

## Partnership generates business advantages and grows knowledge

If you look at each company on its own, Siemens and SAP stand for two internationally successful German companies that are firmly entrenched in the global IT market. Joining forces — as they have been doing for over 30 years — makes them even more powerful. What makes this long-term partnership so special is the 360-degree relationship between the two companies. Siemens is not only one of the largest partners of Walldorf-based SAP, but also a major supplier and customer. At the same time, SAP solutions and services are an integral feature of Siemens' portfolio and strategy. Siemens IT Solutions and Services, for example, generates roughly a quarter of its sales with SAP-related products and services. With some 4,000 SAP consultants, its own training center in India with a certification license and financing options for SAP projects, the Munich-based IT service provider is well-positioned for a future with more jobs and more growth.

Today's global players know that they can only be strong if they work together. Instead of operating on their own in largely saturated markets, they enter into strategic partnership with other companies to combine the best that both parties have to offer. In the case of Siemens and SAP, the combination looks like this, according to Peter Arbitter, who heads the Portfolio & Technology Management Department at Siemens IT Solutions and Services: "We have a customer-supplier relationship and a relationship between partners. At Siemens IT Solutions and Services we train SAP specialists, and Siemens Financial Services finances various SAP projects. This broad-based value chain goes significantly farther and deeper than traditional partnerships. After more than 30 years we enjoy a stable, long-term and trust-based relationship from which both parties benefit in equal measure."

Since the group's strategic realignment in 2007, the relationship has become even stronger. Today, Siemens as one of Germany's oldest industrial companies is much more targeting market-oriented and focuses predominantly on the three sectors Industry, Energy and Healthcare. IT provider Siemens IT Solutions and Services plays a special role in this realignment. As a cross-sector Division, the service provider is not only responsible for the entire operation and maintenance of Siemens' in-house IT infrastructure, but, as a result of the group's industry focus, also gets involved in many customer projects from an early stage in accordance with the motto "Everything from a single source."

## Sustainable full-service solutions

There are very few major companies today that don't use SAP solutions. Nevertheless, the days of giant IT deals and mega-outsourcing projects are over, apart from a few exceptional projects like the German Federal Armed Forces' Herkules project. Thomas Vogt, head of the "SAP Center of Competence (CoC)" at Siemens IT Solutions and Services, confirms: "Today's customers concentrate on improving their existing processes and systems and raising their efficiency where this is still possible. This takes place in two directions. On the one hand in the customer's specific processes, where IT

is the critical lever for mapping all business process requirements in a flexible manner. On the other hand, users focus on their IT environments to improve its operation and maintenance and/or reduce the associated costs."

Harmonization and consolidation are the decisive keywords in this context, but they require processes to be standardized first. Vogt explains this trend using the following example: "A utility runs different SAP systems for operation and maintenance at different locations. In addition, it works with multiple suppliers and uses various service processes. As a result, quality is all over the place and reliable reporting and comparisons are impossible. In a case like this, we as Siemens IT Solutions and Services start out by analyzing the customer's as-is processes using a tool-based, standardized procedure. This is followed by workshops, and after no later than two weeks we have a reliable general impression of the customer's operations. In a second step, we do the mapping, where we translate the findings from the as-is processes into SAP-based best practices. The final step is to harmonize and consolidate the infrastructure."

## **What today's companies want for their IT:**

### 1. Optimize the IT landscape

Reasons: Different locations and versions, standalone solutions or mergers and acquisitions require harmonization and consolidation.

### 2. Optimize the business processes with IT

Reasons: Greater automation potential, easier integration of partners and stronger focus on sub-processes.

## **Adapting business models and tapping their full potential**

The CoC head explains the benefits that customers can expect when they ask the IT service provider for support: "Of course, all customers want to reduce their costs and tap as much of their potential improvements as possible. But we as a service provider become even more interesting for the customer if we can reduce their inventory costs. We do this by leveraging IT, as this improves the business processes over the long term. In the warehouse, for example, we can achieve significantly faster turnover rates, which in turn lead to substantial reductions in overall costs."

His colleague Arbitter suggests some figures that companies can expect: "An optimized IT landscape costs about two to three percent of the entire IT budget. This leaves 97 or 98 percent that are not accounted for a direct IT costs. To generate additional savings in this area, the processes must be made as lean, efficient and flexible as possible. And IT is the best way to accomplish this."

There is another development from which companies can benefit. Because of the many diverse support technologies and services and the service-oriented architecture (SOA), which is used in more and more areas, customers can break down their business processes into individual components more effectively than ever before and map them

flexibly in their IT in accordance with their individual business requirements. This has the advantage that they can outsource selected processes that are not part of their core business and distribute them all over the world. Or, to put it another way: business process outsourcing (BPO) becomes easier. For example, such an approach works well for executing export control and customs procedures and the associated logistics requirements. Once the individual product or material numbers have been collected, a specialized service provider can check what can be legally exported where and what can not. Vogt is convinced that such micro-services will increasingly be offered by specialized companies in the future, also as part of enterprise services. After all, the demand is there because the client companies are unable to handle such challenges with their own resources.

In addition to SOA, the debate around software-as-a-service (SAAS) likewise continues to make headlines. Vogt comments as follows: "SaaS is firmly integrated into the companies' strategies for the future. Its major benefit is the fact that the customers don't have to commit themselves to a specific platform for the long term. They can use the solutions and systems as needed and — which is much more important — based on their actual usage, sales, transactions and results."

The service provider's unique selling proposition in this area is quickly identified: he can offer his customers end-to-end services by hosting, integrating, maintaining and updating solutions. In addition, Siemens IT Solutions and Services operate with a heavily tool- and methodology-based approach. As a cross-functional sector of Siemens with its more than 150 years of industry experience, Siemens IT Solutions and Services keeps coming up with solutions that are able to master the challenges of a continuously changing world efficiently and profitably.

## **IT maps the real world**

As the real world changes apace and standardization and industrialization continue their relentless spread, information technology must be able to adapt. Continuing to operate profitably in low-growth markets while setting oneself apart from the competition is the ultimate goal, which is why many companies are now broadening their spectrum. The many purchases of small, independent business intelligence providers by global players last year are a typical sign of this development. As a systems integrator, the service provider has a crucial advantage: It has been familiar with the solutions for many years and has access to a broad range of industry-specific know-how that extends far beyond the area of business intelligence. In addition, it was able to establish close customer relationships through many projects in the past, and these pave the way for future follow-up projects.

Pushing into new customer groups is another clear trend in the market. While SAP is making business processes for the mid-sized market more effective within the shortest possible time with its comprehensive SAP Business ByDesign on-demand solution, the provider's strategies dovetail neatly with SAP's strategy: it has smaller IT companies that ply the market as independent companies and whose special skills can be used to serve Germany's SME market.

Last but not least, the companies have discovered individual industries and focus increasingly on individual business processes. While in the past they concentrated

mainly on complete, monolithic solutions blocks like supply chain management (SCM) or customer relationship (CRM), these fixed structures are slowly disappearing – among other things because of SOA. The result is stronger industry orientation, which is characterized above all by maximum flexibility and a highly dynamic approach. "Siemens' new strategic industry focus gives us a competitive advantage, because it has been well-positioned in these industries for many years and has the know-how necessary to sustain this position. For example, we are developing together with SAP an industry solution for utilities," says the head of Portfolio & Technology Management.

Of course, the IT expert foresees additional potential in other industries as well, such as healthcare, another area where Siemens is a premier global player. "Linking business processes with the world of classic ERP will be one of the main activities in coming years," avers Arbitter. "The provider who, for example, manages to transfer the usage data of a CAT scanner in real time to the insurance provider for billing purposes will be the one who crosses the finish line first. The trick continues to be the automatic integration of financial and billing processes and customer data so that individual data transfers, single bills and media inconsistencies become a thing of the past."

## **A good partnership always takes two**

Just like a good marriage, the partnership between two commercial enterprises is based on trust, similar long-term objectives and a comprehensive understanding of the other party's needs, interests and quirks. After more than 30 years, Siemens is one of SAP's oldest partners. This kind of longevity indicates just how important and fruitful the relationship is between Munich and Walldorf, as does the fact that Siemens is the only company with a Europe-wide sales agreement for all segments with SAP.

What Siemens IT Solutions and Services is for SAP:

- Global hosting partner
- Global application management provider
- Global service partner
- Unique selling proposition: Reseller partnership for EMEA:EMEA

As a legally integrated Division of Siemens AG, the service provider is involved much more closely than many of its competitors in infrastructure deals, right from the very start. To give an example: If a new power plant is planned, Siemens IT Solutions and Services is already part of the team during the proposal phase. Even though the power plant and its individual components account for by far the largest part of the billion euro deal, there is still the small but critical IT component. And while the "big boys" are establishing their customer relationship and coordinating all the details, the IT provider is already at the table – unlike many competitors in the IT services field. Arbitter



explains: "As part of Siemens One, we talk with customers about their IT plans and visions before others even know that there is a project afoot. This enables us to work together with SAP to present an integrated package to the customer that leaves nothing open."

### **Active in all industries**

Many projects provide solid evidence that Siemens' cross-functional strategy works. For example, Siemens has successfully completed major SAP projects in the media industry. One of these is an SAP-based print media industry solution for one of the world's largest newspapers, the Times of India (ToI).

The ToI, which is owned by Indian publisher Bennett, Coleman & Co. Ltd., is India's largest English-language newspaper and is read by an average of seven million people each day. In 2000, this long-established company decided to replace the heterogeneous solutions it had developed in-house with an integrated and centralized IT system. As its consulting and implementation partner for the 14-month project, the company selected Siemens IT Solutions and Services (which was called Siemens Information Systems Ltd. at the time) and SAP's industry solution "SAP for Media". Today, the newspaper benefits not only from centralized and streamlined business processes, but also from better customer support, better advertising management and better accounting. The Times of India is the first company in the media industry to implement SAP for Media on the basis of service-oriented enterprise architecture.

But the service provider is also busy on its home market. For the Hamburg-based publishing house of the "Der Spiegel" newsmagazine, for example, it implemented SAP's Customer Relationship Management software (SAP CRM). The magazine wants to use this software to improve customer loyalty and satisfaction, as well as optimize its customer relationships. It is also looking to improve its marketing and campaign management to keep readers better informed about other products of the publishing house. In addition, the company is now able to conduct and analyze its marketing activities in a more uniform manner. For the Essen-based WAZ media group, Siemens implemented two applications on the basis of SAP NetWeaver and SAP NetWeaver Business Intelligence that enable the central accounting department to plan cash and financial resources more efficiently. The web-based solutions, which will also be used by the controlling department, will provide more transparency and improve the speed with which data for managerial decisions can be supplied.

### **Up there with the leaders**

The results are clear: According to SAP's ranking, Siemens IT Solutions and Services is among the world's top five in terms of delivery quality and customer satisfaction. In SAP's new growth areas, such as SAP CRM (due to the new release) or Enterprise SOA, SAP NetWeaver Business Intelligence (SAP NetWeaver BI) and SAP NetWeaver Master Data Management (SAP NetWeaver MDM), the IT specialist also stands out from the crowd by virtue of the fact that the highly technology-driven services are more or less "run of the mill" for Siemens IT Solutions and Services. SAP expert Vogt explains: "As a systems integrator, we are able to use our service and process solutions

to position ourselves with the customer over the long term. And as a SAP customer we use these products and solutions within our own company. That way we know what the customer really wants. Many of these issues we are familiar with from our own in-house experience. We can convey this knowledge to SAP as well as to our customers with a high degree of credibility, because we use these SAP solutions ourselves."

Co-innovation is another important keyword, because SAP is the only one of its strategic partners with whom Siemens IT Solutions and Services jointly develops products for the international market. Another detail that sets this partnership apart is the fact that both companies, though very global, are particularly compatible since they have their roots in the same country, are located in the same time zone and are shaped by the same culture.

## **Mutual win-win relationship**

The strategic realignment of Siemens in early 2007 turned its five independent IT and software entities SBS (Siemens Business Services), PSE (Program and System Engineering), Switzerland-based BIC (Business Innovation Center), DIP (Development Innovation and Projects) in Greece, and the Indian SISL (Siemens Information Systems Ltd.) into a powerful global service provider that can genuinely help its partners to take advantage of promising growth areas. Conversely, Siemens' concentration on its core competencies in Germany has also made it possible to focus increasingly on SAP services again. Vogt can prove this with hard and fast figures: "Eighteen months ago we had about 2,800 SAP consultants; today we have almost 4,000. But quantity is only one side of the coin, and quality is the other. We want to continue to grow and expand our process, technology and industry know-how."

The goals listed by his colleague Arbitter are equally ambitious: "We plan to become one of SAP's most important partners in Germany again. To accomplish this, we are progressing one step at a time. In a first step, we are bringing the respective business managers of both company's together, planning joint marketing activities and setting up resources. These direct contacts give us more speed and more strength to meet our goals for a broad spectrum of activities and in many different areas. We are starting out with a solution for the energy industry."

The continuous stream of add-ons, releases, new versions and new features constantly hitting the market provides additional business potential. To handle this, customers need experts who can help with their implementation and customization. "If SAP needs additional experienced people in the consulting field with solid know-how, we join forces to help the customer. On the other hand, Siemens can ask SAP for help when customers voice requests that we cannot meet on our own." Both companies have already identified concrete opportunities in the manufacturing, energy and mobility industries.

"You always have two discussions with the customer. One focuses on day-to-day issues such as updates, upgrades, etc., and the other centers on where the customer wants to go. Who will help him to implement his strategies? Who will help him advance over the long term?" is how Arbitter describes this typical customer scenario. "This is

where we see additional potential that we want to satisfy – both for our own benefit and, of course, for that of our customers."

## **Ongoing change process: Upgrade to SAP ERP 6.0**

One item that is currently keeping SAP users busy is SAP ERP 6.0, the SAP standard to which all SAP customers will have to upgrade in the near future. The reason for this is that SAP R/3 is no longer being developed. Its standard support has already expired or is currently being phased out.

Upgrading in good time is critical, because the latest version of SAP ERP constitutes a fairly far-reaching change. In actual fact, it is more of a migration to a modern technological basis that implements a process-supporting architecture in accordance with the requirements of a service-oriented architecture and on whose basis SAP has mapped its business processes since 2004. With more than 2,800 cross-industry functional enhancements, users can bring their business processes up-to-date and implement innovative business models, for example by mapping more efficient warehouse, distribution and sales processes, providing self-services for managers and employees and supporting corporate services.

"As a rule, we recommend a timely upgrade without any schedule restrictions," says Norbert Fink of Siemens IT Solutions and Services. "The project's duration varies according to the complexity of the application and the number of customer-specific developments. Depending on the specific requirements, we fully adapt our features and services, regardless of whether for simple coaching or a complete upgrade."

## **How Siemens IT Solutions and Services supports the upgrade:**

- Siemens IT Solutions and Services has extensive experience with a wide variety of upgrade projects in Germany, worldwide, and within Siemens itself.
- Standardized procedures ensure that the upgrade will be performed quickly and trouble-free.
- The availability of global resources keeps the upgrade costs low.
- Experienced SAP consultants will be available on-site and accompany the customer throughout the entire project.
- All functions and services will be fully adapted to the customer's specific requirements, from simple coaching to a full-service solution.
- The technical upgrade will be executed smoothly. For the best possible support of the upgrade to the latest version of SAP ERP, Siemens has pooled its expertise in a special "SAP Upgrade Center@Siemens".

## **Giant Spiridon program: Lower costs, faster responses**

Prime proof of the service provider's abilities is provided by Siemens' Spiridon project, whose numbers alone are downright mind-boggling. More than 250 independent SAP or legacy applications in the globally distributed Siemens regions had to be consolidated or replaced. This was done with templates, i.e. prefabricated standard solutions, and highly integrated SAP-based standard platforms. Management has kept an eye on the

prime objective at all times, namely to ensure vertical optimization and horizontal integration by employing standardized structures, processes, applications and infrastructures in all operating units, countries and systems. The two major benefits follow on automatically: Siemens can take advantage of synergies more quickly and reduce its global IT costs. To implement the giant project in an efficient manner, Siemens needed someone who could provide the complete range of IT services as well as extensive know-how and experience. Siemens IT Solutions and Services was that provider.

"The core of the project was the harmonization of financial processes in the SAP Finance/Controlling field, which led to the Spiridon project," explains Lars Lundmark. "Eventually the logistics processes for the product business as well as for the systems, project and service businesses were added as well." Lundmark was in charge of implementation and go-live support in Denmark, Sweden and Norway. In all three countries, the project manager and his team managed to introduce Spiridon in less than one year. Siemens IT Solutions and Services was able to provide excellent support for the project, thanks to clearly outlined responsibilities, global contracts whose execution was monitored by an international core team, and the provision of a full spectrum of products and services.

Lundmark describes in detail how the company managed to implement the giant project: "We started out by developing a globally applicable template and supplementing it with regional requirements. During the rollout we took advantage of so-called system setup workshops that enabled us to implement the local requirements quickly and with great flexibility. This enabled us to use key users to convey the know-how to the end users." Lundberg learned from his involvement that most of the attention in such giant projects should go to the sensitive start-up and introduction phase: "Change management, data migration and post-go-live support are the three critical criteria. However, the main prerequisite for these three aspects is having the full support of management."

### **Spiridon project steps:Spiridon**

- Development of globally harmonized business processes
- Configuration of SAP software; design and construction of a global template
- Rollout of standard templates and design and construction of regional enhancements
- Provision of application management centers for support and operating services after the go-live date

"Today, about 40,000 users distributed over six Application Management Centers (AMCs) in the Netherlands, Spain, Austria, the U.S., Thailand and Brazil use consistently standardized business processes as well as application management services provided in the form of shared services."

The enterprise-wide benefits of Spiridon as the foundation for shared services is easily explained. Thanks to the standardized processes and the uniform information structure, it is now much easier to compare data and information, and it can also be managed with a lot more precision. This benefits not only the finance, logistics, production scheduling

and personnel departments, but the entire Siemens-internal business. Lundmark also confirms that Spiridon has stirred up a lot of interest outside of Siemens: "We will have achieved our internal target by the end of 2008, but external prospects are already waiting for our know-how and our personnel to start similar projects in their companies."

## **Spiridon improves business excellence with: Spiridon**

- Consistent master data
- Minimal maintenance requirements
- Easier implementation of structural changes
- Easier transmission or transfer of processes
- Faster processing of account closings
- Centralized and regional implementation of updates
- Basis for certifications