LEARNINGS FROM SIEMENS GAMESA'S GLOBAL DIGITAL TRANSFORMATION JOURNEY

Digital transformation is probably the most overused phrase across industries, particularly a favorite amongst analysts such as me. No one denies the need for it.

Market forces drive demand for digital transformation owing to changing customer attitudes. Governments mandate it, based on regulation. Mergers and acquisitions often stipulate it. It's an opportunity no one wants to miss. But enterprises struggle to traverse this path due to the long-drawn journey and uncertainties along the way. This is where I believe there is potential for a comprehensive cloud services and solutions portfolio like Infosys Cobalt to help enterprises navigate their digital transformation successfully.

A CASE IN POINT

Siemens Gamesa Renewable Energy, presents a strong case for digital transformation driven by the merger of Siemens AG's wind power business with Gamesa in April 2017. The merged company, called Siemens Gamesa, makes clean energy more affordable and reliable, offering one of the industry's broadest product portfolios and industry-leading service solutions. With 110 Gigawatts worldwide, Siemens Gamesa manufactures, installs and maintains wind turbines, both onshore and offshore.

Siemens Gamesa's SG 5.0-145 turbine
Source: Siemens Gamesa

The merger of the two businesses was highly complementary in terms of the global footprint, existing product portfolios, and technologies. With Siemens' wind power business having a strong foothold in North America and Northern Europe and Gamesa's powerful presence in fast-growing emerging markets, such as India, Latin America, and Southern Europe, the combined company has a broad global reach with manufacturing footprint across continents.

The merged entity consists of three business units, the onshore and offshore businesses, a service business unit servicing the wind turbines.

THE CHALLENGE – COMPLEX, DUAL PROCESSES AND IT

As with most mergers, two diverse sets of business processes and IT landscapes increased the complexity of doing business multifold. The combined company had 12 legacy ERP applications, including ten disparate SAP instances, 1300 other peripheral applications, and 22 manufacturing plants globally – with no standardization across processes and systems.

To support the company's expanding business and future development, the entire IT landscape of the business needed re-architecting.
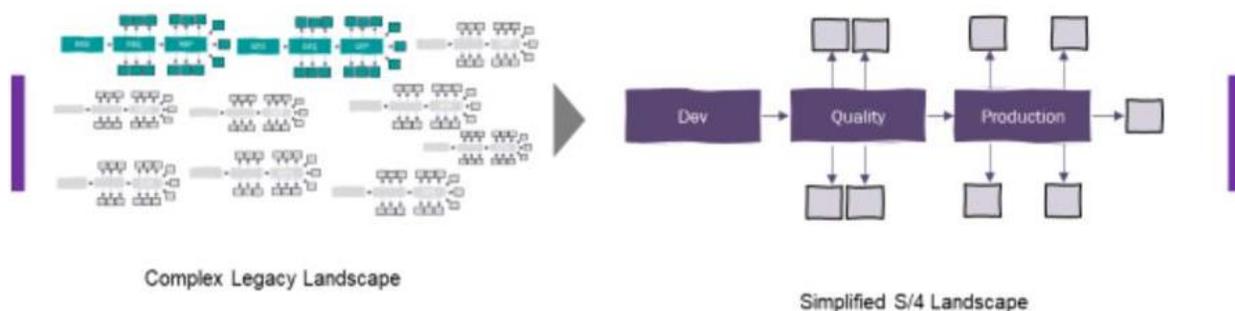
THE SOLUTION – TRANSFORMING FROM THE CORE

In 2019, Siemens Gamesa partnered with Infosys to standardize its processes, reduce complexity, and cost of operations. After careful consideration, the team zeroed in on SAP S/4HANA as the product platform, and a Greenfield implementation approach was recommended to bring in harmonization and standardization.

The team agreed on a fundamental tenet to stay with processes that come from standard tools, and any exceptions would be made only if it justified by an increase in business value.

During my conversation with Dinesh Rao, EVP and Global Enterprise Application Services Head at Infosys, I learned how they had achieved their standardized implementations across multiple roll outs by leveraging Infosys Cobalt. Infosys Cobalt is a set of tools, solutions, and platforms that help businesses redesign the enterprise and build new capabilities across the public, private, and hybrid cloud, across PaaS, SaaS, and IaaS.

The project included parallel programs, including indirect procurement on Ariba, HR transformation on Workday, and CRM on Salesforce. It was a complicated task to manage all dependencies across various programs and ensuring a strong integration through the program.

Digital Core Architecture Principle
Source: Siemens Gamesa

One of the key benefits delivered was to rationalize and simplify the infrastructure with Digital Core Architecture Principle.

Additionally, the project involved reconfiguring the ten separate SAP instances to SAP S/4HANA hosted on Cloud, which was a significant achievement.

Infosys provided the end-to-end IT infrastructure transformation of Siemens Gamesa, including hybrid cloud transformation, the roll-out of a software-defined network, the setup of an intelligent service desk, and digital workplace services.

Infosys also deployed their leading Panaya test management solution. Based on a business process-centered approach, the Panaya testing solution assures the compliance of the processes in the deployment phase for multiple countries in parallel. It shows real-time insights across all testing cycles and reduces any potential risk of process breakage. Panaya optimized the total cost of quality by saving effort required for the testing phase and finally accelerated a risk-free go live.

PROGRESS MADE

Currently, the digital transformation is live in 13 countries. The roll-out touched over 2300 users with zero technical downtime.

The intent is between now through April of 2023 to roll the transformation journey to 56 countries overall. Infosys Cobalt assets are applied to comprehend the entire roll-out to

multiple geographies. The template for a multi-region roll-out includes comprehending the regulatory compliance and tax structures.

You would think the complexity of such a massive transformation with the global pandemic would slow progress. Surprisingly the technical cutover, the business cutover, the roll-out of all the seven countries happened remotely. Infosys was able to train the key users virtually. End Users were provided with on-demand videos explaining the process and functions.

Alan Feeley, CIO of Siemens Gamesa, said "We often discuss the technical complexities of leveraging new technologies, and by doing so maybe forget the underlying target and benefit of adopting Standard Software in the first place. Now please don't get me wrong; the technical challenges of introducing a new Global ERP system are huge and Infosys has brought some really clever toolkits to the game. BUT the key to longer term success lies in 1) the ability to adopt our processes to modern, standard and efficient new ways of working, 2) by maintaining clear control of these standards, avoiding complicated and expensive technical debt for the future and 3) supporting our business communities through the difficult changes required in their daily work. This is first and foremost a change management program, supported by sustainable standard software introductions"

SIGNIFICANT LEARNING

The digital transformation journey at Siemens Gamesa led to a complete cultural shift within the business and the IT organization. Process owners worked in tandem to bring in the change as the IT department departed from traditional implementation methods to an agile cloud-based approach. There were several lessons learned during the journey that can serve as valuable best practices for the industry.

The foremost learning was to anticipate disruption and be prepared. For instance, interdependencies on third parties, ongoing mergers/acquisitions, legacy application compatibility with SAP S/4HANA etc. Surprises can jeopardize user acceptance testing. COVID-19 pandemic was unforeseen; as a result, everything, including training, went remote.

Establishing an independent body for quality audit at every milestone and key checkpoints to keep track of the progress or the lack of it ensures visibility, timely intervention, and adherence to schedule.

It is essential to be aware of peripheral programs to ensure any interdependencies are addressed and harmonized. In this case, multiple programs were running in parallel—one thousand three hundred applications were on the journey to be reduced to 200 fundamental applications. Cross-program dependencies need to be well-managed; otherwise, it can quickly derail timelines, and the entire journey towards a single digital core architecture can go haywire.

A top-down approach from the CIO and other business leaders is most effective in adhering to standards. Every deviation must require mandatory approval from the CIO's office. Strong leadership and motivation can go a long way in avoiding the attrition of critical contributors.

WRAPPING UP

While we do not have adequate metrics on all the outcomes such as productivity or customer satisfaction to measure the success of the project, the proof of the pudding lies in the fact that systems are in place supporting the business to run faster and smoother with a significant reduction in the complexity of processes. There is also a tangible reduction in infrastructure costs by reducing legacy applications. The organization has transformed not only its technology landscape and processes but also instilled a One-SGRE mindset. We expect this to result in tremendous improvements across process parameters and operational KPIs.

Note: Moor Insights & Strategy writers and editors may have contributed to this article.

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