



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?"

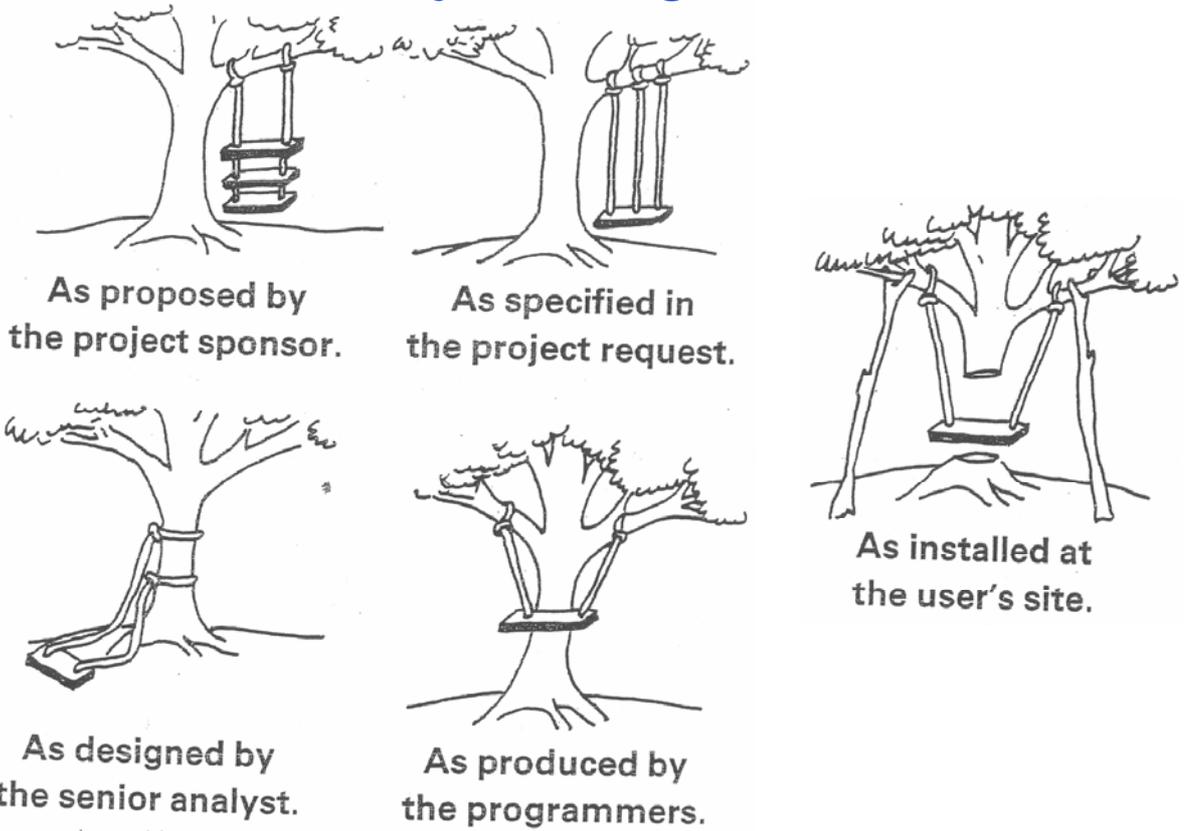
Referent: Prof. Dr. Hermann Englberger

hermann.englberger@fhm.edu

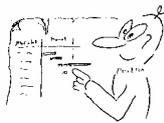
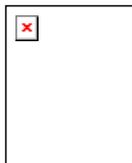
www.e-berger.de, www.fhm.edu



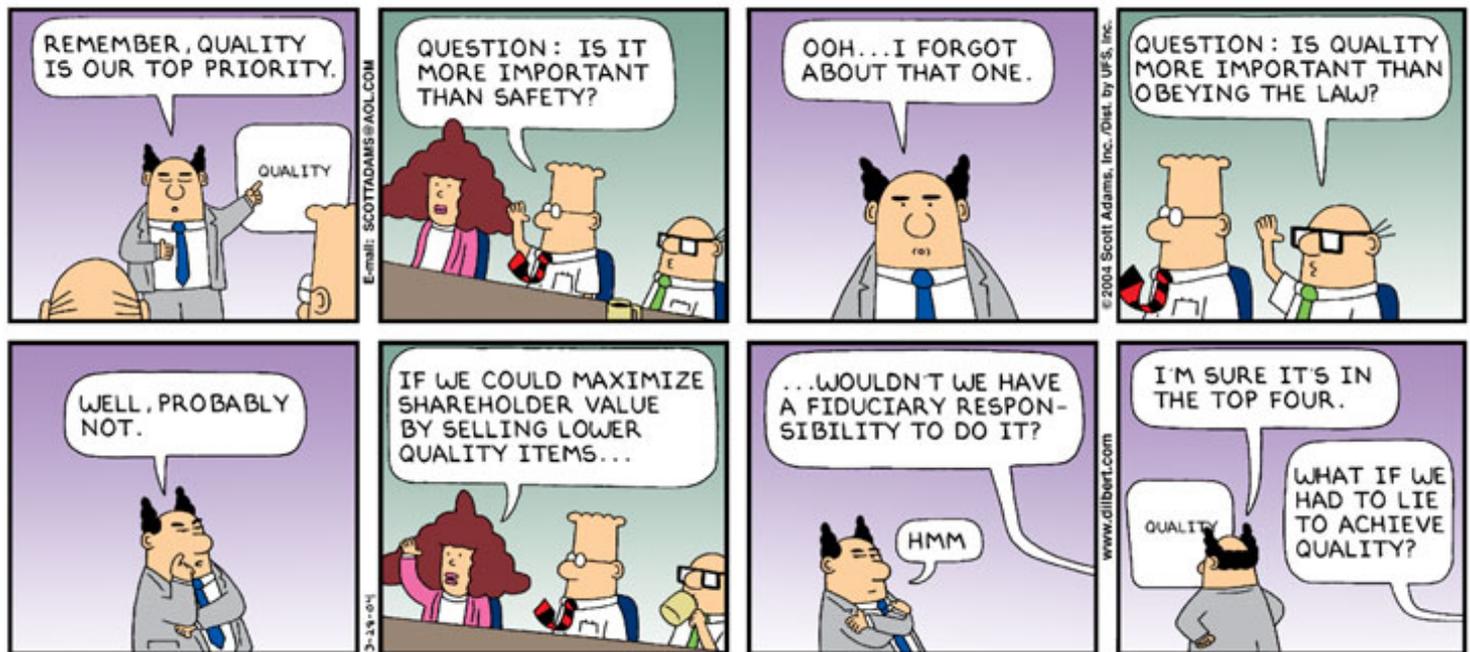
Project Management?



Project Management?



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3 "Does IT matter?"



| 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

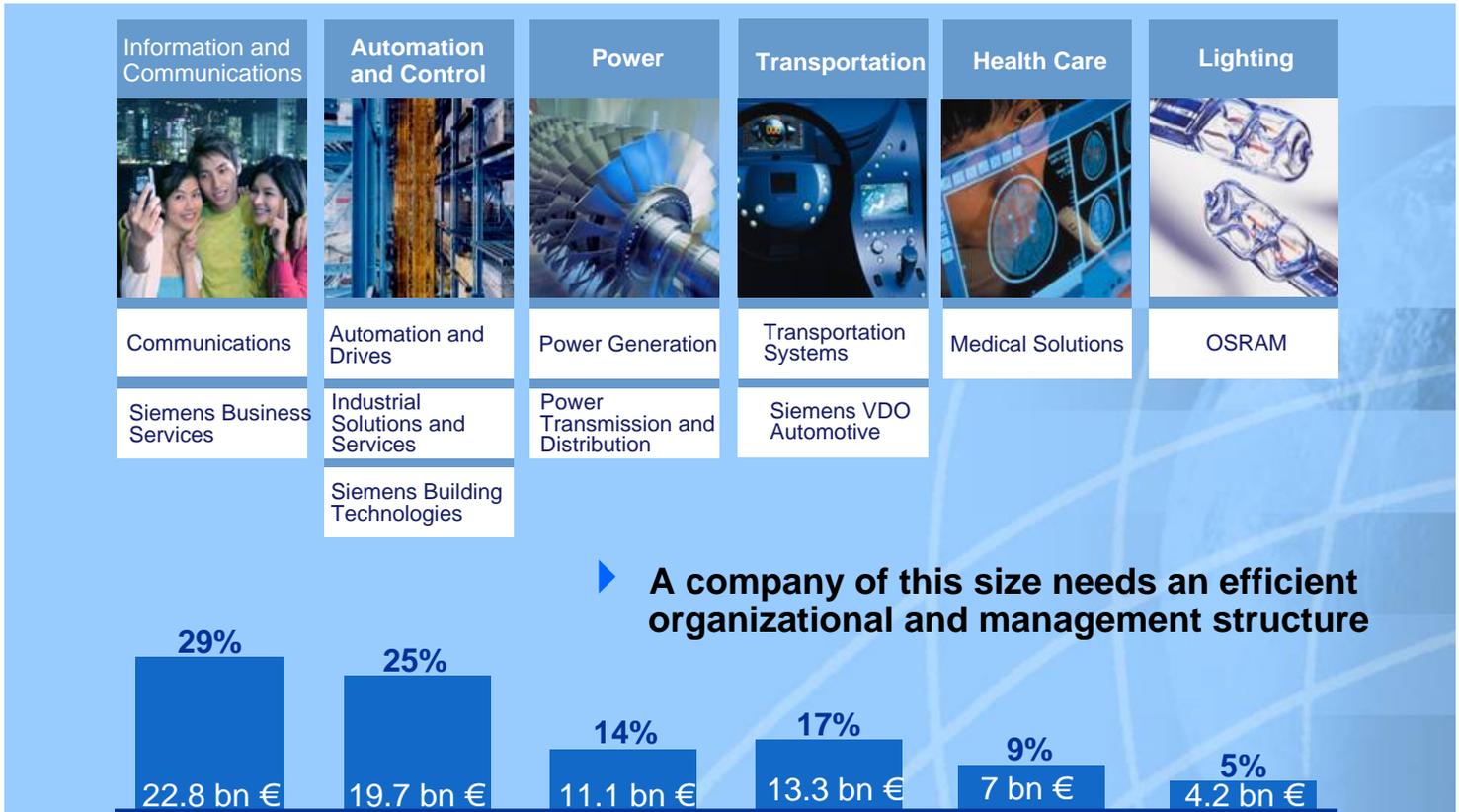


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Siemens is a multi-business company with **six Business Areas**

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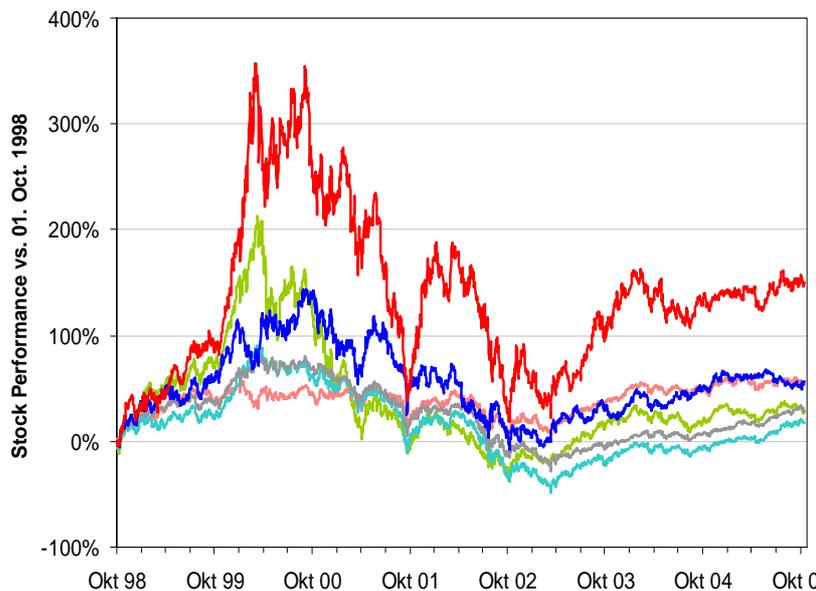


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Performance of **Siemens Share** as compared with important Indices and with General Electric

SIEMENS



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 €

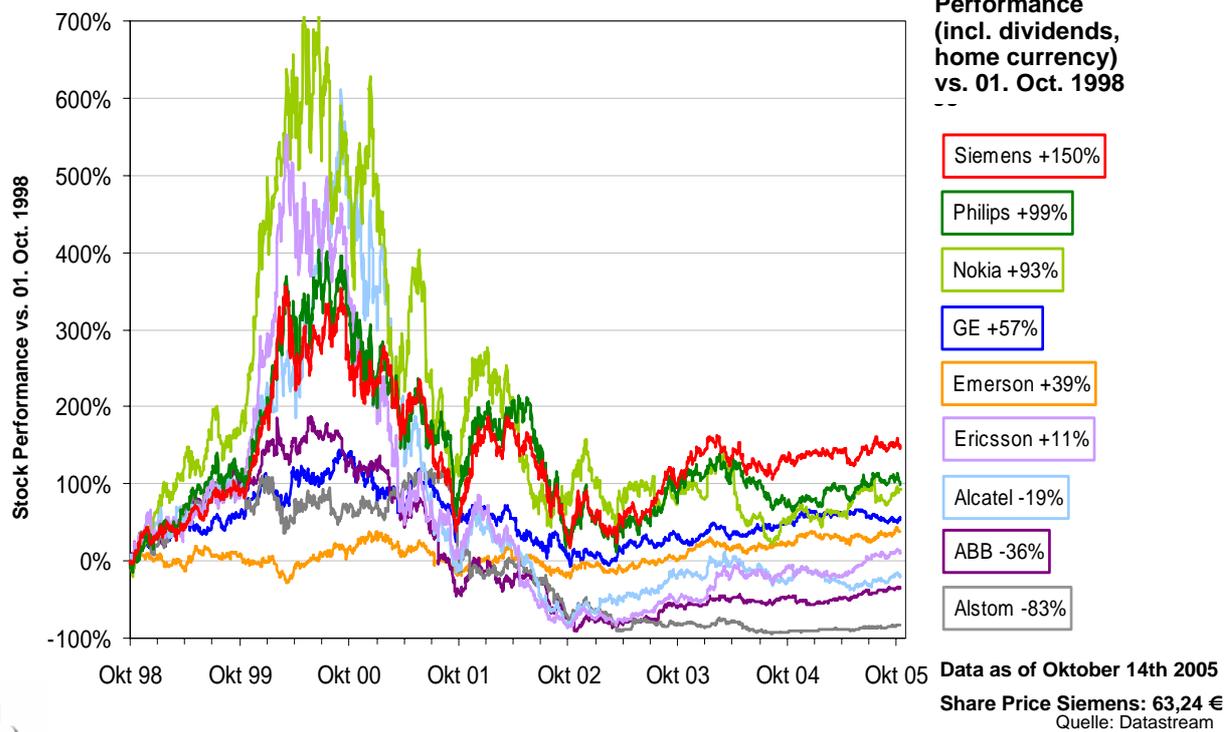
Quelle: Datastream



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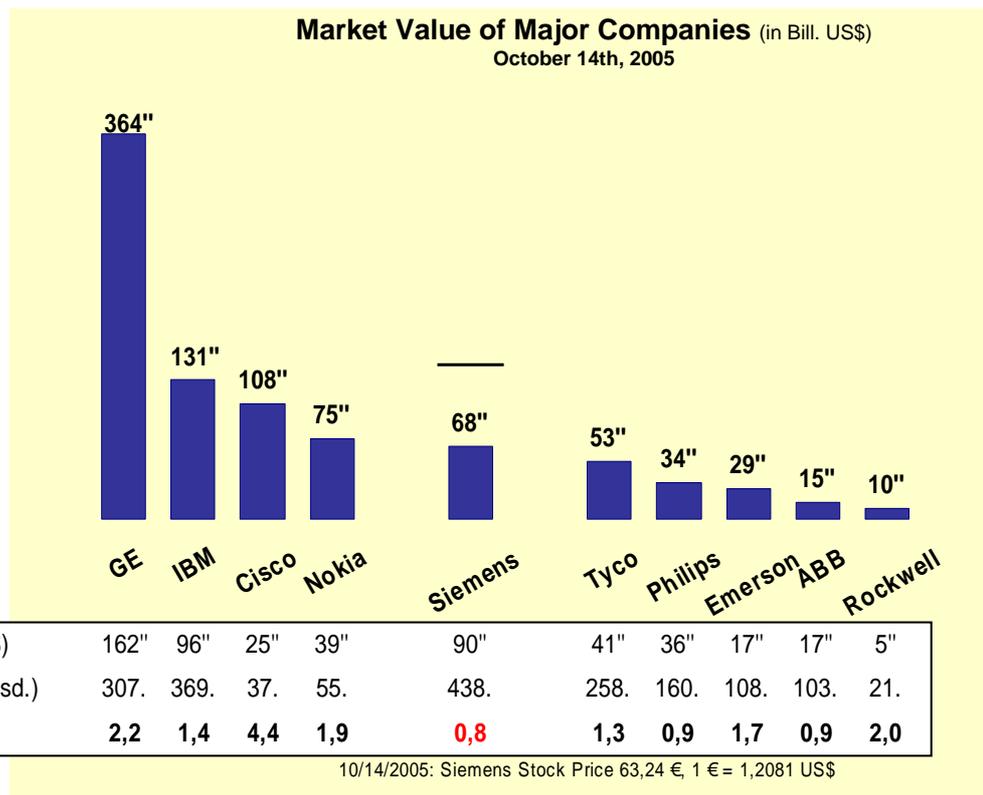
Performance of **Siemens Share** as compared with important Competitors



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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 | <ul style="list-style-type: none"> ▪ 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



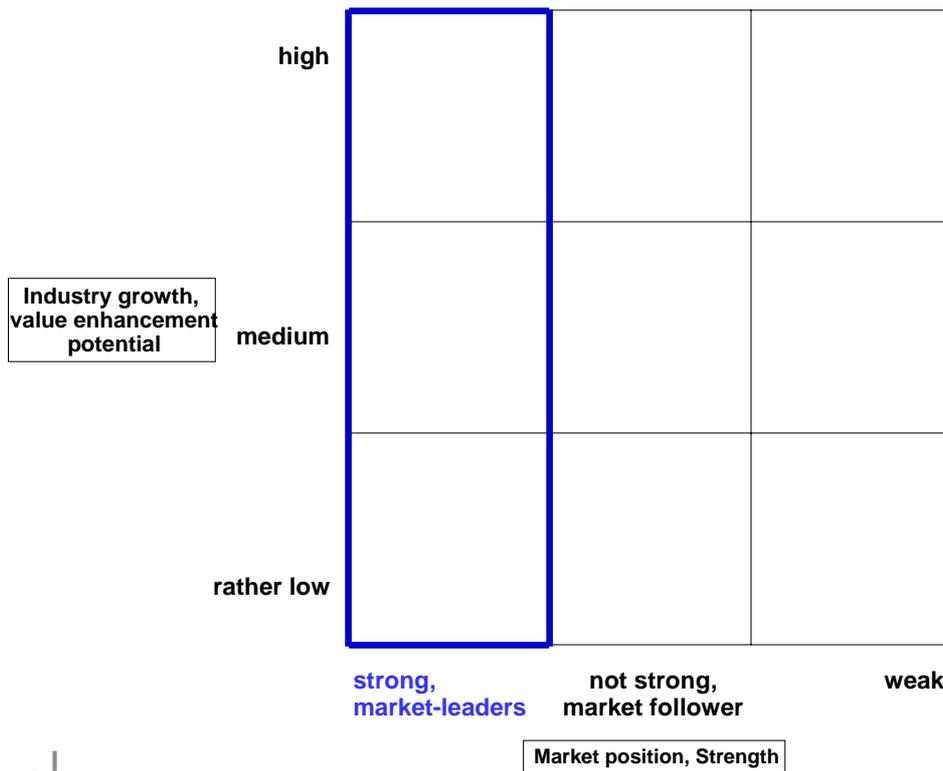
Attractive business quality

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

Each business is evaluated by these criteria

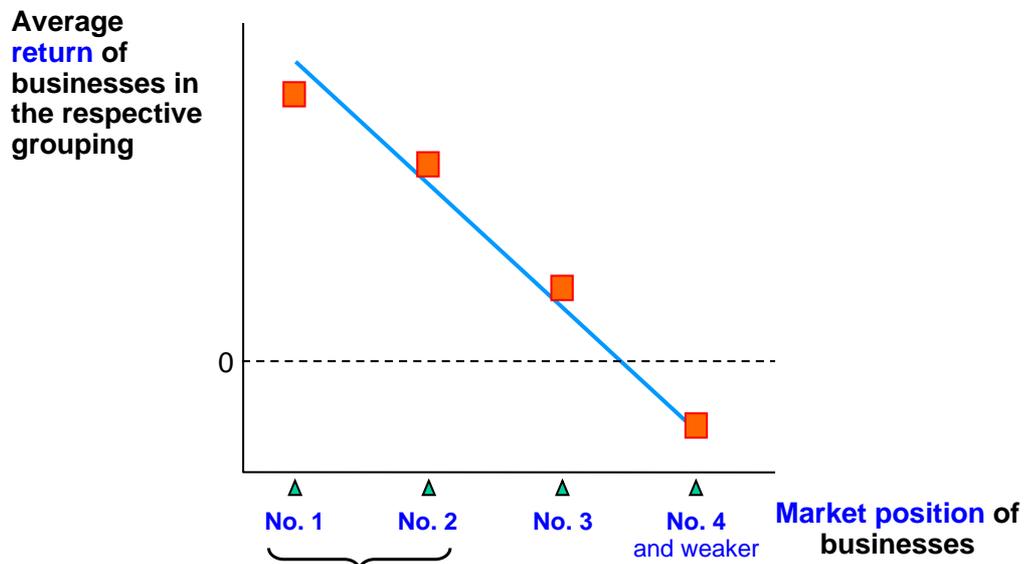


Siemens' Business Portfolio



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%



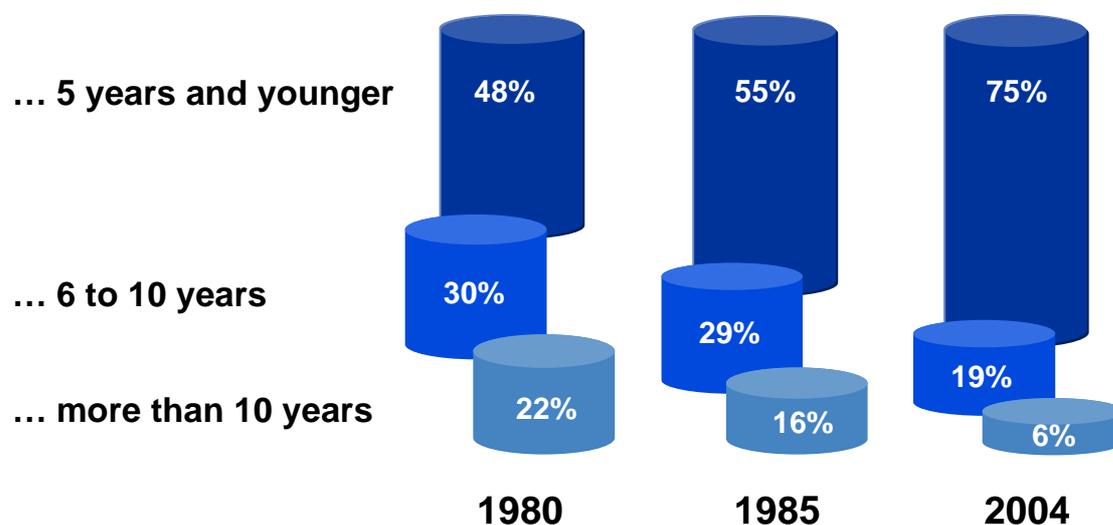
Core elements of **operational excellence** at Siemens

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



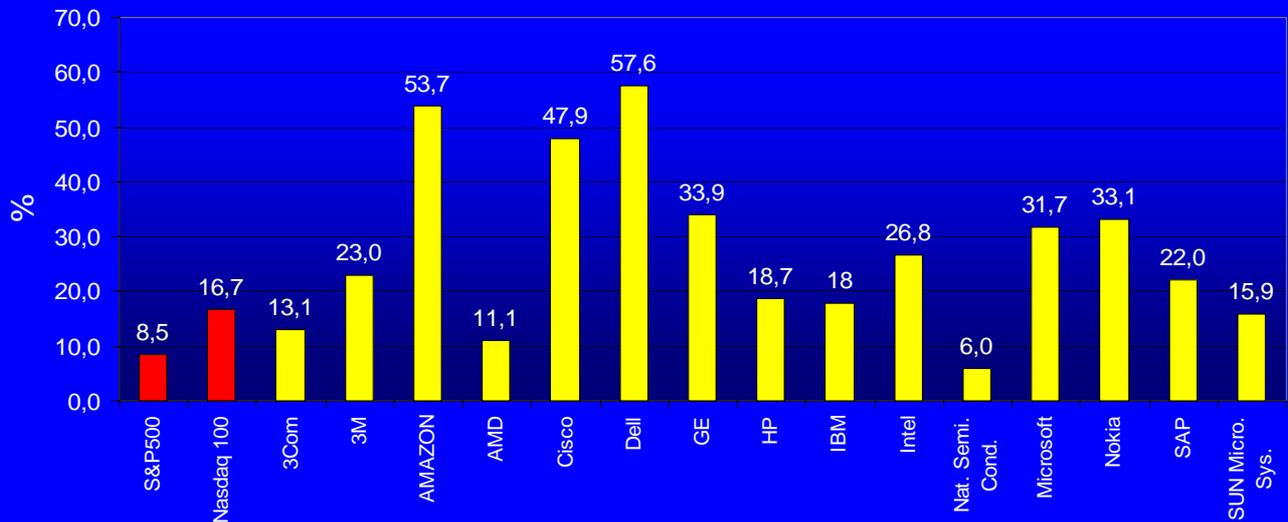
Speed in innovation is critical – need for **optimized innovation processes**

Shares of sales with products ...



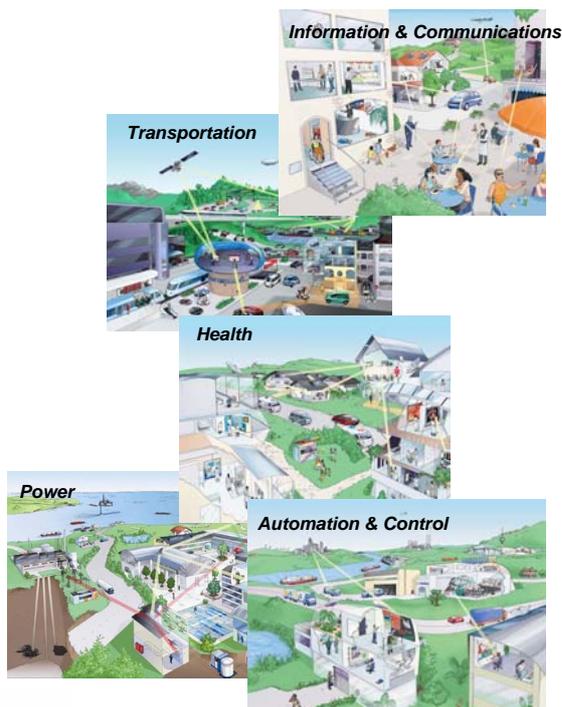
Investoren fordern und honorieren Innovationen

Durchschnittliche jährliche Wertsteigerung in % von 1990 bis 2004



SIEMENS

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

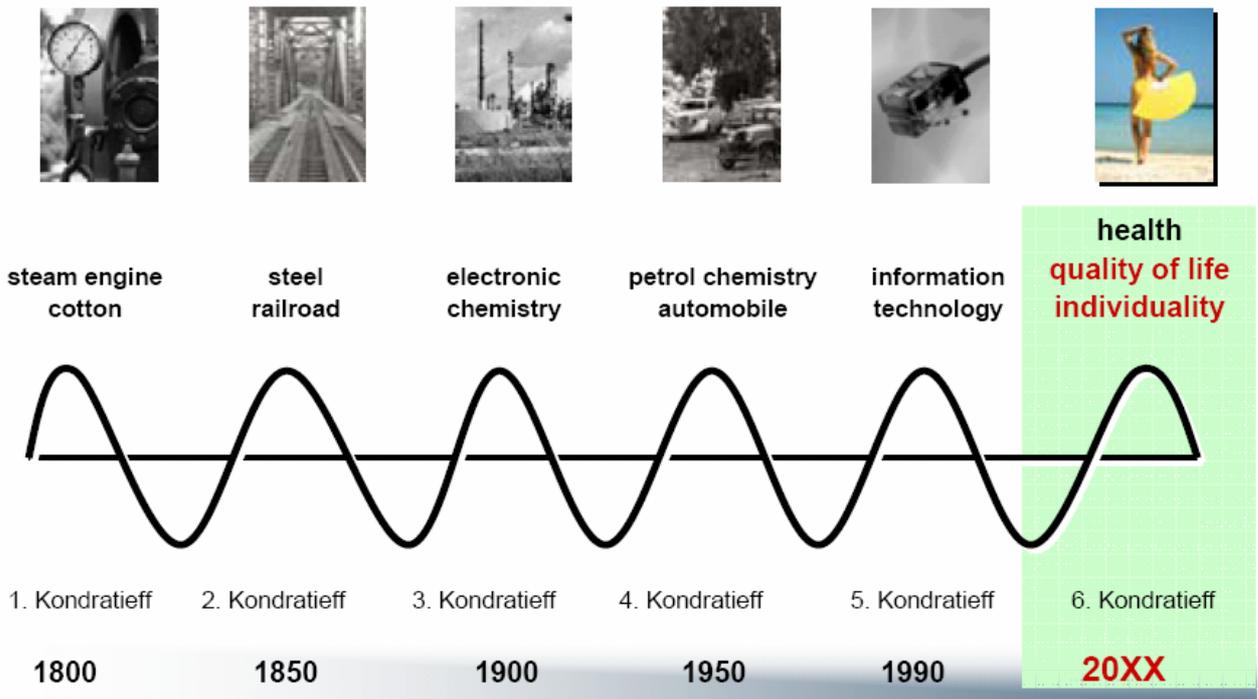
- growth
- multiple impact
- disruptive

■ New business opportunities

- economic value
- joint competence



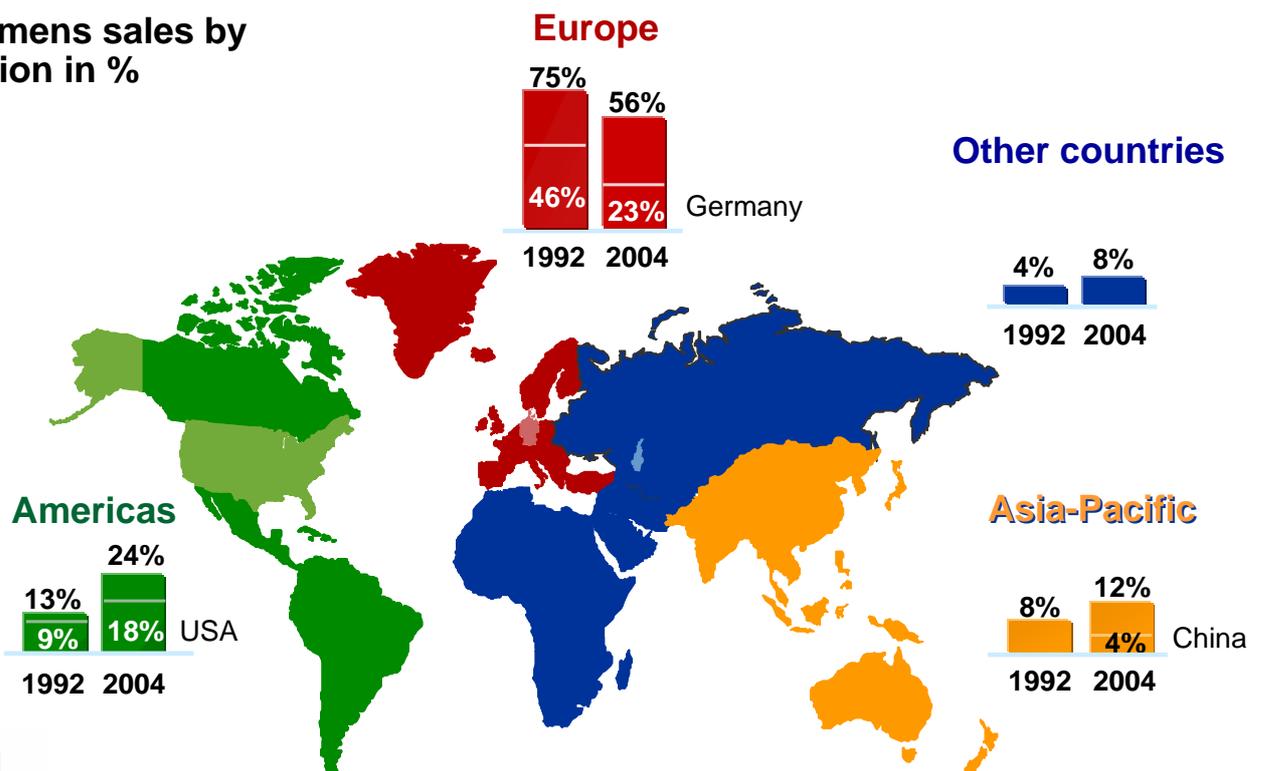
6. Kondratieff-Zyklus: Gesundheit – Lebensqualität - Individualität



SIEMENS

Global sales distribution

Siemens sales by region in %



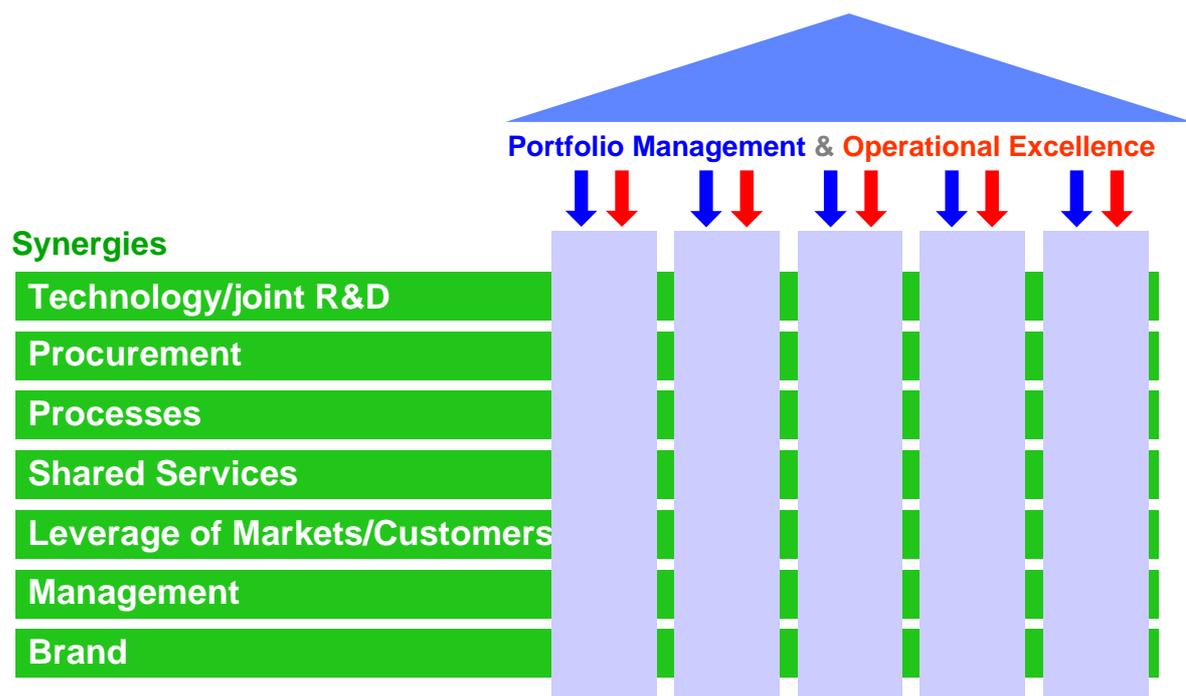
Reasons for shifting value added

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

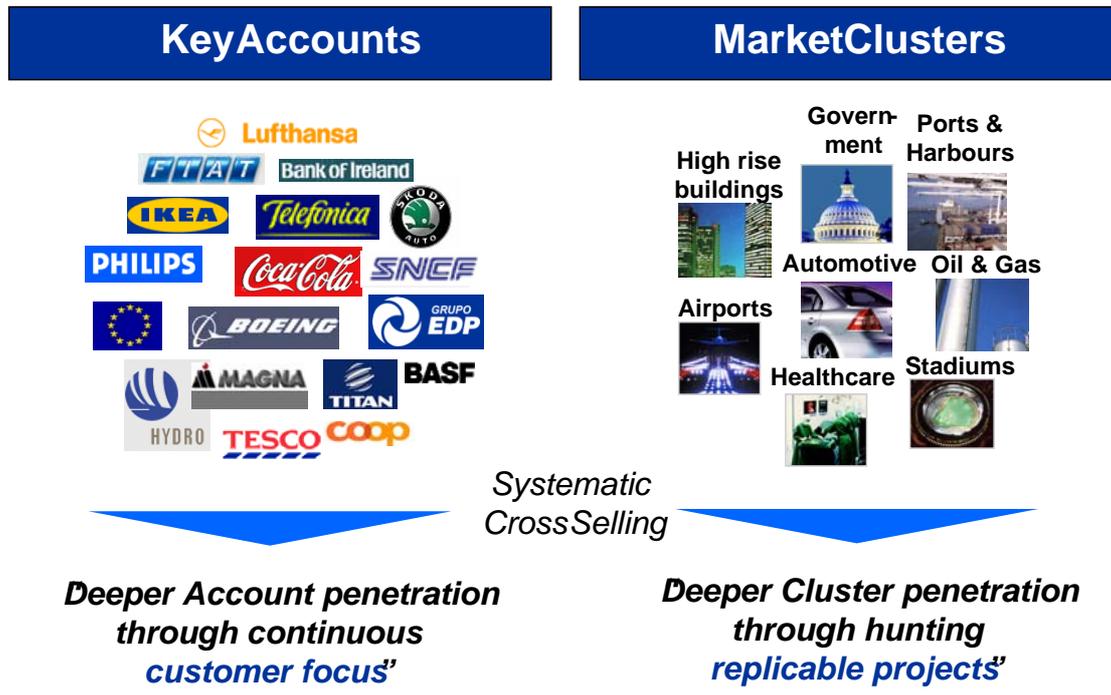
Regions and countries are assessed on the basis of these criteria



Identify and manage potential areas of synergy



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



Increase in Revenues and Market share



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

- 

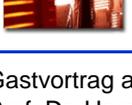
Medical systems
 for diagnosis and therapy with electronic archiving and communication of results
- 

Information and communication
 Integrated personal computer and telephone network for doctors, patients and administration
- 

Power
 Reliable supply including emergency power supply
- 

Building technology
 Control and monitoring of resources, air conditioning, elevators and parking garages
- 

Building management
 Products, systems and service for building management
- 

Financial services
 Financing from project planning through to handover to customer
- 

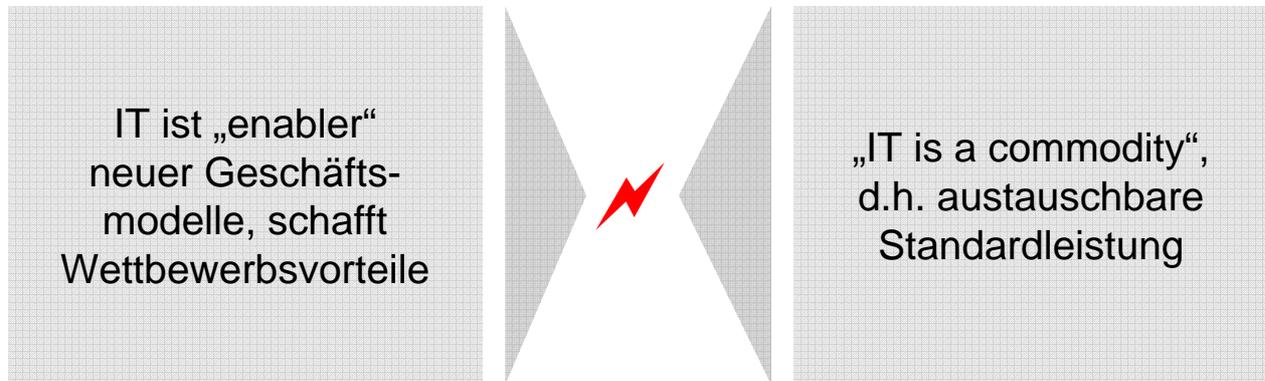
Lighting
 From the hospital room to the operating theater

Potential for hospital accounts



Corporate Strategy und Corporate IT

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



- **Schlüsselfrage: Ist IT eine Kernkompetenz?**



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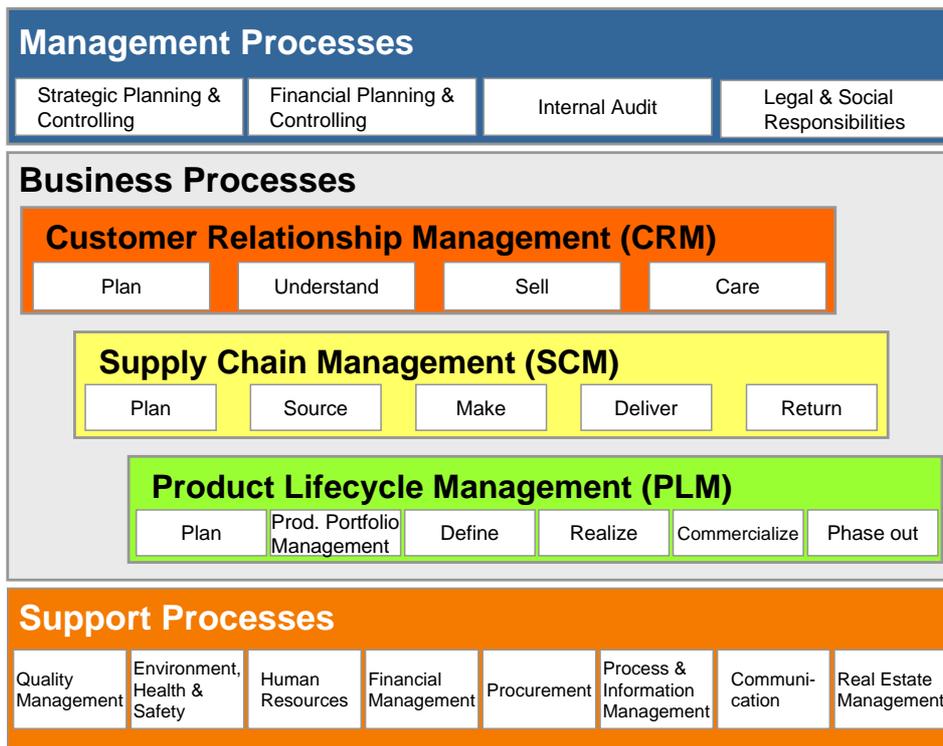
CIO playing fields and activities: Processes & Data, Applications, and IT infrastructure

| | |
|-----------------------------|---|
| 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

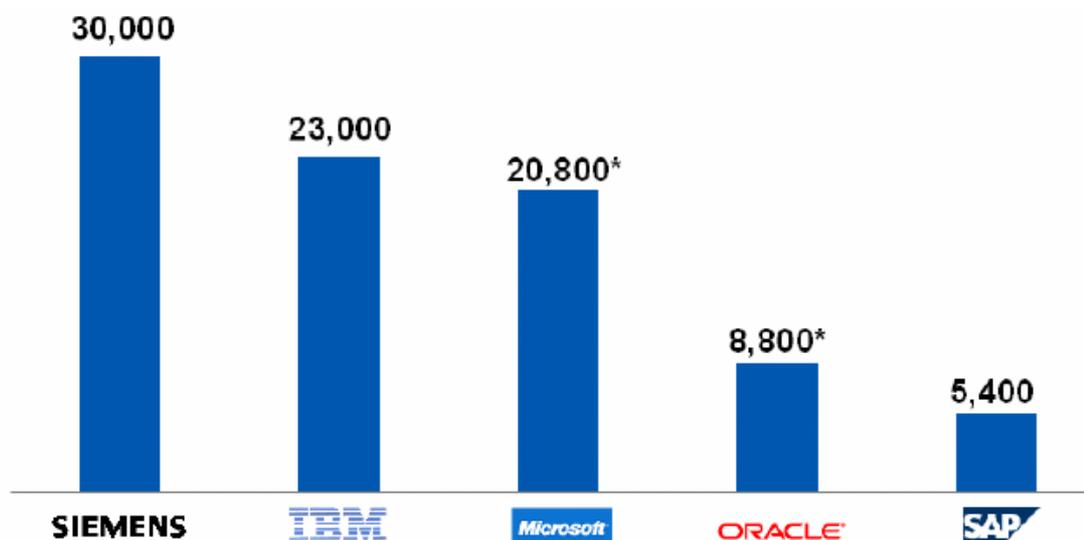


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Siemens is one of the largest software developers in the world

Software developers 2003, in FTE



* Product R&D (incl. software development)



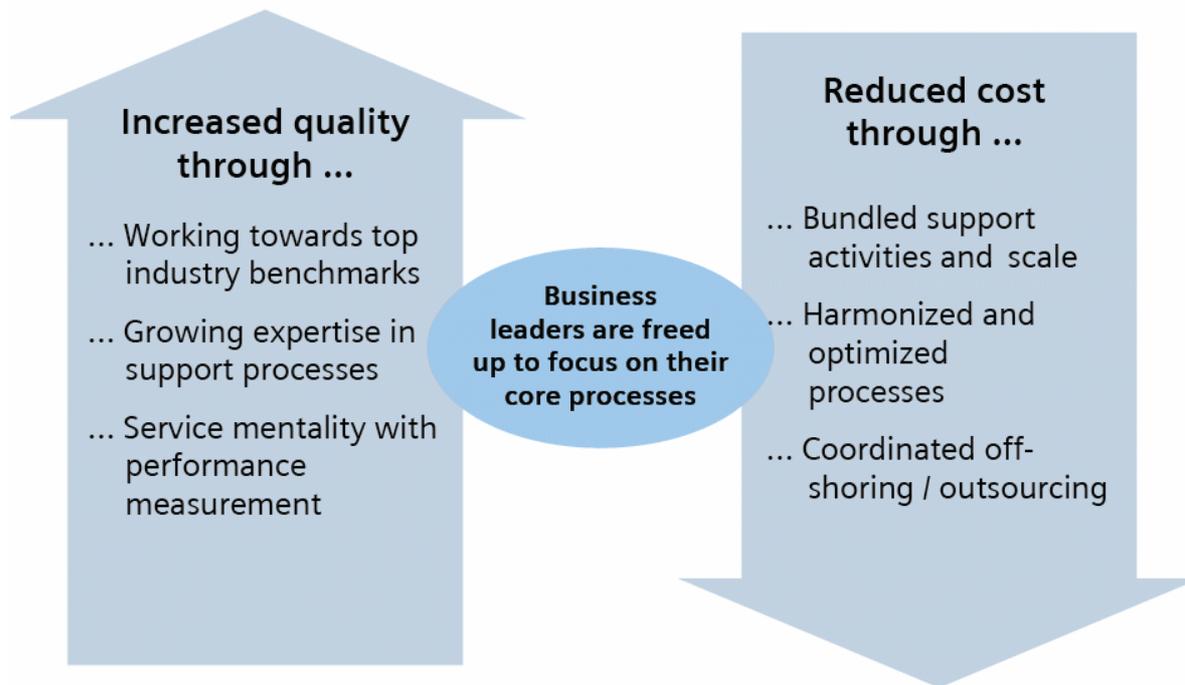
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Source: Siemens Business Conference 2003
30.01.2006

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Corporate Shared Services

Objective: improve the competitive position



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