Enabling the „Big Shift“ for Siemens
The advent of a new management model
Agenda
1. Managing the “Big Shift” – why change?

2. Focus areas for the multinational player 2.0

3. Building the right Capabilities

4. What is next

Appendix
Siemens as a multinational player has successfully changed – Pressure to do so continues to grow

<table>
<thead>
<tr>
<th>The Challenges</th>
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<tbody>
<tr>
<td>• Fast evolving product and market trends</td>
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<tr>
<td>• Changing Value Chains</td>
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<tr>
<td>• Multitude of local markets – no world market products</td>
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<tr>
<td>• Innovation is taking place across regions</td>
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<tr>
<td>• Lean leverage – asset efficiency increasingly important</td>
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<tr>
<td>(consequence financial crisis)</td>
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<tr>
<td>• Retaining talent</td>
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<td>• Keeping intelligence and information in realtime</td>
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<table>
<thead>
<tr>
<th>Forces of Change</th>
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<tbody>
<tr>
<td>• Competitive Intensity</td>
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<tr>
<td>• Stock Price Volatility</td>
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<tr>
<td>• Asset Profitability</td>
</tr>
<tr>
<td>• Firm Topple Rate</td>
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<tr>
<td>• Nokia (clam shell and smartphone)</td>
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<tr>
<td>• Siemens mobile</td>
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<tr>
<td>• NSN</td>
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<td>• Infineon</td>
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<td>• Shareholder Value Gap</td>
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<tr>
<td>• Consumer power</td>
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<td>• Brand Disloyalty</td>
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<td>• Economic Freedom</td>
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</table>
Deloitte research has identified a dramatic situation on asset profitability

Challenge

Running faster, Falling behind with “Push” Management (Enterprise 1.0):

The return-on-assets for all American firms has eroded by 75%

Forecasting Demand and planning/organizing resources top-down (=push management model) becomes more difficult in turbulent markets.

The push management model works best in stable markets for maximizing efficiency and minimizing deviations from standard practices. In dynamic and changing environments the management model must be adaptive and innovative: Therefore the top-down push management model is increasingly challenged and direction-setting starting now to be done more outside-in and bottom-up.

Source: Compustat, Deloitte analyses
Improving RoA Performance with a „big shift“ in value creation

<table>
<thead>
<tr>
<th>Year</th>
<th>Siemens</th>
<th>Industry</th>
<th>GE</th>
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</thead>
<tbody>
<tr>
<td>2010</td>
<td>3.79%</td>
<td></td>
<td>5.3%</td>
</tr>
<tr>
<td>2009</td>
<td>2.4%</td>
<td>4.8%</td>
<td>5.2%</td>
</tr>
<tr>
<td>2008</td>
<td>6.06%</td>
<td>7.7%</td>
<td>8.27%</td>
</tr>
<tr>
<td>2007</td>
<td>4.16%</td>
<td>7.7%</td>
<td>10.34%</td>
</tr>
<tr>
<td>2006</td>
<td>3.6%</td>
<td>7.9%</td>
<td>10.64%</td>
</tr>
</tbody>
</table>

Solution

The” Big Shift”: Leverage the Power of Pull with new value chains (Enterprise 2.0):

Create services (Apps) to draw out resources (e.g. information) and People (e.g. consultants) as needed to address opportunities and challenges based on the “Big Shift” Management Cloud Platform
Smart Value Chain (1): Leveraged Growth with networked value creation improves asset profitability and customer experience

“Big Shift” Management Cloud Platform: Example Schaeffler Group

New Knowledge Flow & Data Management Eco-System

Community Cloud Platform  Apps-based Partnering  Strategic Network Management

Current Product/Infrastructure Management
Smart Value Chain (2): Leveraged Growth with networked value creation improves asset profitability and customer experience

“Big Shift” Management Cloud Platform: Example Siemens “Smart City”

Knowledge Flow & Data Management Eco-System

Product/Infrastructure Management

Apps-based Partnering

Strategic Network Management

Community Cloud Platform

New smart cities eco-system

Verkehr

Hospitals

Energy

Server parks

Cloud computing 3.0

Data storage retrieval

and demand/response mgt.

Information platform

Wind

Nuclear power

Desertec

Other

M2M Infrastructure

BI - Directional data exchange

Smart Grid
Focus areas for the multinational player 2.0
Asset efficiency

**Challenge**

Keeping up with market, business and management and innovation dynamic

Managers find themselves lagging behind their counterparts in rapidly emerging markets such as India or China, where businesses are much more adept at creating broad networks and finding innovation at "the edge" of their business rather than a proprietary core.

**Solution**

Create a Dynamic Business Ecosystem with local Market Forums (Institutional Innovation):

Creating broad networks and finding innovation at "the edge" of the business rather than a proprietary core. Local teamwork, collaboration and skill in communication is bringing new heights of invention and success by increasing returns of scalable knowledge flows.

The use of the Global Strategicfrontend.com helps the Enterprise Network Office to create the global Management Network Architecture.
Instant Access to information and know How

**Challenge**

Overcoming the barriers of cloud computing:

Most of the enterprise IT 'stack' is now available via cloud models in the form of infrastructure, platforms and Applications-as-a-Service.

**Solution**

**Elastic Infrastructure with Cloud Broker Model**

Exploiting the Cloud Computing “IT Stack” Potential to improve Asset Profitability by reducing costs & creating and sharing knowledge across boundaries.
Talent pooling

Challenge

Current Management Processes and enabling systems are fragmented which leads to barriers of teamwork and development of key people.

Manager has to use different, non-integrated proprietary systems and bridge Information Island.

Solution

Social Productivity by integration of Management Processes and Methods by Apps Services and Talent Development “on-the-job” enabled through cloud-based work-environments.

Using services (Apps) to draw out resources (e.g. information) and People (e.g. consultants) as needed to address opportunities and challenges anytime and anywhere.

A free selection of Mobile management apps by every manager enables self-sufficient operations and greater business impact through unlocking the initiative, creativity and passion of key people.

No industry was composed of more than 20% of passionate individuals, and the larger the company, the less likely you were to find them.
Building the right capabilities - What is the implication on the workplace and the overall management infrastructure?
Big Shift” Solution Approach: Unlocking the Cloud Computing Potential for Profitability Impact

Technology Foundation

Cloud Computing
- Service & Software for scalable Pull Platforms

Forces of Change:
- Computing
- Digital Storage
- Bandwidth
- Cloud Users
- Wireless Subscriptions

Social Productivity

Manager Workplace
- Modular Design & Security of flexible Knowledge Access/Creation

Forces of Change:
- Internet Activity
- Wireless Activity
- Social Media Activity
- Worker Passion

Knowledge Flow

Management Process
- Fast-Cycle Management of Knowledge Flow

Forces of Change:
- Inter Firm knowledge Flow
- Decision Cycle Time
- Executive Turnover
- Returns to Talent
- Labor Productivity

Profitability Impact

Market Value Creation
- Closing the Asset Profitability Gap

Forces of Change:
- Competitive Intensity
- Stock Price Volatility
- Asset Profitability
- Firm Topple Rate
- Shareholder Value Gap
- Consumer power
- Brand Disloyalty
- Economic Freedom
“Big Shift” Impact: Achieved Results

**Social Productivity**
- 50% MY
- 100% MY

**Speed**
- 12 weeks
- 95%
- 1 day

**Sharing**
- Decentralization

**Results**
- 35%
- 135%
- 100%
- Top Line Growth in 2 years
- Payback Time: 6 Months

**Streamlining Data Gathering & Reporting**
- Reducing Planning Layers
- Flexible Access to Resources needed to address the unexpected

**Online Market Strategy Events**
- Instant Expert Verification
- Connecting Knowledge with practice-real-time

**Market Synergies**
- Replication of proven strategy execution processes
- Success Transfer

“Big Shift” Cloud Computing enables consulting and client management to become more productive
Outlook – How to leverage the information
Fast-Cycle Management Solution:
Driven by web-based Apps of strategicfrontend.com
Next Steps
How to assess and adopt “pull” management cloud implementation of Knowledge Flows for your business

<table>
<thead>
<tr>
<th>Management Cloud Awareness</th>
<th>Management Cloud Quick Check</th>
<th>Management Cloud Pilot Solution</th>
<th>Management Cloud Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Challenge</strong></td>
<td><strong>Solution</strong></td>
<td><strong>Solution</strong></td>
<td><strong>Solution</strong></td>
</tr>
<tr>
<td>What is the „Pull“ Management Cloud - should I really bother?</td>
<td>One day workshop with our management cloud experts to provide you with transparency of the „Power of Pull“ by management cloud processes and workspaces. Understanding the cloud architecture and the unique benefits and risks.</td>
<td>One week project with your Management Process Experts to investigate your process landscape and crystallize areas to focus on Cloud Processes. This will take into account multiple aspects of competitiveness and technology.</td>
<td>Can a management Cloud expert accompany and overlooking the implementation? I want the implementation of the „Pull“ Management Cloud solution go as smoothly and professionally as possible.</td>
</tr>
<tr>
<td>Understanding the Difference between „Push“ and „Pull“ Management Models, the power of „Pull“ and the potentials to your Company</td>
<td></td>
<td>Can you help with detailed planning and organization of my selected management cloud project? Detailed analysis, planning and optimization of a specific Management Cloud Project and optimal pilot solution for possible implementation</td>
<td>Our Management Cloud Expert can be integrated into the implementation team to ensure that the knowledge flows throughout the implementation phase of the project.</td>
</tr>
<tr>
<td>How will it help my company right now? Specific-in depth understanding of „Pull“ Management Clouds and quick benefits for your company.</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
“Big Shift” Pilot Program:
Leverage Peer-to-Peer Groups with 12 “Big Shift” Deliverables

Forum Preparation | Fast-Cycle Management Network | Fast-Cycle Management Forum: Creating & Test the “Big Shift” Blueprint

12 Key “Big Shift” Deliverables

0. Kick-off Meeting

1. Set up Cloud-Computing Platform
2. Process Owner: Set up Dashboard and Knowledge flow
3. Statement of Understanding/Project Scope
4. Process Group Manager: Set up Dashboard
5. Knowledge Flow Diagnostic & Analysis

6. Define Business View/Market Intelligence
7. Design/Test Market Strategy Knowledge Flow
8. Design/Test Corporate Strategy Knowledge Flow
10. Design/Test Measurement and Interpretation Flow
11. Define System Customization Needs
12. Implementation plan

“Big Shift” Launch Pad

“Big Shift” Knowledge Flow Design

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Appendix: Forces of Change of the “Big Shift” from Push to Pull

“Big Shift” Management Platform: Key Link of connecting Cloud Computing to Profitability Impact

Technology Foundation

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Service & Software for scalable Pull Platforms

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Profitability Impact
Market Value Creation
Closing the Asset Profitability Gap

Forces of Change:
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- Consumer power
- Brand Disloyalty
- Economic Freedom

Realized Cloud Computing Performance Potential

Improvement Potential
Technology Foundation: The fast moving evolution of a new technology infrastructure (cloud computing) is reducing barriers of entry and movement

Forces of Change

- **Computing**: As computing cost drops, the pace of innovation accelerates.
- **Digital Storage**: Plummeting storage costs create new cloud services including filtering.
- **Bandwidth**: As bandwidth cost drops, the world becomes more connected and flatter.
- **Cloud Users**: Accelerating cloud adaptation makes digital technology services more accessible, increasing pressure as well as creating opportunities.
- **Wireless subscription**: Wireless advances create continual connectivity for knowledge exchanges.
Social Productivity: A free selection of management services (apps) by every manager enables self-sufficient operations and greater business impact through unlocking the initiative, creativity and passion of key people.

**Forces of Change**

- **Internet Activity:** The rapid growth of internet activity reflects both broader availability and richer opportunities for connection with a growing range of people and resources (Apps services).

- **Wireless Activity:** More diverse communication options are increasing wireless usage and significantly increase the scalability of connections.

- **Social Media Activity:** The recent burst of social media activity has enabled richer and more scalable ways to connect with people and building sustaining relationship which enables knowledge flows.

- **Worker Passion:** Workers who are passionate about their jobs are more likely to participate in knowledge flows and create value for companies.
Knowledge Flows: Sources of economic value moving from “stocks” of knowledge to flow of new knowledge

Forces of Change

- **Inter-firm Knowledge flows**: Individuals finding new ways to reach beyond the four walls of their organization to participate in diverse knowledge flows.

- **Decision Cycle Time**: Fast-cycle management is at the core of organizational agility, for which Apps help to speed up the frequency of knowledge flow, communication, collaboration and coordination as a team/organization.

- **Executive Turnover**: As performance pressure rise, executive turnover is increasing.

- **Returns to Talent**: As contribution from creative classes become more valuable, talented workers get higher compensation and market power.

- **Labor Productivity**: Advances in technology and business innovation coupled with hyper competition have both enabled and forced increase in labor productivity.
**Profitability Impact**: Forces of Change require a fundamental change in management beliefs and redesign of management principles to improve business performance - example

**Forces of Change**

- **Competitive Intensity**: Competitive Intensity is increasing as barriers to entry and movement erode under the influence of the digital (cloud) infrastructure and public policy.

- **Stock Price Volatility**: A long-time surge in competitive Intensity, amplified by macro-economic forces and public policy initiatives, has led to greater volatility and market uncertainty.

- **Asset Profitability**: Cost savings and the value of modest productivity improvements tend to get competed away and captured by customers and talent.

- **Firm Topple Rate**: The rate to which big companies lose their leadership position is increasing.

- **Shareholder Value Gap**: Market “loser’s” destroying more value than before - a trend playing out over decades.

- **Consumer power**: Consumers possess much more power, based on the availability of much more information and choice.

- **Brand Disloyalty**: Consumers becoming less loyal to brands.

- **Economic Freedom**: Increased economic freedom further intensifies competition but also enhances the ability to compete and collaborate.