Meeting global and local needs

01_Introduction

Siemens AG is a global electrical and electronics business with a turnover of £53 billion. The business employs over 450,000 people. The company base is in Munich, Germany. From there, executives oversee work carried out in the name of Siemens all over the world.

In the UK, Siemens plc has its headquarters in Bracknell, Berkshire and has more than 100 offices and factories. It employs more than 21,000 staff, 5,000 of these in manufacturing.

There is hardly an aspect of our lives that is not touched by the company’s work. We can toast bread in a Siemens toaster powered by electricity generated and distributed by Siemens, travel on a Siemens train or pass through Siemens traffic lights in a car, which uses Siemens technology. People in hospital are having life saving MRI scans using Siemens advanced medical imaging technology.

Businesses, health service trusts, local authorities, government and government agencies all use Siemens expertise. This expertise includes ICT, healthcare, transport and energy.

Siemens is a multi-sector business. The business specialises in finding new ways to improve our quality of life and work. The UK business has a turnover of more than £3 billion and contributes £96.2 million profit to the group. Siemens contributes significantly to the UK economy and provides a huge variety of jobs.

02_Globalisation

‘Globalisation’ refers to the trend where individual countries become less influential in relation to cross-national bodies. People worry we are turning into one global ‘village’. Decision makers are far away. There is fear because such decisions do not take note of what local people need or want. However, as the case study will show, meeting local needs is key to the performance of a business like Siemens’.

Siemens is multi-national. It operates across 190 separate nation states. Executives in Germany and across the world must make decisions in the best interests of Siemens’ shareholders. Most multi-nationals have many capabilities. They must make decisions about where their separate activities should be. For Siemens it is not efficient to design and manufacture all products in all countries. It is more efficient to concentrate manufacturing to keep economies of scale through specialisation. Products can be shipped anywhere within the group.
One danger of being multi-national is the threat caused by currency fluctuations. The price of products supplied from one place to another can vary because of currency changes. The value of the Euro can rise against the US dollar. In Europe, Siemens then becomes more expensive than US competition. It has an internal risk management function to check this threat. Steps can be taken to avoid its damaging effects.

Globalisation presents many challenges to Siemens. How does Siemens in the UK remain an efficient part of the global business? How does it ensure that it continues to contribute to Siemens’ overall mission, as it has done for 162 years?

One way of securing the UK business is by making sure that Siemens in the UK offers a range of top class services that add value to customers’ work. A customer can buy raw materials from any supplier. The cheapest supplier, however, may not have access to technical expertise and high levels of service. Siemens offers highly technical products with service benefits added in. This sort of service capability drives a competitive advantage over other suppliers. This is a deliberate strategy.

Siemens employees based in the UK share their customers’ culture. Its group’s focus is to ‘think customer’. In delivering their services to consumers, its employees understand customers and the issues and problems they are working to solve. As a result, customers benefit from working with Siemens.

Within every global business there is competition between countries for investment. Siemens has established global ‘centres of excellence’ that can serve the specialist needs of the entire group. The Roke Manor Research facility in the UK serves the whole Siemens group. Any of its businesses, wherever in the world they may be, can call upon their expertise. In the UK, Siemens works within a new global strategy, ‘Siemens One’. In all its activities, customers can call upon the potential of other Siemens groups. If one does not possess a skill, another will. If a particular part of the business requires something offered by another elsewhere, then that product or service is supplied.

04_Working across ‘sectors’ of an economy
An ‘economy’ refers to the way in which a group of people set about using scarce resources to produce the things they need or want. ‘Scarcе’ resources are those that have limited supply. A way of understanding this is to think of a family. Just about every family has some scarce resources. They must ‘economise’ to do certain things, give up others to enjoy something else. Money, garden, rooms, space, are all scarce to most people.

In economic terms, we speak of an economy as consisting of ‘sectors’ of activity. Each sector adds something different. Primary activities produce the raw materials we need. This could be food from agriculture, fish from the sea, or stone dug out from the earth. Secondary activity makes and assembles physical products.
The ‘tertiary sector’ adds services that are helpful to the whole economy. Primary and secondary businesses use physical resources. The tertiary sector provides unseen things. Banking, insurance, retail, technical supports and leisure services are all tertiary.

People speak of world, national, regional or local economies. It is common to speak of ‘economic blocs’ such as Asia Pacific, the United States of America, Latin America, or the European Union. World movements of resources are a vital factor. There is a growing role of ever-bigger ‘blocs’ of economic power. It is at the level of the nation state that economic judgements tend to occur.

The United Kingdom is a wealthy economic power. We have many resources we can employ. We have skills and technical abilities. Within the UK, Siemens plays a significant role by working in both the manufacturing and the tertiary sectors. Turnover is derived from 48% manufactured products and 52% services.

### Siemens business sectors in the UK

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Siemens helps businesses concentrate on what they do best, e.g. in media and broadcasting, Siemens has a 10-year deal to provide broadcast and IT services to the BBC. They develop their ‘core competency’.

**05_Siemens in action**

Siemens in the UK designs and makes super conducting magnets for body scanners worldwide and more than a third of all MRI scanners in hospitals have a Siemens magnet at their heart. These are made in the UK.

Variable speed drives; industrial gas turbines; motor parts and rail communication systems are UK produced. These are for the world market. Siemens traffic management systems manufactured in the UK are exported to places as far afield as China, Malaysia, Bahrain and Brazil. In 2005, exports of manufactured goods totalled £500.4 million and accounted for 16% of sales.

However, for Siemens in the UK the trend towards service provision seems unstoppable, because this is what customers want. It is easier to differentiate services than products because many products can become commodities.

The UK National Health Service (NHS) is Europe’s largest organisation. Using private sector specialists, NHS Hospital Trusts in the UK are modernising healthcare. Siemens is working with NHS Trusts and other partners to create brand new hospitals. In Barnet and Chase NHS Trust, it has embraced a 33-year Private Finance Initiative (PFI). The company is providing Accident & Emergency units, medical equipment, communications, intensive therapy units and several operating theatres.
Within these facilities, Siemens is creating hospital IT and energy management systems. These systems can integrate patient records with an electronic picture archive. This helps to improve hospital efficiency at every level. This saves lives and makes clinical decisions easier.

To raise standards of service, Siemens employs on-site contract managers to look after customer relationships and technology. This means that each customer’s requirements are unique. There is not an off-the-shelf solution for all. There is an individual response to need, based on detailed interaction with a customer.

6 Conclusion
Siemens’ aim is to be profitable. It seeks to be a global leader in electronics and electrical engineering. Because of this, it works within a huge range of industrial sectors. All over the world, electrical equipment controlled by Siemens electronic systems is in use.

In the UK, Siemens provides the full spectrum of products and services and, in terms of its turnover, the UK is the third biggest market in the world for Siemens. The company structure is such that it can look after local interests whilst drawing on global resources.

Although the global Siemens HQ is based in Germany, Siemens in the UK is responsible for looking after the UK market. Local management is empowered to create relationships with customers. Company culture encourages new and better methods of meeting local needs. Siemens continually acquires new businesses to offer what its customers need, which is increasingly end-to-end integrated solutions that allow them to concentrate on their core business. Siemens both in the UK and globally is a dynamic and responsive business.

AG: the German equivalent to plc.

Competitive advantage: a strategic element that enables an organisation to compete more effectively than others.

Core competency: the central business purpose, when all other activities are stripped away.

Economies of scale: reductions in average costs that stem from operating on a large scale.

Multi-national: a company or corporation operating in more than two countries.

MRI scanner: Magnetic Resonance Imaging equipment used for medical investigations.

Nation state: a national, usually geographical, area that has self-government.

Private Finance Initiative (PFI): the PFI is one of a range of government policies designed to increase private sector involvement in the provision of public services.

Private sector: all organisations whose primary purpose is to achieve and maximise profit for private owners.

Public sector: organisations paid via taxation whose primary purpose is to serve government by offering services.

Shareholders: one that owns or holds a share or shares of stock; a stockholder.

Turnover: the total value of sales and services achieved by a business.

GLOSSARY OF TERMS

For more information about SIEMENS please browse:
www.siemens.co.uk