

Siemens market complexity and competition



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Executive Summary

At the initial stage of economic development, companies are having fewer competitors and also having the small business market, it means less complexity. And then slowly and gradually size of the business has increased and also increased competitors and which results in more complexity. And in past few years due to recession lots of companies has faced big problems. And this kind of problem was solved by implementing policies and strategy.

POLITICAL FACTORS: Political factor describes constancy and policies of a government. It includes personal interest on politicians which creates a political environment. For Example In India, Bangalore is known as IT city or in other words, IT centre of India and it has happened because of political support.

- Today in the time of uncertainty and tumult Siemens stands out to be a fire of political strength.
- In 2002 when the government forced extra duty on LDO it is a fuel using by power plant at that time Siemens was adversely affected.
- Also In the special projects of power sectors 4%, CVD was imposed.
- Siemens prohibits directly or indirectly by manufacturing, developing and distributing the weapon under its export control policy.
- In the health care segment, government force will benefit Siemens since it is well established.

ECONOMIC FACTORS: Economic factors influences business in a country. And this kind of factors includes employment, inflation rate, gross national products, a balance of payments and interest rate consumer income etc.

- Siemens headquarters Germany was majorly affected because of a slow global economy which resulted in fewer investments. And in 2008 Gross domestic product was 1. 3%.
- Siemens is having strong order backlog which softened the effect of a global recession on company's revenue and profit. Siemens expects profit between 6. 0 billion and 6. 5 billion in the fiscal year 2010.
- Due to recent economic woes, Siemens cuts around 4% of their employees to achieve savings of 1. 2 billion Euros.
- To gain investors confidence internal changes are expected. And also Siemens expects new orders of 15 billion Euros over 3 years.

SOCIAL FACTORS: Social factors describes the society where an organisation exists. This factor includes customs, values, lifestyle, beliefs and population of the social environment. This factor has a major impact on the world in current times.

- To find better jobs, better lifestyle and better education most of the people are moving in urban areas. And changes in urbanisation exert a big impact on companies this time.
- Indian customers are highly perspicacious, educated and well known about all products they buy.
- Customer-inspired solution- To design and develop products.

The social corporate responsibility of Siemens:

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- Siemens is having national committee underworld energy council.
- Siemens is a member of the association in innovations, Advance research and Entrepreneurship.
- Traditionally Siemens support various kind of projects and charity activities.
- To promote social activities throughout the world Siemens has installed “ Caring hands” for many programs, initiatives and projects.

TECHNOLOGICAL FACTORS: Technological factors defines technology availability in the country. It indicates research and development. And this factor is a key factor in this kind of challenging business environment.

Technology helps to reduce cost, improve quality and innovation.

- To developing technology Siemens and other hi-tech and electronic companies are facing a different kind of challenging business imperatives.
- In this global market, Siemens have to develop products which are highly innovative and cost sensitive.
- In continuously changing technology company is continued to squeeze by product design complexities, regulatory requirements and price points.
- These pressures threaten to help commoditization, profit margins and manufacturing process.
- Today Siemens is most future-thinking company which has built global innovation networks which help them to improve their

value chain, products and processes. And all these networks help an organization to meet in following business imperatives.

- By maximising globalisation
- By compressing time-market
- By increasing output in innovations
- Opportunities and competition will always exist in this kind of Advance market.

Environmental Factor: Environmental factor is the most important factor in today's world. It includes climate and weather change. And due to global warming, the climate is changing. This is having a big impact on many industries to produce environment-friendly products and processes.

- Siemens is known as green infrastructure giant
- Customers demand in energy are:
 - Decrease energy consumption
 - Decrease electrification cost
- Siemens always stay ahead by investing more and more money in environment portfolio.
- Siemens products make their customers become more eco-friendly, energy efficient and competitive.

LEGAL FACTOR: Legal factors describe laws passed by a government. Ffor example, in India, all business operations include laws like The Trademark Act 1969, Essential commodities Act 1955, Standards of Weights and Measures Act 1969 and Consumer Protection Act 196 etc. It will also affect the firm's cost (E. g. if a new system has to be developed).

- Labour legislations and foreign trade regulations.

- By reducing greenhouse gases Siemens power sector will bear burden
- By implementing 360 workforce management, Siemens has realised lots of returns on their investments.
- Siemens is a member of the united nation global compact.

SWOT ANALYSIS

The most important part of the strategic planning process is the internal and external environment. The external environmental factors will be classified as opportunities and threats. And internal environmental factors will be classified as strength and weakness. SWOT analysis is referred by analysing the strategic management. And it is a useful tool for decision making in all sort of situation in business and organisation. It also measures business unit and ideas.

SIEMENS STRENGTHS:

INTERNAL STRENGTH: Internal strength defines corporate capabilities, competencies and resources which helps companies to make a strategy. It also defines comprehensive assessment of internal environments strength and weaknesses.

- Siemens is more focused on their strategies.
- Diversity-A most successful factor for Siemens
- Decentralization
- Siemens is having very good brand image
- Siemens is having their own production process
- Always implement local strategy but think globally

- Wide range of products with high quality
- Siemens provide excellent goods and services and online services to their customers.
- Siemens is having certification of ISO(international Organisation for Standardisation)

SIEMENS WEAKNESSES ARE:

INTERNAL WEAKNESS: Internal weakness diminishes company's competitiveness.

- Siemens main weakness is the low price for high-quality products.
- Siemens is having very complicated organisational structure.
- Mixed culture
- Weak appraisal system for employees
- Less employee satisfaction with fewer promotions.

SIEMENS OPPORTUNITIES ARE:

EXTERNAL OPPORTUNITIES: External opportunities are like benefits which will be achieved by pursuing available external opportunities and vision.

- Having a very strong position and growing opportunities in many countries.
- More and more overseas projects
- IT Development
- Market unification opening up
- Change in technology

SIEMENS THREATS ARE:

EXTERNAL THREATS: External threats are defined as Situation that may go wrong, dangers, Variations and other factors.

- The slow global economy has created threats for many companies including Siemens.
- Same policies and promotions are adopted by competitors.
- Competitors are providing less product pricing
- Less market share

PORTERS 5 FORCES ANALYSIS: It is a powerful tool to understand that where power lies in business. And this tool gives an understanding about the strength of the company. And it also helps to avoid taking wrong steps in future. To stay ahead and successful in this competitive market Siemens use Porters 5 forces analysis against their competitors. Porters 5 forces analysis describes:

1. Supplier Power: Supplier power defines bargaining of the power of the suppliers. It means how much it is easier for your suppliers to hike their prices. It is proved that in today's market it is very difficult for the companies to make a profit because of recession. Siemens is having many competitors like Cisco, Haier, Hitachi, Larson and Turbo, Ericsson, Phillips, Samsung, Toshiba, Vestas Wind system etc. All of these major corporations are suffering because of "Recession". And because of this, all the companies approach their suppliers to cut their prices and it is very difficult for the suppliers to sell their goods at very low price with less profit margin. And because of this most of the big companies prefer to buy goods from abroad at very low cost for e. g.

China. From China, they buy goods for a cheap price and sold their products to the customers at reasonable price.

2. Buyer power: Buyer power defines bargaining power of the customers. In today's business market people become more intelligent and more concern about product price and quality. And they choose that kind of products which makes their life easier and use that product in daily life. Siemens understands their customers needs very well and always provide best price and quality to their customers. Siemens provides best consumer products like hearing instruments, home appliances and lighting. It is very important for the companies to understand customers demand and all the business environment is running or changing according to the customers demand.
3. Competitive Rivalry: It defines bargaining power of competitors. It means that if you have many competitors which provide almost same quality and price as you offer then you must have to act powerfully in that situation but if you have a good brand image and something unique compare to your competitors then you have enormous strength. Siemens always provides the best price, quality and excellent services to their customers to achieve their success against all competitors.
4. Threats of substitution: It happens when customers find a different way of doing what you do. And this kind of things reduces your product demand. Because of this reason, Siemens has started to invest more and more money in research and development to find more and more advanced technology and uniqueness in their product.

5. Threats of New Entrants: In all sectors of business environment new competitors are increasing rapidly and Some of them find success and some not. Siemens is a big brand and having a good capital to capture small market too. Siemens, Samsung, Toshiba, L & T and other big corporations have also covered small rural areas and sold their products at a very comparative price. New entrants are having less scope to capture market against these big giants because of lack of capital and resources.

Recommendation

1. I think Siemens have to work out on employee satisfaction and they have to increase by giving employees bonus and incentives.
2. As Siemens is having the very complicated organisational structure they have to improve co-ordination between the upper level and lower level management.
3. Siemens also have to provide good pay scale to their lower level employees as compare to their competitors.
4. Siemens have to work on their policies and promotions because most of Siemens competitors have adopted almost same policies and promotions.

Conclusion

In this business environment, Siemens strategy has proved and applied to practical life. That's why Siemens is successful to understand their customers' needs and by providing world class services they fulfil it.

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