

## Keeping the Siemens Spirit Alive!

*Manfred Hoefle / Armin Sorg*

Siemens is currently a hybrid company of eight divisions and two separately managed businesses, Healthineers and Siemens-Gamesa, and maybe the Rail Business, and numerous associated companies. Today's configuration is just another milestone in the transformation of Siemens from a divisional conglomerate to a de-facto holding company. This process was started by reorienting the company toward capital markets and preparing for a public offering on the NYSE. Since then a whole series of business units has been demerged or sold, together with a strategic retreat from the traditional telecommunications business, with multiple reorganizations, and uncustomary succession planning in corporate management.

### Strengthening Solidarity — Building Corporate Identity

The above have been incisive changes and clearly impact the corporate philosophy, the corporate „culture“, and the morale and team spirit of the workforce at Siemens. However, senior management still believes these factors to be secondary, perhaps because they are hardly noticed by outsiders, and are ignored by capital markets. At the same time, the corporate body has become infested with compliance regulations, U.S.-style corporate governance rules, and omniscient financial controlling. English is promoted as the dominant company language: and not just a useful lingua-franca where appropriate. All of these factors are leading to alienation and disengagement among the workforce. Another outcome is management by numbers and communication by management–speak.

Scientific studies shown the main contributory factors to the success and longevity of companies are, unsurprisingly, a distinctive corporate identity and corporate culture — as well as a conservative financing strategy, sensitivity to fundamental changes (as when Siemens transitioned to electronics, automation, substituted software for hardware, and introduced technology platforms), while being receptive and open-minded to new ideas.

SIEMENS urgently needs to strengthen its core identity. The company is still perceived by worldwide customers as a German company with many positive attributes: engineering excellence, best quality, dependability and longevity. Over its 170-year history Siemens has, again and again, proved successful at combining innovation with reliability. This key competence is used to create solutions for social problems in the fields of energy, mobility, environment, healthcare, production and building technology — and that worldwide. This expertise in innovation and reliability is complemented by comprehensive technical expertise, outstanding after-market services, and reliable financing solutions. The latest exemplar is a mega-project for infrastructure in Egypt, and perhaps in Iraq.

### What should be done to strengthen the corporate identity of Siemens?

#### 1. Fostering the Cultural Identity („We are Siemens“)

Siemens distinguishes itself from competitors by a strong sense of shared identity and Siemens values, which reject both individualistic tendencies and collective conflict between capital and labor. Another positive move in this direction was taken in 2018 with the abolition of individual bonuses (as previously adopted and recommended by management consultants): these had been integrated in a complicated performance-management model. A further progressive step was the extension of the employee shares scheme to all employees (with currently about 300,000 employee shareholders) to further promote a culture of ownership across Siemens.

At a time when Siemens is still being divided up, its collective memory should be refreshed, by making better use of the valuable Siemens Archives. Due to increasing business activities outside Germany, the use of German should be promoted as well as English. Local cultural and social commitments can be linked to Siemens in Germany. The introduction of exchange programs should be considered, above all for young foreign employees, to familiarize them with Siemens and the roots of the Siemens philosophy. Each employee, in particular managers, should consider themselves as ambassadors for Siemens. Suggestions by employees should be encouraged and adopted also to promote greater employee identification with Siemens.

## **2. Define Core Brand Values and a Creative Framework**

„Unity in Diversity“ as a philosophy must be founded upon distinct values to be shared and promoted by all the business units of Siemens. This calls for a stable and flexible framework for the workforce. There should be a common set of selective recruiting criteria, also anchored in the separately managed businesses, together with easy internal transfers of personnel across Siemens, all facilitated by common rules and tools of communication, and also by shared „cultural“ values.

Financing, strategy, governance and compliance would also benefit from more commonality. The Supervisory Board, the Siemens family, and employee representatives, should personify the „We are Siemens“ philosophy, and oversee and promote more solidarity across the company.

## **3. Ensuring Continuity of Leadership**

Outside of Germany, Siemens still stands for continuity and stability of corporate leadership — unlike many former and contemporary competitors (AEG, ABB, GEC, GE, Alstom and Philips). This valuable asset is the result of great care and circumspection traditionally taken when choosing management trainees, selecting a CEO, members of the Managing Board, and appointees to the Supervisory Board.

## **4. Collaborating for Mutual Benefit**

Collaboration has the material advantage of facilitating both the sharing and avoiding of costs. This can be achieved by, for example, pooling resources in R&D, Purchasing and Real Estate Management, sharing telecommunication infrastructures and, often neglected, sharing the cost of vocational training centers, sports centers and event facilities.

**Siemens, now more than ever, depends upon team spirit to counterbalance the growing capital-market orientation of recent years.**

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