



Emerging from the crisis through offensive and innovative action

1. The global economic crisis

The Siemens Europe Committee is greatly concerned about the global economic crisis and has come to the following assessment:

The capitalist global economy is suffering from system infarction. In unregulated financial markets, constantly increasing risks were piled up with a total lack of transparency. The result is a complete loss of monitoring and control on the financial markets.

Companies were aligned only to the principle of shareholder value, i.e. solely to the interests of short-term stock speculation and not to sustainable long-term business development. Long-term investments were neglected in order to maximize short-term profits. Bonuses and other remuneration systems were used in order to obligate management to this short-term orientation and dividend maximization.

The global economy is out of balance. With a drastic reduction in its sales on world markets, Europe is now paying the price for its unhealthy export and competition orientation. The global economy is so destabilized that there is a worldwide drop in economic output.

The depth and complexity of the crisis cannot be overcome overnight. We now find ourselves in the midst of a triple crisis: financial market, economic, and structural crises are feeding on each other.

2. The crisis also affects Siemens

Because of its global presence and its differentiated portfolio, Siemens is not affected by the crisis at the same time and to the same degree in all Sectors. The wide-ranging scope of the portfolio often criticized by analysts is indeed beneficial in the crisis.

Thanks to a conservative financial policy, Siemens is in good shape financially. By adding additional financial resources, future projects have been secured.

Yet more and more employees in the Siemens group in Europe are having their work hours cut. It is becoming clear that, in the mid-term, the crisis will also reach those parts of Siemens with longer order cycles lasting several years. The speed at which employment is crumbling is dramatic.

Because of the reverses in the automotive industry, mechanical engineering, and automation – the Industry Sector – one of the most profitable areas of the company – is currently affected the most severely. Only negligible numbers are currently affected in Healthcare. Energy and Healthcare are still basically doing alright, but there are already order deferrals, and thousands of temporary workers are also already being laid off in these Sectors.

We ask the Managing Board to rethink the earnings goal and correct the EBIT margin target ranges for the Divisions to a level that is realistic in this crisis.

3. Securing jobs in Europe

The paramount goal of the SEC is to preserve jobs and locations.

Making staff adjustments on an interorganizational basis and throughout Siemens, reducing accrued overtime, and putting employees on short-time working are preferable to closing plants.

We must reshape the debate on working hours. We have to reexamine trust-based working hours and the endless expansion of overtime.

Shortening working hours has proved to be the most suitable means of preserving jobs.

We need new and improved options for part-time work and part time employment prior to retirement.

4. Promoting qualification and training

Even in this crisis, investments must be made in training. Low-employment periods must be used to increase qualifications. Aligned to future developments, plants must develop and implement training plans for employees. Existing training plans must not be sacrificed to savings measures.

Even in the crisis, training must continue, and young people must be taken on. The future of the company can be secured only by a balanced employee structure of young and experienced employees.

5. Co-determination for labor representatives

We need to have a say in strategic investments. Decisions to transfer sites and close locations can no longer be made against the will of the representatives of European workers in the respective countries.

6. Promoting sustainable company development

Subordination to the financial markets got us into the crisis. Siemens must learn the lessons from the dangerous shareholder orientation.

We demand that the business strategy be aligned more strongly toward long-term goals, based on sustainable social and ecological criteria and the preservation of jobs.

The focus is too often on cost-cutting programs. Saving concepts alone are effective in the short term but do not ensure the success of the company over the long term.

Sustainable corporate development and the preservation of jobs require the expansion of internal value creation; that means insourcing instead of outsourcing.

7. Preserving and expanding innovation leadership

Even in this crisis, the model of the integrated technology company must be implemented and strengthened through cross-sector and cross-division technology cooperation.

As management targets, innovation parameters must be accorded at least equal weight to financial market parameters.

8. Avoiding relocations

Processes that do not affect customers directly are being cut back rigorously. Here costs are being cut without end, no matter that it means stresses and problems for employees. The main thing is that the cost statistics are OK. The core of these cost-cutting measures is the transfer of jobs to cheap-labor countries.

There must finally be an end to this! No more relocation abroad at the expense of employees in the individual European countries!

9. Winning market share through proximity to customers and innovations

Siemens does not define itself by the cheapest possible products but by top technology, through innovative products, solutions, and service that are close to the customer. A widespread sales and service organization is our guarantee for sustained business success in all Sectors and Divisions. The model of "Siemens One" must be strengthened and actively implemented. It must be incorporated into the structure of sales and service.

Particularly in times of crisis, we must not save in the wrong place; namely out front! In the crisis, we need to strengthen the sales organization.

As a global player, Siemens needs a strong home market. This can be achieved only by sustaining and preserving the entire value chain in the respective country: from development, production and sales, through to service.

10. Mastering challenges with creativity

Siemens must make its own contribution to overcoming the economic crisis. Old solution patterns no longer work. Unconventional models are needed, for instance, for work hours, for the structure of variable compensation components, and for employee participation. Employees must be integrated more strongly in process design. Innovations don't generally come from the top management, but from employees at grass roots level. The goal must be to replace fear and distrust with a climate of creativity and innovation.

11. Accepting social responsibility

Social benefits for employees are sacrificed to short-term EBIT goals.

Temporary workers, some of whom have been at Siemens for many years, were the first to be hit by the crisis.

But even and especially in the crisis, Siemens must accept its social responsibility.

We demand that throughout Europe, additional training slots be created for disadvantaged youths and that negotiations be started for improvement of employment for the severely handicapped, against temporary work, for equal pay for temporary workers, and for a worldwide works agreement.

These agreements would be a signpost for the company, particularly in the crisis.

Our goal is for Siemens to set benchmarks in the area of social standards and employment conditions – in Europe and worldwide!

The approach propagated by Siemens, to achieve greater diversity in the company (meaning also to improve career opportunities for women) must be extended from top management through to all levels. This is not just a social responsibility but also an economic necessity. The crisis must not result in a drop in the number of female employees in the individual business units.

12. Joint solutions to overcome the crisis

The conflict of interest between capital and labor is inherent in the system and is basically irresolvable. Nevertheless, we in the company must deal with it and find joint solutions for the company and the employees in order to overcome the crisis.

We need a "new deal" in the collaboration between company management and the European labor organizations. This new deal for Siemens means that we must overcome old rituals and role patterns. It means open and honest communication, early integration of labor unions and local worker representatives, even before company decisions are made.

We need a clear and uniform orientation for the Sectors in regard to strategic decisions and approaches, especially concerning personnel strategy and implementation.

It is the people that make up the Siemens company. The ideas, wishes, experience, and performance of the people are the core of the company.

Business is not a process of nature; it is controlled and influenced by people. Business must serve the needs of the people. This is our guiding principle and the foundation upon which we will succeed in taking offensive action to emerge from the crisis.

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(Chairman of the Siemens Europe Committee)