Our strategy

Setting the course
Strategy sets the course

To leverage the diverse opportunities of our complex world, a company needs a clear direction, a strong internal setup, and people who follow the set course and turn plans and ideas into reality. And that’s exactly what our strategy does: it includes a sharper customer and business focus, streamlined governance and an integrated management model that defines the concrete targets and measures required to closely follow the course we’ve set.
To leverage the diverse opportunities of our complex world, a company needs a strategy to point the way forward and set clear priorities.

Joe Kaeser
President and CEO of Siemens AG
Customer and business focus

We’re focusing on our positioning along the value chain of electrification. This is where our core business lies. From power generation to power transmission, power distribution and smart grid to the efficient application of electrical energy – in every one of these interrelated fields, electrification, automation and digitalization are the key business drivers. Our integrated setup not only enables us to leverage opportunities in individual markets; it also allows us to exploit the potential at their interfaces. A worldwide go-to-market setup and an organization geared toward shared customer markets are making this possible.

Power generation

The field of efficient power generation – encompassing conventional and renewable energy sources as well as comprehensive services – is addressed by our Power and Gas Division, Wind Power and Renewables Division and Power Generation Services Division.

Power transmission, power distribution and smart grid

Solutions and products for power transmission and distribution as well as technologies for smart grids are all bundled at our Energy Management Division.

Energy application

Our Building Technologies Division, Mobility Division, Digital Factory Division and Process Industries and Drives Division are delivering technologies for the efficient application of energy in building technology, transportation and industry.

Imaging and in-vitro diagnostics

Siemens Healthcare is responsible for our medical imaging and in-vitro diagnostics businesses.

Financial Services

In all areas related to project financing, Financial Services is a reliable partner to our customers.
Electrification
Automation
Digitalization

Expected market growth

- 2–3%
- 4–6%
- 7–9%

Customer and business focus

- Power generation
- Power transmission, power distribution and smart grid
- Energy application
- Imaging and in-vitro diagnostics

- Power and Gas
- Wind Power and Renewables
- Power Generation Services
- Energy Management
- Building Technologies
- Mobility
- Digital Factory
- Process Industries and Drives
- Healthcare
- Financial Services
Customer and business focus also includes setting clear priorities for resource allocation in the future. We’ll utilize the power of our employees, our technological expertise and our capital in a more targeted manner in the areas where they’ll create maximum value for Siemens. Positioning our company rigorously along the value chain of electrification and allocating resources in a targeted manner will enable us to access the fields that promise to provide us with long-term profitable growth. On this double page, we present selected growth fields.

**Flexible and small gas turbines**

In the area of power generation, the trend is increasingly toward decentralized energy supply. Customers worldwide are relying more and more on individualized energy supplies and demanding tailor-made solutions. As a result, we see major growth potential in the field of flexible and small gas turbines – potential that we intend to rigorously exploit.

**Offshore wind power**

Among renewable sources of energy, wind power will play a key role over the long term. Offshore wind turbines deliver high yields and are subject to less fluctuation than other renewables. We want to continue building on the leading position in offshore wind power that we’ve captured in recent years. We consider double-digit market growth realistic in this field in the medium term.

**Distribution grid automation and software**

Energy management is becoming increasingly vital – for distribution grids as well as industrial and private energy producers and consumers. Energy management systems make it possible to integrate increasingly decentralized power supplies into the energy cycle, while mitigating the negative impact of the fluctuations that occur when power is generated from renewable sources – thus improving the utilization of existing power grids. Our intelligent, integrated automation solutions offer customers decisive added value.

**Urban and interurban mobility**

In greater demand than ever before, intelligent mobility solutions are providing major impulses for growth – particularly in the areas of urban transportation and automated traffic-control solutions. We see stronger growth potential in this area as well.
Digital-twin software

The virtual and real worlds are merging more and more. Already today, our software solutions are helping customers develop products much faster, more flexibly and more efficiently. For example, they can now perform endurance tests even before a single bolt is tightened in the real world. Not only products but also the plants in which they’re produced have digital twins that can be used to coordinate and integrate product design and production planning. The digital models are always up-to-date – as planned, as built, as maintained – while allowing improvements throughout entire lifecycles.

Key sectors in process industries

Some industry sectors – oil & gas and food & beverage, for example – are growing at above-average rates. We want to participate in this growth. That’s why we’re bundling our expertise in process industries and drive technologies and continuing to expand our related portfolio of products and software solutions.

Image-guided therapy and molecular diagnostics

The increasing use of molecular biological methods and progress in the life sciences are accelerating technological change in healthcare. To improve quality and efficiency, societies worldwide are also demanding new solutions for next-generation healthcare. Against this backdrop, fundamental changes are emerging – changes to which we’re optimally gearing our Healthcare business.

Business analytics and data-driven services, software and IT solutions

We have a comprehensive understanding of our customers’ business processes. In the future, we want to leverage this knowledge even better by analyzing the data generated in these processes, providing recommendations for improvement and action, and thus creating value. The resulting competitive advantages for our customers are increasingly derived from cloud-based solutions and services powered by data-analytics software. A clear example is our cross-unit remote service, which we’re continuously expanding.
Governance

We want to lead Siemens in such a way that we focus on our customers at all times and further expand our market penetration while maintaining lean and flexible structures. That’s why we’ve selected a market-integrative setup that combines a common regional organization with a coordinated vertical approach. Against this backdrop, we’ve retailed the structures and responsibilities of our businesses, our Regions and our corporate governance functions. Concretely, this means:

- We’ve removed layers from our company, thus bringing our businesses closer to customers and key markets. We replaced our 14 Regional Clusters with 30 Lead Countries. These Countries, which generate more than 85% of our business, now report directly to our Managing Board.

- We’ve also eliminated the Sector level and consolidated our business activities into nine Divisions and one separately managed unit, Healthcare. This change, too, is increasing our customer proximity and accelerating our decision-making.

- In addition, we’ve made governance even more stringent across all levels of our organization. Our Managing Board leads the Company and maintains the balance between our businesses and Regions. It’s supported by strong, efficient corporate governance functions, our Corporate Core. This Corporate Core ensures fast, unbureaucratic decision-making across key company functions.

Stringent governance also means making sure that our proven methodologies for continuously improving performance are rigorously applied company-wide in our businesses and projects in the future. In this connection, we’re relying on our well-established top+ program. We’re also managing our compliance system and company-wide compliance organization directly from company headquarters to ensure that our activities always fully comply with applicable laws and with our own internal principles and regulations.
Management model

A strategy sets the course. In the end, however, it’s implementation and results that count. To enable us to manage our company more effectively, we’ve expanded One Siemens into an integrated management model that combines under one roof the overarching targets and priorities with which we’re implementing our strategy throughout the company.

Financial framework

To measure and compare our development vis-à-vis the market and in our competitive environment, we use a system of defined key indicators. We’ve now refined and expanded this financial target system. → SEE PAGE 56

Operating system and Corporate Memory

We manage our company in accordance with specific, clearly defined priorities. And we do it rigorously. In addition, the Corporate Memory – our knowledge management – ensures that we learn from mistakes and keep our work focused on success. → SEE PAGE 58

Sustainability and citizenship

We contribute to sustainable development by maintaining a responsible balance at the company level between profit, planet and people. → SEE PAGE 62

These factors are making a decisive contribution to our company’s success – managed jointly and holistically, not individually or in isolation. That’s how One Siemens is helping us to reach our Vision 2020 goals.
One Siemens
Management model

1. Financial framework

2. Operating system and Corporate Memory

3. Sustainability and citizenship
1. Financial framework

We’ve set out to increase our company’s value on a sustainable basis. To measure our progress, we use a balanced system of defined financial performance indicators. We’ve further refined the range of the One Siemens indicators we’ve reported to date:

- **Growth**
  Our aim is to outpace the average growth rate of our most relevant competitors.

- **Capital efficiency**
  We’ve set ourselves an ambitious target corridor of 15% to 20% for sustainable return on capital employed.

- **Total cost productivity**
  We want to continuously optimize our costs and achieve total cost productivity gains of 3% to 5% a year.

- **Capital structure**
  We’ve set ourselves a goal for our capital structure that will enable us to maintain our very solid and efficient financial basis.

- **Dividend payout ratio**
  We want to achieve an attractive payout ratio of 40% to 60% of net income.

- **Profit margin ranges of businesses**
  At the level of our businesses, we’ve defined individual margin ranges based on the profitability of the most relevant competitors of each business.
One Siemens
Management model

1. Financial framework

- Growth
- Capital efficiency
- Total cost productivity
- Capital structure
- Dividend payout ratio

Profit margin ranges of businesses
2. Operating system and Corporate Memory

Doing the right things right – that’s what a strategy’s implementation depends on. To manage a company effectively, efficiently and thus successfully, you’ve got to set clear priorities, have the right tools and base your work on clear goals and rules. Our One Siemens operating system delivers these prerequisites and sets the priorities for:

- **Customer proximity**
- **Innovation**
- **Business excellence**
- **People excellence and care**

We’re bundling all the insights that help us improve our business operations into a new type of knowledge management. This Corporate Memory isn’t limited to databases and methodologies. It’s also anchored in our organization. Why? Because it’s the only way we can draw the right conclusions – from highly successful projects as well as from earlier failures.
2. Operating system and Corporate Memory

One Siemens
Management model

Customer proximity  Innovation  Business excellence  People excellence and care
To implement its strategy and ensure its continued development, a company needs an operating system that defines principles for the excellent management of its businesses and determines appropriate action areas. Our operating system, One Siemens, sets the following four priorities:

**Customer proximity**

Profitable growth is based on proximity to our customers and on an understanding of their individual requirements. To meet and exceed our customers’ expectations, we invest in local sales presence and support for specific groups of market partners. Our key account management approach is just one successful example of this. We’re represented in virtually every country in the world by Regional Companies that operate as local partners to our customers. We also exploit our in-depth knowledge of customer processes and continually develop our offerings for key verticals in a targeted manner – across organizational boundaries. To regularly gauge the satisfaction of our customers around the world, we use a uniform measure, the Net Promoter Score (NPS).

**Innovation**

Innovation is essential for ensuring long-term competitiveness. This applies to our entire portfolio of products, solutions and services. Added value for our customers is based increasingly on software and IT solutions. As a result, we’ve made this field a particular focus of our attention – for example, through research and development activities in software architecture and platforms. Tools such as partner networks are enabling us to manage highly effective innovation processes and an open innovation culture. We’re concentrating on new technology driven growth areas as well as innovative business models.
**Business excellence**

We want to do an excellent job of managing our businesses while pursuing our aim of continuous improvement. For this, we’ve developed outstanding tools as part of our company-wide top+ movement – tools that we will apply with even greater rigor in the future. These tools enable us, for instance, to benchmark our performance against the best and to increase our productivity. Tightening our risk management approach is helping us identify project risks while still in the bidding phase and thus avoid costly project delays. Last but not least, we’re fostering our service business across organizational boundaries, for example, by developing service platforms.

**People excellence and care**

Excellent employees are the heart and soul of Siemens. That’s how it’s always been. And we want it to be even more so in the future. Therefore, we’re anchoring an ownership culture at our company. For us, this is not an abstract idea but a concrete goal that we’re pursuing with measures we can track. After all, the behavior, motivation and values of the people who work for Siemens mold our culture. In an attractive working environment, we promote lifelong learning and personal development. Integrity – supported by a well-established compliance system – remains the principle that guides our conduct. Our share programs are enabling us to increase employee participation in our company’s success while bringing us closer every day to a lived ownership culture.
3. Sustainability and citizenship

Together with our customers and partners, we want to shape the future by making real what matters and addressing the global issues and trends that are truly crucial. Driven by our passion for engineering excellence, we’re committed to the values of our company’s founder. Guiding us for over 165 years, his maxim – “I won’t sell the future of my company for a short-term profit” – demands that we maintain a healthy balance between profit, planet and people.

- **Profit** – by offering a range of products, solutions and services that make a difference worldwide, because it provides our customers with decisive competitive advantages and strengthens our profitability over the long term.

- **Planet** – by utilizing our planet’s limited resources responsibly and by enabling our customers to improve their own environmental performance.

- **People** – by living a culture that strengthens our employees’ sense of responsibility worldwide, fosters their development and places integrity at the center of our company’s activities. As good corporate citizens, we’re also contributing to the sustainable development of society through our portfolio, our local presence worldwide and our role as a thought leader.

What we create is yours. For the benefit of our customers and for the societies in which we live and work. Yesterday, today and in the future. That’s what ensures our long-term entrepreneurial success. That’s what we understand by sustainability. And that’s what we mean when we say, “We make real what matters.”
One Siemens
Management model

3. Sustainability and citizenship

Planet
Profit
People
Further information on our company strategy is available at:

WWW.SIEMENS.COM/STRATEGY