Siemens Organisational Strategy

Executive Summary

Business entities allocate resources to support their functions with the help of plans outlined by the organisational strategy. Siemens is an electrical engineering firm operating through ten divisions across more than 190 nations in the world. The technology sector is the major contributor to the economic growth of Germany, with around 113 billion Euros worth of revenues through IT, and hence is a positive factor in the business operations of Siemens. Utilisation of trends such as renewable resources and decentralised medical services is a profitable strategic option available to the company.

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Introduction

Organisational strategy can be understood as a long-term plan which aims to provide direction to the organisation with regard to how it should utilise its existing resources in order to support various processes of business (Nani and Safitri, 2021). An effective strategy of organisation can provide opportunities for the firm to achieve its objectives in an efficient manner. The present report has assessed the case study of Siemens to understand the strategic situation of the company and possible future direction to achieve profitability in the long term. The report has analysed the strategic situation of Siemens in internal and external contexts and evaluated the choices available to the company and their impact on the organisation.

Overview of Case and Sector

Werner von Siemens and Johann Georg Halske established Siemens in 1847, which was called Siemens and Halske initially. The company is an international electrical engineering firm which initially produced telegraphs before expanding to other ranges of products and services. Headquartered in Germany, Siemens enlarged its operations in various fields, such as infrastructure, medical diagnosis, power generation and transmission, to name a few. The company had a group turnover of approximately €76 billion in 2015 through ten divisions in 190 countries all around the world (Johnson *et.al* 2020). Siemens is a renowned name in the technology sector, and other companies in the industry are its competitors. The major competitors of Siemens are ABB and General Electric. Since Siemens is based in Germany, the technology sector of the nation is the economic sector in the nation.

Siemens has been failing to gain profit and growth in the market and is behind the competition from the major competitors of the brand, such as General Electric and ABB, since 2011. One of the major reasons behind the lack of performance of the company was based on the constant disruptive changes and the international influence on the demand for power. As an aim to improve its performance, the company carried out research in various aspects as it believed that recognising megatrends was a strategic need to ensure the corporate success of the company.

Siemens identified 57 trends and categorised them into five megatrends to understand their impact on the future business processes of the brand. Environmental changes, changing demographics, digitalisation, urbanisation and globalisation were identified as the major megatrends of the future which would significantly impact the entire technology sector and the

electrical engineering firm. The company also identified that digitalisation was a megatrend that would have a tremendous impact on the business functions of all its ten divisions of business, and the company considered it as an opportunity to take advantage of.

Strategic Situation of Siemens

External Analysis

Political Situation – Germany is a parliamentary, representative and federal company in which the President is the head of the country, and the Chancellor acts as the head of the government (Kuckertz *et.al* 2020). The country has amiable alliances with France and other nearby nations, which have enhanced the position and power of the country in the EU as the largest contributor to its budget and the largest contributor to the UN. From the perspective of the technology industry, the analysis of the political situation of the country is largely supportive because of its stability despite the recent Brexit incident.

Economic Situation – Germany is among the largest economies in the world, with the technology industry being one of the largest contributors to enhancing the prosperity of the nation.

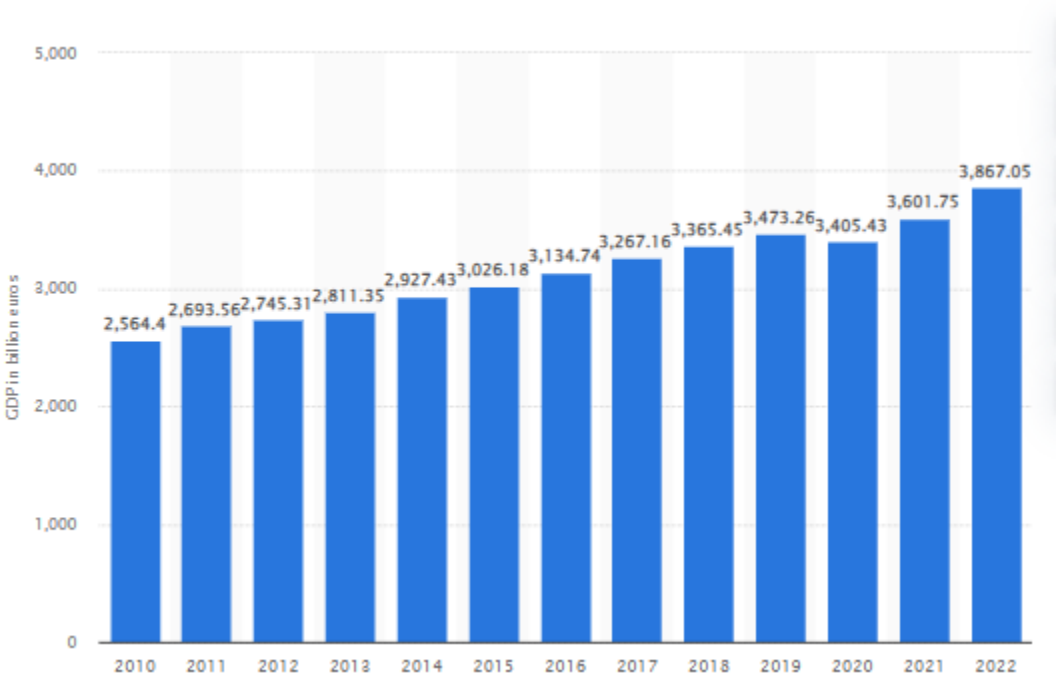

Figure 1: GDP of Germany

(Source: Statista, 2023)

The above graph demonstrates the growth of GDP in Germany from 2010 to 2022. In the year 2022, the GDP of the country rose to 3,867.05 billion euros, which is a tremendous rise from 3,601.75 billion euros in the previous year. It is also a remarkable fact that the GDP of the nation was not affected much during 2020 at the outbreak of the COVID-19 pandemic, and it stayed strong at 3,405.43, with a minimum decline from the previous year (Statista, 2023). From the perspective of GDP, it can be said that the business functions of Siemens are in a profitable position.

Social Situation – Germany is an advanced nation with a high life expectancy for women and men. The country is recognised among the best countries to live in in terms of education, wealth, health as well as quality of life.

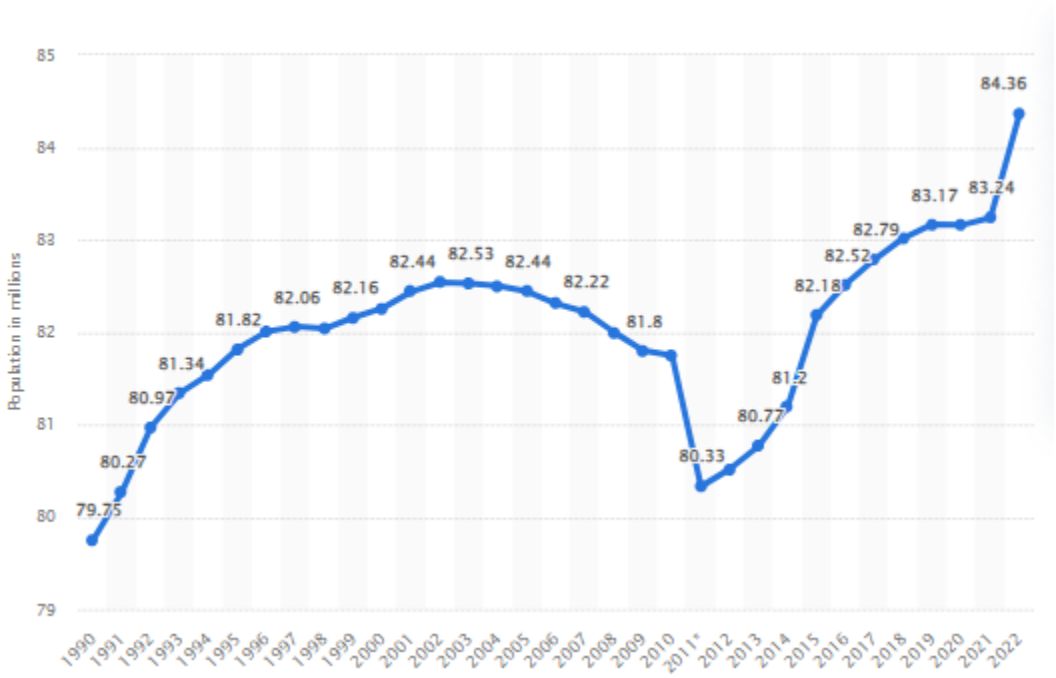

Figure 2: Population of Germany

(Source: Statista, 2023)

The statistics present the number of population of Germany from 1990 to 2022. From the statistics, it can be determined that the total population of the country amounted to 84.36 million people in December 2022, which was the highest of all time (Statista, 2023). The rising population proves that the consumer market has a strong force, and their perceptions have an

influence on the business functions of the company. Siemens is in a profitable position to adopt the trends and enhance its performance in the market.

Technological Situation – Technology is the major aspect of the nation as the country is considered among the technologically advanced nations of the world. The revenue of the IT industry expanded to 113 billion Euros in the year 2022 and is expected to enlarge in the coming years (Davies, 2023). The increase in the revenue of the industry reflects the increasing role of the sector in the business operations and economy of the country. Germany is known for its world-class innovation and research and has advanced markets in infrastructure, engineering, military technology and the like. In terms of Siemens, it can be said that the identified trends and their adoption can help the company improve its performance to a significant level.

Legal Situation – In terms of the legal factors of Germany, the country is known for its liberality. The legal bodies of Germany do not discriminate between the citizens of Germany and foreigners, and as a result, businesses by all kinds of people are welcomed in the country (Kuckertz *et.al* 2020). Siemens needs to consider the minimum wages offered to the employees of the nation and comply with them, along with paying attention to other aspects that may benefit its business operations in the near future.

Environmental Situation – The country faces a variety of challenges related to the environment, such as water pollution, acid rain, global warming and the like. The environmental situation indicates that Siemens is required to consider the environmental factors and consider the opportunity for sustainable practices to enhance its performance in the future.

Internal Analysis

Strengths	**Weaknesses**
• Global powerhouse with operations in diverse divisions • A diverse company culture with employees in various countries (Siemens, 2023).	• Less focus on financial planning • Dependent on third-party providers
Opportunities	**Threats**
• Utilisation of trends to enhance performance • Adoption of digital business model	• Vulnerable to currency shifts in various countries of operations • Higher competition from all the divisions of operations

In terms of the culture of the company, identified from the analysis of the case study, it can be said that the company is open to accepting changes and new business models to improve its performance to a significant level in the near future. The cultural analysis of the company highlights innovation, collaboration and respect.

Strategic Options Available for Siemens

An organisational strategy is a calculated plan developed by the leadership team of the organisation which outlines the methods and approaches with which the business allocates resources to support its processes (Nani and Safitri, 2021). The concept of organisational strategy is also recognising various trends that can impact the business of the firms in the long term and taking appropriate actions to ensure that the performance and profitability of the entities are improved in the market of its operations.

In terms of the case study of Siemens, there are a few strategic options available to the company which can impact the business processes in a positive manner and enhance its profitability as well as competitiveness in its sector. A consideration related to climate change is one of the strategic options that are available to Siemens. The study of existent trends revealed that alternative energy resource needs related to supply and infrastructure and decentralised power generation would impact the business processes of the electrical engineering brand to a significant extent. These trends would increase the supply of energy with the help of the latest trends in renewable resources, which would also help the brand to reduce its production costs and ensure sustainability in its practices.

It has been identified that if the company expands the storage to store renewable energy in the future, the performance of the company will tremendously improve. Expansion of existing services enhances the growth option of the business firms to a significant extent (Tarifi, 2021). The impact of this option was considered to be high as this would provide the opportunity for localised generation and storage of power. This would further be beneficial for the company as the requirement of a centralised power plant would be remarkably reduced.

Another strategic option available to Siemens is in the form of enhancing the performance of its healthcare division by diversifying the medical equipments. The changing perceptions and demands of the demographics were the reason behind providing opportunities for this trend for Siemens. It has been identified that with the new generation, mobility has greatly reduced as a

result; the generation is in the constant requirement of new solutions which are catered in accordance with their requirements (Johnson *et.al* 2020). The trends provide opportunities for the electrical company to offer medical devices infused with advanced technology to provide decentralised services with individual dominance. The strategic options available to the company are in the form of providing interconnected medical equipment that is transportable from one place to the other. The impact of this strategic option is high, and the company would be able to gain profit in the long run, which will enhance its performance and competitiveness in the market.

Actions of Formation and Implementation

Strategic planning can be understood as a process with the help of which leaders of business entities identify their vision and goals by outlining the processes through which goals should be accomplished (Kabeyi, 2019). Digitalisation was identified among the most imperative megatrends which would impact the business processes of Siemens in all its divisions in a significant manner. The implementation and formation of the strategic options available to Siemens can be achieved by the adoption of digitalisation. The study and knowledge of different market trends demonstrate that digital media has gained popularity in all aspects in almost all the industries existent in the market. The company can enhance its performance by leveraging advanced digital technology such as cloud computing and data analytics.

The case study has demonstrated that more than 280,000 devices in various countries of Siemens have a secure platform of communication with the help of the Internet. The company uses the insights generated from the platforms to enhance the resiliency of operations of the various divisions of the company. For example, it has been identified that the implementation of digitalisation improves the resiliency of the healthcare division by leveraging surgeons to carry out various therapies guided by images in an efficient manner (Johnson *et.al* 2020). The adoption of more advanced technology and digital techniques can enhance the automation processes of the business firm to detect any fault in the business processes and to enhance the availability and resilience of grid availability.

Additionally, Siemens has the opportunity to take advantage of the gathered data from the large communication platform to enlarge its services in various operations. For instance, the company

can take insights from the gathered data to expand the operations of its energy division and enhance its sustainability in the industry.

Conclusion

In the end, it can be concluded that organisational strategy can be an effective method to enhance the profitability and performance of the business entities in the market. The analysis of the case study revealed that Siemens is unable to maintain its profitability and needs to improve its performance by adopting digitalisation as a megatrend to enhance the profitability of various divisions. The external analysis of the company shows that the company has various opportunities to take advantage of and is supported by the technological infrastructure of Germany in addition to the economic and social aspects. Similarly, internal analysis shows that the culture of the company is based on respect and collaboration.

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