



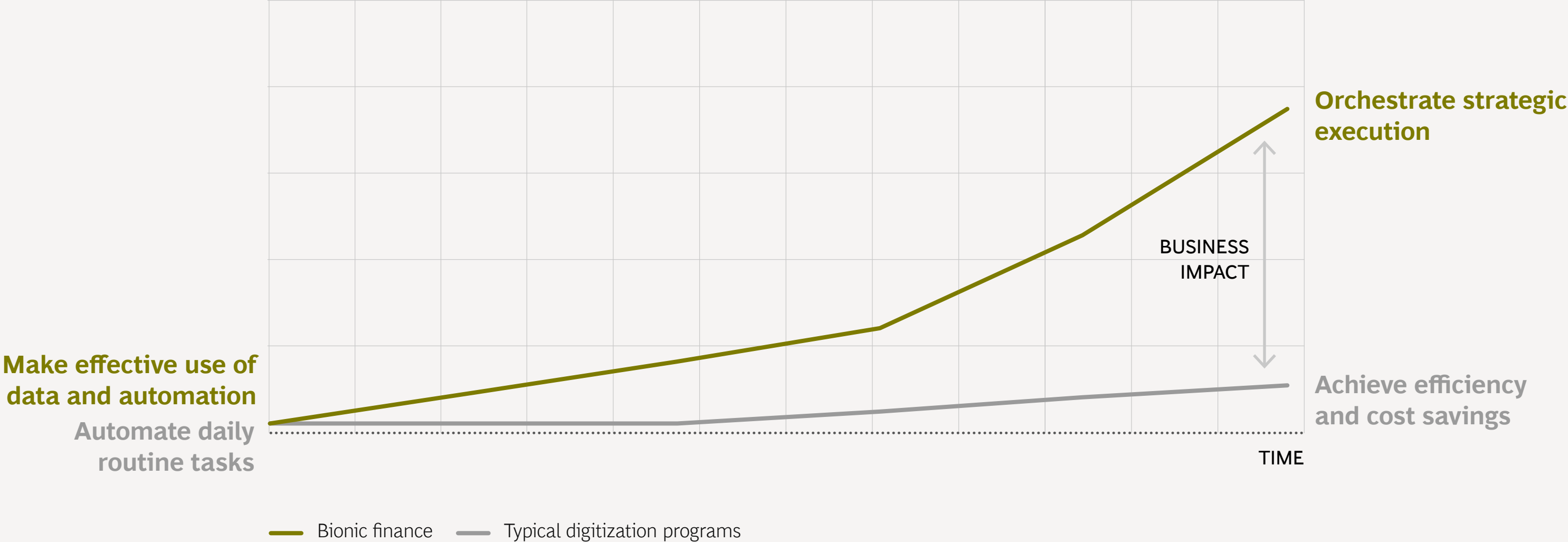
Leading in the New Reality
Digital Transformation |

Bringing Bionic Finance to Life

MAY 2021

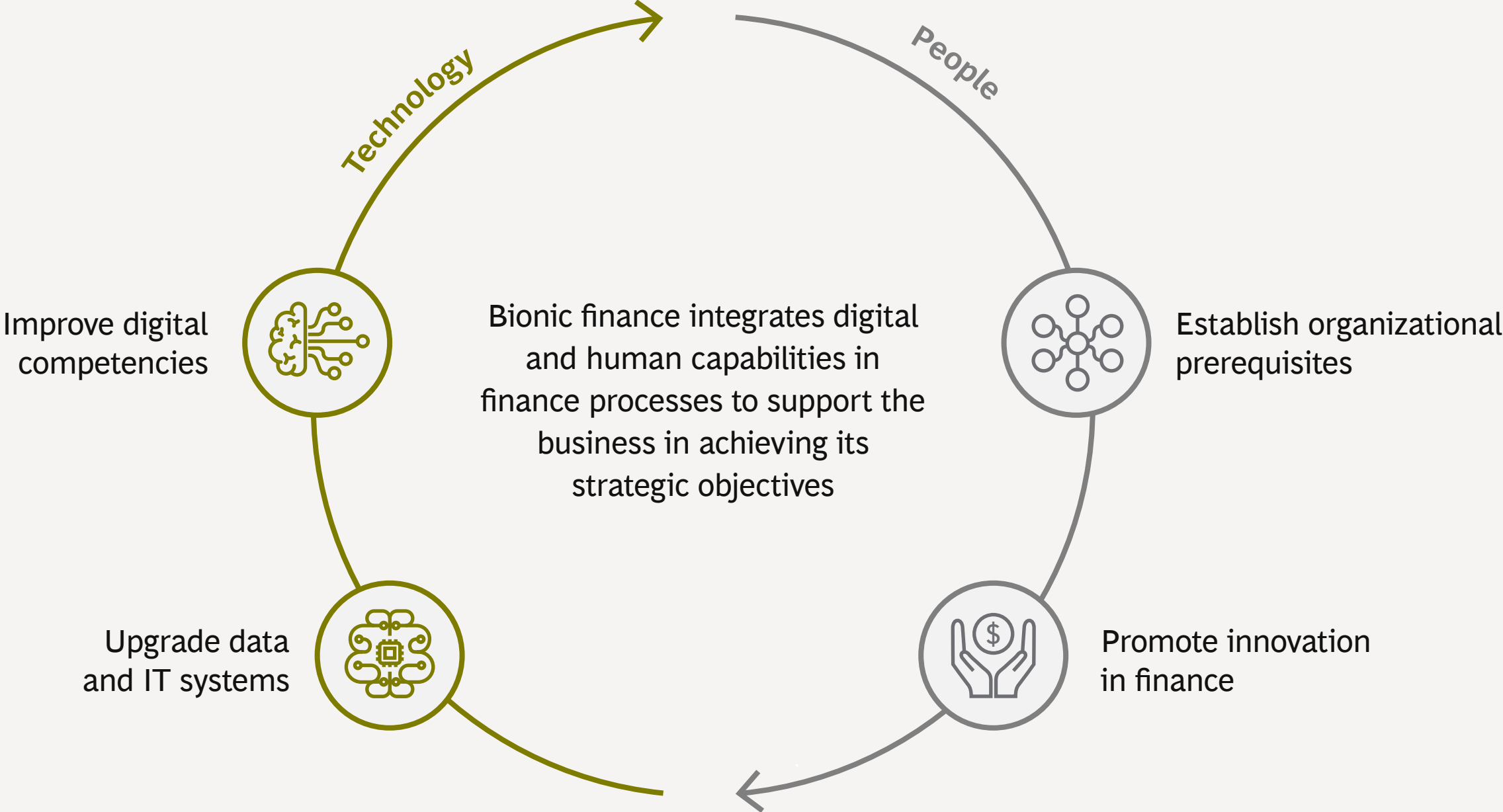
BCG

Bionic Finance Can Drive a Step Change in Business Impact



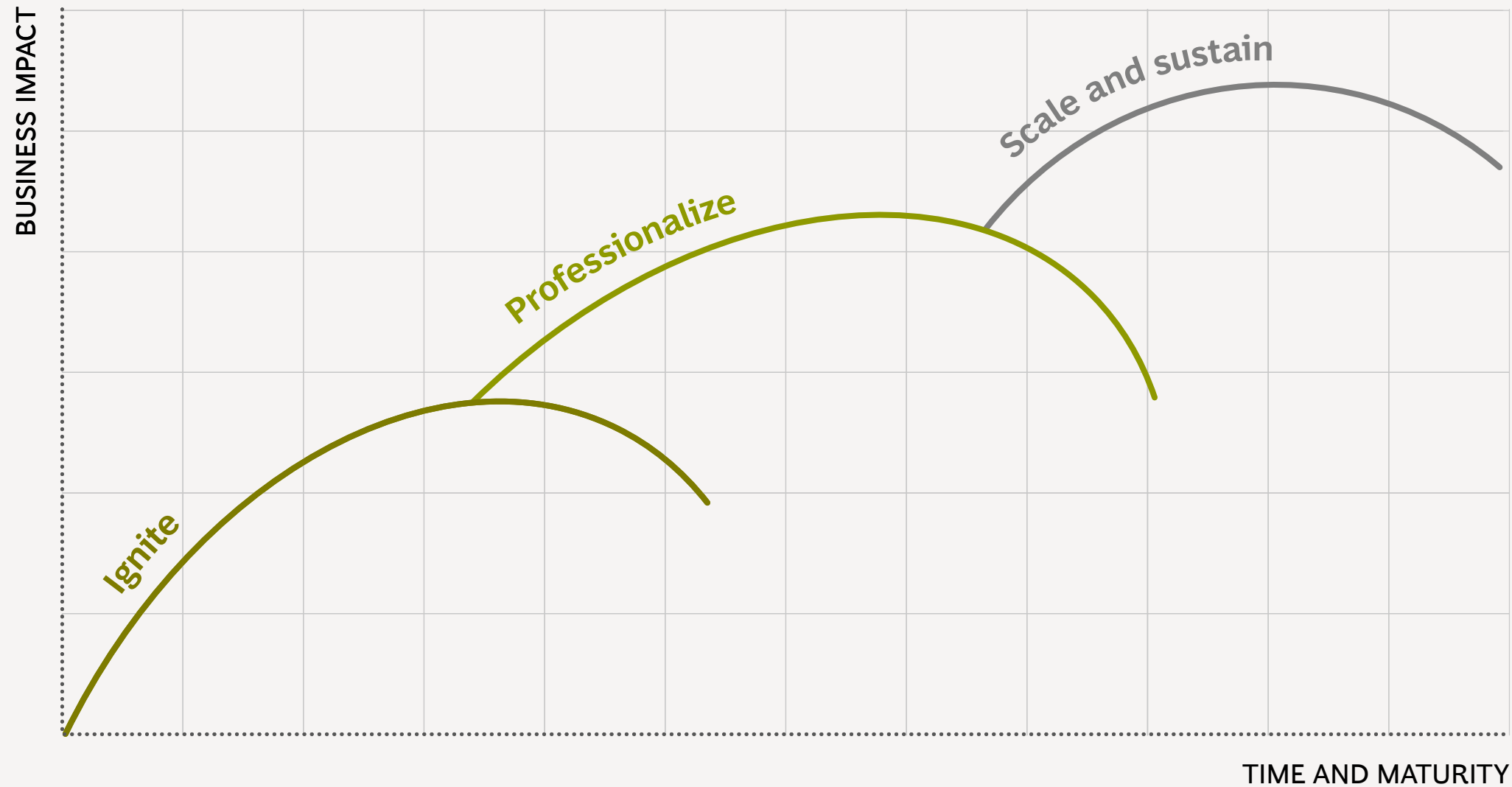
Source: BCG and Siemens Healthineers analysis.

Creating a Bionic Finance Function Requires a Multifaceted Approach



Source: BCG and Siemens Healthineers analysis.

Transitioning to Bionic Finance Is Complex

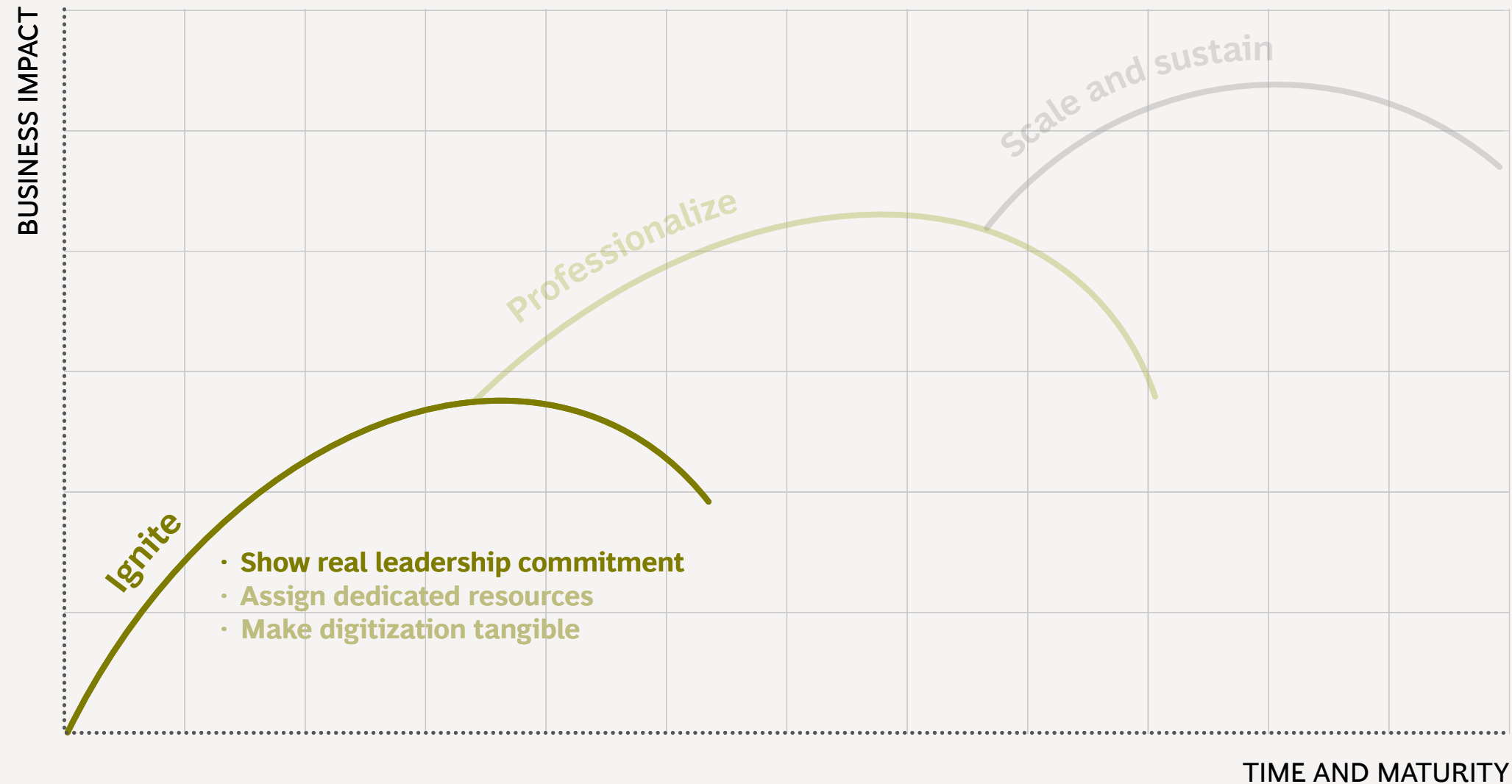


Accomplishing the four main goals of the multifaceted approach entails:

- Overcoming human, technological, and organizational challenges
- Implementing a daunting list of capabilities and initiatives
- Persevering over a period of years across a continuum of increasing maturity

To reap the rewards of this journey, companies should navigate it in three stages

Stage 1: Ignite



Show real leadership commitment

The majority of digital transformations—70%—fall short of their objectives

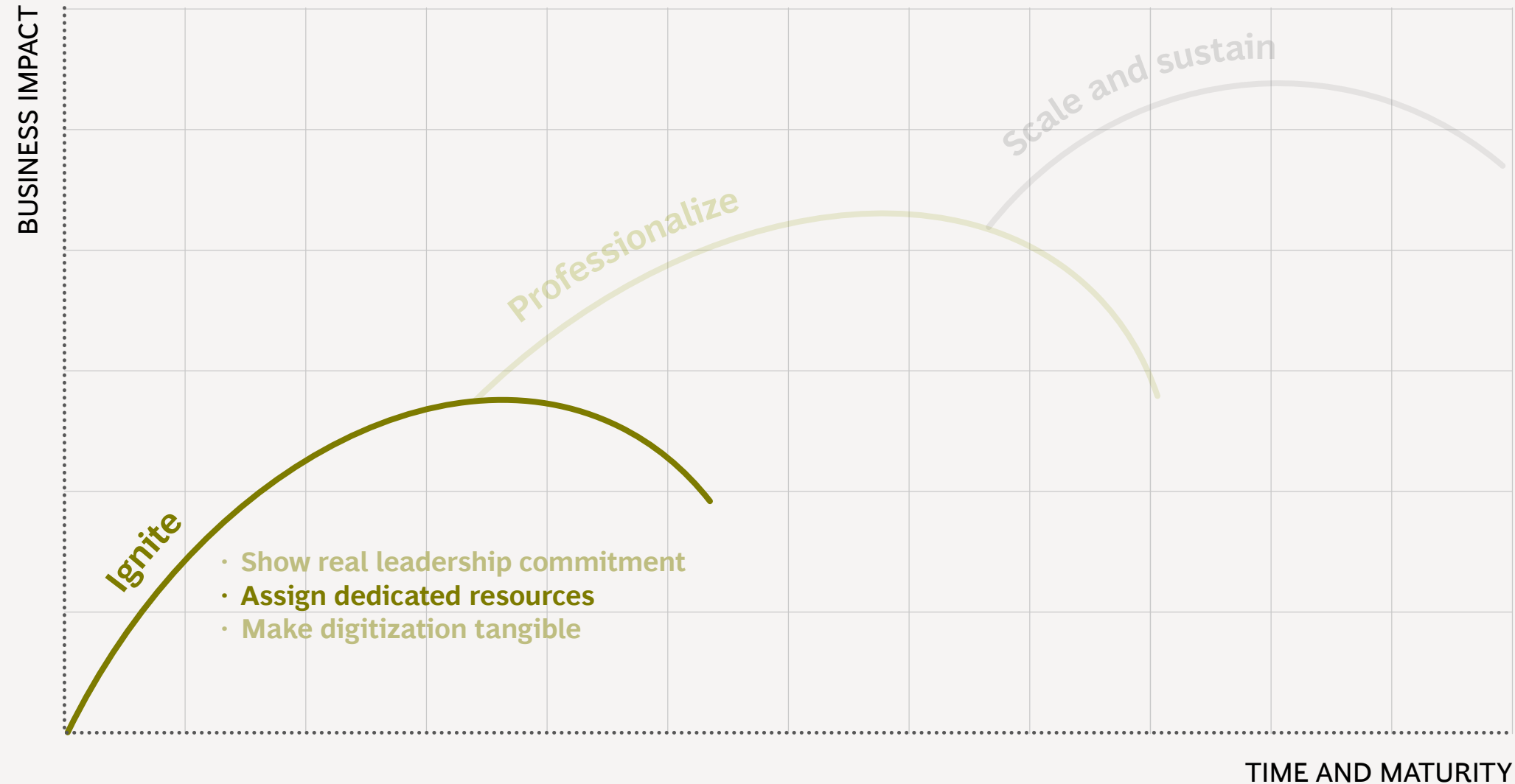
The main reason is because leaders prioritize a transformation but fail to provide tangible support

Real commitment requires:

- Allocating a transformation budget
- Dedicating managerial time
- Frequently recognizing participants for their accomplishments

Siemens Healthineers budgeted more than €1 million in year one and devoted more than 20 hours per month of the finance leadership team's time

Stage 1: Ignite



Assign dedicated resources

Resource constraints are often a major impediment to digitization

Finance teams typically add these projects to their busy agendas that are filled with monthly closing, reporting, and planning activities

The solution is to build a team of dedicated personnel

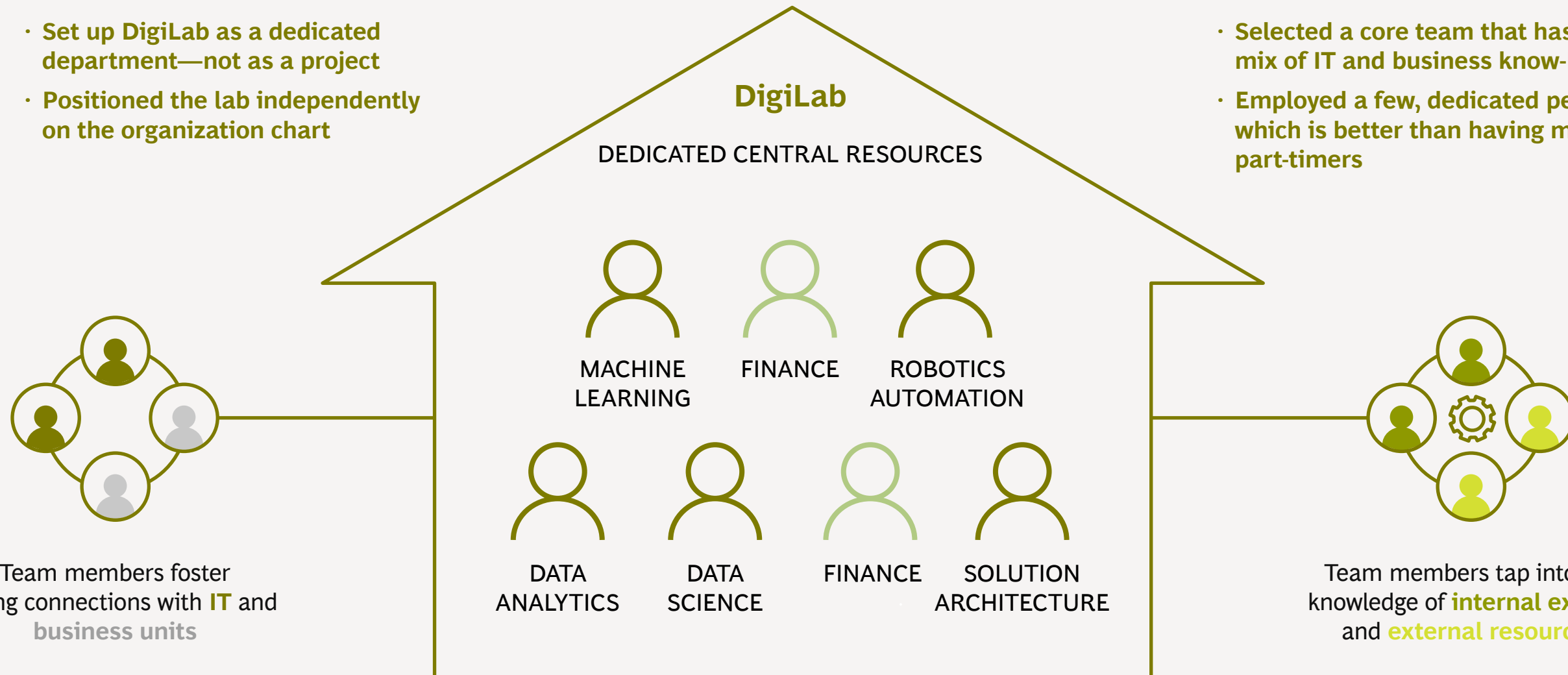
Team members should have the time and knowledge to develop applications or lead strategic topics, such as ambition setting

Stage 1: Ignite

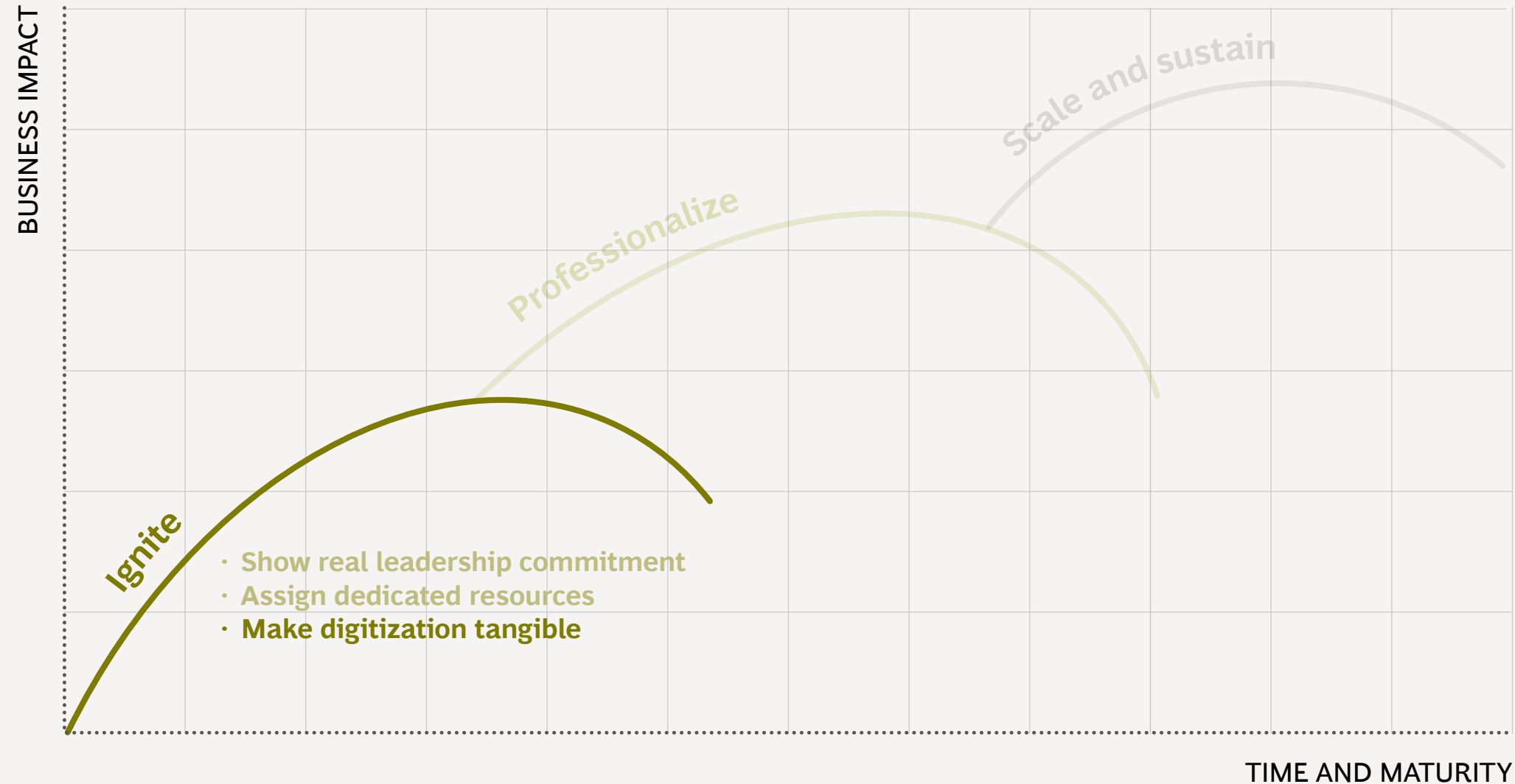
How Siemens Healthineers assigned dedicated resources

- Set up DigiLab as a dedicated department—not as a project
- Positioned the lab independently on the organization chart

- Selected a core team that has a good mix of IT and business know-how
- Employed a few, dedicated people, which is better than having many part-timers



Stage 1: Ignite



Make digitization tangible

To embrace digitization, people need to know how it will change their work and create value

Finance leadership should focus on early success stories to bring the concept to life:

- Use design-thinking methods and lighthouse projects
- Experiment with the applications and showcase opportunities
- Pick relatively simple, low-risk projects that can solve real business problems and generate enough value to be persuasive

An early project for Siemens Healthineers was evaluating the order-to-cash processes:

- Deploying third-party process-mining software
- Focusing on common weaknesses across the global organization
- Successfully identifying a major opportunity to automate a manual process step

Stage 2: Professionalize



Develop a roadmap

To move beyond the first applications, the finance function needs to develop a roadmap

The roadmap should:

- Articulate the transformation's overall ambition
- Specify the deliverables and owners
- Clarify how to allocate and prioritize resources

Stage 2: Professionalize

How Siemens Healthineers developed a roadmap—step 1

A cross-functional team defined four degrees of maturity for key evaluation criteria

Evaluation criteria	DEGREES OF MATURITY			
	Low (1 point)	Medium (2 points)	High (3 points)	Transformed (4 points)
Use of automation	Fully managed by humans	Basic routine processes are automated	Activities are mainly automated and use little human input	Machines operate the entire process
Smart use of data	Unstructured data is manually pulled from various data sources	Unstructured data is automatically pulled from various data sources	Structured data is automatically pulled from various data sources	Structured, connected, and enriched data is automatically pulled from one data source
Type of user experience	Data must be combined manually from multiple decentralized sources—a time-consuming process	Data must be combined from decentralized sources, but an automated workflow makes it easier for the user	A semiautomated solution that hardly needs any user interaction	A fully automated solution that works proactively, requiring hardly any user interaction

Stage 2: Professionalize

How Siemens Healthineers developed a roadmap—step 2

The cross-functional team divided the department's tasks into processes and measured the current digital maturity of each

AN ILLUSTRATIVE CHART OF CURRENT MATURITY VERSUS AMBITION

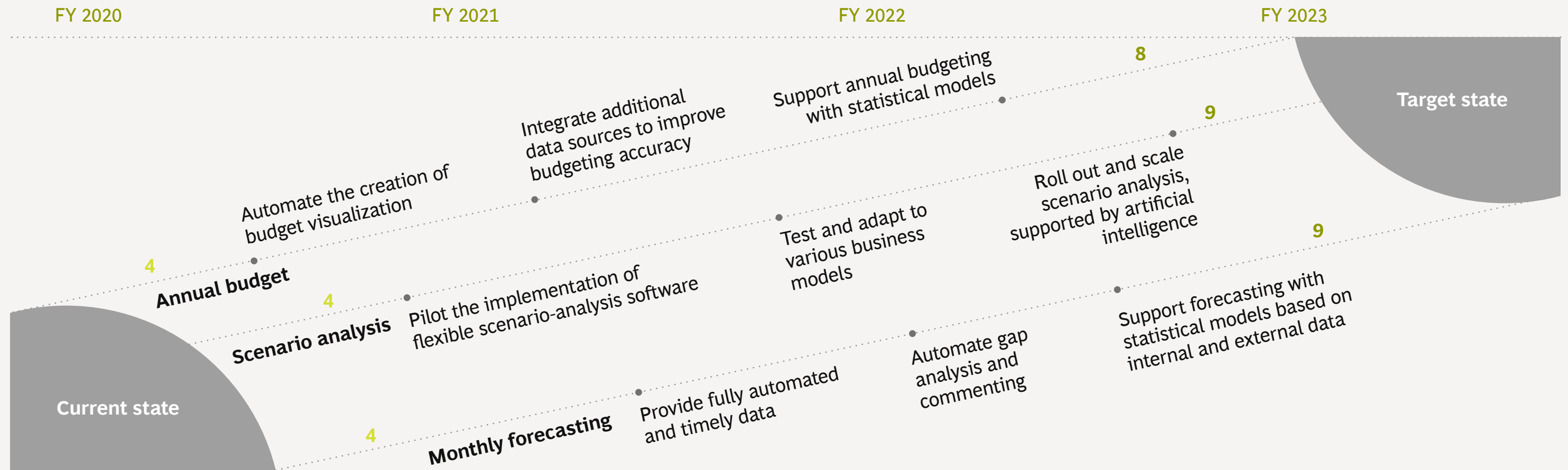


Degrees of maturity (score): ● Low (3 total) ● Medium (4–6 total) ● High (7–9 total) ● Transformed (10–12 total)

Stage 2: Professionalize

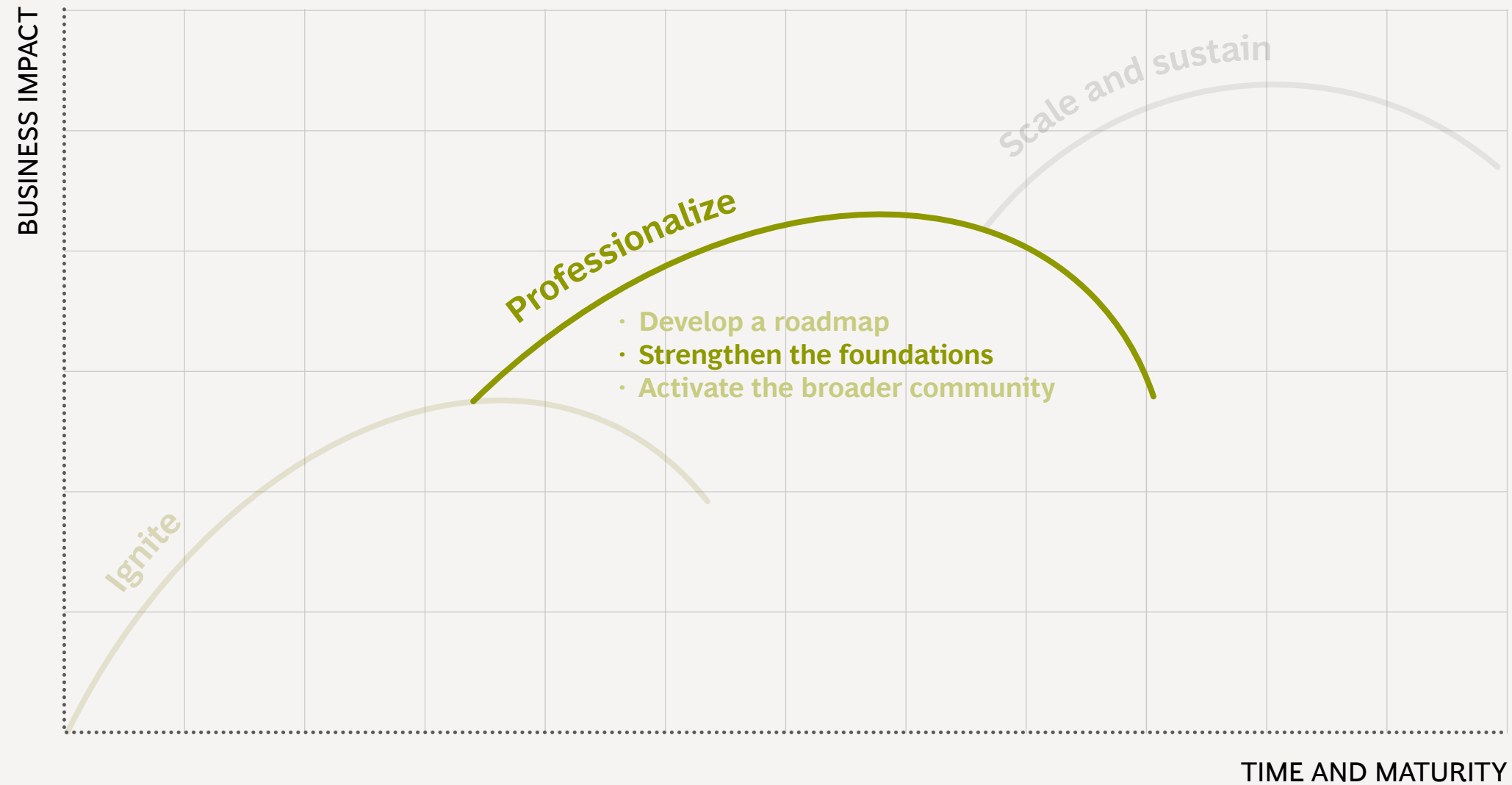
How Siemens Healthineers developed a roadmap—step 3

The cross-functional team graphed the actions that the department would have to take to achieve its ambition for each task



Degrees of maturity (score): ● Low (3 total) ● Medium (4–6 total) ● High (7–9 total) ● Transformed (10–12 total)

Stage 2: Professionalize



Strengthen the foundations: people

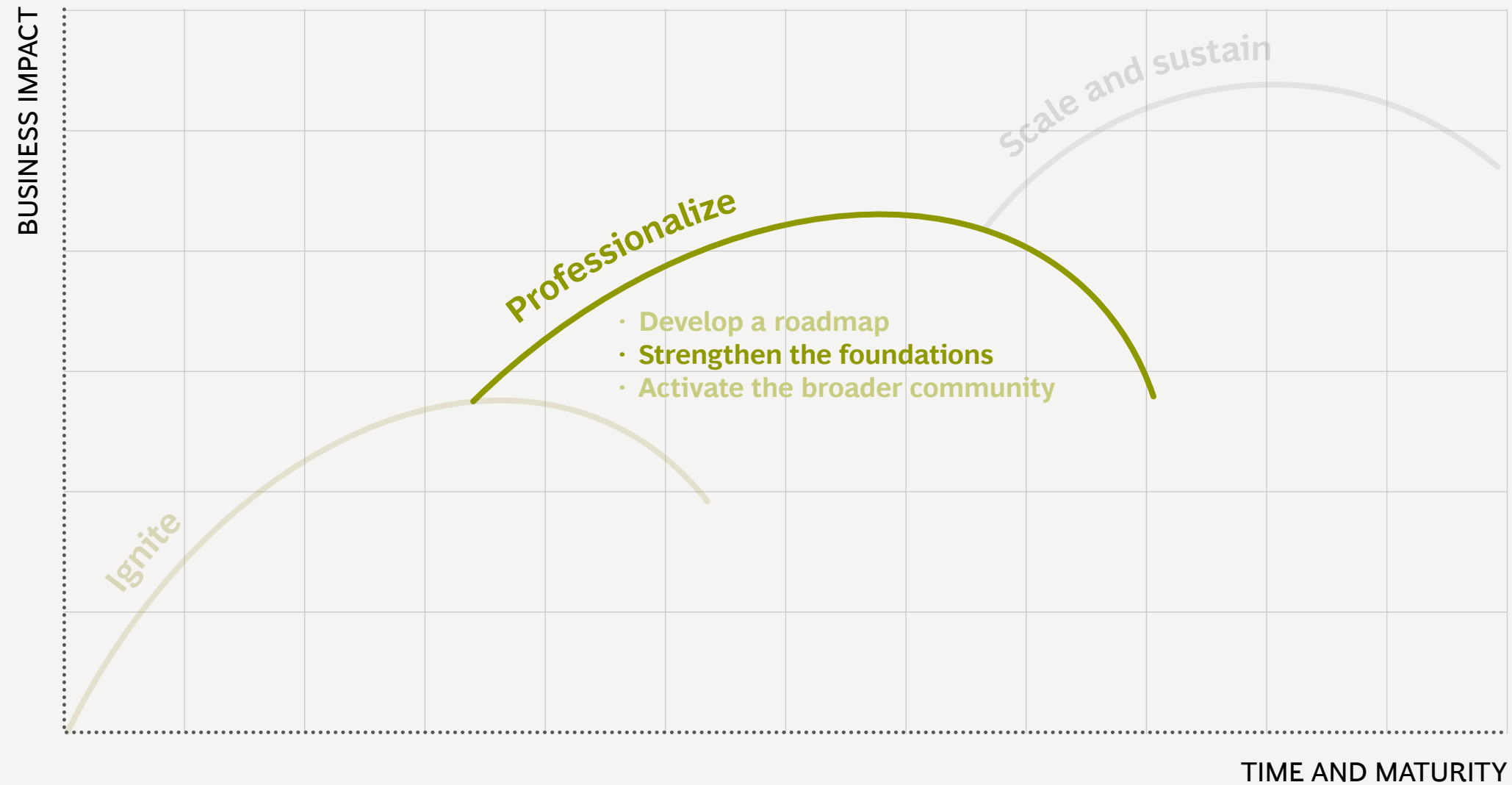
As more digitization projects enter the pipeline, human competencies can be bottlenecks

People must combine business knowledge with digital skills—data analysis and data-based storytelling, for example

Siemens Healthineers detailed the required competencies as well as how to develop them

The company uses software to measure its progress in building capabilities

Stage 2: Professionalize



Strengthen the foundations: technology

Technological competencies can also be bottlenecks as digitization ramps up

Companies need to replace complex legacy systems with a fit-for-purpose data and digital platform

They also need to ensure that data is accessible to users

Siemens Healthineers is structuring and labeling its data so that users can access it through a data mart

Stage 2: Professionalize



Activate the broader community

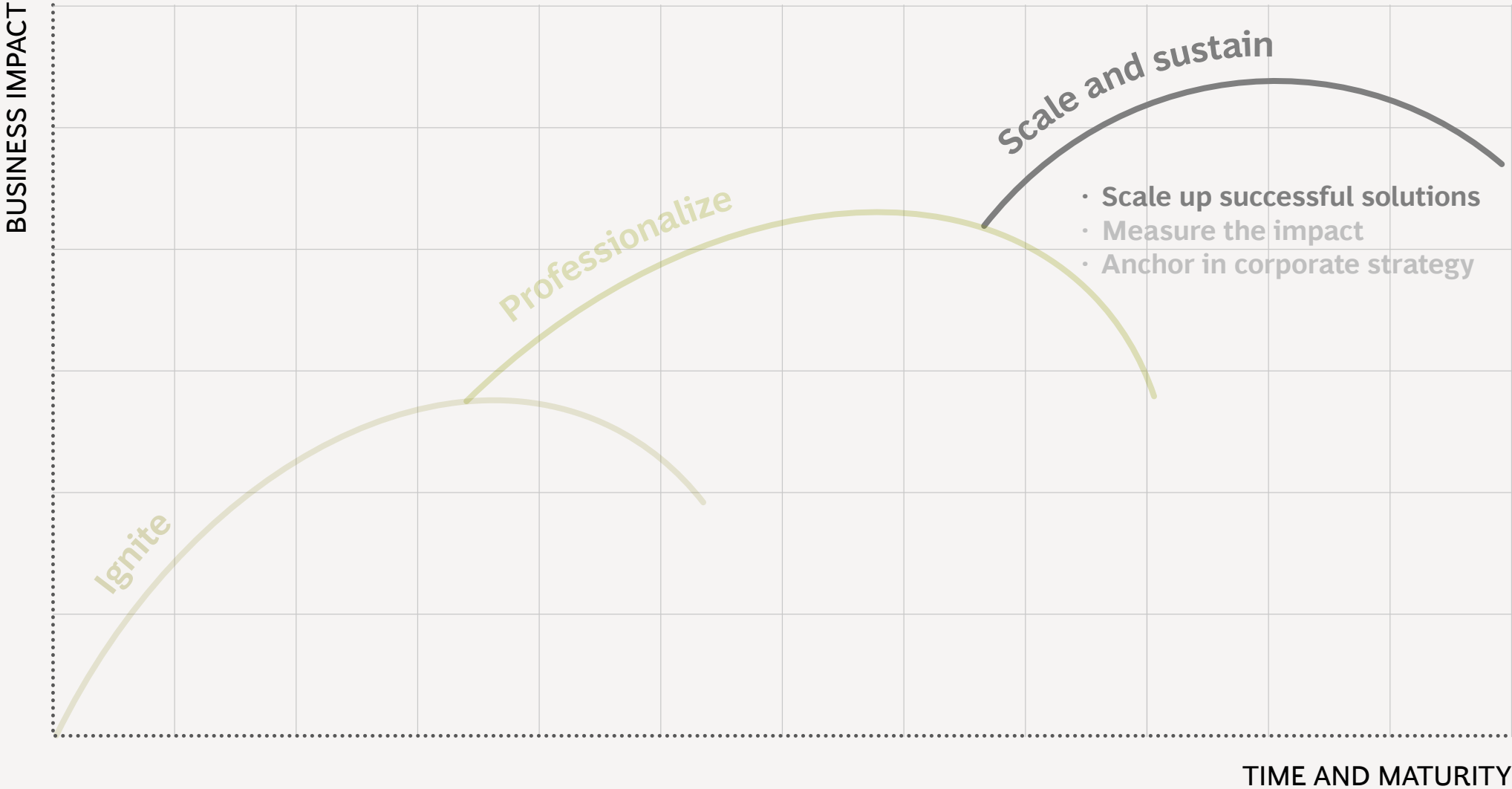
Leaders should foster enthusiasm and commitment to bionic finance across all functions and at all levels

Siemens Healthineers regularly communicated the progress of its digital agenda throughout the company

It deepened business units' involvement with finance by creating a buddy program—15 DigiLab members are each paired with a personal contact on the business side

It also held community days—in-person or virtual gatherings of about 200 members of the finance team to hear about the bionic initiative and discuss ideas

Stage 3: Scale and Sustain



Scale up successful solutions

Pick piloted applications that will have the largest impact when brought to scale, and implement them across business units

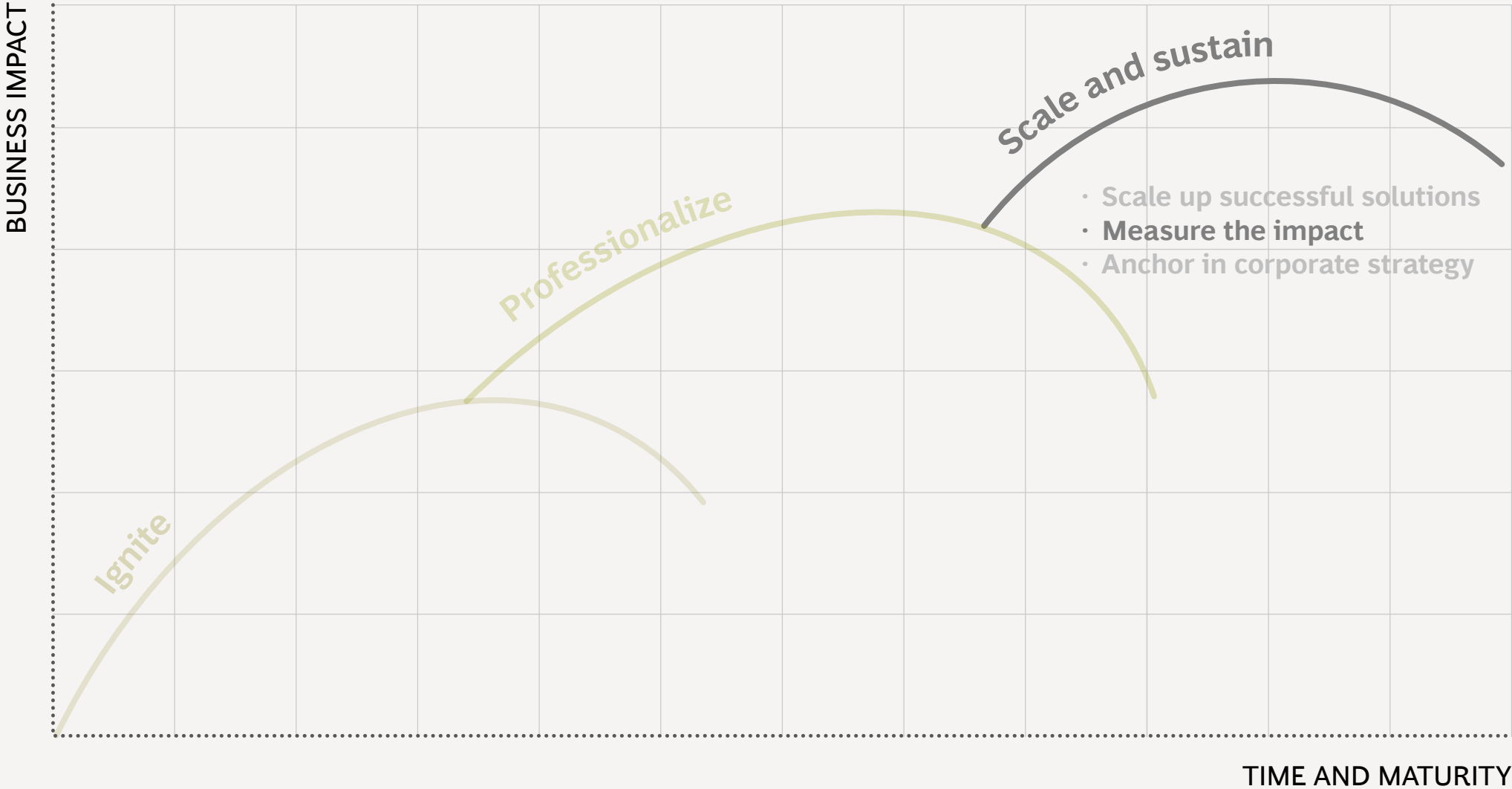
Siemens Healthineers used value-stream mapping to facilitate scaling and data mining to identify interdependencies and synergies across applications

The company also introduced a knowledge-sharing platform for teams that are scaling solutions

It managed the applications as a portfolio—balancing the expected impact, timelines, and resource constraints

Source: BCG and Siemens Healthineers analysis.

Stage 3: Scale and Sustain



Measure the impact

Measuring success is essential in order to monitor progress, promote accountability, and refine implementation efforts

Implement a lean KPI system to track the evolution of digital maturity and measure the impact on specific finance and business processes

Source: BCG and Siemens Healthineers analysis.

Stage 3: Scale and Sustain

How Siemens Healthineers measures the impact

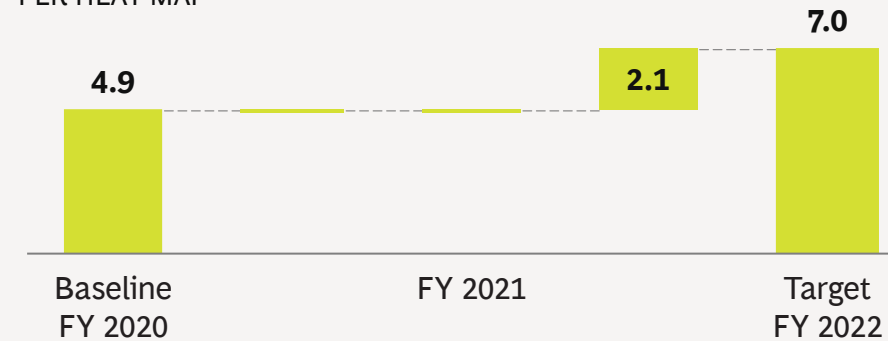
AN ILLUSTRATIVE KPI SCORECARD

Upskilling | Leading indicator

NO. OF DIGITAL NOVICES	FY 2022		NO. OF DIGITAL EXPERTS	FY 2022	
	ACTUAL	FORECAST		ACTUAL	FORECAST
Data visualization	12	19	Data visualization	2	4
Process automation	4	9	Process automation	0	3

Digital maturity | Leading indicator

PER HEAT MAP

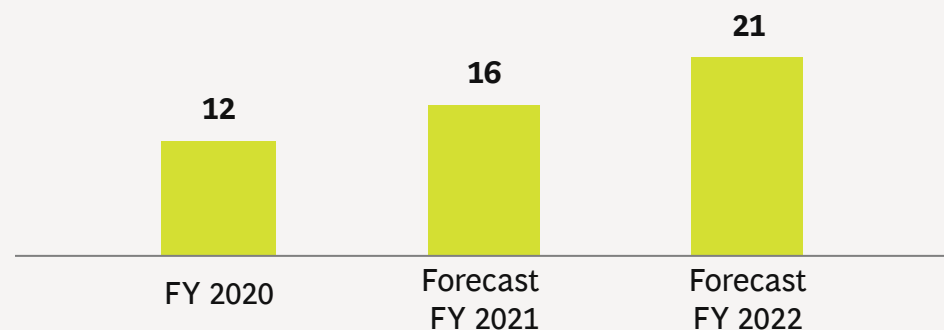


Application development | Leading indicator

PER ROADMAP

APPLICATION	STATUS
Cost center controlling	On track, prototype phase finished
Head count reporting	Data-protection process ongoing
Monthly forecasting	Delayed—heterogeneous processes must be standardized before moving ahead

Productivity (€millions) | Lagging indicator



Financial and operational performance | Hybrid indicator

Forecast accuracy

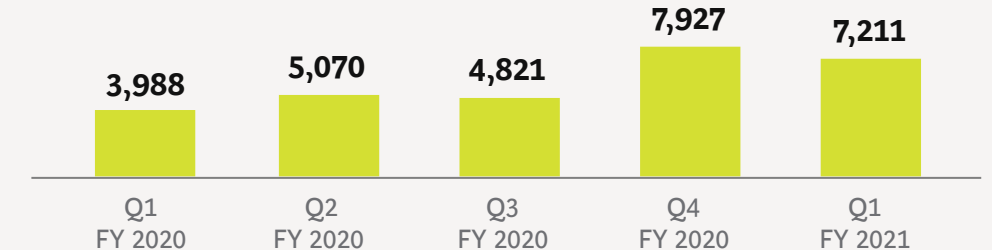
Improved by better insights and predictive models

	ACTUAL	FY 2022
Revenue	92.9%	>97%
Opex	94.8%	>97%
Cash	87.0%	>97%

Better decision making

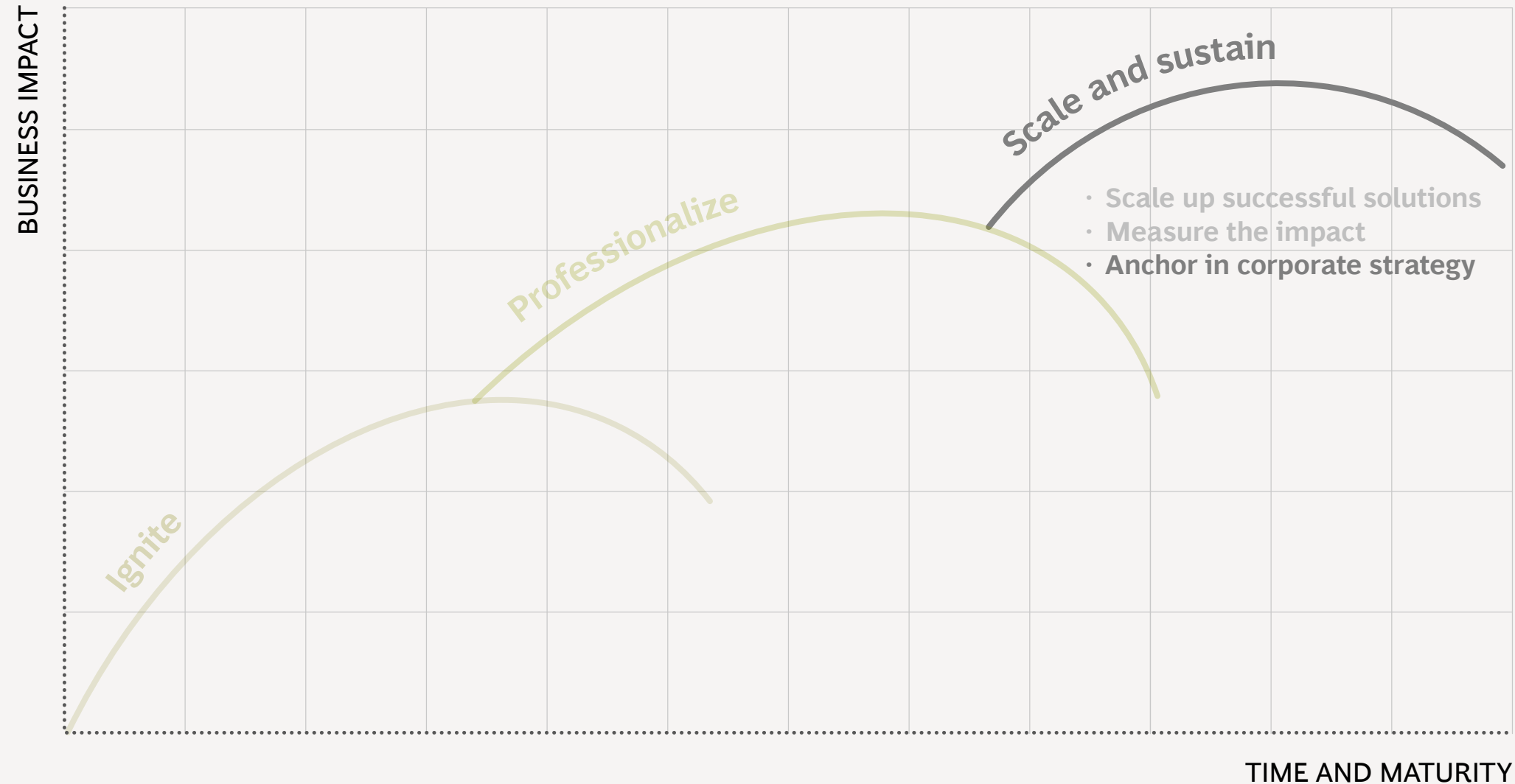
Enabled by generating new and actionable insights and dynamic guidance

DIGITAL ADOPTION RATE¹



Source: BCG and Siemens Healthineers analysis. Note: All values are examples. Opex = operating expenses. ¹Measures how often digital solutions are used.

Stage 3: Scale and Sustain



Anchor in corporate strategy

To embed the transformation over the long term, the finance team must:

- “Live it” as part of the daily routine
- Communicate its importance to the broader organization and investors

Becoming a digital company has important benefits:

- Accelerates growth
- Promotes a sustainable cost base
- Increases the organization’s attractiveness as an employer and business partner

Siemens Healthineers anchored its digital ambition as one of the six priorities in its corporate strategic plan, with the board of directors as the strongest advocate

Elevating the topic’s profile broadly fostered a continued sense of urgency and cross-functional collaboration