

Creating value for stakeholders

In 1998, Siemens shifted its focus from being volume-driven to focusing on EVA™. Since then, the communication and its application has been supported by Celemi.

The concept of EVA (Economic Value Added) is based on the fact that shareholder value is created only if the net operating profit after taxes (NOPAT) is higher than the cost of capital employed. In order to increase focus on shareholder value, Siemens implemented EVA as the most important performance measure. Vice versa, by moving into the focus of the shareholders, Siemens' current and expected future EVA performance got closely linked to the share price. Thus, the internal steering figure gained an important external dimension, which helps Siemens meet the expectations of the capital markets.

Today, EVA is the basis for all major business decisions within Siemens, with more and more employees being measured against the EVA performance of their business units. Consequently, they not only need to identify with the ideas behind this approach, but also to thoroughly understand *how* to influence EVA performance.

Demystifying finance to 55,000 employees



PHOTO: SIEMENS

"Celemi's Apples & Oranges successfully supports our efforts to establish a value oriented culture among all employees. That's what will make the difference in performance in the marketplace!"

— Chief Financial Officer, SBS

Getting the employees on board

Extensive training and communication on the EVA concept had already been done in the company, but the message still did not reach enough people, especially among those unfamiliar with financial concepts. When the traditional ways of communication proved only partially successful, Siemens Business Services (SBS) started to search for a different approach.

SBS invited Celemi to create a learning program that would educate and motivate all employees to actively increase EVA and improve cash flow. The CFO explains: "In order to truly implement the EVA concept, a companywide fundamental understanding of financial principles, value flows and EVA as a performance indicator had to be established."



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The solution

In a three month time frame, Celemi and Siemens developed a tailor-made version of the business simulation Celemi Apples & Oranges™. The tool integrated EVA and Siemens' key business figures into Celemi's unique methodology.

In a very hands-on approach, teams of four participants are given responsibility to manage a model company. Running that company, they simulate the value flow of a Siemens division's procurement, production & service delivery and sales over several periods. The team's task is to optimize the amount of tied up capital and improve business processes in order to be more profitable and thus increase EVA. Results are evaluated by drawing up the profit and loss statement and the balance sheet, as well as calculating cash flow and EVA.

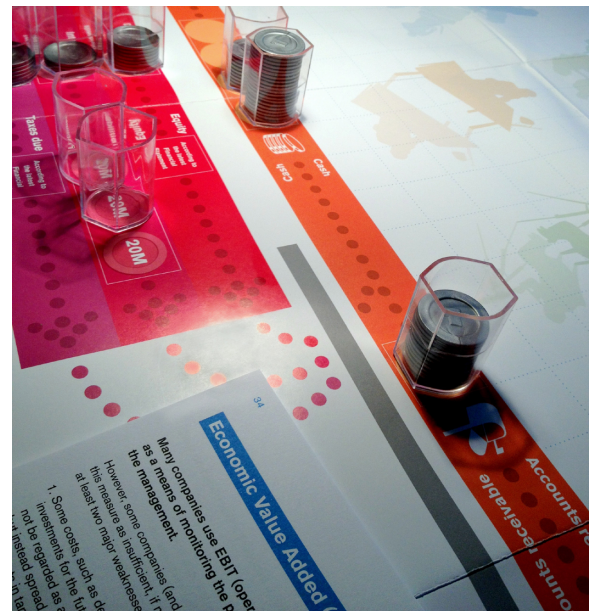
Applying the learning to the workplace

In the second part of the seminar, the participants leave the model company and apply their newly gained insights to the specific aspects of their own business. They discuss improvements and action plans based on the latest EVA figures of their business unit.

Participants come from the same working environment, yet form cross-functional teams where everyone discovers how the company's value flow really works, and gets to know the interdependencies between different departments. Throughout the simulation, teams develop a common language and understanding of finance, which is immediately put into practice. All participants can see for themselves how they, as individual employees, influence key performance indicators and in turn the capital market's perception of Siemens.

“Put into a nutshell, Apples & Oranges demystifies finance: complex principles are clarified within one day without previous knowledge being required. But, more importantly: Our people are highly enthusiastic about the program and the gut-feel understanding it provides, especially when transferring the key learning points into the daily business.”

— Josef Grünwald and Matthias Konrath, leaders of the Siemens project team.



A global Siemens rollout

Apples & Oranges targets all employees within Siemens with influence on EVA. The seminars are run by people from within Siemens trained by Celemi and members of the Siemens project team. Ideally the facilitator is a member of the business unit being trained, since this guarantees the strongest possible transfer of acquired knowledge into everyday business and a high level of acceptance.

Equally important, by using internal trainers large numbers of people can be reached in a short time, making full use of this kind of snowball-effect. Starting in December 1999, more than 4,000 people within Siemens took part in the program within the first six months of the roll-out. By 2013, the number of participants are up to 55,000 and still growing.

About Siemens

Siemens AG is a German multinational conglomerate company headquartered in Munich, with activities in the fields of industry, energy and healthcare. Siemens and its subsidiaries employ about 400 000 people in 190 countries.


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