

# Defining digitalization

## 2007 – 2020

**With Vision 2020 and Vision 2020+, Siemens turned its sights systematically to growth fields – a new corporate orientation, carefully selected acquisitions and new innovation methods were to make the company fit for the future.**

Today, digitalization is the field with the greatest growth potential for Siemens. It's also a field in which the company is especially well positioned, thanks to several forward-looking acquisitions in the 2000s. One milestone here was the takeover of Unigraphics Solutions (UGS) in 2007: after all, having information available quickly was a yardstick for long-term business success, given that production sites were becoming more and more widely dispersed geographically as production became networked worldwide. This specialist in digital product data management, computer-assisted design and production process simulation enabled Siemens to offer customers both hardware and software, as well as support for the Digital Factory, all from a single source. But that was just the start. Other acquisitions would follow. In 2012 there was LMS, a provider of mechanical simulation software; in 2016, it was CD-adapco, a specialist in simulation software for flow mechanics; and in 2017 came Mentor Graphics, a maker of software for semiconductor design. All in all, over a decade, Siemens invested some ten billion US dollars, and strengthened its lead in features for the Digital Factory. By 2020, the company expected annual revenues in software, digital services and Cloud platforms to account for a double-digit percentage of the total figure.



The automotive production of the future – Siemens offers its customers hardware, software, and support for the Digital Factory, all from a single source



## The environmental portfolio – Responsibility joins forces with a business opportunity

But technology was not the only field in which the company had adopted ambitious goals – environmental protection was also included. In the context of the company's refocusing on megatrends, Siemens presented its environmental portfolio in the summer of 2008. It included products, systems, solutions and services for using renewable energy, enhancing energy efficiency, and protecting the environment through technology, for example in water or air purification.

President and CEO Peter Löscher spoke of a "gigantic opportunity," and viewed Siemens already as a "leading green infrastructure giant." The figures bore him out. In the prior 2007 fiscal year, Siemens' environmental portfolio had already generated EUR 17 billion in revenues – almost a quarter of the corporate total. The portfolio's products and solutions were saving Siemens customers 114 million metric tons of carbon dioxide. By fiscal 2014, revenues had reached EUR 29.9 billion, and the CO<sub>2</sub> reduction had risen to 317 million tons. Another two years later and it was EUR 36 billion in revenues and 521 million tons of eliminated pollutants. This course of sustainable corporate management would continue systematically, and be enshrined in two strategic programs, Fit42010 and Vision 2020.



The Siemens environmental portfolio – Siemens, a "leading green infrastructure giant."

## Sectors replace Groups – A new corporate structure

Siemens' internal organization also reflected the strategic refocus on the megatrends of the era. The ten operating Groups were replaced by three Sectors for Industry, Energy and Healthcare – followed in 2011 by Infrastructure & Cities – and 15 Divisions, and the Regions were combined into Clusters. There were also changes in top management. The former two-part managing board structure – with a Corporate Executive Committee and a full Managing Board – was replaced by a single Managing Board in charge of operations, where individuals took direct responsibility for individual lines of



business. Siemens would view itself henceforth as an “integrated technology company.”

Yet the new structure fell somewhat short of expectations in terms of greater earning power, greater transparency and proximity to the customer. At the beginning of the 2010s, Siemens entered troubled waters, even though it had been able to improve its performance and earnings, strengthen its position in emerging economies, and refine its portfolio.

### **Vision 2020 – A long-term view for Siemens**

On July 31, 2013, former CFO Joe Kaeser replaced Peter Löscher as President and CEO of Siemens. Kaeser was to set the company back on course for growth. Accordingly his new corporate concept, released to the public in May 2014, was named “Vision 2020.”

It called for Siemens to focus entirely on the growth fields of electrification, automation and digitalization. The former Sector structure from 2008 would be broken up, and the number of Divisions would be reduced from 16 to ten plus Healthcare. By 2020, costs were to be cut by a billion euros, underperforming businesses would be put back on their feet, and customer satisfaction would improve. Capital efficiency was to be 15 to 20 per-cent, 75 percent approval from the workforce was targeted on the topics of “management” and “diversity,” and employee participation in the company's success was to be increased by at least 50 percent. The foundation of these measures was an “ownership culture” that would encourage every individual at the company to do his or her best at their jobs, thus contributing to Siemens' long-term success.

Thus the CEO was setting goals that could serve as both a compass and a benchmark on the way to 2020. The company would be restructured. In November 2016 Siemens announced one of its strongest fiscal years – new orders, sales revenues and profits were up substantially. And the acquisition of Gamesa and



Mentor Graphics in fiscal 2017 took the company a major step further in implementing Vision 2020.

### **Dresser-Rand – An expanded portfolio for the oil and gas industry**

Two acquisitions from 2014 serve as specific examples of how the company systematically implemented “Vision 2020” and reinforced its capabilities in the forward-looking fields of electrification, automation and digitalization. Siemens acquired Rolls-Royce's business in aero-derivative gas turbines and compressors, thus strengthening its position in the oil and gas industry and in distributed power generation. And the acquisition of the US company Dresser-Rand brought Siemens the world's leading provider of compressors, steam and gas turbines, and engines.

### **next47 – Leeway for good business ideas**

In summer 2015, CEO Joe Kaeser asked Chief Technology Officer Siegfried Russwurm to launch an innovation initiative so as to pool and advance the new startup operations that had hitherto been allocated to a variety of different departments at Siemens. A new unit, with the working name “Innovation AG,” would provide the leeway to pursue good business or project ideas, irrespective of the underlying business. The new unit was formally named in June 2016: “next47.” The number 47 stands for 1847, the year when Siemens was founded, and “next” refers to the company's ambition to advance the next generation of pioneering innovations. The total investment came to a billion euros. Both sides would benefit from next47: small, agile startups with good ideas could take advantage of the strengths of a worldwide corporation. And Siemens acquired immense potential to enhance its innovative strength and thus safeguard its future.



Faster, more agile and simpler – Siemens pursues new paths in innovation and significantly expands its cooperation with startups



## **Vision 2020+ strategic program – Initiating the next transformation**

After the goals set forth three years ago in the Vision 2020 had already been almost fully achieved by 2017, Joe Kaeser initiated the next transformation of the tradition-steeped company in 2018 with a successor program, Vision 2020+. The further developed concept is setting the course for long-term value creation through accelerated growth and stronger profitability with a simplified and leaner company structure.

The main aim of the Vision 2020+ company strategy is to give Siemens' individual businesses significantly more entrepreneurial freedom under the strong Siemens brand in order to sharpen their focus on their respective markets. On October 1, 2018, Siemens received an optimized corporate structure, comprising three "Operating Companies" and three "Strategic Companies."

The former Divisions and Business Units were incorporated into these Operating Companies. Among them Gas and Power covers the entire energy business. Smart Infrastructures handles all of Siemens' infrastructure solutions. And Digital Industries handles the business in industrial digitalization. These new arrangements are accompanied by the three strategic companies that had already been set free so they could operate more independently: Siemens Healthineers, Siemens Gamesa Renewable Energy and the then planned Siemens Alstom, today Siemens Mobility.

## **2020 – The new face of Siemens**

To the outside world, the change process that the company now launched was most clearly evident in the carveout and public listing in March 2018 of Siemens Healthineers, the company's healthcare business. Yet it was not until 2020, when Siemens spun off its energy business, that the company's realignment under Vision 2020+ reached its culmination and, at least for the time being, came to an end.



This realignment was more fundamental than anything the company had experienced since the establishment of Siemens AG in 1966. Management's decision to spin off Siemens' energy business stemmed from shifts in the market that had long been underway: energy businesses were increasingly decoupling from solutions for industry and infrastructure. They also operated in a highly regulated sector of the economy. On May 7, 2019, the Supervisory Board decided to propose to the Annual Shareholders' Meeting that the company's energy activities be spun off from Siemens AG. The new company, Siemens Energy, would combine Siemens' energy business with its majority stake in Siemens Gamesa. The "new Siemens AG" would have an industrial core comprising Digital Industries, Smart Infrastructures and Mobility. The spin-off was approved by an overwhelming majority of shareholders at an Extraordinary Shareholders' Meeting on July 9, 2020. The process was completed when Siemens Energy AG was listed on the stock exchange on September 28, 2020.

Siemens AG, Siemens Energy and Siemens Healthineers – three separately managed companies – now form a powerful ecosystem under one brand: three different companies focused on three different sectors, yet connected by the name Siemens. Powered by their newly won freedom, they are poised for industry leadership in terms of indicators like market share, growth and sustainable profitability – a goal that would have been hard to reach in the conglomerate structure of the "old" Siemens AG.

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