

STRATEGY

Siemens Shows Its U.S. Face

By Tim Smart

NEW YORK—Quick, name a company that employs 70,000 people in the United States, has annual sales of nearly \$17 billion and more than 100 manufacturing facilities here, and whose businesses run the gamut from cellphones and light rail to homeland security and water treatment.

The answer: Siemens, which is practically a household name in Europe but much more obscure in America, even though the company is a leader in many of its industry sectors and its products are ubiquitous. “Ninety percent of the U.S. mail runs on Siemens technology,” crowes George Nolen, CEO of the American arm of the German conglomerate. “And one third of the power in the U.S. is generated by Siemens.”

All told, Siemens’s U.S. businesses account for about one fifth of the Munich-based firm’s global revenues. Much of the company’s growth in America has come since the mid-1980s, when Siemens had about \$3 billion annually in U.S. revenues, less than a quarter of what they are today. The company acquired U.S. businesses from the likes of Westinghouse and Sylvania. It also looked at the areas where it held strong positions outside the United States, such as transportation and medical equipment, and decided how it could best apply those to an American environment in which well-entrenched competitors like General Electric held sway.

Siemens is a major producer of locomotives in the rest of

the world, for instance. But in the United States, where railroads are a mature business, Siemens has focused most of its attention on automating existing systems like the New York subways and on new applications such as light-rail systems in places like Houston and Charlotte, N.C. “We have about 37 percent to 38 percent of the U.S. light-rail market,” says Nolen.

Even though most Americans don’t consider Siemens a household name, they have still come into regular contact with the company’s products. Siemens lights the runways at 65 of the nation’s airports, and the company also provides baggage-handling gear at more than 100 of them as well as bomb-detection equipment at 438 of them.

In many ways, Siemens is a marriage of complex industrial engineering and intricate software. Complicated products like magnetic resonance imaging machines and high-voltage electric transmission systems require both manufacturing brawn and scientific brainpower, one reason Siemens employs 30,000 software engineers. More than 10 percent of its worldwide workforce is engaged in research and development.

Vying with GE. At Siemens Medical Solutions in Malvern, Pa., the company is refining this combination of engineering and technology know-how into a full-scale assault on what President Thomas McCausland sees as the future of medicine: the digital hospital that will lead to more efficient, safer, and cost-effective patient care. “The criticality of the business lends itself to people who are specialists,” McCausland says, adding, “It’s

SIEMENS USA

Headquarters: New York City

CEO: George Nolen

Revenues: \$16.6 billion in 2004

Main businesses: Medical systems, lighting, light rail, power generation, automotive parts, water filtration, and airport lighting and security

Employees: 70,000

Research and development: \$800 million spent in the U.S. in 2004



MEDICAL. The company’s 64-slice computed tomography (or CT) scanner allows doctors close-up views of the human heart.

the most complex business, I think, in the American economy." Already, the United States accounts for about half of Siemens's worldwide medical business, and it is an area where the German company and GE compete head to head.

McCausland is hoping that hospitals will see the need to move beyond merely acquiring state-of-the-art medical equipment like Siemens's 64-slice computed tomography scanner, which can shoot detailed images of arteries, or patient-care management systems that allow doctors remote access to medical records and drug prescription recommendations. To help broaden its portfolio, Siemens in 2000 spent \$2.1 billion to acquire Shared Medical Systems Corp., a leader in the medical billing and patient management systems field.

Barry Hieb, research director for Gartner's healthcare group, says Siemens has revamped Shared Medical since buying it and come out with a series of innovative IT management products that allow doctors and pharmacies to track patients more closely. But there's still a ways to go. "They've done OK," Hieb says, "though not as well as perhaps they had hoped." Now the challenge will be getting the company's huge existing customer base to adopt the new products, he says. The industry is fragmented at the moment, he notes, yet is showing some signs of wanting to converge around a single company that can provide clinical, financial, and administrative data management.

Another key move for Siemens was the \$700 million purchase of Acuson, an independent maker of ultrasound equipment, in 2000. "They've acquired a number of key vendors in that very critical medical IT management space,"

says Antonio Garcia, medical imaging industry manager at Frost & Sullivan.

Speed reading. One fan of the company's integrated approach is Robert Grossman, who heads the radiology department at NYU Medical Center. The hospital has the latest Siemens imaging equipment, including the 64-slice CT scanner, and chose Siemens in a competition with GE for all of its imaging needs. "We really wanted to be the best department in the world," says Grossman, who waxes poetic about the scanner. "The speed has enabled very new applications such as cardiac imaging. Now you can actually visualize the coronaries." That could directly improve outcomes. "For the first time," says Grossman, "the speed of the patient throughput is dramatically improved, and the image quality really enables better diagnosis."

Siemens is a dominant force in other industries, just as it is in medicine. Lighting, for instance: Three out of every four cars on U.S. roads have the company's lighting components. In communications, Siemens provides the backbone for many of the world's land-line telephone systems and also is the top global provider of telephone-based equipment for high-speed Internet access.

With such a broad portfolio of businesses, it might seem difficult for U.S. CEO Nolen to maintain an umbrella strategy that encompasses all of them. But he visualizes Siemens in a rather simple fashion: "We are an electrical engineering company with very advanced software," he says. One whose name might eventually be as commonplace in the United States as its products. ●

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