Chapter 5.10
Siemens:
Expanding the Knowledge Management System ShareNet to Research & Development

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EXECUTIVE SUMMARY

The case study describes the issues surrounding the expansion of the community-based knowledge management system (KMS) ShareNet to the research and development (R&D) function at Siemens Information and Communication Networks (ICN). It sets the stage for a decision situation that Siemens ICN's vice president business transformation and knowledge management, Janina Kugel, faced in 2003. While R&D usage rates differed not remarkably from other Siemens ICN functions, a strategic emphasis on innovative products and services — as well as ambitious targets for leveraging offshore development resources — necessitated a stronger penetration of this highly relevant function. Could this extension build on earlier experiences gained with the best practice implementation approach at the sales and marketing function? The case description provides a chronological account of ShareNet's conceptualization, development, international rollout, and operation. It pays attention to information systems (IS) implementation issues, change management, and current developments in the field of knowledge management (KM).

ORGANIZATIONAL BACKGROUND

Siemens, headquartered in Munich, is a German-based multinational corporation with a balanced business portfolio of activities predominantly in the field of electronics and electrical engineering. With sales of EUR 74.2 billion and a net income of EUR 2.4 billion in fiscal 2003, it was Europe's industry leader with strong positions in the North American and Asian markets (in August 2003, EUR 1.00 was equivalent to about USD 1.13). Approximately 50,000 researchers and developers were employed; research and development (R&D) investments totaled EUR 5.1 billion. Exhibit 1 shows Siemens' financial performance from 2000 to 2003. Siemens was a conglomerate of six business segments: Information and Communications, Automation and Control, Power, Transportation,

Medical, and Lighting. Each business segment was split into several groups with independent profit responsibility and regional sales organizations (local companies) around the globe.

The decentralized matrix structure allowed for entrepreneurial responsibility and the development of close ties to customers. Global, interdivisional cooperation and systematic sharing of best practices enabled the provision of comprehensive and customer-focused solutions. Siemens' managing board confirmed that the "global network of innovation" — over 400,000 employees in 190 countries — was the firm's greatest asset. Linked in a global knowledge network, they were key for innovation and finally for offering technologies, tailor-made solutions, and services.

Siemens' largest business segment, Information and Communications, comprised three

Exhibit 1. Siemens' financial performance from 2000 to 2003 (EUR in millions)

	2003	2002	2001	2000
Net sales	74,233	84,016	87,000	77,484
Cost of sales	(53,350)	(60,810)	(63,895)	(55,949)
Gross profit on sales	20,883	23,206	23,105	21,535
Research and development expenses	(5,067)	(5,819)	(6,782)	(5,848)
Marketing, selling, and general administrative expenses	(13,534)	(15,455)	(16,640)	(14,173)
Other operating income (expense), net (therein gain on issuance of subsidiary and associated company stock)	642	1,321	2,762	7,549
Income (loss) from investments in other companies, net	142	(114)	49	299
Income (expense) from financial assets and marketable securities, net	61	18	173	2,732
Interest income (expense) of operations, net	31	94	(32)	(35)
Other interest income (expense), net	214	224	43	180
Income (loss) before income taxes	3,372	3,475	2,678	12,239
Income taxes	(867)	(849)	(781)	(3,017)
Minority interest	(96)	(29)	(191)	(362)
Net income (loss)	2,445	2,597	2,088	8,860

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