Supplier profile:

Fujitsu-Siemens

The progeny of two huge electronics firms, Fujitsu-Siemens was born at almost exactly the wrong time. Simon Easterman went to find out how this Japanese-German partnership has grown against the odds just when the IT industry was facing a disastrous downturn

It is with a cheeky twinkle in his eye that Peter Esser, a member of the executive council of Fujitsu-Siemens Computers, describes his company as "a startup". Granted, the computer manufacturer is only four years old, but a joint venture between two of the world's largest technology firms is hardly your average fledgling concern. And with revenues reaching €5.3m in 2002-03, its first steps have been steadier than most.

That's not to say there haven't been problems combining the forces of a Japanese computer powerhouse and a German electrical engineering giant. Two different languages, corporate structures and market strengths meant the 50-50 partnership needed close attention. And just as the company found some internal unity, it was hit by the new century's computing slump.

These pressures would have killed off a startup with less solid roots, but they have only made Fujitsu-Siemens stronger, giving rise to a culture of continuous self-examination and operational refinement. Talking to company decision-makers you get the feeling the organisation is gripped by an unhealthy obsession with efficiency. Director of production-engineering Erwin Huttmann sums up the mood: "If something isn't changing, it's dead."

Now the feeling is that the changes have worked and it's time for the company to show itself off so, in September, Fujitsu-Siemens will embark on a massive publicity drive. But is it ready to mix it with the big boys?

Pick and choose

Fujitsu-Siemens produces a dazzling array of palmtops, laptops, tablets, notebooks, PCs, servers and integrated systems. With a range like that it's important to know what your strengths are and where you need help. With the vast experience of its parent companies, Fujitsu-Siemens can decide which components to produce itself and which to buy in from suppliers.

The same goes for the many processes involved in researching, manufacturing, packaging, distributing and supporting its computers and networks. If the company feels it does something best itself, that's fine. If another organisation does it better or more economically then a partnership is formed. Fujitsu-Siemens has 2,600 technical and software partners and a further 35,000 sales and support partners around the world.

This level of co-operation isn't unique, but the extent of Fujitsu-Siemens' integration of its partners is impressive. Take supply storage, for example – always an area of shortfall as components start depreciating as soon as you buy them.

Fujitsu-Siemens' answer is to liberalise its warehouse space: 50 percent of the goods on its shelves still belong to the supplier. They can be diverted away to other customers if the supplier chooses, but most often are bought by Fujitsu-Siemens at the moment they are needed. This way, it halves their shelf time.

Similarly, the warehouses are onsite right next to the manufacturing plant but are run by partners rather than Fujitsu-Siemens itself. These smaller outfits aren't subject to the same heavy regulations as a large PC company and have more manageable workforces.

Performance score

Keeping the show on the road with so many outriders is no mean feat. All processes are tightly monitored from beginning to end by software systems that are accessible to the relevant partners at every step.

Partners are also involved in the ongoing evaluative process integral to Fujitsu-Siemens' operation. Just as the company's PCs all have system checks before being boxed up, so every week each area of research, supply, production and distribution is checked and rated. Each department and partner completes a scorecard, recording how well each process has gone and identifying areas where a margin might be shaved off.

At weekly meetings of management groups, scorecards are pored over, inefficiencies weeded out and new targets set. As a result manufacturing

Fujitsu-Siemens in a nutshell

- Founded **1 October 99**
- Based **Maarssen, Netherlands**
- Shareholders **Fujitsu Ltd, Tokyo (50 percent), Siemens AG, Munich (50 percent)**
- CEO **Dr Adrian V Hammerstein**
- Revenue €5,337 FY02/03
- Employees **7,500**
- Manufacture and development facilities **Augsburg, Munich, Paderborn, Soemerda (Germany); Milpitas (CA, USA)**

has accelerated by 50 percent over the last three years, resulting in a profit for the production process.

Within the company these scorecards are available on a central database and partners see the sections relevant to them. Surprisingly, a recent independent assessment of the firm recommended closer partner involvement in decision-making. Esser says they are trying to think of ways of doing that without giving away too much of themselves.

Tough decision

More important than bringing the partners into the fold, says Esser, is making the employees feel included in the company. When the computer industry hit a slump, the imperative to rationalise became pressing and attention turned to the workforce. There was the usual trimming of the "less value-adding" areas of the workforce but, more interestingly, the remaining workers were asked if they would willingly take pay and holiday cuts to help get through the hard times.

To help persuade the workers' councils to accept such changes they were brought closer to the decision-making process in a series of "open and frank discussions". As they became more involved in the company they lost the 'them and us' attitude typical of industrial relations and a hint of the co-operative crept into the relationship between management and workforce.

The workers are also kept onside by a decent training programme. Although it's centred on the aims of the company as a whole, it helps improve the career prospects of workers and ensures them between five and 10 days' training a year.

Esser says that the workforce's sacrifices got Fujitsu-Siemens through the worst of the slump. According to Huttmann they continue to maximise its efficiency by working to flexible hours.

Working to order

The company's manufacturing plant in Augsburg, southern Germany can produce anything from 3,000 to 12,000 PCs a day. Since everything is built to order and the company currently has an average lead time from order to delivery of eight days (six by next year), swift adjustments of staff levels can be required.

With 50 percent of the workforce on contracts (willing to be flexible on a day-to-day basis) and 50 percent temps brought in on a weekly basis, the company keeps the staffing trim and busy at all times.

This is the same at Fujitsu-Siemens' UK office where the helpline is based. Days before I visit them, helpdesk manager Mark Winter and his team are deluged with calls about the Microsoft Blast virus (which doesn't actually fall within their warranty responsibilities). The day after the initial explosion, Winter is able to bring in additional staff members to deal with the extra calls until the latest Windows security debacle has subsided.

Handling calls that shouldn't really be made to them is a large part of the helpline team's work. Sales and support are even more diffusely linked to outside partners than the supply and production, so there is a bewildering array of terms and conditions for helpline staff to be aware of. Otherwise they could end up spending time giving advice that other companies ought to be providing or customers just aren't entitled to.

Each operator answers calls for six different helpline numbers and is well versed in the workings of all the products across Fujitsu-Siemens' range of PCs, servers, tablets and handhelds. Again, they are made to feel valued and included by regular training courses, performance-related bonuses and fancy dress days when work goes on as normal but everyone's dressed up and there's free food and drink laid on.

But how close can the UK team feel to the rest of the company? Granted Germany isn't far away, but it is the hub of a global organisation and the UK is just a single spoke, looking a bit spindly with only 300 of the company's 7,500 employees. Mark Winter is equivocal. He sees his colleagues around Europe for strategy meetings at least once a month and his ideas are regularly adopted in other divisions. But his employees, like the assembly line staff in Augsburg, don't get that kind of contact and they regard the company's other branches as a form of internal competition. One way or another, then, employees are encouraged to give their all. So far their commitment is working: efficiency grows ever tighter and the company grows stronger.

"We build-to-order like Dell, spend more on R&D than HP and offer a range of products as broad as IBM's"

Nick Eades, UK Head of marketing

Selling the company

Tight budgetry constraints are clearest in the UK marketing department. Here, efficiency turns the profligate business of sales and marketing into a careful balancing act. A strictly limited number of models of new devices for promotion means they are shared out jealously between the two teams. At the end of their usefulness they are sold off internally or externally to make back some of the budget.

The marketing team also has to be careful which machines it promotes, as some of its partners make themselves more favoured than others. For instance, Microsoft's considerable marketing and development grants would be lost if Fujitsu-Siemens pushed its Linux-based laptops too hard. Similarly, over-promotion of AMD processor-based products would mean a loss in financial support from Intel.

Reach for the blue sky

Fujitsu-Siemens knows it's not top dog, but the improvements it's made give it confidence to take on the prime movers. This has led the company to gear up for a grand marketing drive.

UK head of marketing Nick Eades sums it up. "We build-to-order like Dell, spend more on R&D than HP and offer a range of products as broad as IBM's. With statistics like this, you've got to start telling people sometime.

"Our next challenge," says Eades, "is to be seen as the fourth big player in the marketplace." ■

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