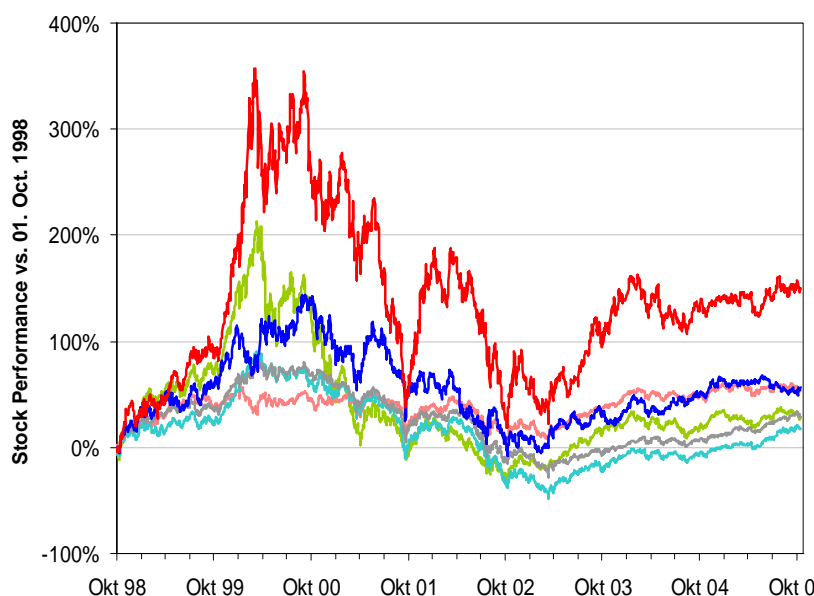


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Performance of **Siemens Share** as compared with important Indices and with General Electric

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Stock Performance
vs. 01. Oct. 1998

Siemens +150%

incl. dividends

Dow Jones +54%

Nasdaq +28%

Dow Jones Stoxx +29%

DAX +18%

General Electric +57%

Data as of October 14th 2005

Share Price Siemens: 63,24 €



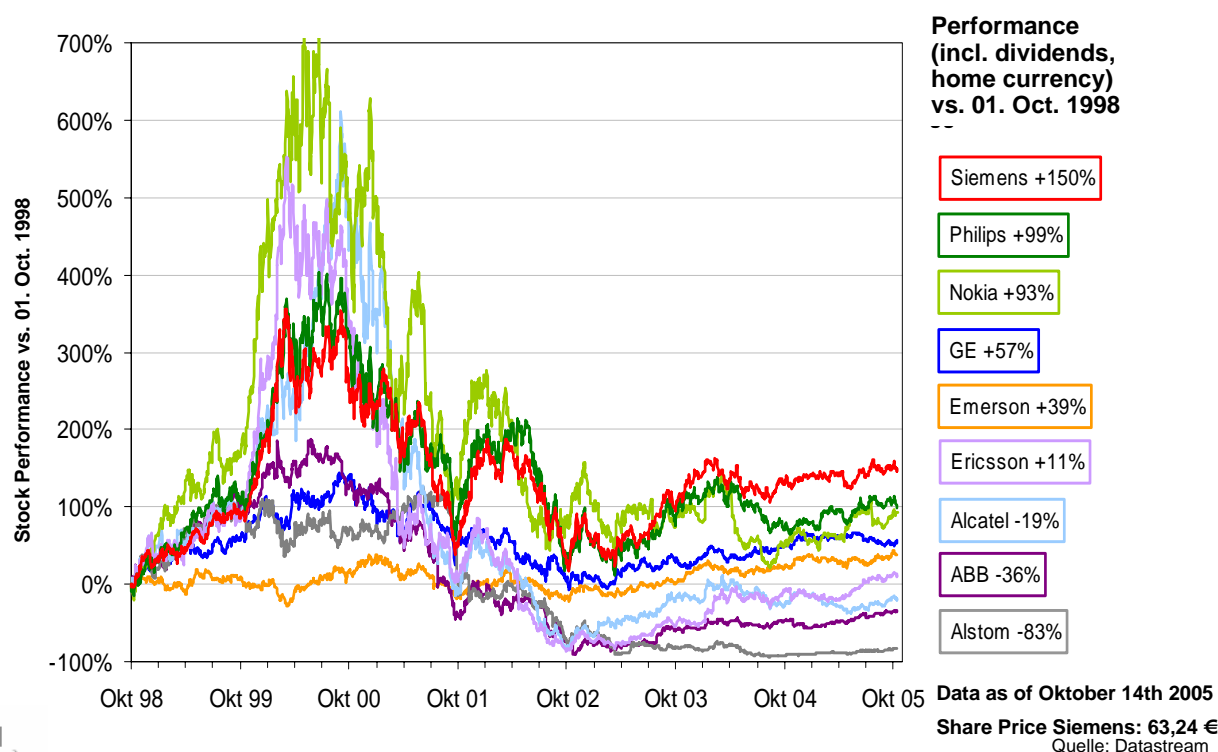
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Quelle: Datastream

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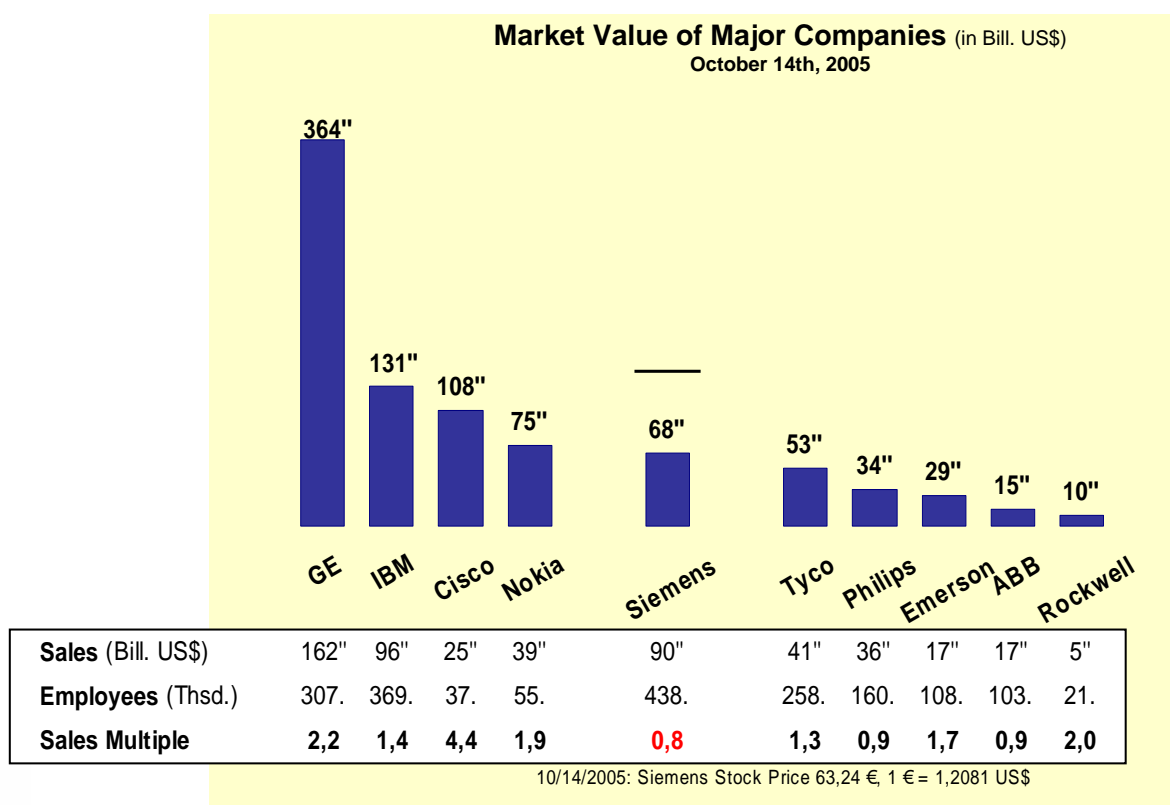
Performance of **Siemens Share** as compared with important Competitors



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The Siemens Market Value ...



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Strategic optimization at Siemens

- **Good strategic positioning / portfolio management**

- Attractive markets
- Good business quality

- **Operational excellence**

- Leader in Innovation
- Global Presence
- World Class Processes

- **Maximum leverage and development of synergies**

- lead to
- high returns compared to the competition
 - high positive cash flows



Criteria for Portfolio Management



Attractive markets

- Continuous growth
- High earnings potential
- Global set up
- Low volatility



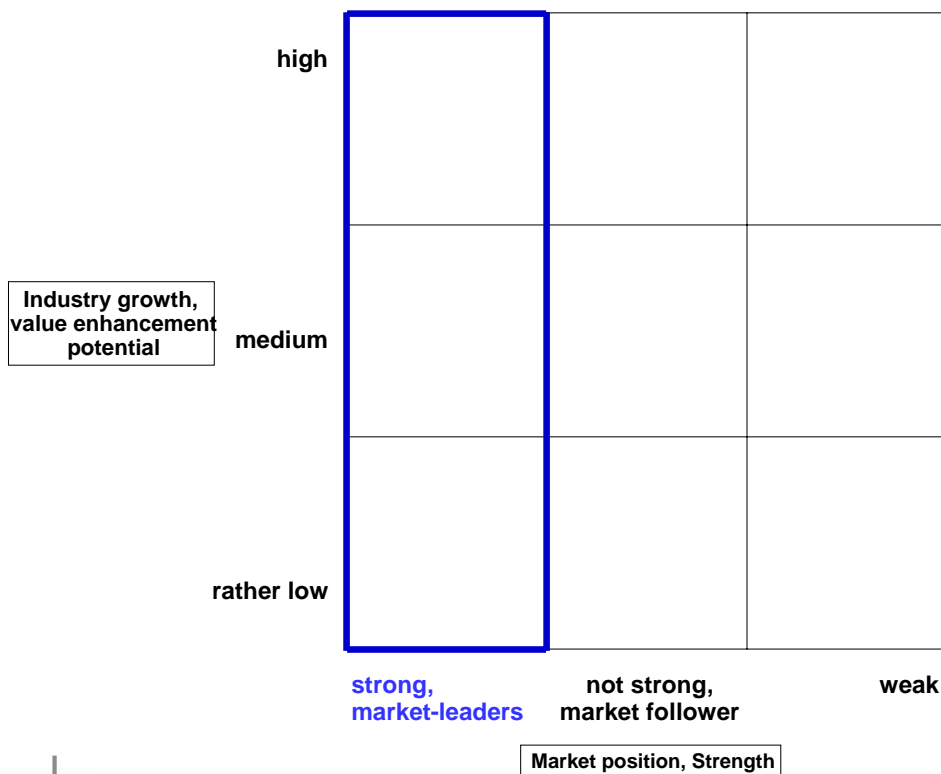
Attractive business quality

- Leading technology position
- Leading market position (No. 1 or No. 2)
- Global value added
- High profitability
- Synergies

Each business is evaluated by these criteria



Siemens' Business Portfolio

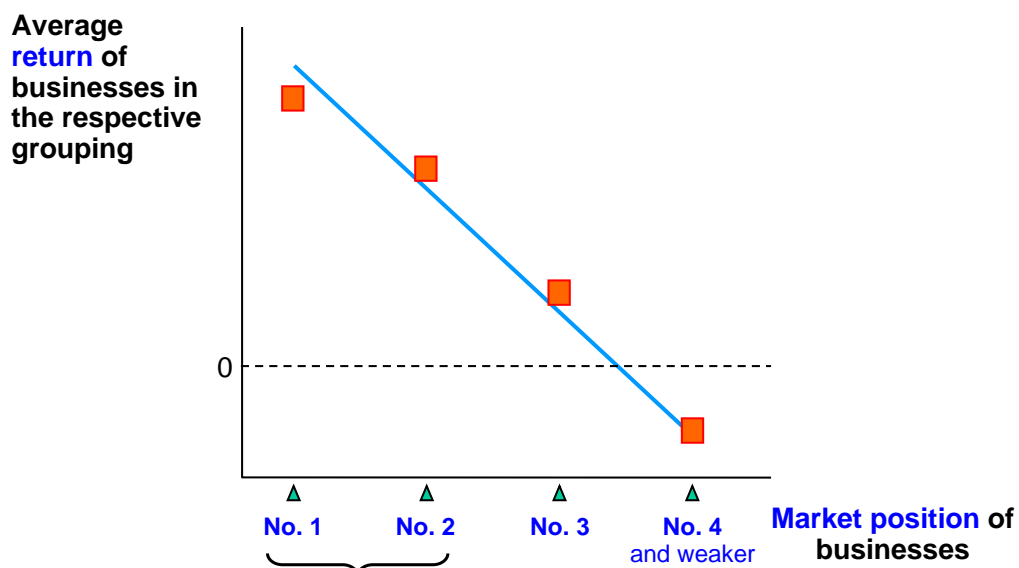


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Attractive earnings only possible in leading market positions. Clear goal for No. 1 / No. 2 positions

Returns depend strongly on market position
(Analysis of the businesses of Siemens)



Siemens' sales share today: 65%
Goal: > 80%



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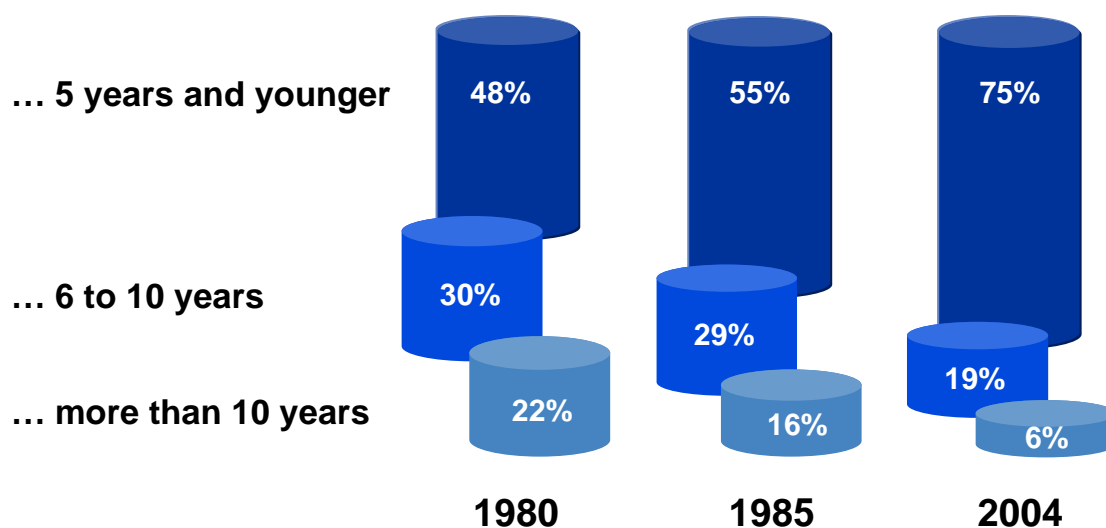
Core elements of **operational excellence** at Siemens

- **Leader in innovation**
- **Global presence**
- **World class processes**



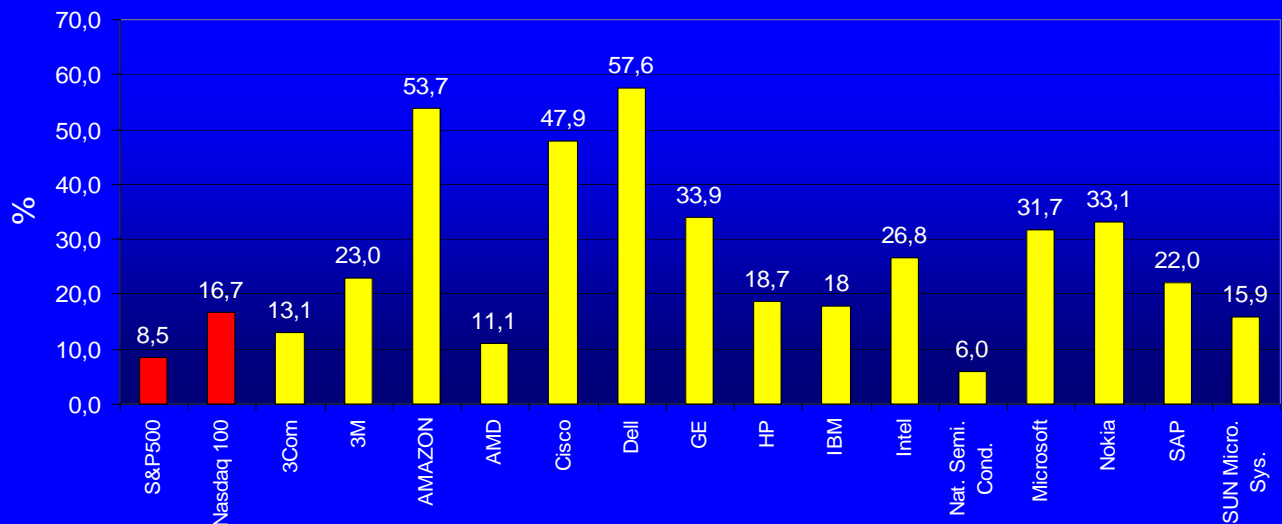
Speed in innovation is critical – need for **optimized innovation processes**

Shares of sales with products ...



Investoren fordern und honorieren Innovationen

Durchschnittliche jährliche Wertsteigerung in % von 1990 bis 2004

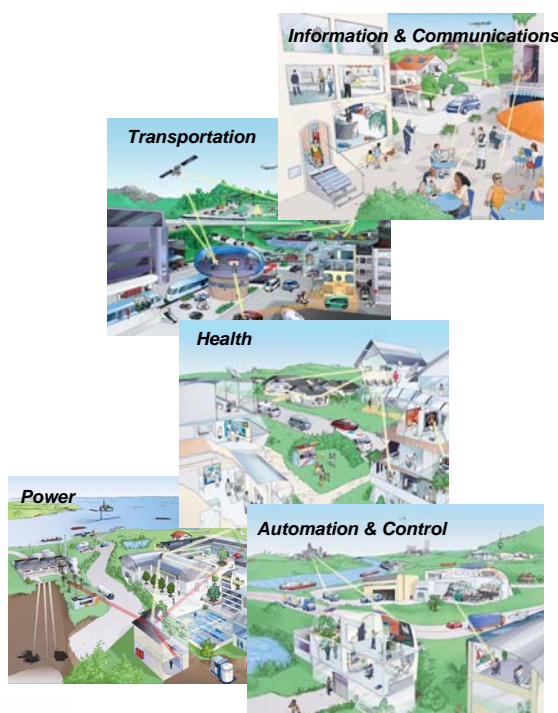


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Pictures of the Future: Detailed description of all relevant trends of our business segments



Socio-economic effects

- society
- life of work

Markets

- size
- growth
- geographical

Trends

- customer
- structural
- technological

Technologies

- growth
- multiple impact
- disruptive

New business opportunities

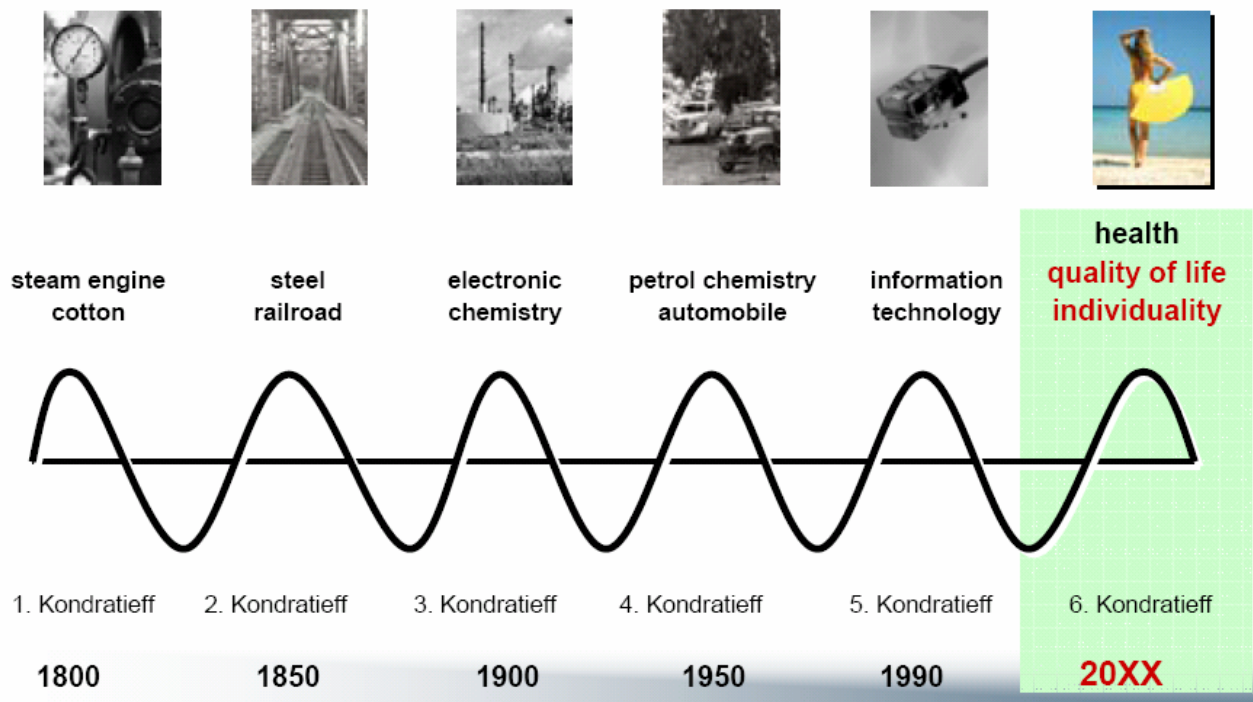
- economic value
- joint competence



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6. Kondratieff-Zyklus: Gesundheit – Lebensqualität - Individualität



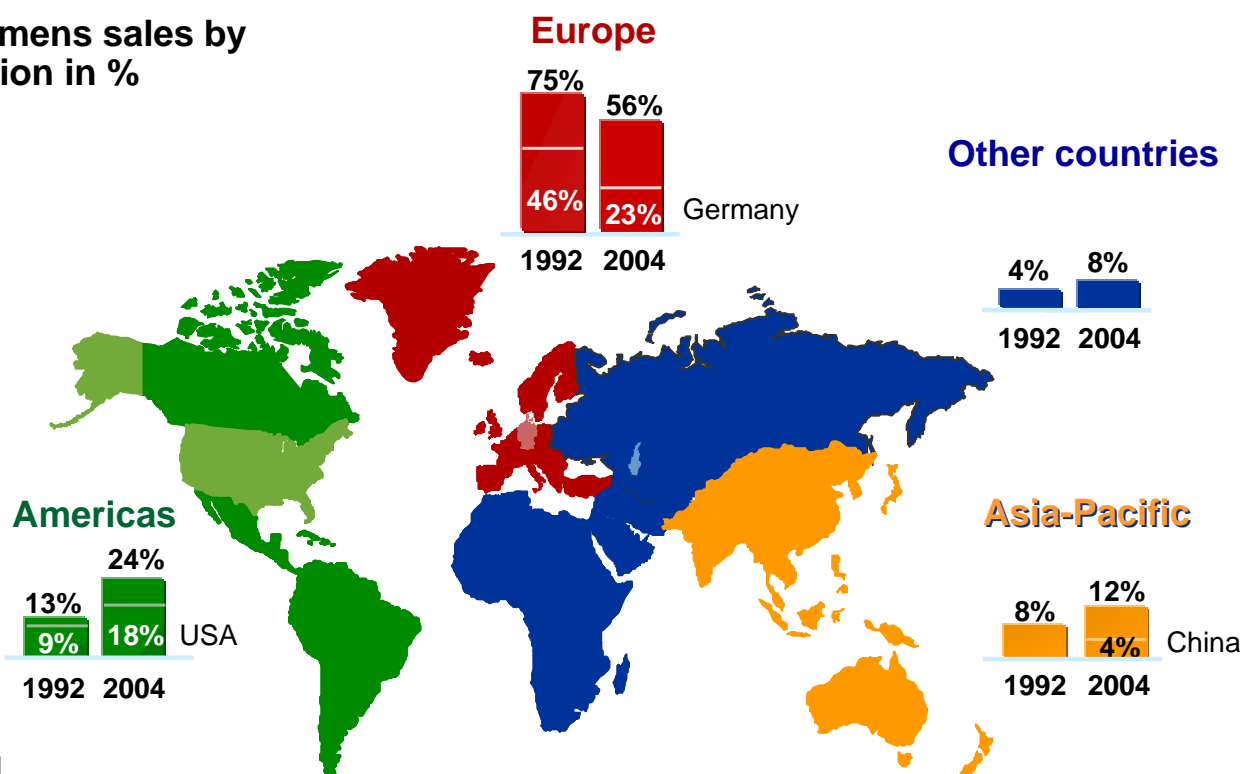
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Global sales distribution

Siemens sales by region in %



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Reasons for shifting value added

- Proximity to markets and customers
- Exploit capabilities and know-how
- Competitive position in terms of costs

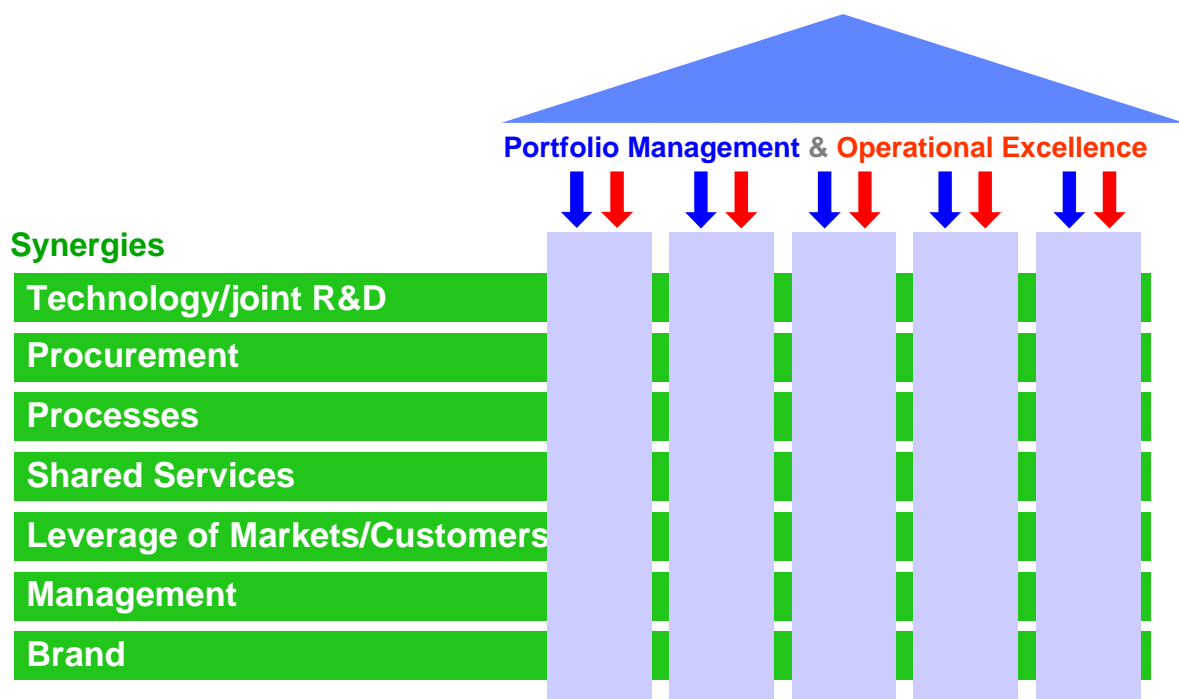
Regions and countries are assessed on the basis of these criteria



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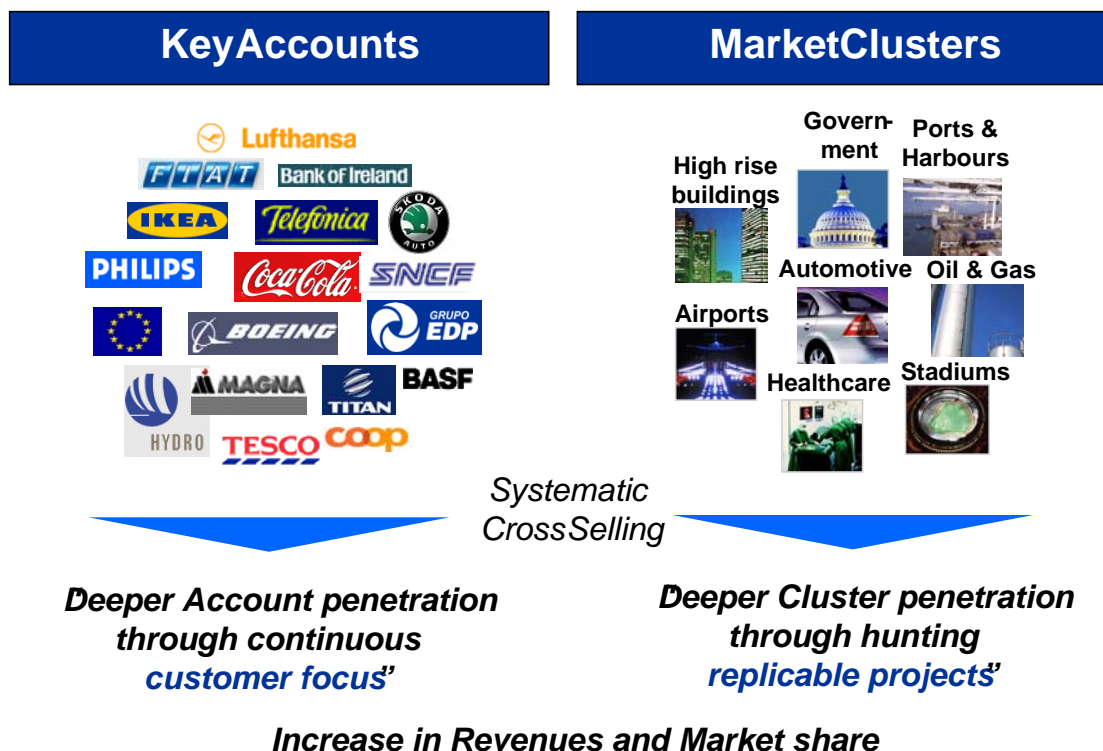
Identify and manage potential areas of synergy



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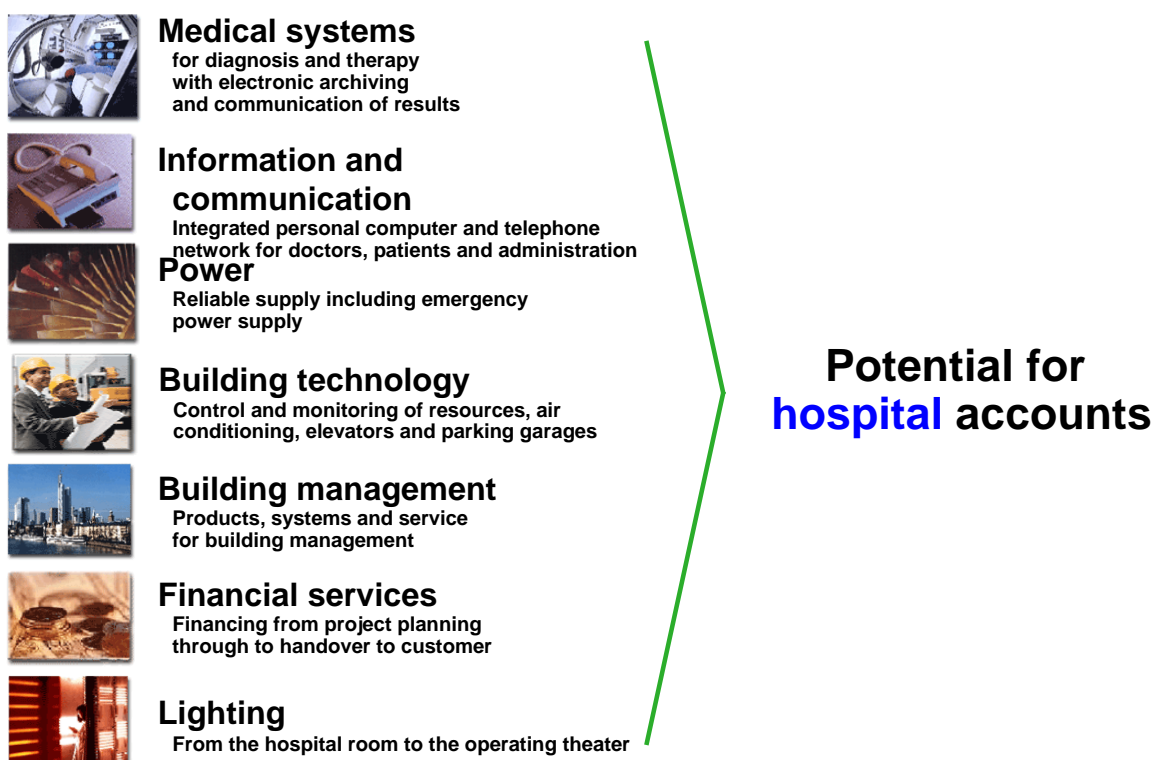
Key Account Management & Market Clusters: Additional Revenues through systematic Cross Selling

Example

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Siemens offers a wide range of products, solutions and services for hospitals

Example

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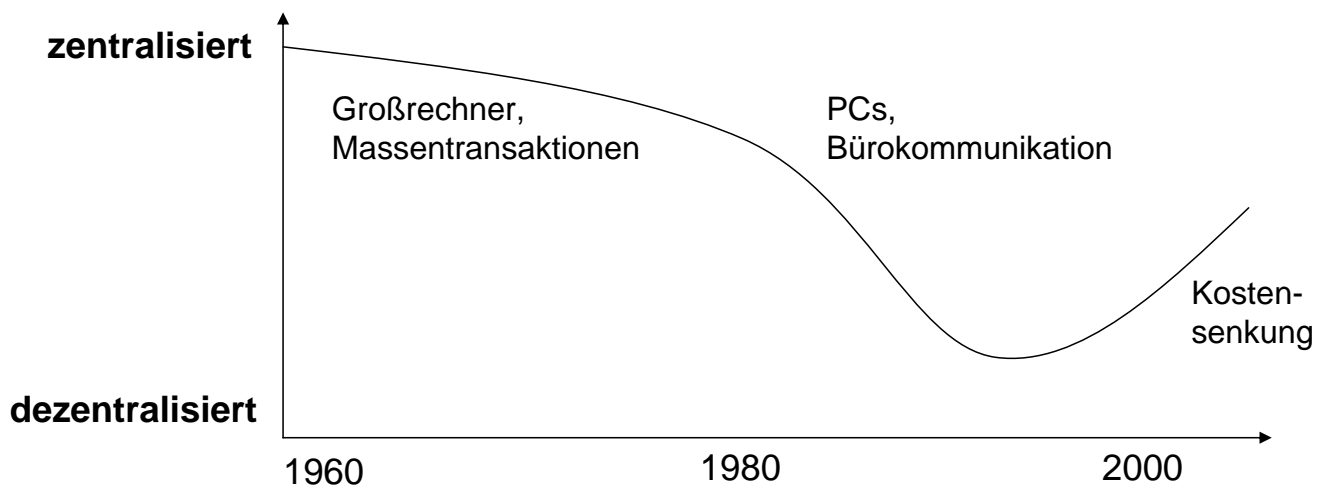
3 "Does IT matter?"



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Historische Entwicklung der IT in Unternehmen

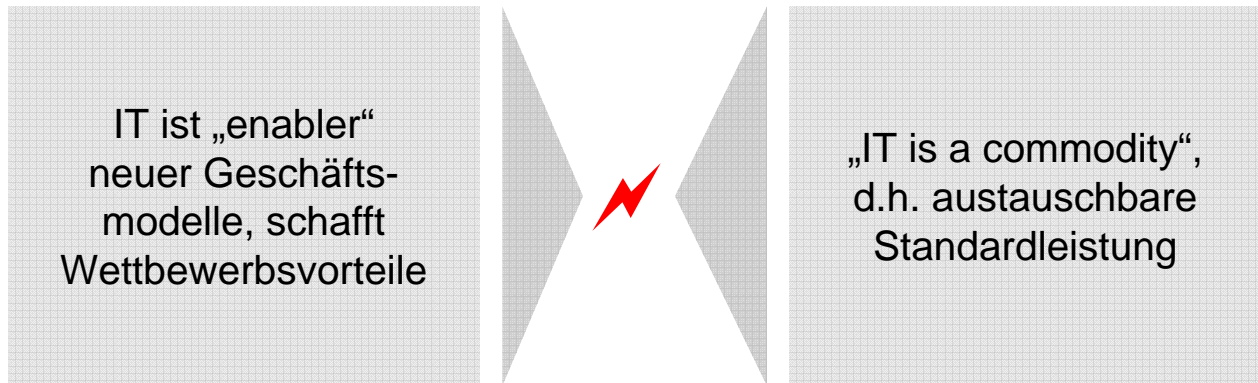


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Corporate Strategy und Corporate IT

- **IT strategic alignment**
- 2 „Schulen“



- Schlüsselfrage: Ist IT eine Kernkompetenz?



SIEMENS

CIO playing fields and activities: Processes & Data, Applications, and IT infrastructure

| | |
|-----------------------------|---|
| Processes & Data | <ul style="list-style-type: none">■ Harmonize business processes■ Standardize support processes |
| Applications | <ul style="list-style-type: none">■ Consolidate Application management resources■ Consolidate SAP / Legacy systems |
| IT Infrastructure | <ul style="list-style-type: none">■ Consolidate IT infrastructure■ Develop shared IT services |



Process Management requires a Process House, Rules, and clear Responsibilities

Process House established as a Corporate Standard

Management Processes

Strategic Planning & Controlling

Financial Planning & Controlling

Internal Audit

Legal & Social Responsibilities

Business Processes

Customer Relationship Management (CRM)

Plan

Understand

Sell

Care

Supply Chain Management (SCM)

Plan

Source

Make

Deliver

Return

Product Lifecycle Management (PLM)

Plan

Prod. Portfolio Management

Define

Realize

Commercialize

Phase out

Support Processes

Quality Management

Environment, Health & Safety

Human Resources

Financial Management

Procurement

Process & Information Management

Communication

Real Estate Management

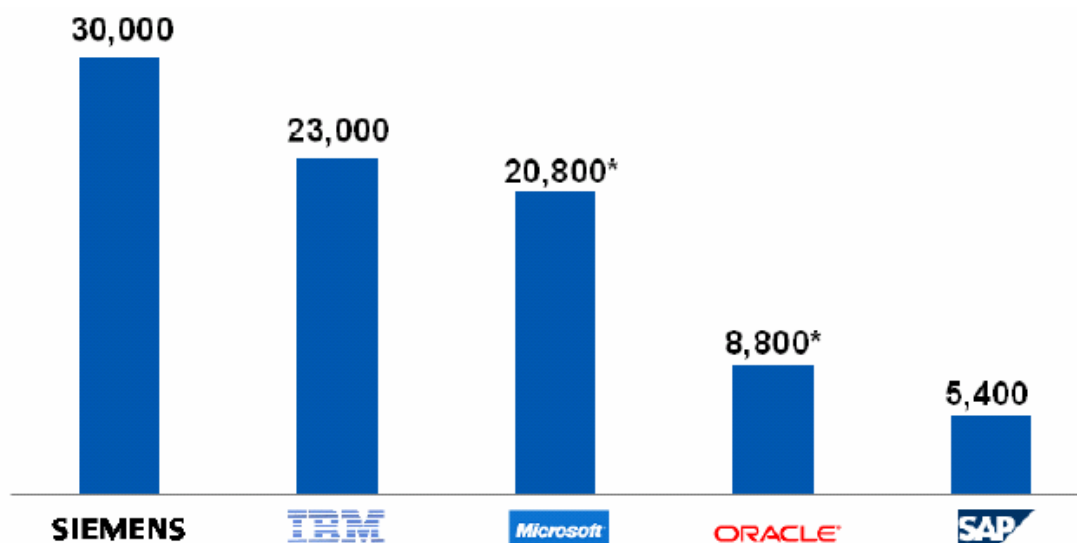


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Siemens is one of the largest software developers in the world

Software developers 2003, in FTE



* Product R&D (incl. software development)

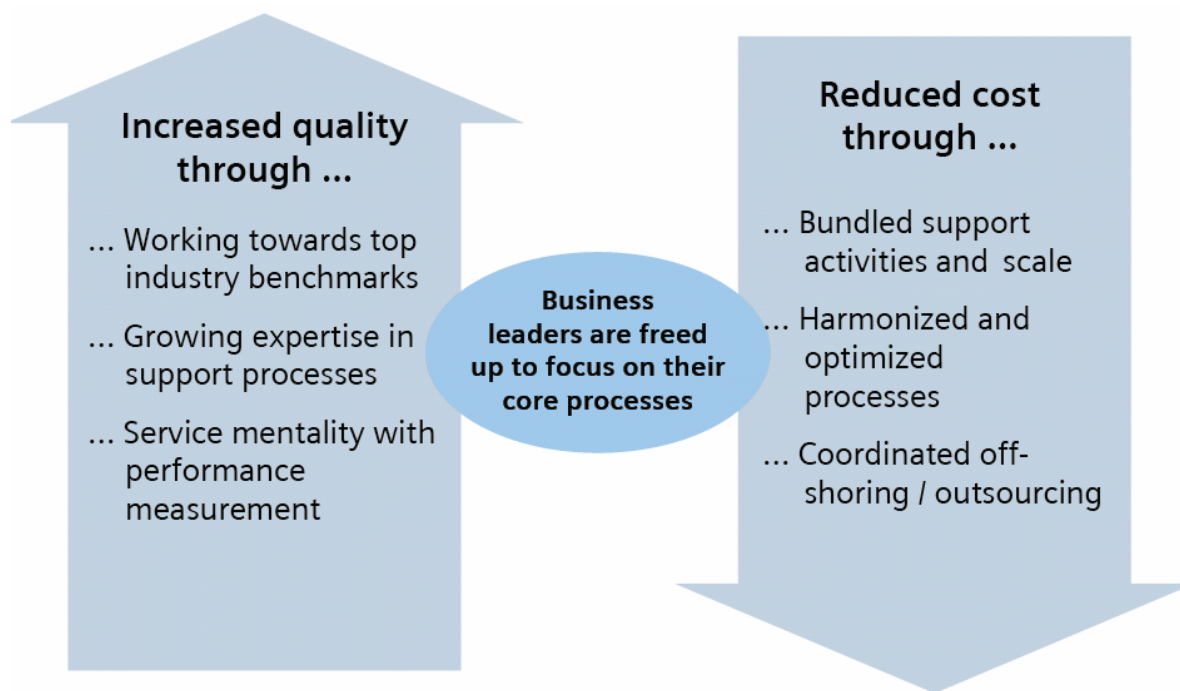


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Source: Siemens Business Conference 2003
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Corporate Shared Services

Objective: improve the competitive position



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