



# OPTIMIZATION ISSUES...

We're just to imagine what  
the next generation of successful  
companies will look like?

Supported by **Guy Elie** for





## Speaker

# Guy ELIEN

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ESME Engineering Graduate  
MA in Expert-Consultancy  
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Partner in charge of the "**Purchase practice**" for Clarans consulting.

Over 30 years of **Operational expertise in Purchasing functions, Optimization and Industrial Logistics**, developed within international groups in various areas: utilities, engineering, vehicle equipments and chemicals.

**Speaker-Expert at the EPF** and for the Master for International Purchasing, University Paris-Saclay



### Publications

- Strategy & Purchasing
- Energy in Europe
- Sustainable Development and Purchasing
- The alternative potential of SMBs
- Transaction processes and financial security laws
- Supplier relationships, chosen relationships
- Ethics in Purchasing



# Questions?



- > Why should we improve, on sensible and sustainable way, the company's processes?
- > What is, from your stand point, the active part that engineers take [or must take] in this process of permanent improvement?
- > Why ?

Why should we  
permanently  
improve  
processes and  
products?



.....  
Are you ready to use  
this as a **smart phone**?



.....  
Maybe  
that as a **search engine**?



.....  
Or  
this as a **computer**?

# Why should we permanently improve processes and products?

Are you ready to pay €  
for **this car 21 608€?**

**Without:** electrical powered windows, nor right mirror, neither ABS



When this can get that  
one for **10 400€?**

**With:** ABS, airbags, air conditioning, cruise control, antiskid ESP

Thanks God, the preceding generations have considered that the continuous improvement of products and services was a prerequisite for improving the quality of life, health and comfort of all !

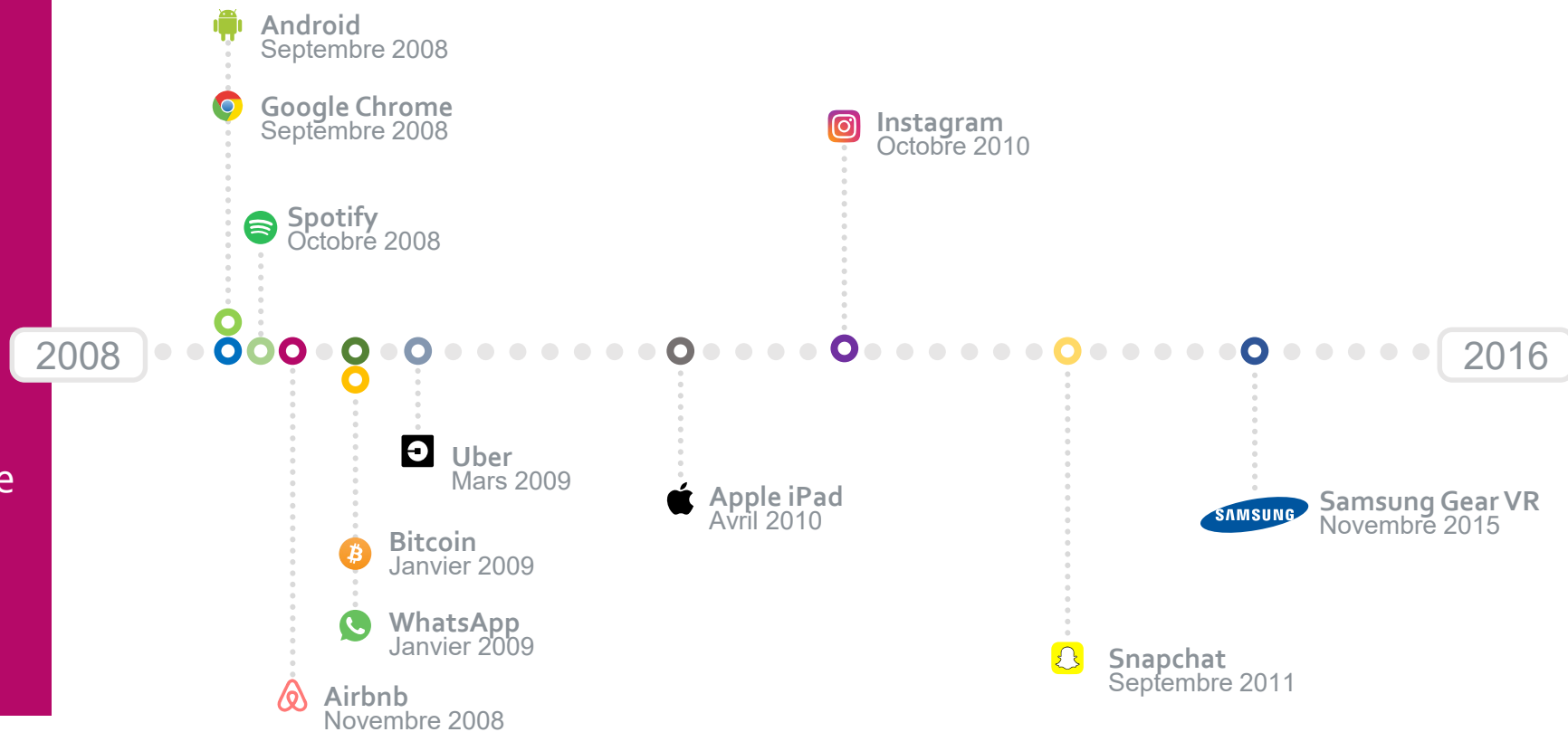
# Just realize that...

## 10 years ago you could not

Order an Uber on your phone

Surf on the net with Google Chrome

Rent an apartment on Airbnb!



# They've not seen the change coming

2007



- **Nokia** is one of the most valuable global technology company
- 100 b\$ in stock value
- Production: 1 million hand set per day
- 40 % market share

2011

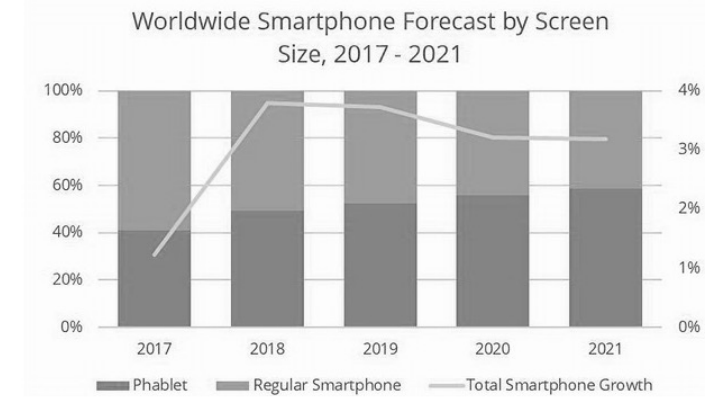
- They've missed the smartphone turn
- The sales fall by 50 %, as well as they revenues by 30%
- They remained taped on their operating system (OS) against the Android
- They refused the technological alliance with Google

**Today: they belong to Microsoft !**

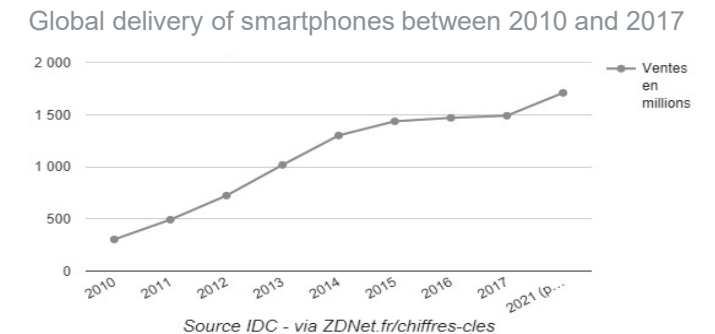
2017

**2017' Leaders:**  
Samsung, Apple, Huawei  
**They even didn't exist in 2007**

**What next?**

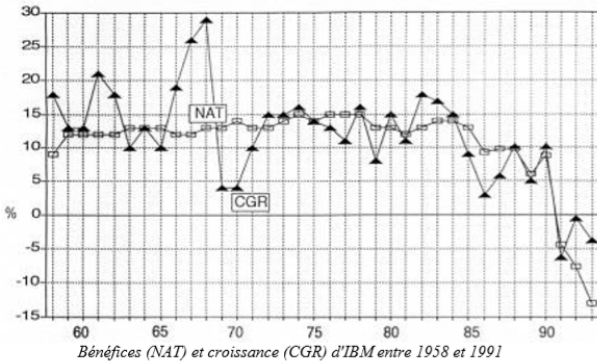


**Expected grow of phablet market : avg +18% per year up to 2020**





# Splendor and decay of IBM



## A reference model for 40 years - Big Blue

- Annual profits: avg 10 - 15%
- Growth: 10 - 20%
- Revenues : 85 b\$ in 2000

## Largely integrated vertically -customer oriented:

- Big computers & PC
- Office equipment
- Discs, inks, ribbons
- Application development
- Computer maintenance
- Component manufacturing
- User training

## IBM today

- 20° quarter of consecutive decline in turnover
- \$ 18.2 billion in turnover
- Reorientation of the activities towards
  - The Cloud
  - The dematerialized services
  - The computer security
  - Cognitive intelligence [medicine]

## 60-70

- Appearance of compatible PC [1970]
- Decentralized control of telecommunications [Internet]
- Decrease in central computing systems for the benefit of peripherals
- The arrival of open architectures [Unix]
- The emergence of the laptops- Apple
- The development of micro-processors



## Strategic mistakes stemming from the IBM' dogma

- One language - the American
- Same rules and procedures worldwide
- 2 objectives: Profit and growth
- Planning by product [not by business]
- An autocratic technical strategy towards large systems
- Proprietary systems as to control the customer



**Are you still  
questioning the need  
to permanently  
improve products and  
processes?**



**... to survive!**



**The world is  
changing! companies  
must also do...**



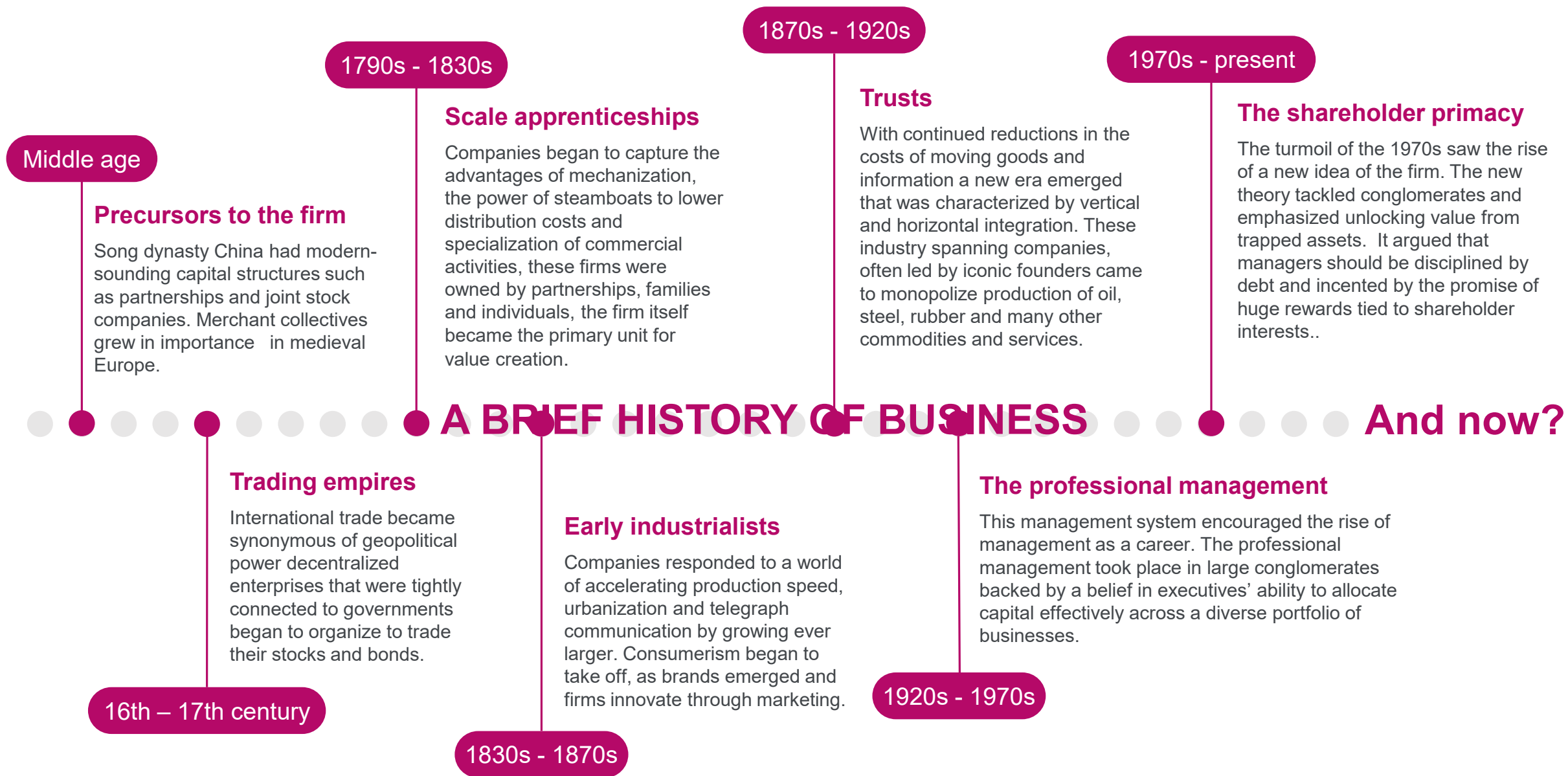
# AGENDA

- 1** A brief history of the business
- 2** The challenge of the next decade
- 3** The path for tomorrow
- 4** What will it look like?
- 5** What transformation is about ?
- 6** How leaders are resetting their strategy to tackle the future
- 7** Strategic approach
- 8** Continuous improvement
- 9** Innovation



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# A BRIEF HISTORY OF BUSINESS





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## **THE CHALLENGES OF THE NEXT DECADE...**



## THE CHALLENGES OF THE NEXT DECADE...



# Stagnant global growth



- **Sovereign economies are facing enormous difficulties** [political stability, migratory movements, indebtedness, prices of the main raw materials]
- **Decrease in capital intensity** [technical progress, increase in population]
- **Decrease of the gross product per capita** [unemployment + fall in savings = imbalance in the social pact and decline the consumer and employee confidence]
- **Public opinion is more activist** [customers want you to quickly react to their changing preferences!]

# Technology at the forefront of well-being



- **Between 2006 and 2010, 6% of GDP in OECD was spent on health expenditure** [thus will represent 9.5% in 2060 due to aging of the population]
- **Dependency expenses amounted to € 28.3 billion in 2011** [They will be around € 35bn in 2060!]
- **In United States, 300 to 400 billion dollars in savings would be possible through predictive medicine and personalized care** [via smartphone or internet]

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## Globalization of trades bring new relationship with borders



- 9.1 billion of goods are transferred annually vs 2.5 billion in 1970
- Western Europe + Southeast Asia + North America account for 90% of world trades
- 60% of French trade is made within the EU
- By 2025 world trade will triple

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**Our  
commitments  
on Sustainable  
Development**



**will require the  
complete renovation  
of our facilities and our  
cities**

## THE CHALLENGES OF THE NEXT DECADE...



# The digital revolution

[Use rather than owing]



- **Digital is upsetting our daily lives** [rapid exchanges, instant communications, smart devices]
- **Access to public financing capabilities** [crowdfunding vs traditional banking system]
- **New services have raised up** [booking a room or a travel, exchanging or selling products and services]... **40,000 jobs are expected within the next 5 coming years in France**
- **6/10 jobs that will be performed in 2030 do not exist today**
- **The connected objects will have to be maintained**

## THE CHALLENGES OF THE NEXT DECADE...

Need for a better  
**usage and  
distribution  
of natural  
resources** by

- Developing a smart management of water and energy
- Improving the energy performance of building
- Most of our natural resources start impoverishing [water, gas, oil]...  
We must favor the production of renewable energies:
  - The production of waste / inhabitants decreased by 2T / 20 years [-15%]
  - Wind generation increased from 17,000 MW in 2000 to 432,000 MW in 2015
  - The circular economy saved € 700 billion worldwide [eco-design; recycling; sobriety in energy and carbon impact]

# To shorten it...

- International competition
- Demographic and economic challenges
- **Reinforcement of the liberal economy** *[state disengagement from the capital economy is pushing businesses and investors to a permanent quest for marginal productivity]*
  - Evolution of circular economies and bio-fuels
  - Improved energy performance of buildings, cities, transport, etc.
  - Intensification of independent work
  - Increased service savings [aging of population]
- **Need for more closer customer intimacy**
- **The generalization of connectivity and the digital development** *[The massive use of data will require trustworthy environments to protect citizens and businesses]*
- **Easing market entry barriers by changing modes of communication and consumption**
- **New forms of agriculture** [Smart food choice] **to ensure safe, healthy and sustainable food**



**Will force us  
to redefine  
the social  
and economic  
models for  
tomorrow**



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**3**

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# **THE PATHS FOR TOMORROW**



Today, the society of individuals is much more advanced than companies and institutions, which is new in view of the evolution of companies and services.

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**To succeed,  
we have to...**

- Rethink today's business for a real transformation towards tomorrow
- Onboard skills with new technologies mindset
- Install our client [internal or external] as the center of our preoccupations
- Consider our activity as a service to the next step forward
- Develop new operational practices [Agile process]
- Adapt the company to the new regulations, new standards
- Escort and accelerate new forms of activities and business
- Develop the innovation of use



**David AUTISSIER**

L'innovation managériale comme mise en pratique de la transformation, exemples de grands groupes français  
<https://youtu.be/boTXi5Y27-M>



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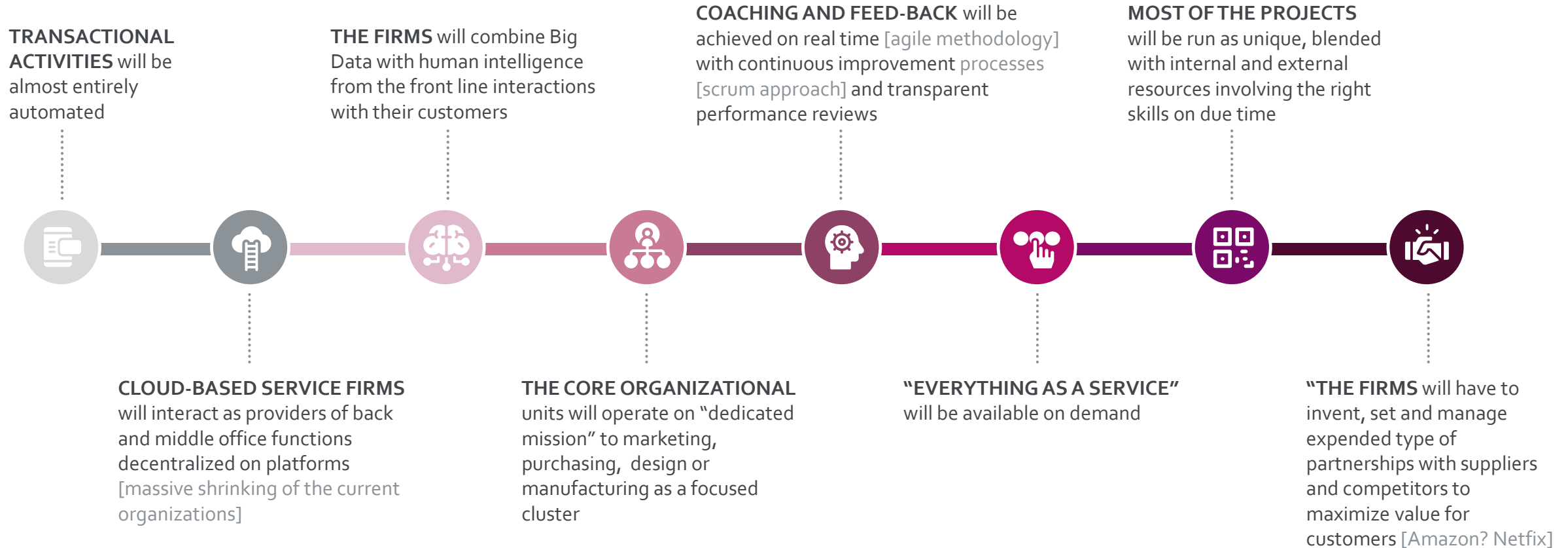
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**WHAT WILL IT  
LOOK LIKE?**



# ... spotlight on the organizations!





## ... Business prospective!



Investors will finance projects rather than companies, creating new financial intermediation ecosystems



Industry leaders will seek long-term reference investors and adopt more transparent private governance practices, while "service companies" will negotiate on secondary markets more favorable to entrepreneurship [venture capital]



To thrive through disruptive innovations, firms will need to adjust their organization to changing circumstances and challenge their ability to quickly mobilize their resources



The foreseen change of economic paradigms will force the established structures to become more agile and more centered on their Core-Business or to disappear



The option of becoming themselves venture investors in dedicated structures is truly open



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# **WHAT TRANSFORMATION IS ABOUT?**

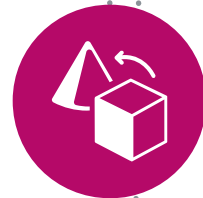


Every day the market sees the advent of new models  
[Amazon, Uber, Booking.com or Airbnb],  
that threaten established companies  
[FNAC, Kodak, BlackBerry].

WE DO CONSIDER THAT ALL  
“Old school” Business Models  
are today at **RISK**...



IN MOST BUSINESS SECTORS  
IT'S AN URGENT NEED FOR  
**TRANSFORMATION**  
THAT IS :

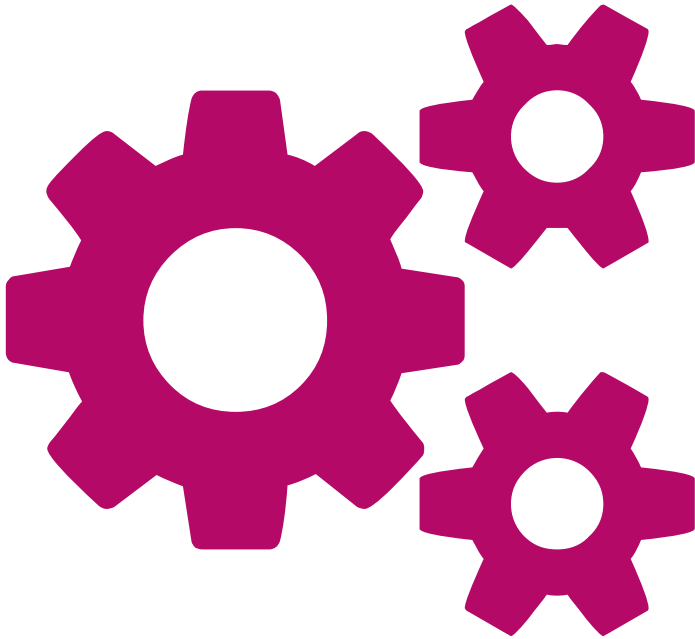


To adapt and anticipate the changes and disruptions that characterize the current period

To transform the relationship with the customers  
[customer-oriented organizations, streamlined information systems, etc.]

Transform the relationship with the employees  
[inspiring people]

And to reinforce the relationship with its shareholders and potential investors



Integrate  
**HIGHLY MOTIVATED  
AND DEDICATED**  
TO RISE-UP THE CHALLENGES  
AND **THE STRATEGIC OPPORTUNITIES**  
in challenging contexts



## WHAT TRANSFORMATION IS ABOUT?



**The process of change will be pretty radical and firms that can not be transformed on time will strongly suffer or will disappear!**



# 2 types of firms on the game floor

## The established companies...

WHICH

- Will need to bring permanent and incremental improvements in performance or value [strategy of scale]
- Will look for sustaining innovation [strategy of differentiation]
- Will need to question their ability to spot the upcoming trends before they are well formed
- Will stay closer to customers need and seek to anticipate them
- Will learn from their ecosystem [Partners and suppliers]
- Will outsource parts of their value chain with no specific added-value
- Will try to minimize or eliminate the long-established trade-offs [lean and agile management]

# 2 types of firms on the game floor

## • • • • • The companies of the future ... WHICH

- Will create and encourage leaders understanding the customers needs and getting the full potential value from the business engagements
- Will develop new model of experimentation taking speed and scale into account
- Will set specific metrics to track their metabolic rate
- Will allow teams [squads] to work quickly on specific issues to solve them and move with end-to-end responsibilities [agile technics]
- Will access the benefits of scale by teaming-up with appropriate partners which own the assets or the capabilities [communities of expertise within the ecosystem]

**WHICH SECTORS OR COMPANIES**  
format attract me the most?

**AM I SUITABLE OR ADAPTABLE**  
to meet the challenges that  
await me?



**So! The crucial questions for you are ...**



**IN WHICH FORMAT?**  
[Leader, follower,  
entrepreneur?]

**WHAT SKILLS**  
[technical and soft]  
did I develop during  
my studies?

**WHAT ADDED VALUE AM I**  
able to bring to the  
company that will  
employ me?



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6

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## **HOW LEADERS ARE RESETTING THEIR STRATEGY TO TACKLE THE FUTURE**



## Matthieu SERRES

Corporate Organization Development, Vice-Président, L'Oréal

**SIMPLICITY** : DES TRANSFORMATIONS ORGANISATIONNELLES À L'ÉVOLUTION  
DES COMPORTEMENTS

<https://youtu.be/KvCTxpV-MFI>



By

**Gwenael GUILLEMOTO**

Vice-President Corporate Strategy at Schneider Electric



By

**Gwenael GUILLEMOTO**

Vice-President Corporate Strategy at Schneider Electric

Join IT start-up in the US in 1999 and develop business plan & pitch for VCs to raise capital from major VC firms from US, France and Israel. In 2000, join a larger "start-up" called APC that was ultimately sold in late 2006 for \$6.1billion to Schneider Electric. Return to the US in 2008 to lead the corporate strategy & M&A activities of the combined business resulting from the merger with sales in excess of \$3billion. Manage global strategic planning & all the M&A activities from origination, coordination and execution. Lead the post-merger integration of \$250m business serving data center market in Italy before coming back in France Schneider Electric HQ to lead corporate transformation program, Currently, lead the Corporate Strategic Intelligence working directly with the Chief Strategy Officer & CEO on all activities to support the global strategy cycle with a focus on the corporate decision process around group strategic planning & board interaction.





# Corporate Governance & Corporate Strategy:

## *A key pillar for corporation long term success*

- > Role and duty of the CEO & his Management team (Executive Committee)
- > Role and duty of the Board of Directors
- > Competence of Board of Directors:
  - Implication within the strategy process
  - Validation of the strategic direction
  - Competence & independence of the Board members



# A New Corporate World: *Your strategy, your board, and your purpose*

## → BlackRock letter to CEO

- We also see **many governments failing to prepare for the future**, on issues ranging from retirement and infrastructure to automation and worker retraining.
- **Society is demanding that companies serve a social purpose.** To prosper over time, every company **must not only deliver financial performance, but also show how it makes a positive contribution to society.** Companies must benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate.
- **Without a sense of purpose, no company can achieve its full potential.** It will ultimately lose the license to operate from key stakeholders. It will succumb to short-term pressures to distribute earnings, and, in the process, sacrifice investments in employee development, innovation, and capital expenditures that are necessary for long-term growth.
- It will **remain exposed to activist campaigns** that articulate a clearer goal, even if that goal serves only the shortest and narrowest of objectives.



# A New Corporate World:

## *Activism at the forefront of corporate strategy*

### ----> Activism

- GE case – Triun Fund
- United Technologies – Pershing Square Capital Management
- ABB group - Cevian
- Honeywell – Third Point
- Etc...

### ----> Today no corporation can afford not to have a clear, well defined and understandable strategic vision that Investors will support. This requires:

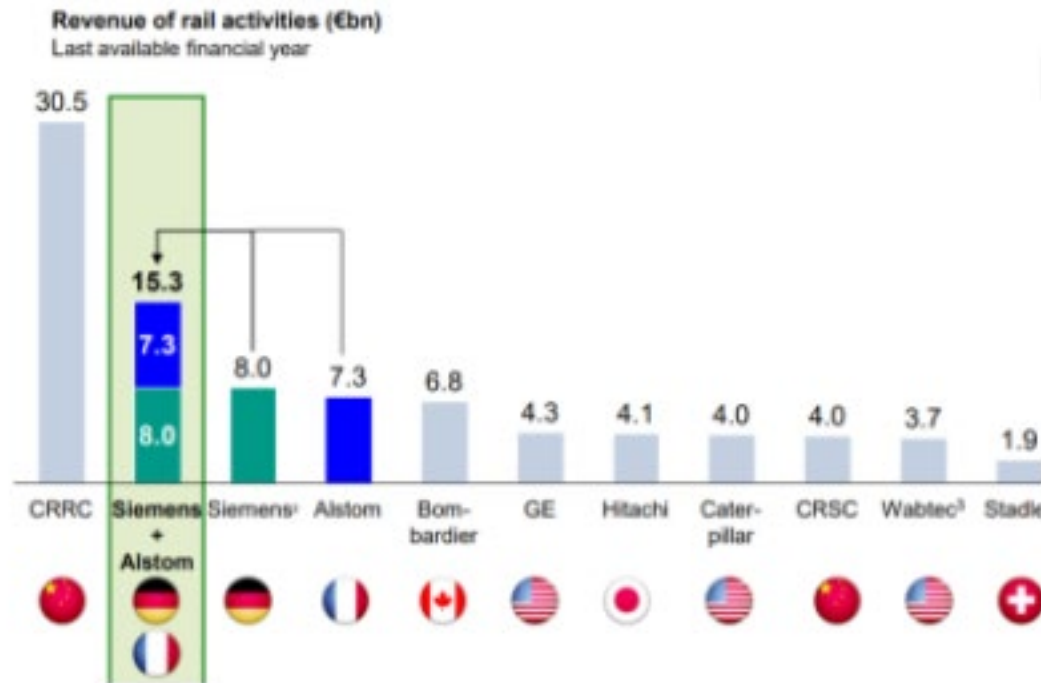
- A Strategic framework
- An Execution framework
- An Accountability system

### ----> The CEO and ultimately the Board of Directors is accountable to ensure all the above exist and is implemented.



# A New Corporate World: *Chinese Capitalism*

## → Chinese Capitalism at work: Transportation - Railway



The merger is aimed to challenge the Chinese supremacy (CRRC Corp) which is twice bigger than Siemens-Alstom combined. China's CRRC Corp, which was formed via a merger of two state-owned firms, CNR and CSR, in 2014 with the aim of producing a national champion able to compete internationally



## A Geopolitical Shift:

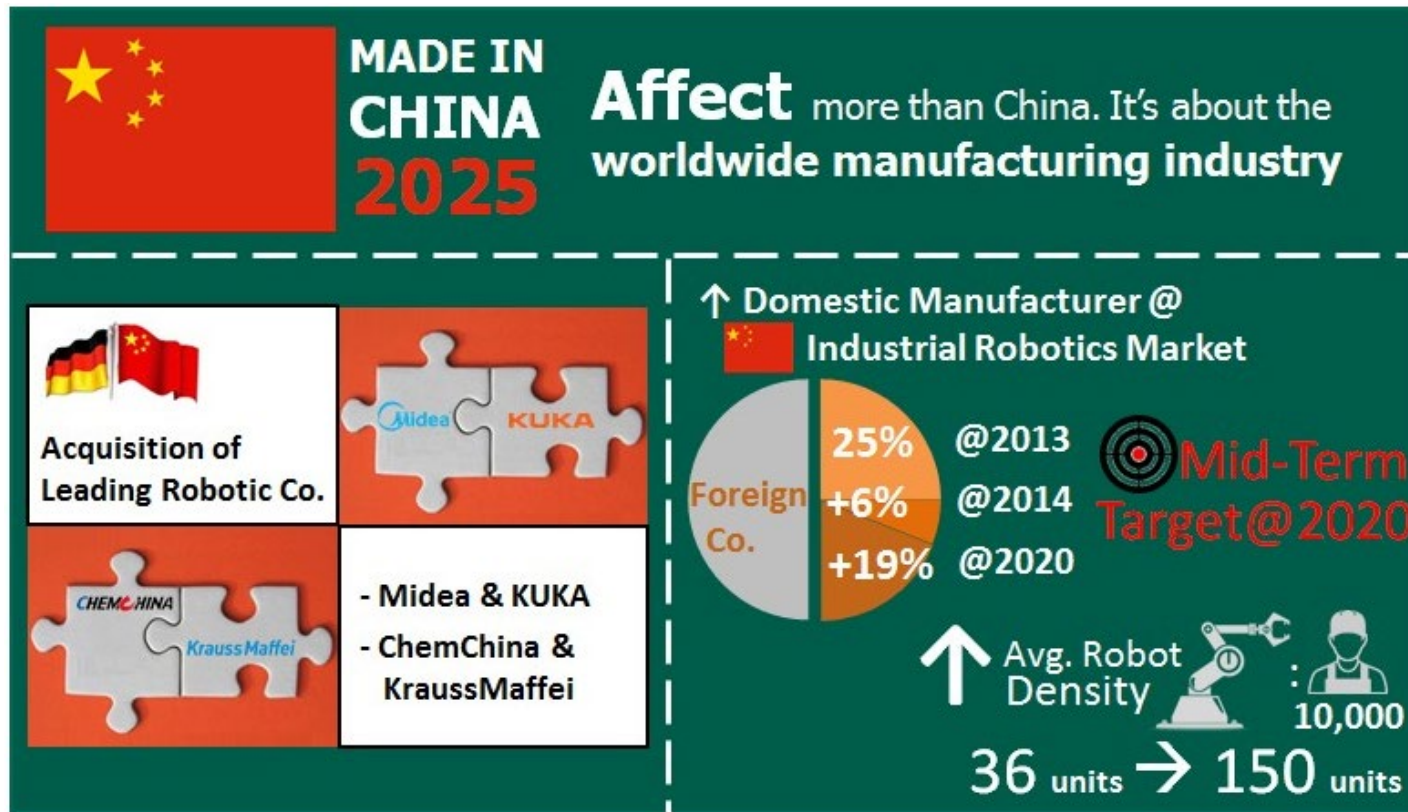
### *How the Energy & Industrial revolution is shaping company strategy*

- Transition out of the Fossil World to a new world of Energy
- Renewable expansion driven by cost reduction (Photovoltaic, Energy Storage, Wind, etc..)
- 4<sup>th</sup> Industrial revolution
- Digital everywhere
- A shift toward a multi polar world and end of the free trade/globalization as we have seen it
- Schneider Electric Strategy presentation



# A New Corporate World: *Chinese Capitalism*

---> Chinese Capitalism at work: Technology for Made in China 2015



China's ambitious alert other key players of manufacturing automation. The €4.5bn offer for Kuka, prompt concerns in Europe that a deal could transfer critical German technical know-how into Chinese hands. Midea offers more than just money to win the vote of Kuka's board, it promises for a hands-off approach, keeping Kuka's headquarters, factories and jobs in Germany for the next seven and a half years far outstrips local standards for such agreements



# A New Corporate World: *Chinese Capitalism*

## ---> Chinese Capitalism at work: Cement Industry Scale to compete

Rank	Company	Country	Capacity (Mt/yr)	Plants
1	LafargeHolcim	Switzerland	286.66	164
2	Anhui Conch	China	217.20	32
3	CNBM (Sinoma)	China	176.22	94
4	HeidelbergCement	Germany	121.11	79
5	Cemex	Mexico	87.09	56
6	Italcementi	Italy	76.62	60
7	China Resources	China	71.02	19
8	Taiwan Cement	Taiwan	63.72	6
9	Eurocement	Russia	45.18	17
10	Votorantim	Brazil	45.02	41

One of the major inventions of the mankind, cement has literally transformed the world. Widespread Urbanization and infrastructure development has only been possible with cement.

Today 2 out of the Top 3 companies are Chinese.

**Above - Table 2:** Global cement companies 1 - 10 ranked by installed capacity and colour-coded by world region. **Source:** The Global Cement Directory 2016.



# A Geopolitical Shift:

## *How the Energy revolution is shaping company strategy*

- Transition out of the Fossil World to a new world of Energy
- Renewable expansion driven by cost reduction (Photovoltaic, Energy Storage, Wind, etc..)
- Schneider Electric Strategy presentation







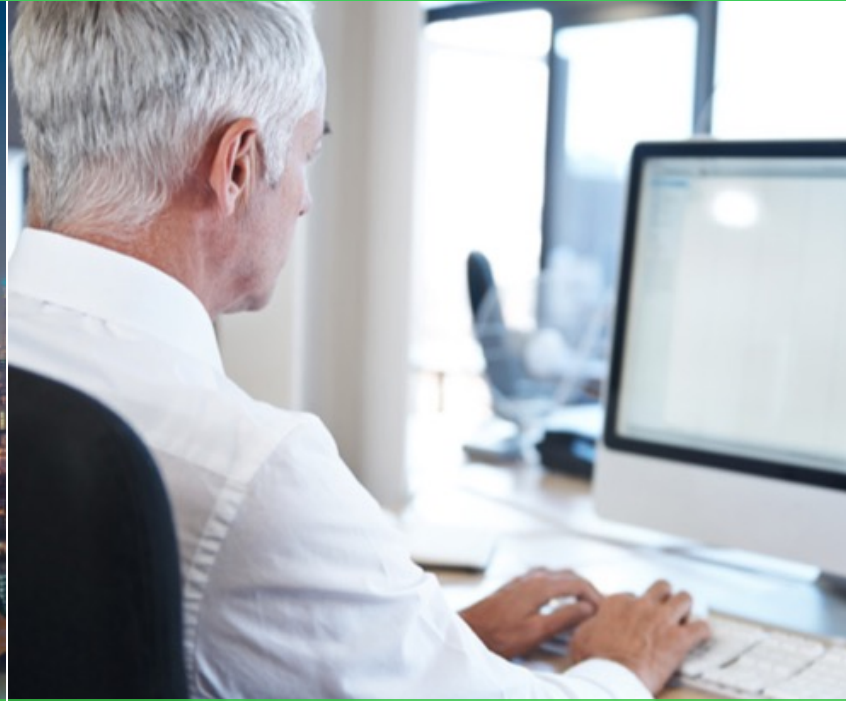
# Strategy Presentation

Gwenael Guillemoto  
Vice President, Corporate Strategic Intelligence - Schneider Electric

An integrated and leading company  
with an attractive return to its shareholders



**A Pure Play In  
Energy And Efficiency Connected  
Solutions**



**A Focused Company  
An Integrated Model  
A System For Execution**



**Attractive Earnings Growth  
Strong Shareholder Focus**





# Life Is when life is...

## ENERGIZED

- **+50%** energy consumption by 2050 due to urbanization, Industrialization, digitization.
- **Electricity** to grow twice faster than energy consumption
- **2.3 bn** people do not have either access or reliable access to electricity

## EFFICIENT

- **3X** efficiency needed to solve climate change
- **82%** of untapped energy efficiency in buildings
- **50%** of untapped energy efficiency in industry

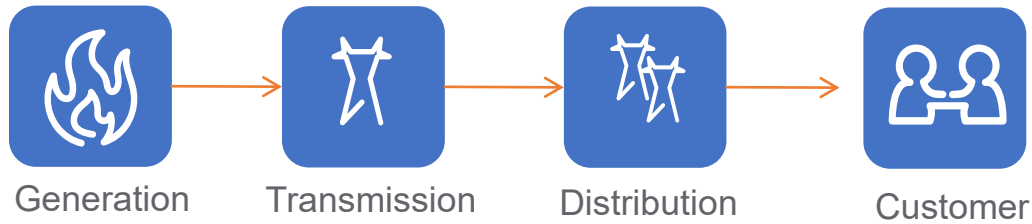
## CONNECTED

- **10X** more incremental connected devices than incremental connected people by 2020
- **30bn** connected things by 2020
- **Software** runs everything

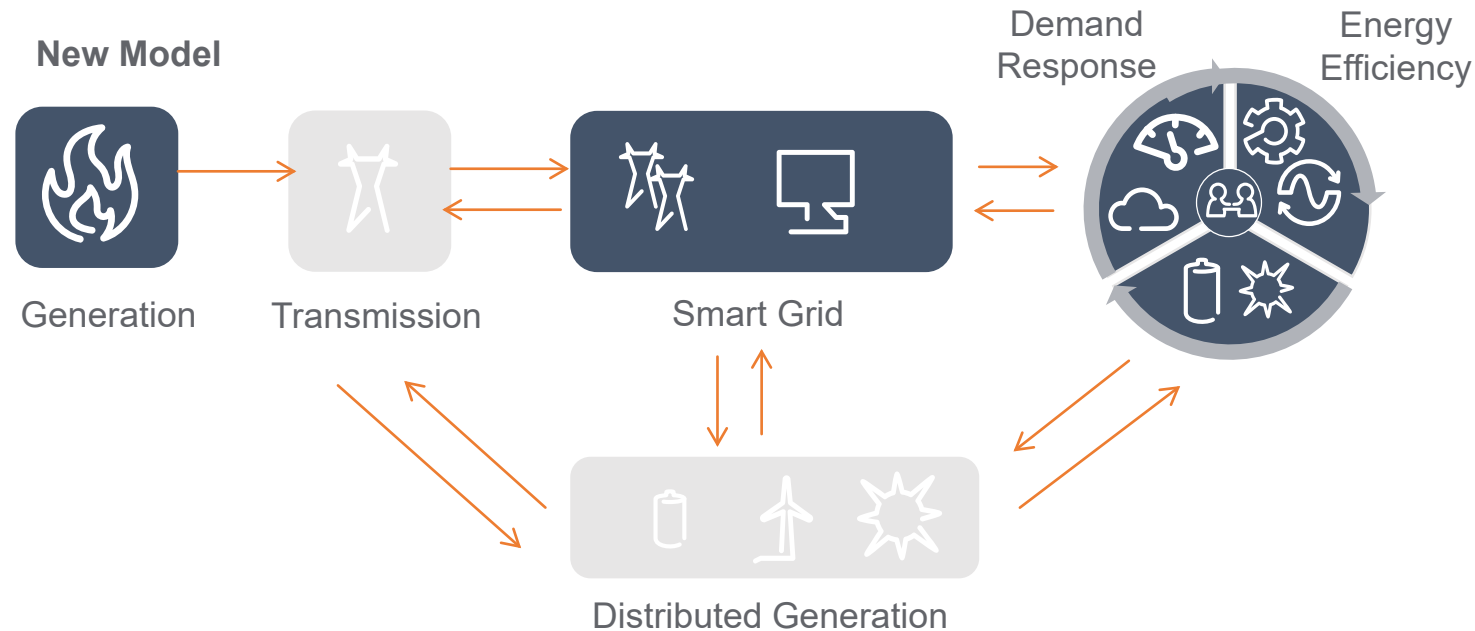
Schneider makes life Safe, Reliable, Efficient, Sustainable and Connected

# The World of Energy gets redefined ... creating opportunities

## Traditional Model



## New Model



## DRIVING OPPORTUNITIES

More Electricity

Efficient Demand

Decentralized Supply

Smart Grid

## ... as well as the world of Efficiency





# Energy as a Source of Operations efficiency



Industry Productivity & Operational Benefits

**2.5 X**

the value of energy savings depending on value and context of investments

Source:: IEA

Energy Saving Potential in Industrial Processes

**>20%**

of total energy cost

Source:: ICF Consulting Limited

Energy as % of total Cost in Key Industries

**10-35%**

Source: McKinsey

Power Outages Cost

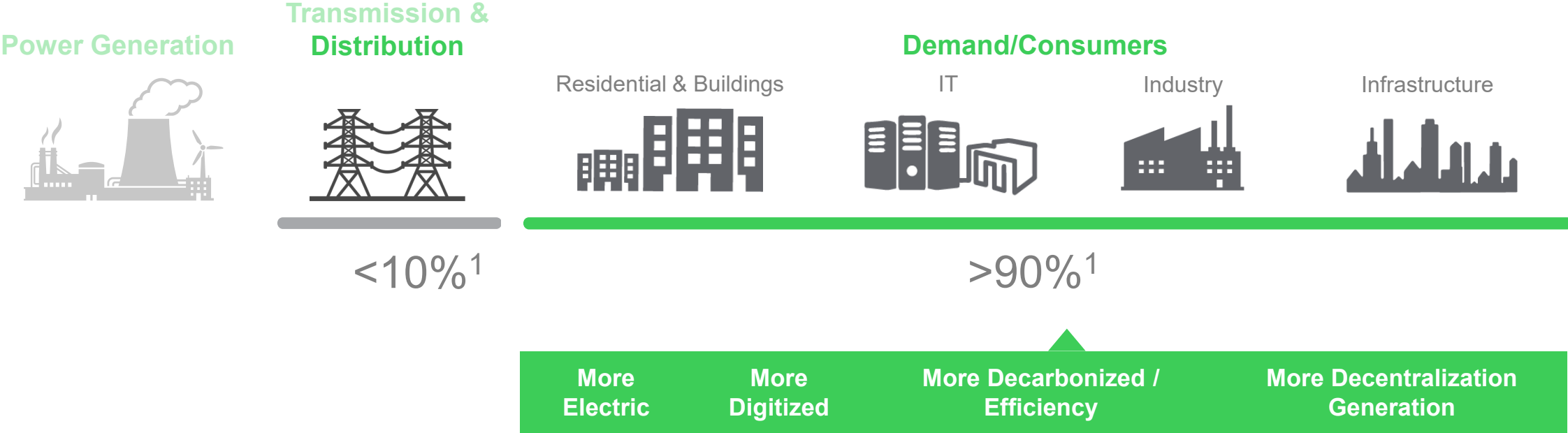
**> \$27Bn/yr**

Cost of Power Outages for US Business

Source: E Source



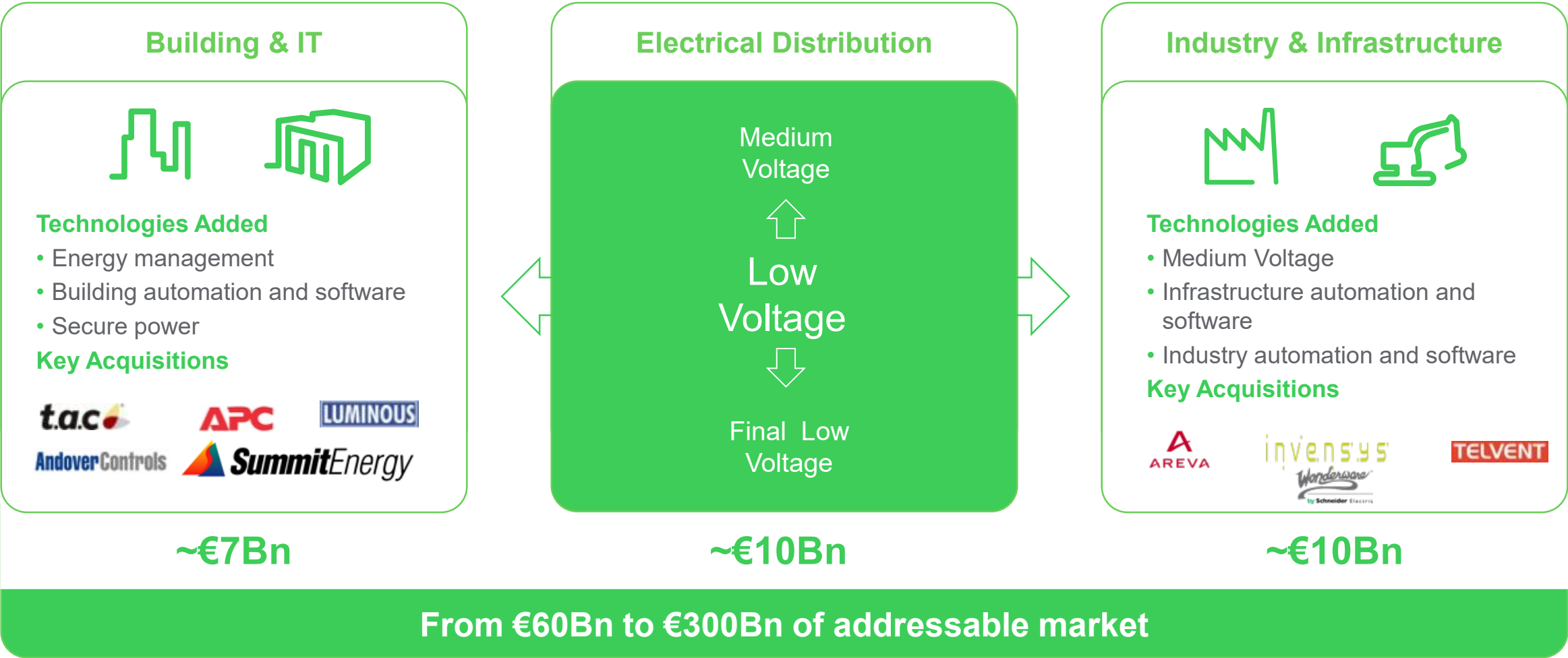
We are the global specialist in energy management and automation, and we have positioned >90% of our business on Energy Demand side



<sup>1</sup> As % of Schneider Electric revenues



# We have expanded from our Energy core into Efficiency for our two major families of End Markets





## ... serving customers with two complementary models

### Products

**57%**  
of group sales

#### Integration through channel and partners

- Largest partner network
- Largest product offering
- All standards for all geographies
- Higher R&D
- Branding
- Digital experience

### Solutions

(Software, Equipment, Projects, Services)

**43%**  
of group sales

#### Integration through solutions

- Application centers
- Segment expertise
- Differentiated software
- Integrated architecture
- Life cycle services

OFFERS :    LOW VOLTAGE    SECURED POWER    MEDIUM VOLTAGE    BUILDING AUTOMATION    INDUSTRIAL AUTOMATION

# And focusing on four global, leading, synergetic businesses

Key technologies	Low voltage & Building automation	Critical power & cooling, services	Discrete & process industrial automation	Medium voltage & Grid automation
Activity in Schneider Electric	Building	IT	Industry	Infrastructure
2015 revenues (€ bn)	11.9	3.7	5.7	5.4
2015 Adj. EBITA Margin (%)	18.0%	17.6%	17.1%	9.1%
Worldwide position	#1	#1	#2 discrete #4 process	#1

Serving our 4 end-markets

We see the Industrial Internet of Things as an “**evolution**” not a “revolution”

1997



Ethernet & web  
technologies on  
the shop floor

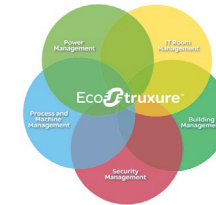
2000



... then everywhere

.....

2008



Open control  
architecture

2016



Open IIoT  
architecture

# EcoStruxure is supported by a deep domain knowledge, services and integration capabilities, and an open ecosystem of partners



- A complete and operational digital platform
- An open architecture supported by a large ecosystem
- A deep domain knowledge
- Strong services and integration capabilities
- Global reach of our partner network



A leading network of strategic alliances

A leading network of industry consortiums

A dense network of integrators

Already significant sales



20,000 solution engineers  
8,000+ service engineers  
9,000+ System Integrators

~45 % of Revenues with IoT (2015)

# Integrating more decentralized Demand side generation

Traditional Power Generation



Transmission & Distribution



Demand/Consumers



New Trends in Power Generation

Microgrids

Energy Storage

Renewable

Generation is coming back to our core through technological evolution

# Our model to deliver value

Based on:

A global presence

A balanced exposure

A technology focus

A culture of partnership

Designed for:

Flexibility

Scale through integration

Efficiency and execution

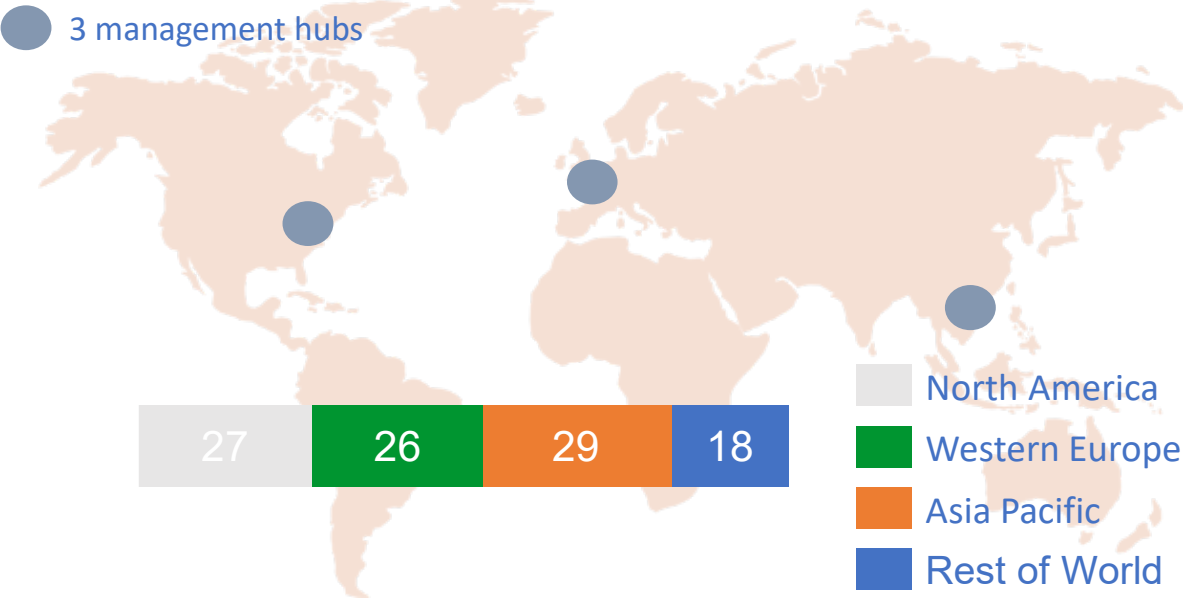
Sustainability



# Global and balanced, in geographies and markets with a leading position in new economies

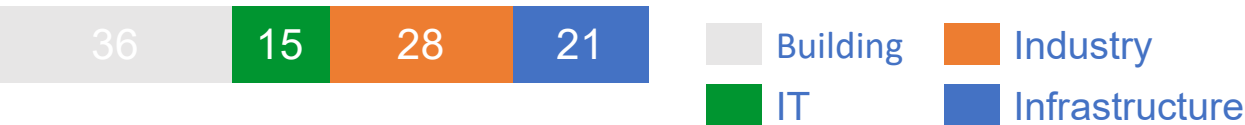
## BALANCED GEOGRAPHIES

FY 2015 revenues (%)



## BALANCED MARKET EXPOSURE

FY 2015 revenues (%)



## STRONG PRESENCE IN NEW ECONOMIES

FY 2015 REVENUES



New Economies Mature Markets

China, India and other new economies will drive all growth in energy demand in the next 25 years<sup>1</sup> and most of industrialization and urbanization

1. Source: IEA World Energy Outlook 2015, New Policies Scenario

# A technology focus

~ 5%

of revenues devoted to R&D

c. 10,000 people in 25 Countries

Balanced footprint with major R&D sites close to largest markets

## OUR FOCUS AREAS:

- Push advantage on core offer
- Specific offers for New economies
- Digitization/ EcoStruxure
- Software/ Analytics
- Cybersecurity
- Decentralized generation/ Storage

EcoStruxure™  
Innovation At Every Level





# A culture of partnership

## Upstream partnerships for supply



## Partnership in technology



### • Partnership in IT



### • Downstream partnership for integration

~65% revenues sold through partners  
Sold through > 100,000 partners

DISTRIBUTORS

PANEL-BUILDERS

INTEGRATORS

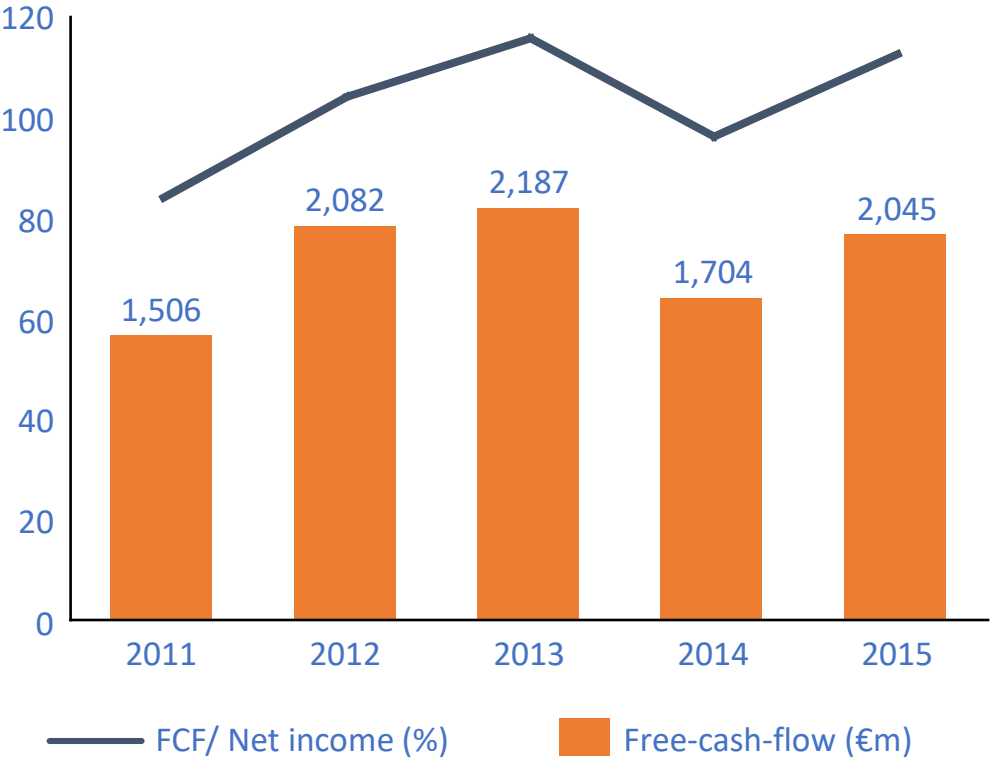
# Flexible through an outsourced cost structure leading to solid cash generation

## FLEXIBLE AND COMPETITIVE COST STRUCTURE

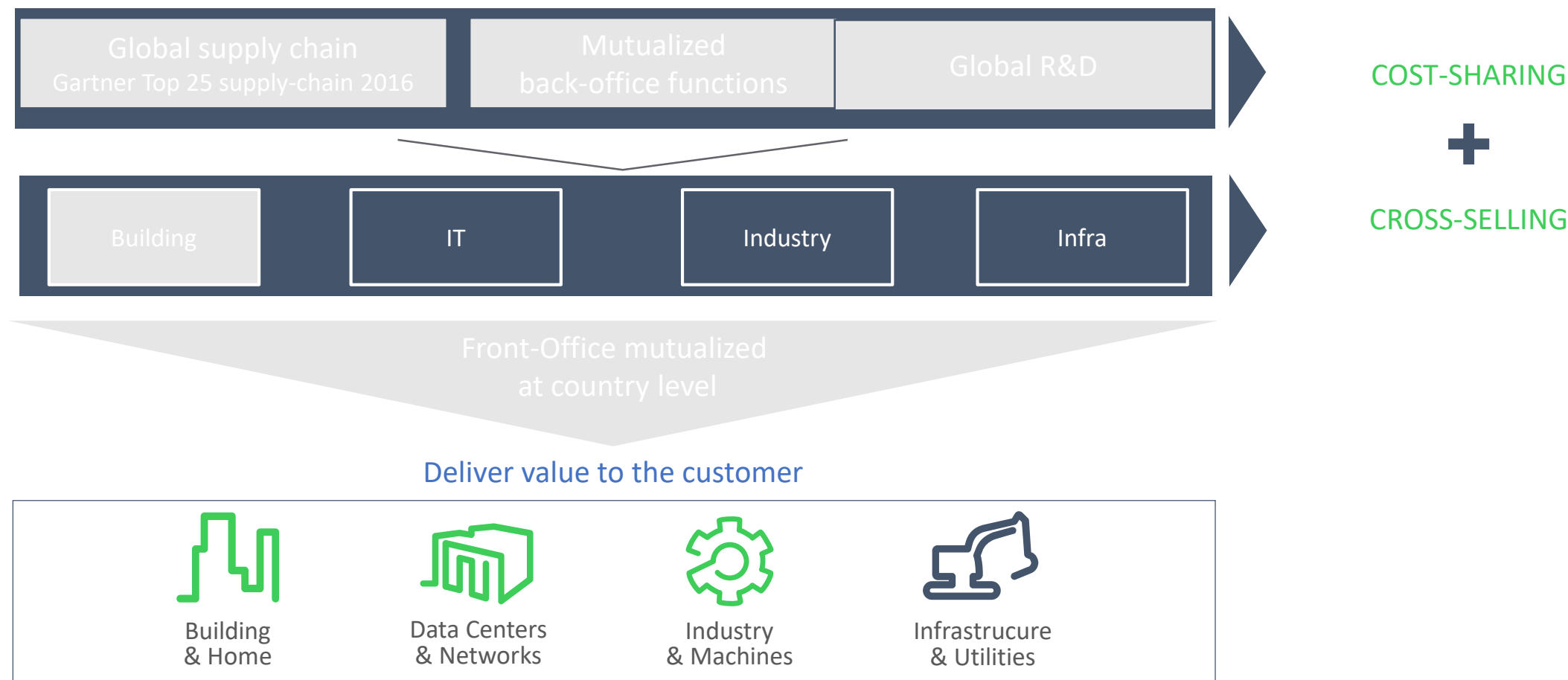
Flexible business model	~70% COGS variable
Low capital requirement	~3% CapEx per year
Global Supply-chain	~54% <sup>1</sup> of COGS in new eco.
Outsourcing in global functions	~50% IT outsourced ~1/4th Finance & HR outsourced

1. Estimated in the end of 2015

## STRONG AND PREDICTABLE CASH GENERATION



# Scale through integration: cross-selling / cost sharing, leverage of scale



# Efficiency and execution through company programs ...

## REVENUES

€10bn  
(2005)

€18bn  
(2008)

€22bn  
(2011)

€25bn  
(2014)

€27bn  
(2015)

### Company Programs



2005-2008

- Execution discipline
- Customer satisfaction
- Global / rebalancing



2009-2011

- One Company
- 5 businesses
- Solutions



2012-2014

- Digital Customer Experience
- Services
- Tailored Supply Chain
- Connected Employees



2015-2020

- Do More for our customer
- Digitize
- Simplify
- Innovate
- Step-up

### We transformed the company

- 30% increase in very satisfied customers
- 32% Sales in New eco.
- EBITA margin: 15% in '08

- From 120 to 10 brands
- Global Supply-Chain
- Solutions up 7pts to 37% of revenues

- Services outgrew rest of Group by average +7 points
- €1bn productivity
- ~-2pt in inventory/sales ratio

- ~+20% in connected assets in H1 2016
- ~€900m costs reduction in 18 months
- Systems gross margin +1pt in H1 2016
- +7% org. growth in services over past 18 months

## ... supported by a system of execution

### Digital global platforms

- One Customer Platform - 43,000 users, 10m customers interactions on salesforce.com
- One Digital Engagement Platform - Mobile Experience, Communities,
- One Human Capital Management Platform, One Enterprise Social Network & Collaboration Platform, One Content Platform – available to all connected employees
- Other Global platforms under deployment: Field Services, Project, Pricing, Product, Partner Engagement...

### Efficiency for performance

- Finance, HR, IT, Communications as Global Shared Services
- Simplification Programs for productivity
- Schneider Production Systems in supply chain – delivering >5% labor productivity each year
- Launching the Schneider Performance System for continuous improvement beyond Supply Chain

### Open Learning Ecosystem

- Energy University - over 500,000 registered users, nearly a million courses taken since its inception; trending annually with 60,000 new users trained with 120,000 courses certification
- 7,000 employees certified on Energy Management and Solutions
- Academies in major specialties and skills of the company

# Sustainability at the core of everything we do

## Climate

- Carbon neutrality by 2030
- CO2 impact quantification of large customer projects
- Investment in R&D for sustainability (EUR10 billion over 10 years)

## Ethics

- Human Rights policy
- UN Guiding Principles on Business & Human Rights (Ruggie framework)

## Circular economy

- Zero Waste to Landfill
- Maintenance, retrofit and end-of-life services
- Schneider ecoDesign Way to all new offers

## Health & Equity

- Employee Well-being
- Gender pay equity
- One day training for every employee per year

## Development

- Low carbon solutions for access to electricity (for 50 million people over 10 years)
- Fighting fuel poverty in mature countries

**FORTUNE**

**Fortune Magazine:** #24 / 50 Companies that are changing the world



**DJSI Industry Leader**  
for the 4th consecutive year



**CDP Climate Leader**  
part of the "Climate A list" for the 6th consecutive year

**Ethisphere, world's most ethical companies**  
listed for the 6th consecutive year

**FTSE4Good:** listed for the 1<sup>st</sup> time since inception in 2001



**FTSE4Good**

**4<sup>th</sup> company globally for clean-energy** in Carbon Clean 200 List

**12<sup>th</sup> most sustainable company in the world** in Global 100 most sustainable corporations

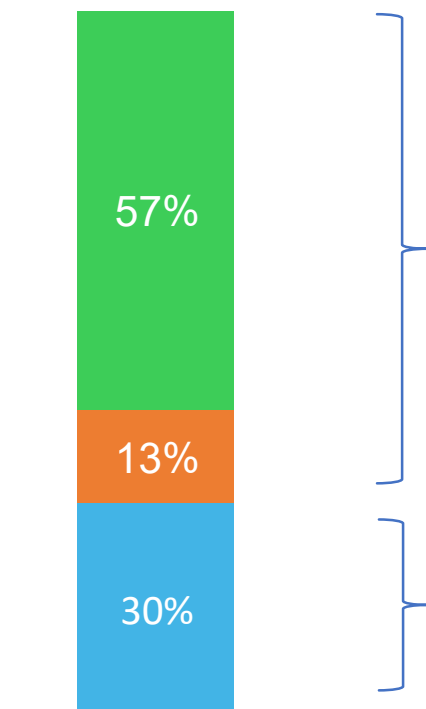


**2<sup>nd</sup> best French company** for the integration of environmental factors in the supply chain (Vigeo Eiris)

# A simplified strategy of accelerated growth of our profitable business and improvement in our systems

## A DIFFERENTIATED EXECUTION STRATEGY

(Percentage based on 2015 revenues)



FY 2015

■ Products ■ Software & Services ■ End-users systems

### Push organic growth on differentiated business models

- > More products through #1 partner network
- > More Services
- > More Software

### Improve Systems (Equipments & projects)

- > More Specialized businesses
- > Turn around profitability with main focus in Medium Voltage (MV)

# Create value with our #1 partner network

WE HAVE THE LARGEST NETWORK  
OF PARTNERS IN 190 COUNTRIES



- Distributors
- Panel builders
- Electricians
- Specialists
- Contractors
- Systems integrators
- IT Channel Partners

Industry



**Altivar Process**  
The first range of  
variable speed drives  
for process  
environments

Data Center



**Galaxy VX™**  
3-phase power  
protection with efficiency  
up to 99% providing the  
lowest operational costs

Power  
Distribution  
Redefined



**Masterpact MTZ**  
Combines perf. &  
reliability with new  
digital capabilities



**M580**  
Achieves better and  
earlier ROI with built-in  
Ethernet capability and  
best-in-class processing  
power and memory



**Smart Bunker Xpress**  
Prefabricated and tested  
data center, ready for IT  
equipment



**Easergy P5**  
Protection relay with  
major step forward in  
safety, cybersecurity, &  
reliability



# Accelerate our development in services

## OUR PRIORITIES

Increase our tracked asset based

- +80% on tracked installed based on critical assets since 2014
- Connected assets up +50% since 2014

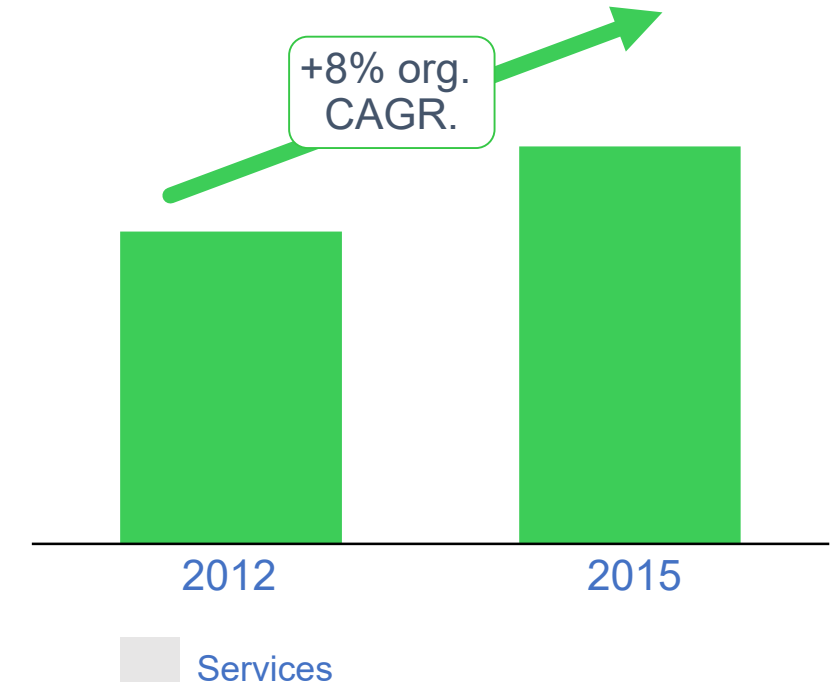
Keep deploying our model

- Capacity to execute consistently in a global base
- Single customer experience (country mutualization) across all our technologies and for all ranges

Enrich our service value to customers

- Expanded digital asset perf. management offer
- Specific energy efficiency service packages leveraging our segment expertise
- Digitizing our operations (connected technicians)

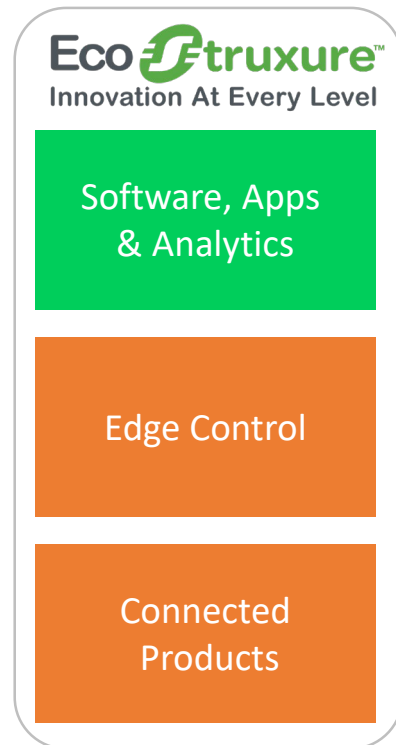
## SERVICES STRONG ORGANIC REVENUE GROWTH



# Grow highly differentiated software

SOFTWARE: ~€1bn  
revenues

FOCUSING ON OUR PRIORITIES  
TO DELIVER GROWTH



**Grow Industry Specific Applications**  
Engineering efficiency  
Supply chain, operations excellence  
Asset performance

**Grow Multi-Industry Platforms**  
Real-time control and information  
management

Software outgrew by c. +3% org.  
rest of the Group in past 12 months to  
H1 2016

Life Is On



**Schneider**  
Electric



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7

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# STRATEGIC APPROACH

From strategic vision to project

Project

Measurement

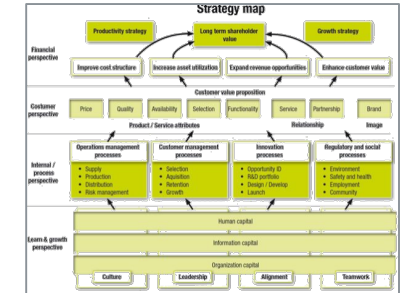
# From vision to project



## THE CORPORATE STRATEGY

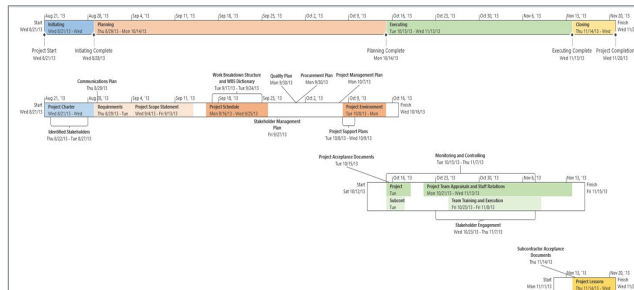
The **Corporate Strategy** is an organizational scheme developed by the Top management to achieve the medium and long term objectives. This approach aim to provide a clear direction to all the operational units working in concert to meet the Top Management vision and expectations while providing value to their customers and employees.

The objective of the **strategic map** is to provide a simplified representation of the operational approach to be implemented during the deployment of the strategic plan.



## THE PROJECT

A **Project** is a set of interrelated tasks to be executed over a fixed period and within certain cost and other limitations

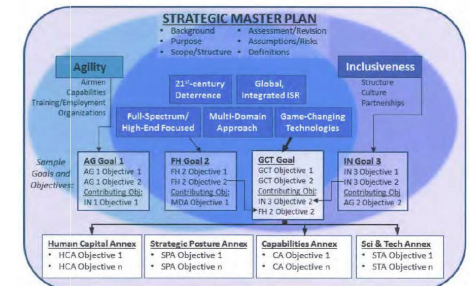


VISION  
MISSION

## THE STRATEGIC MAP

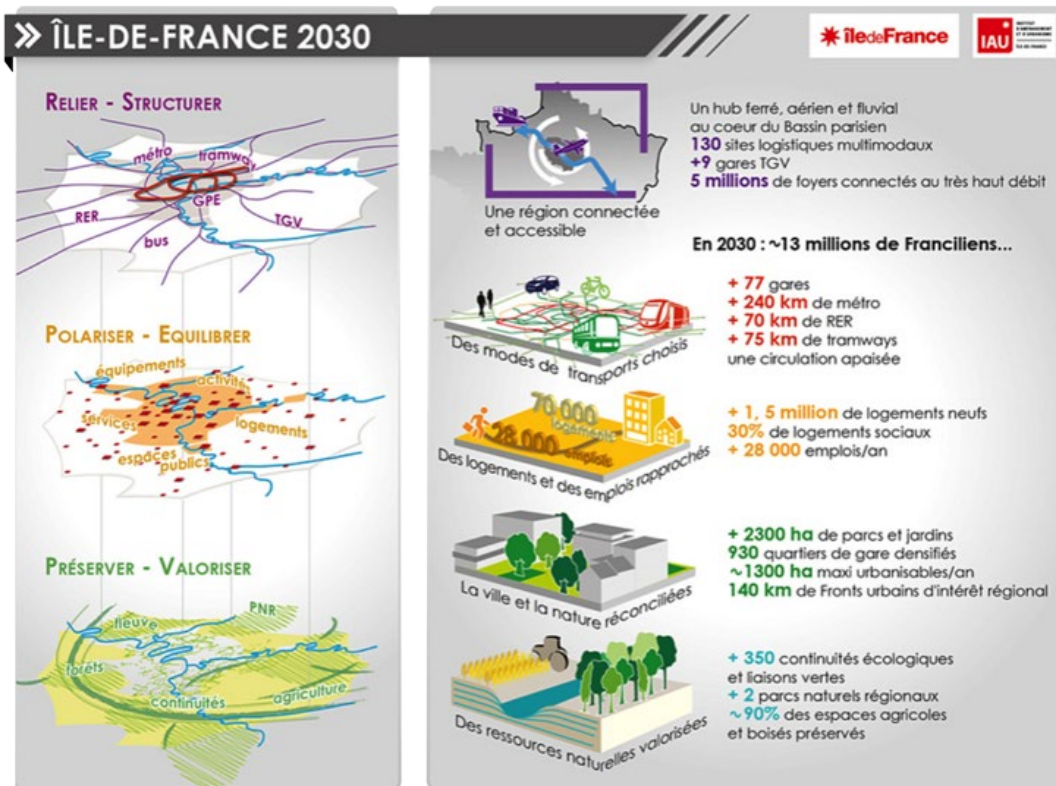
## THE MASTER PLAN

The **Master Plan** is to provide strategic directions to roughly define the articulation of the achievement of the main objectives over time. It makes it possible to define priorities in terms of the realization of the projects and to give a clear visibility on the ambitions of the organization



# Master Plan

Main steps of a master plan are to take into account the overall strategy, review the existing situations, express needs, set priorities, develop target scenarios and define the action plans to reach the identified target.



## THE 3 PILLARS OF THE ILE DE FRANCE 2030 MASTER PLAN

### LINKING-STRUCTURING

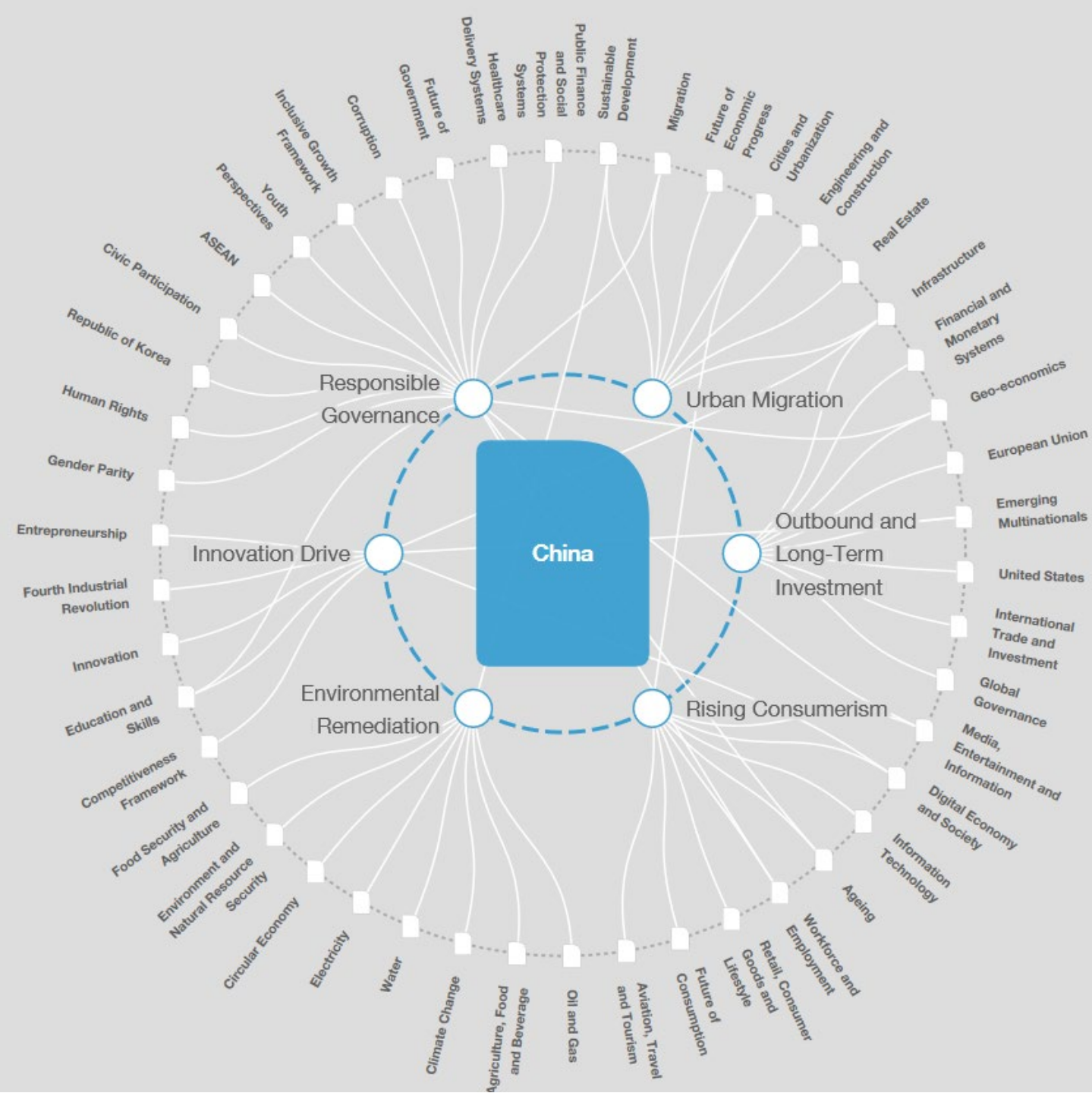
- 1 the public transport network in the Paris region with new services for better accessibility everywhere

### POLARIZE-BALANCE MULTIFUNCTIONAL living areas with greater polarization

### PRESERVING-VALUING

- 3 the consumption of natural areas while preserving territorial resources

# The Chinese Master Plan





# The new silk road

New Silk Roads | China is assembling new trade routes, binding other regions closer to it



## OBJECTIVES

To set-up 2 trade corridors:

- One overland
- One by sea

To connect with its neighbors in the west: Central Asia, the Middle East and Europe, to reinforce its sphere of influence and its geopolitical dominance in the region.

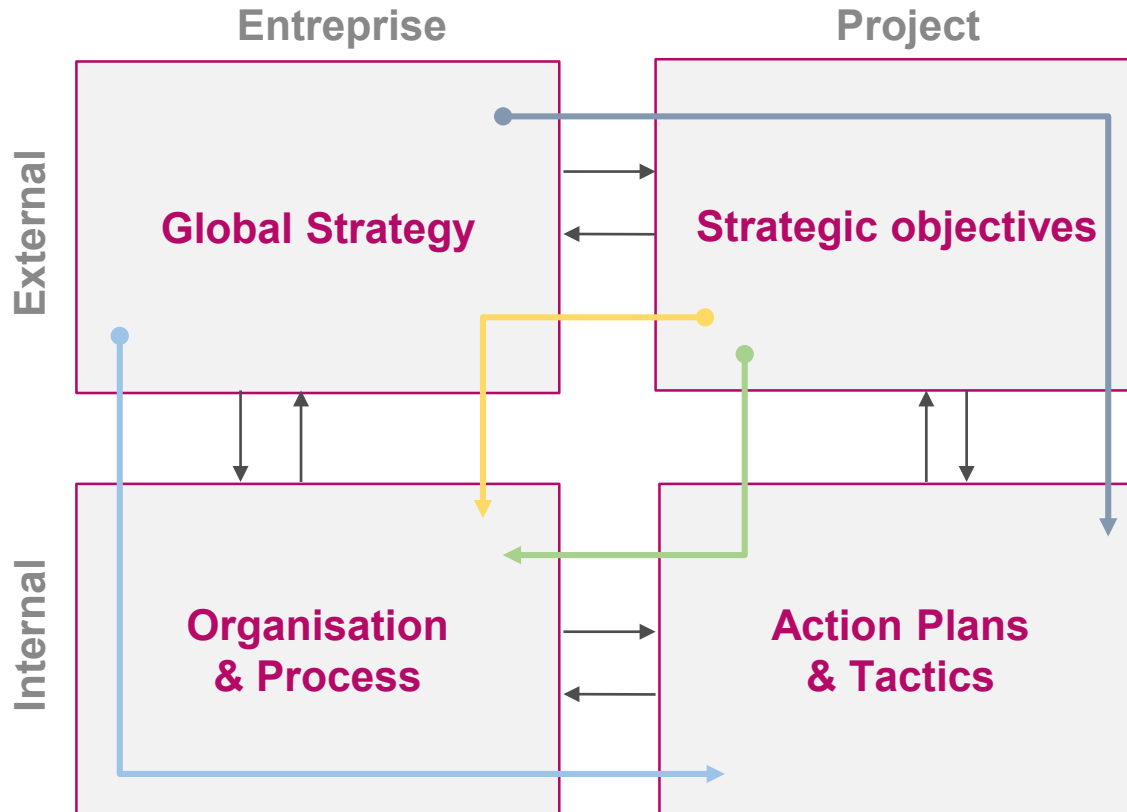
## WHY

To open new trade markets to keep the national economy buoyant, as China's domestic market slows down.

To serve the China's industrial overcapacity [in steel manufacturing and heavy equipment] as an outlet.



# Strategic declinaison



## KEY PRINCIPLES

### PROCESS APPROACH

highlighting the fundamental issues: integration of business dimensions and their operational articulations.

### ACTIVE ASSOCIATION OF STAKEHOLDERS BY

interactive animation of workshops on a "goal-based" approach, allowing the highlighting of the good adequacy of the master plan to the objectives of the project and express the major goals.

### ACTIVE ASSOCIATION OF OPERATIONAL

by Identification of gaps, search for solutions within working groups.

### RETURN ON INVESTMENT AND CONSISTENCY

to be done before the validation of the options for the sake of coherence of the action plans.

# Key Performance Indicators - KPI



As we can only improve what we understand, and only understand what we measure ...  
Let's start measuring what we seek to improve ... Through KPIs.

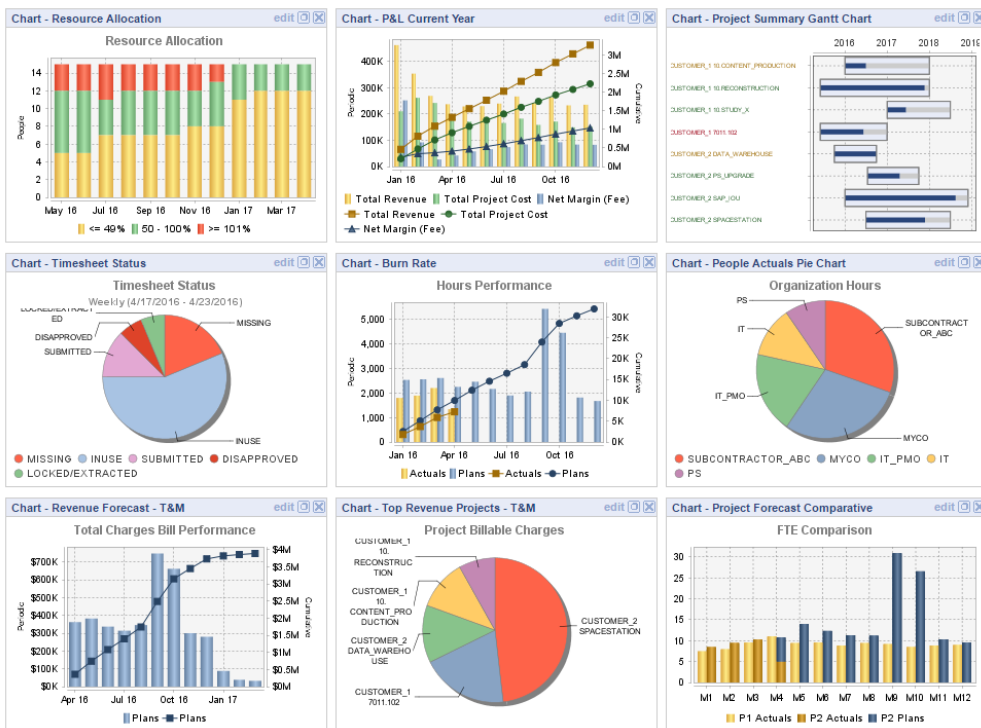
## KPI'S

indicate progress toward a desirable outcomes.

## STRATEGIC KPIS

monitor the implementation and effectiveness of an organization's strategies, determine the gap between actual and targeted performance and regulate organization effectiveness and operational efficiency.

- Provide an objective mean to see if strategy is working
- Offer a comparison that gauges the degree of performance change over time
- Focus employees' attention on what matters most to success
- Provide a common language for communication
- Help to reduce intangible uncertainty





# 8

## CONTINUOUS IMPROVEMENT

Process

Tools

Lean

KPI

# Continuous improvement PROCESS...

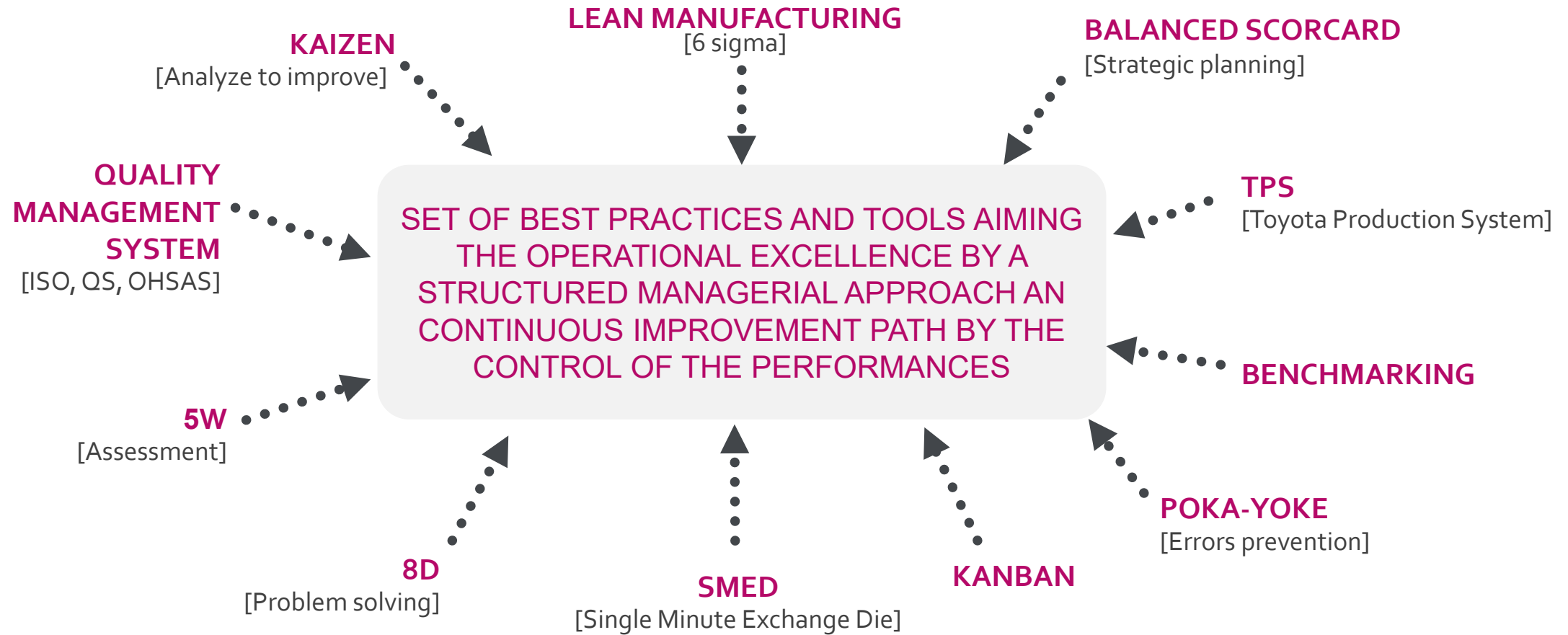
...

A continuous improvement process create an ongoing effort to improve products, services, or processes... permanently evaluated and improved according to their efficiency and flexibility.

...



# Continuous improvement TOOLS...



# LEAN principles...

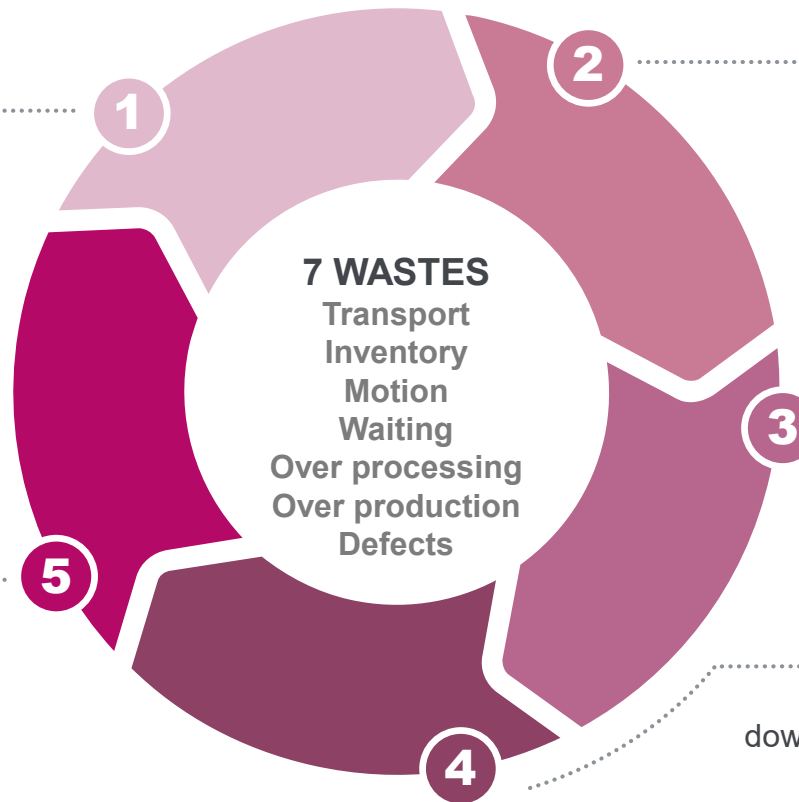
By definition, it's an approach which seeks to improve the quality of the output of a process by identifying and removing the causes of defects and minimizing variability in manufacturing and business processes

## SPECIFY VALUE

Define **value** from the customers perspectives and express value in terms of a specific product or service

## WORK TO PERFECTION

The complete elimination of waste  
So all activities create value for the customer by breakthrough and **continuous improvement** projects



## MAP THE VALUE STREAM

**Map** all of the step...value added and non-value added... that bring a product or service to the customer

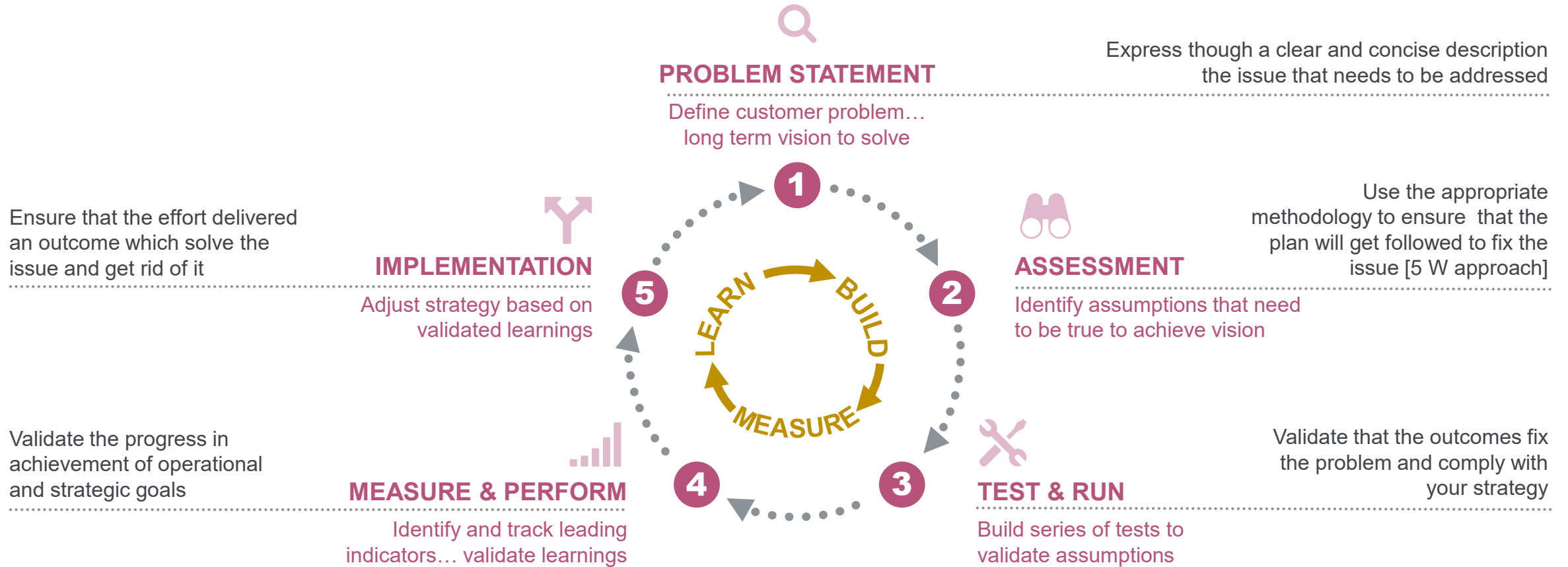
## ESTABLISH FLOW

The continuous **flow** of products, services and information from end to end through the process

## IMPLEMENT PULL

Nothing is done by upstream process until the downstream customer signals the need, actual demand **pulls** product/service through the value stream

# Problem solving cycle





# 9

## INNOVATION

Why to innovate ?

Strategies

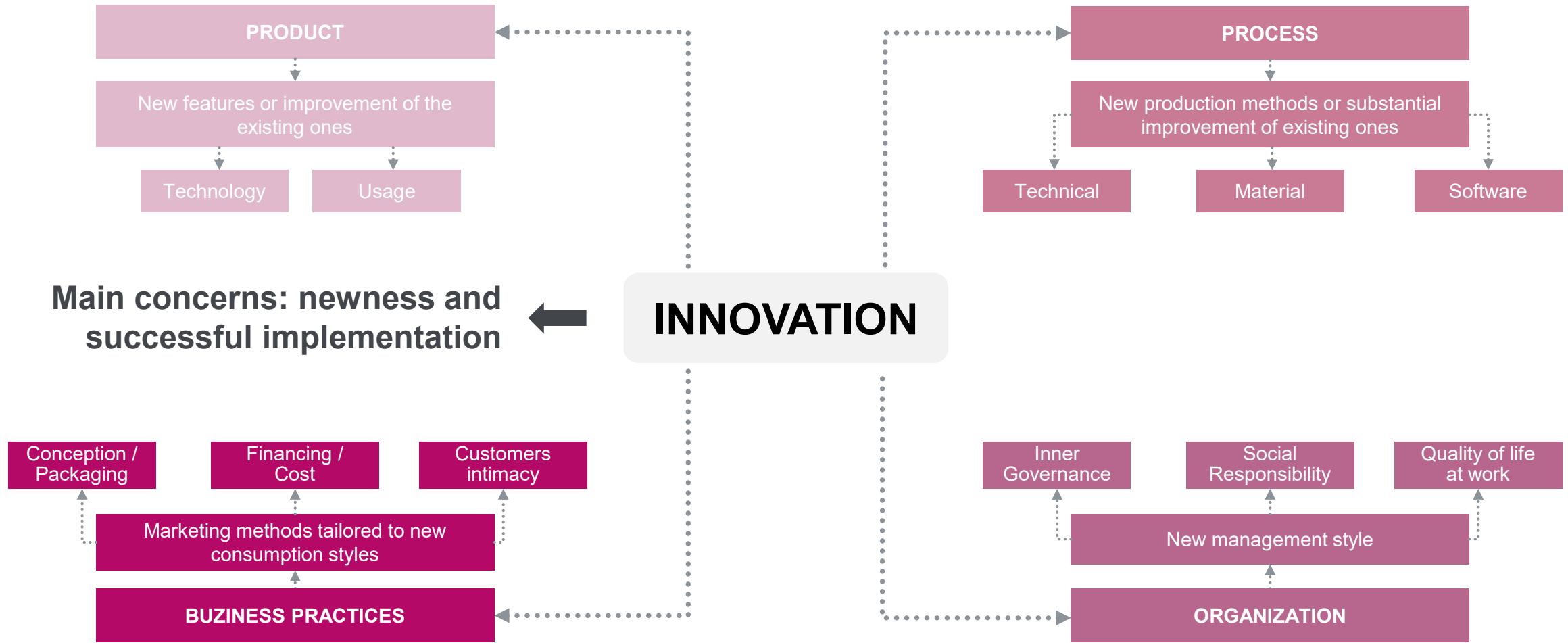
Deployment



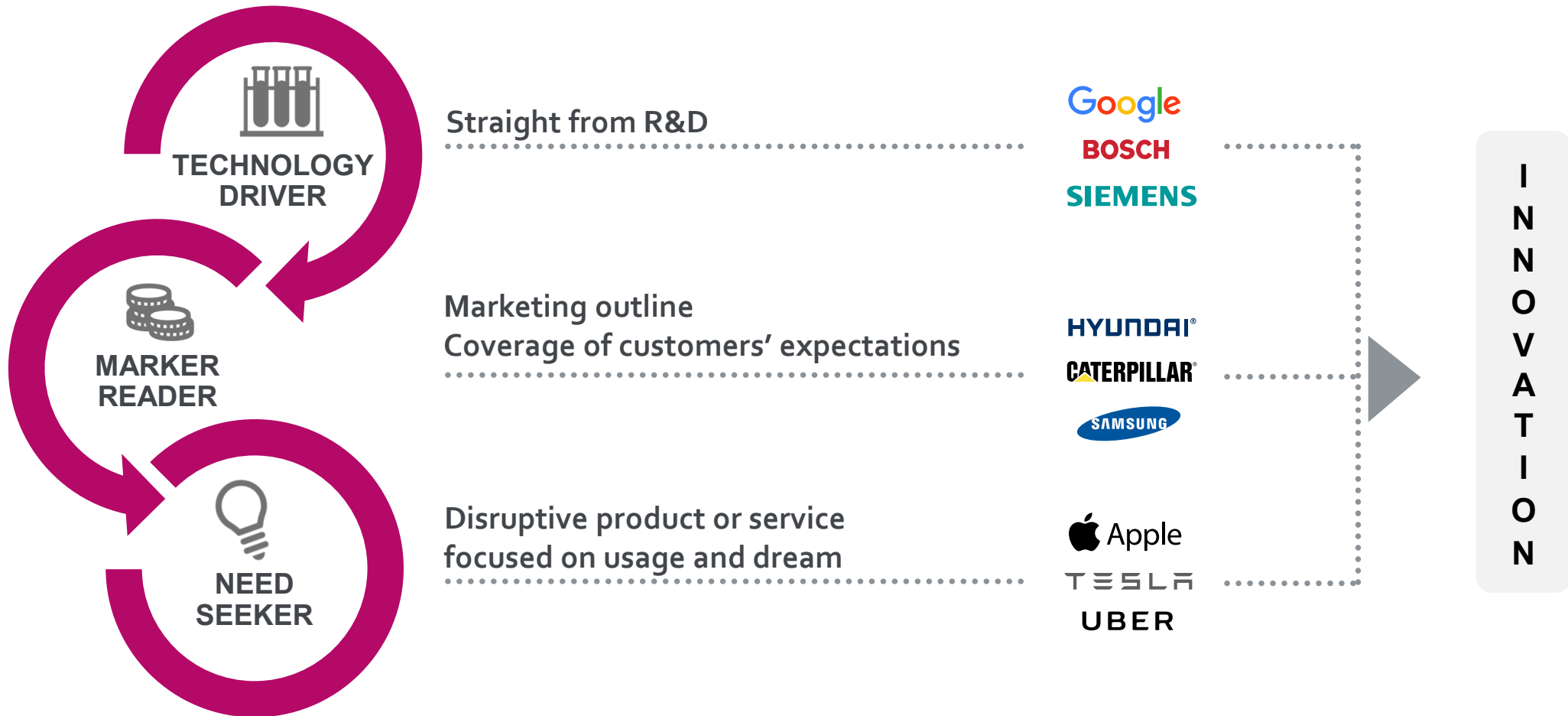
# Why to innovate?

- > Avoid price competition [differentiation strategy]
- > Restore the demand, stimulate the evolution of new services while giving a dynamic vision of the activity of the company
- > Accelerate marketing cycles and launch new trends [competitive advantage]
- > Redefining the terms of supplier-client exchange by new business models [mitigation of development costs]
- > Promoting organizational innovation as a lever for change in employment and productivity
- > Prepare the way out of crisis

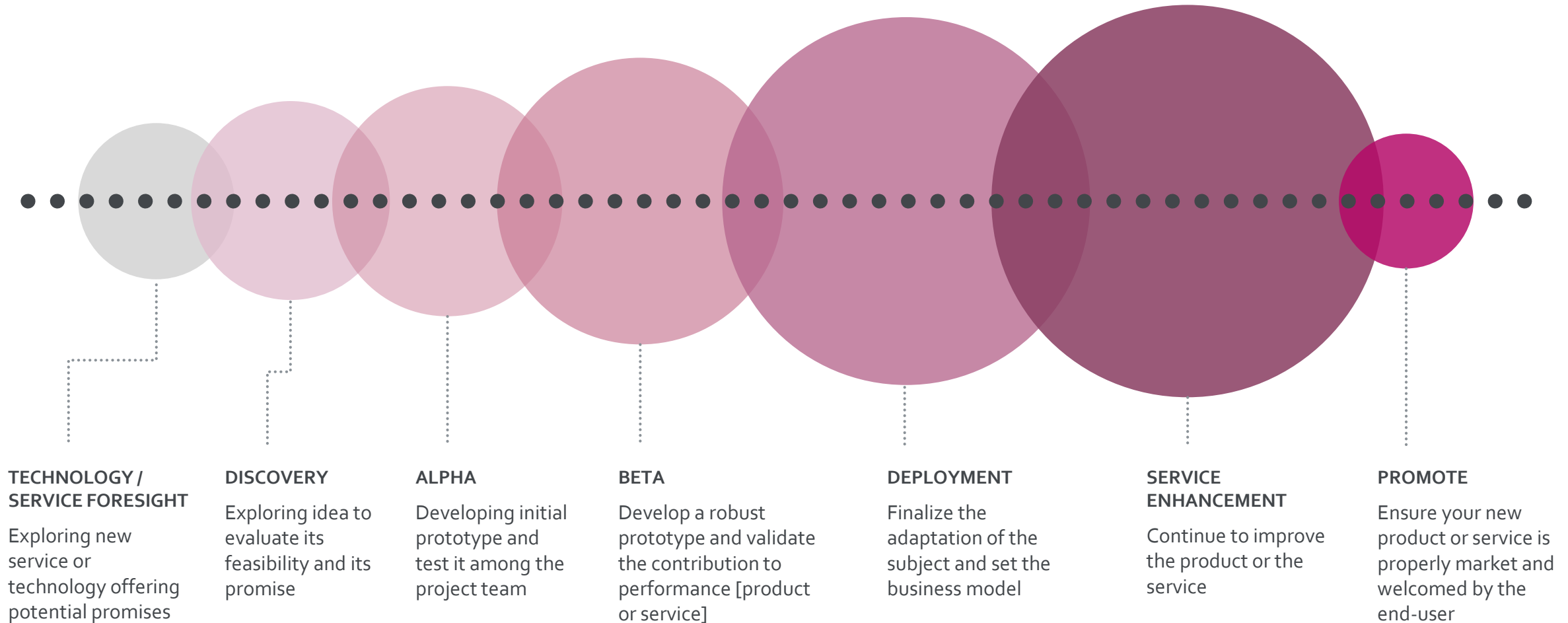
# About innovation



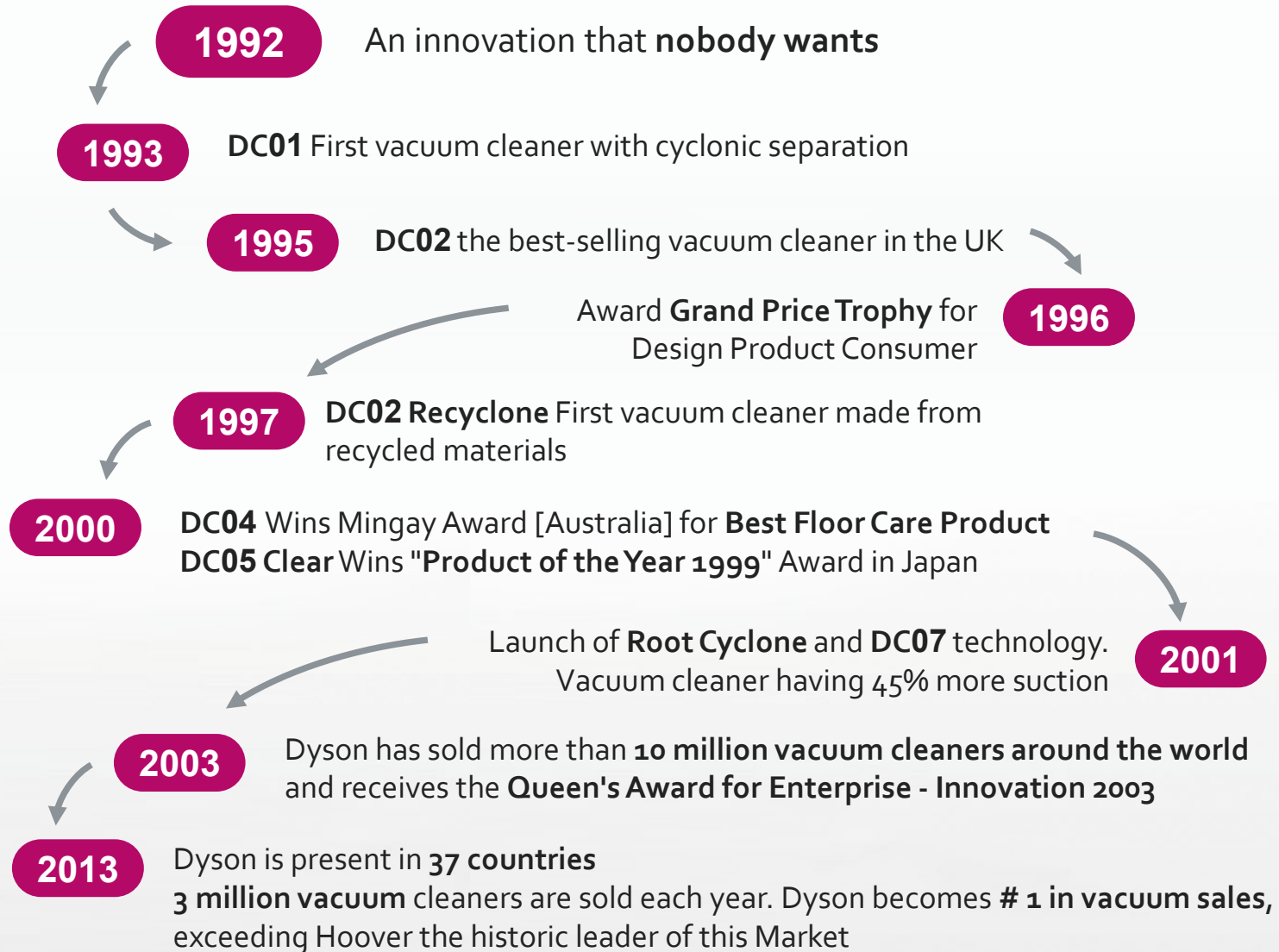
# About innovation



# From identification to market



# An innovation that does not lack of air



**TODAY**

A technology serving a whole range

- Vacuum,
- Fan,
- Hand dryer,
- Heater & Air Conditioner

*James Dyson*  
James Dyson

