NEW YORK

Driving Innovation

An Interview with George Nolen,
President and Chief Executive Officer, Siemens Corporation

EDITORS' NOTE *George Nolen has worked for the U.S.-based arm of Siemens AG for 25 years and is the first American to hold his current position, to which he was appointed in January 2004. Based in New York, Nolen is also a member of the Business Roundtable and the Partnership for New York City and serves on the Executive Committee of the U.S. Chamber of Commerce and the New York Hall of Science. In 2005, he was named to the board of visitors of Virginia Tech, his alma mater.*

George Nolen

COMPANY BRIEF *With global headquarters in Munich, Siemens AG is one of the world's largest global electronics and engineering companies, with more than 400,000 employees in more than 190 countries. Founded 161 years ago, the company is a leader in the areas of medical technology, power generation, factory automation, transportation, lighting, building technologies, and water technologies. With its U.S. corporate headquarters in New York, Siemens Corporation (www.usa.siemens.com) employs approximately 70,000 people in the United States and Puerto Rico.*

Has business been strong for Siemens' North American division? And, looking forward, are you optimistic for growth?

We have not seen a slowdown, primarily because we're in the right markets. That was the idea behind the reorganization of our portfolio over the past year. For instance, the energy market is growing at an unbelievable pace in the United States – in all forms, but primarily in renewable energy where our wind business is growing very fast. We built a wind turbine factory about two years ago, and we're already doubling its size, because of the demand for these turbines all around the country. At the same time, we continue to upgrade gas turbines and make them more efficient through our services organization. So several pieces of the energy portfolio are growing rapidly because of customer demand.

There's definitely a movement in this country toward putting less CO_2 in the air and saving on electricity, a combination that has driven a lot of our businesses. Besides generating power more efficiently, we're also enabling our customers to use power in a greener, more efficient manner. For example, we surveyed the entire energy structure of a college in Pennsylvania and came up with an energy performance contract driven not by the administration, but by the students who want the university green. We have shown the college that it can satisfy the students' expectations and, at the same time, save money by implementing new solutions that lower the electric bill.

In addition, we're starting to see a movement in health care, on the software side, with more health professionals implementing electronic records systems. More sophisticated health care systems are being installed all around the country. For instance, we did a large project at Partners HealthCare, which is an integrated health care system in Boston that includes Brigham and Women's Hospital and Massachusetts General Hospital, and we helped New York's largest public hospital system implement new technologies to upgrade its processes. All of this adds up to quality health care that's also cost-effective.

Did your employees easily adapt to the reorganization you mentioned? What did you do to ensure they understood what was behind it?

The global CEO of Siemens has been to the States four times in the past year and has met with thousands of employees. Personally, I make communication a priority. I recently completed a 12-day road trip and operational review of our U.S. Divisions and had discussions with employees and managers every day. We continue to communicate about what we are accomplishing and how we are going about it. The one difficult part is the fact that we're doing extremely well, and yet as a company, we need to adapt in order to sustain that success over the long term. We're aiming to boost our profitability and also to operate within a lower cost structure. We try to educate our employees about how rising commodity costs are putting a real crimp in the margins of our businesses. That's why we need to make an adjustment.

Siemens is a global organization. Is there close coordination between the regions, or is your focus more local?

It's a combination of both. Our global customers want terms, conditions, and relationships that are global – and we provide that. At the same time, they want to know they can reach out and touch people, have services delivered, and have relationships at that local level. So we do a combination of both.

In your markets, services can sound somewhat similar from one company to the next. How do you show what makes your brand unique?

We're in the infrastructure business, and that's not just a break-and-fix service. We provide operational services, helping people achieve performance and other results. So, for example, we might help a customer get acid rain out of the air. Or we could provide a service that guarantees performance and cost savings. For example, with the U.S. Postal Service, we include guarantees about productivity improvements into our services contracts, and that's one of the key expectations of government contracts. Productivity improvement must be confirmed before we're paid.

Siemens is behind much of the infrastructure that makes New York run. Is there a good enough awareness of that?

If you talk to any of the lead engineers on a project, they are very aware of the fact that Siemens is involved. Most of our products don't ever come onto the radar of the consumer. However, in the industry sector, it's more important that the chief engineers and the CIOs know who we are, and that the radiologists and neurologists in the health care sector know who we are, because they know the goods and services they need to drive their work. The consumer isn't necessarily the decision maker in those markets.

How critical is corporate social responsibility to Siemens? And, from a leadership point of view, do you think companies have a responsibility to give back to society?

We're pursuing a particular mission with the Siemens Foundation, which is raising awareness for science and math education in this country and helping those who want to excel at it but may never otherwise get the chance. This helps our company too. Siemens will need more engineers in the future to sustain innovation. But, at the same time, we're giving back to the community. It's good to raise awareness about the need for science and math at younger ages. We want to make it as exciting to be a high school scientist as it is to be a football player or cheerleader. ●

In 2007, Siemens installed a power plant in Co-op City, a residential neighborhood of the Bronx, and has been feeding energy back into the New York grid.