Three-quarters of Siemens sales come from products and technologies that have been on the market for less than five years. What does that say about our commitment to innovation? It says that for an innovation to be meaningful for us, it must have an application. And no potential application is going to see the light of day if it does not strengthen our customers’ businesses. To accomplish that it must either improve their performance, grow their business, or lower their costs. That is the only thing our customers are willing to pay for. Sure, Siemens is a technology company. But that doesn’t mean we’re in business to develop new technologies. We are in business to solve problems effectively by putting our technological muscles to work.

Take our Postal Automated Redirection System (PARS) contract with the U.S. Postal Service (page 18). Siemens stands to book as much as $690 million by implementing a new envelope scanning technology that will save the Post Office millions of working hours and up to $420 million a year in handling costs when fully implemented. The technology is expected to cut the time it takes to deliver an incorrectly addressed envelope from days to hours. Because Siemens gets paid only according to the amount of money it saves, the Post Office has been able to give Siemens its business even though it initially had no budget.

Of course, innovations come in all shapes and sizes. There are some, such as the development a few years ago of totally integrated manufacturing, or the fully integrated digital hospital, that promise to revolutionize entire industries. And there are others that seem small – take the concept of a designer cell phone, for instance – that are nevertheless extremely significant from a business point of view. In short, it’s the application that gives the innovation meaning.

One of the best known formulas for tapping new ideas is to work closely with external partners like the world’s top universities. As our article on university cooperation demonstrates (page 30), research goals have become increasingly focused and cooperative projects are being designed to meet the specific long-term needs of our operating companies.

Another thing to keep in mind about innovations is that no matter how revolutionary a technology may be, in all likelihood it will have to compete with existing technologies for years. And those existing technologies are not about to lie down and die. They feed further innovations. Even as we trumpet the future advantages of a world lit by LEDs (page 38) and OLEDs (page 46), we have to admit that conventional lighting technologies keep getting better and better.

Yes, as the name of this publication indicates, research should be based on a picture of the future, meaning that it must have a vision of where markets and technologies are headed. But that vision has value only if it is based on a thorough knowledge of how things work today. I am told that when Disneyworld opened a journalist remarked to one of Walt’s relatives that it would have been great if Walt could have lived to see it. And the relative answered: He did see it. That’s why it’s here today. Walt Disney knew his customers. We must know ours.