



# Busting Boundaries...

## ...to Accelerate Business Transformation: The Siemens Transformation Story

**Andrew Rutsch** explains how a recent EFMD CLIP workshop shedded light on Siemens' transformation from troubled company to role model. Andrew Rutsch explains how Corporate Learning played a key role in this strategic renewal.

In 2007, in a booming global economy, Siemens was in troubled waters. The industrial giant was facing a global corruption scandal which would cost the company €2.5 billion in fines and lawyers' and accountants' fees (The Guardian 2008). Peter Loescher was hired as the new CEO to clean up the company. He was the first top executive in the 162-year history to join from the outside. Today, Siemens is a role model in Dow Jones' sustainability world index, and one of the top five in the 2010 Hay Group Best Companies for Leadership survey.

So what is the Siemens transformation story? The EFMD CLIP Sharing Best Practice Workshop at the Siemens Global Leadership Center in Feldafing near Munich on 7 October 2011 provided rich insights. Four key success factors for transforming a global organisation were highlighted and discussed:

PICTURED:  
The world's first series hybrid electric plane  
DA36 E-Star  
Quiet and efficient, the aircraft's flight is driven  
by a small combustion engine and just one Siemens  
electric motor.

### Factor 1

#### Getting the right people on the bus

New blood was injected to heal the patient. Within a short time frame Loescher changed 90% of the Group's management board, 70% of the second tier and 50% of the third management level. Overall, 1,000 leadership positions were filled with external and internal talent. Loescher took the crisis as an opportunity to change the leadership team and leadership culture in order to spearhead the transformation of the company.

### Factor 2

#### Strengthening collaboration

The One Siemens strategy, assuming the whole is more than the sum of its parts, is another key factor. The firm moved to a sector based structure bringing products, know-how and people together across borders to create solutions that meet the needs of hospitals, cities, and so forth. All 90 direct reports of the management board are assessed and incentivised for how well they and the entities they oversee collaborate with each other horizontally. Traditional incentive systems over-reward results, while Siemens recognises collaboration as a key means to the end.

### Factor 3

#### Strategic decisions based on an outside-in view

The renewed leadership team had to make tough decisions. For example, the rail business was turned around within one year, taking an outside-in view looking at how automotive producers work and mobilising the employees in the change process. Similarly, Somatom, a new computer tomography generation developed by an engineer in China, played a key role in boosting innovation in the healthcare business. Today, it is a block buster and exported across the world. Also, patients were brought in to meet with employees, to change the view that their mission was not to develop technology, but to help cure patients.

### Factor 4

#### Speed, speed, speed

The crisis Siemens was facing called for a decisive response and course of action. The firm realised that if it did not learn faster than the speed of change in its environment, it would not survive. Today, current and future leaders at Siemens are systematically assessed on their ability to learn, capability and ambition. As a result, change leadership and speed in execution have become critical attributes of an effective leader at Siemens.

**The role of Corporate Learning**

Siemens Leadership Excellence (SLE) and Corporate Development Executive Affairs (CD EA) are two key actors in this transformation process. SLE is part of HR and works very closely with CD EA that directly reports into Loescher. As a result, the development review and direction of key leaders and successors facilitated through CD EA is at the top of the CEO agenda. SLE provides the platform to connect and develop them through Siemens' global leadership center in Feldafing or out in the regions. SLE and CD EA collaborate to bundle forces in order to better support Siemens' transformation, and as such reinforce on the organisational level what leaders in the business are asked to do.

In contrast, the traditional focus in Corporate Learning is lesser on the organisational level. It directly works with and helps develop leaders to contribute to business transformation, which is the space where it has been socialised in and has most control over. While this model has strong merits in developing leadership at the individual and team level, it lacks collaboration with other key actors in the firm that also have a stake in organisational transformation such as corporate development, operations and R&D. Joining forces across borders in order to accelerate business transformation implies Corporate Learning leaving its comfort zone - as also applies to the rest of the Siemens business.

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PHOTOGRAPH COURTESY OF SIEMENS





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### Accelerating Business Transformation

The Siemens story essentially highlights how key stakeholders are brought together across vertical and horizontal boundaries to co-create and accelerate the continuous and sustainable transformation of the company (Rutsch 2012), in which SLE and CD EA play a key role. Horizontal collaboration across entities involves internal and external stakeholders such as clients or patients. Vertical collaboration across levels, for instance, involves employees in the change process or elevating a local solution such as Somatom to the global level.

Indeed, practice shows that a lot of innovation happens at the periphery of the firm through sales and technical personnel which are closest to clients and suppliers (e.g., Gulati 2007). Thus, both running the machine and acting on early signs in the environment requires firms to dynamically manage the bottom-up flow of new ideas and top-down execution through multi-directional collaboration (Rutsch 2012) – so the firm does not have to wait until its leadership realises the need for change such as at Siemens in 2007 when investors and media were hammering the company to make changes.

Hence, the Siemens story encourages Corporate Learning to increase its role as a partner to the business, by facilitating horizontal and vertical collaboration between key stakeholders across boundaries in order to drive the co-creation and thus acceleration of the continuous transformation of the firm (Rutsch 2012).

Busting boundaries to accelerate business transformation – the latest EFMD CLIP Sharing Best Practice Workshop with the Siemens transformation story provided much inspiration for taking a more dedicated attempt in this direction. [gf](#)

#### ABOUT THE AUTHOR

Andrew Rutsch is Co-Founder and the Academic Facilitator of the EFMD Learning Business Partner Special Interest Group. He is a PhD candidate at the University of St. Gallen and consultant to Capgemini University and is currently writing a case study with IMD on Capgemini University's role and impact in business transformation.