Global network of innovation

Siemens Business Services

SIEMENS

Offshore outsourcing of business services
Threat or Opportunity

Presentation by Elie Cohen
Chief Executive Officer
Siemens Business Services France
Agenda for the next 20 minutes…

- Siemens AG & Siemens Business Services Profiles
- Overall Context
- Introduction to outsourcing at SBS:
  - Strategy and scope of Siemens outsourcing solutions
  - Offshoring and Outsourcing
  - Outsourcing to our self
- Offshoring threats and opportunities
- Questions and Answers
Siemens AG Corporate Profile

- Over 155 years of expertise
- World leader:
  - 21st largest company in the world
  - Largest company in the electrical & electronics sector
  - 8th largest business in Europe
  - 6th biggest employer in the world with a global network of 426,000 people in 190 countries
- Sound financial management with global revenues of €80 bn
- Investment of €500m p.a. in workforce skills
- Innovation is the key to entrepreneurial success
  - generating more than 30 inventions a day
Siemens Business Services

 Customers

EUR 4.7 billion sales and 36,120 employees in 44 countries

Solution Business
Consulting, project-based business solutions and systems integration

Business Process Outsourcing
Outsourcing of IT-intensive business processes in HR and Financial Services

Operation Related Services
Outsourcing of data centers, desktop services, local networks (LAN/WAN) and call centers

Product Related Services
Maintenance of hardware and software products, infrastructure services

Consult, Design, Build
Operate
Maintain

Siemens AG & SBS
Overall context
Siemens Strategy
Offshore Key points

Figures FY 04
Outsourcing is an attractive growth market

### Published contract volume 2004

<table>
<thead>
<tr>
<th>European Outsourcer</th>
<th>Global TCV 2004</th>
<th>European share</th>
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</thead>
<tbody>
<tr>
<td>IBM</td>
<td>14,000</td>
<td>5.3%</td>
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<tr>
<td>CSC</td>
<td>12,000</td>
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<tr>
<td>Accenture</td>
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<td>Capgemini</td>
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<td>2.8%</td>
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<tr>
<td>Lockheed / ACS</td>
<td>6,000</td>
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<tr>
<td>SBS</td>
<td>4,000</td>
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<tr>
<td>HP</td>
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### Outsourcing ranking Europe

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<thead>
<tr>
<th>Rank</th>
<th>Outsourcer</th>
<th>Score</th>
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<tbody>
<tr>
<td>1</td>
<td>IBM</td>
<td>6.82</td>
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<tr>
<td>2</td>
<td>EDS</td>
<td>4.10</td>
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<tr>
<td>3</td>
<td>T-Systems</td>
<td>3.36</td>
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<tr>
<td>4</td>
<td>SBS (Outsourcing)</td>
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<tr>
<td>5</td>
<td>British Telecom</td>
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</tr>
<tr>
<td>6</td>
<td>CSC</td>
<td>2.27</td>
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<tr>
<td>7</td>
<td>Fujitsu</td>
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<tr>
<td>8</td>
<td>Accenture</td>
<td>1.76</td>
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<tr>
<td>9</td>
<td>Capita</td>
<td>1.71</td>
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<tr>
<td>10</td>
<td>Atos Origin</td>
<td>1.66</td>
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### Benefit from outsourcing

- **Cost efficiency** – finding value traps and releasing value
- **Improved service** – contract models encourage gain sharing and thus improved service is a logical outcome
- **Quality** – rigorous KPIs keep providers focused on delivering value
- **Adaptability** – outsourcers have to be flexible to support constant business change as priorities morph
- **Governance** – using a specialist provider in a multi-source contract gives value for money and reduces risk
- **Culture change** – shift of in-house IT management towards sourcing strategies and away from a purely operational budgetary approach leads to culture change
- **Innovation** – able to tap into new thinking as well as new technologies
Outsourcing requires global sales presence
Delivery locations are key competitive factors

Global network of innovation

Delivery location selection criteria:
- Skill base, Cost, Language, Time zone, Stability

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Siemens AG & SBS
General context
Siemens Strategy
Offshore. Key points

Germany (Fuerth/Munich, Paderborn)
- Customer Interaction Center
- Data Center

Austria (Vienna)
- Customer Interaction Center
- Data Center

Ireland (Cork)
- Customer Interaction Center
- Marketing Services

Canada (Toronto)
- Customer Interaction Center

USA (Mason, Chicago)
- Customer Interaction Center
- Data Center

Czech Republic (Prague)
- Accounting Services

South East Europe (e.g. Bratislava)
- Inbox Services

Turkey (Istanbul)
- Customer Interaction Center
- Remote Management Services

Russia (Voronezh)
- Inbox, Invoice Services

China
- Shared Service Center

Singapore
- Shared Service Center

India (Bangalore, Chennai)
- Application Support
- Application Management Center
- Outsourcing Transition support

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Delivery location selection criteria:
- Skill base, Cost, Language, Time zone, Stability
Global delivery backbone in support of both outsourcing and offshoring development

**Global network of innovation**

- **Siemens AG & SBS**
- **General context**
- **Siemens Strategy**
- **Offshore Key points**

- **Ireland**
  - Multi-lingual Service Desk

- **UK**
  - BPO for Financial Services, Siemens UK, and Government

- **Bratislava**
  - Airline back-office for major European Carrier

- **Turkey**
  - Helpdesks for global electronics corporation

- **South Africa**
  - IT and Business Process Services for Department of Labor

- **Voronezh, Russia**
  - HR back-office for Siemens in Germany

- **China**
  - HR processes for Siemens Companies
  - Accounts Payable for Siemens Companies

- **India**
  - BPO for Barclays
  - Reservation Centre for major Car rental company
  - Competitive pricing for major Car rental company
  - Accounts payable for Siemens US

- **South Africa**
  - IT and Business Process Services for Department of Labor

- **UK**
  - BPO for Financial Services, Siemens UK, and Government
### ITSS Program an Outsourcing to our self

#### Siemens Groups & Regions

<table>
<thead>
<tr>
<th>Siemens Groups &amp; Regions</th>
<th>Com</th>
<th>A&amp;D</th>
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<td>Shared Services</td>
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#### Siemens Business Services

- SBS will manage 100% of Siemens IT infrastructure
- Further enhance market reputation with Siemens as key reference
- Excellent lever for global delivery backbone enhancement
- Accelerate harmonization & standardization of services, processes
- Improve global presence and standing

* Infrastructure services for networks, datacenter, desktop and voice.
Offshoring threats and opportunities

Companies will balance threats and opportunities by structuring themselves stronger than actually

- Heavy social impact
- Heavy image impact
- Challenged service quality
- Complex reversibility
- Challenged security management
- Knowledge losses
- Coordination increase
- New markets access
- Competitiveness increase
- Defined formal SLAs
- Long term partnership
- Defined policies and tools
- Reinforced methods usage
- Defined rules and duties
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Offshoring opportunities and opportunities

Low and high cost Countries will benefit from offshoring development by balancing commercial exchanges and sharing experiences

Heavy social requirements
Non adapted Education
Infrastructure saturation
Ethic challenges
Culture unfit
Knowledge evaporation

Set up social pre-requisites
Educational programs export
Infrastructure Projects
Shared ethic policies and Image
Culture export and benefits
Staff retention programs

Siemens AG & SBS
General context
Siemens Strategy
Offshore Key points
Offshoring key success factors

- Selection of offshore locations should not (only) be based on low cost, the following are crucial
  - Skill base
  - Stability
  - Shared values and ethic
- Offshore programs require a strong governance model with a clear definitions of expectations and roles.
  - Customer <> End-users
  - Project management office <> Factories
- Services are sold locally, using offshore factories
  - Local representation, consulting and expertise is required
  - Communication and reporting to the Customer is key
- Organisation and processes must be adapted
### Siemens Business Services

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**Outsourcing adapted mode of operations**

<table>
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<th>Offshore Key points</th>
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</thead>
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#### Program Management Office
- Service Level Mgt
- Office of Continuous Improvement
- Reporting & Capacity Planning
- Dedicated Teams

#### Sales Support
- Bid Mgt
- Portfolio Mgt

#### Factory
- Customer Interaction Center
  - Call center
  - Service Desk Level 1
  - Service Desk Level 2
  - Queries…
- Servers Hosting & Mgt
  - Administration
  - Planning
  - Data-center
- LAN, WAN & Voice
- Field Services

#### Support
- Assets & Procurement
- Partners Management
- Quality & Security

**Will be developed**
- In initial countries
- In offshore countries
Summary

► Now you know something about Siemens and SBS

► Heard a little about our strategy, go to market proposition, our Global Delivery Backbone that uses selected offshore locations

► Offshore is today a fact that we have to do with, taking benefits from its positive impact.

► IT services come now to a much more mature approach where the means (focus on technical solution) surrender to the actual business needs (focus on information management)
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Questions and Answers