

Our Strategy Race: Leg 8 – From Itajaí to Newport

Corporate Strategy Renewal (III) From the Past to the Future Example: ABB



→ Leg 8. From Itajaí to Newport

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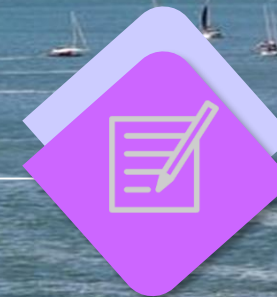
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From the past to the future: Corporate Strategy Renewal

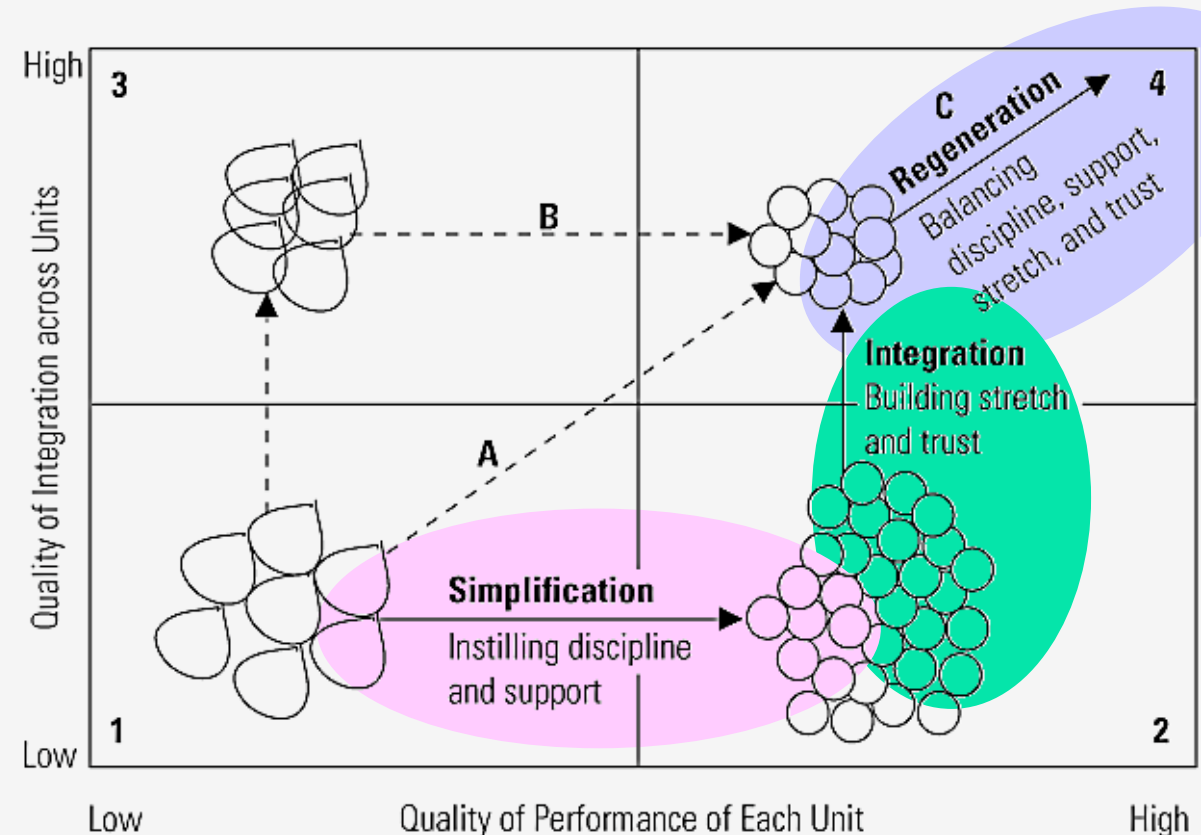
Corporate Strategy Renewal

Yesterday we saw theoretically
The three phases of corporate
renewal Model by Christopher
Bartlett and Sumantra Ghoshal
(1998).

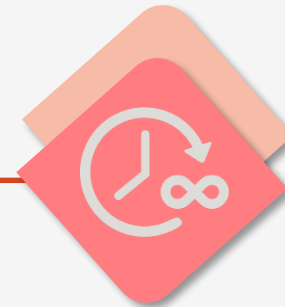
I will illustrate briefly this model
with the case of a company called
ABB (Asea Brown Boveri)



Figure 1 The Phased Process of Corporate Renewal



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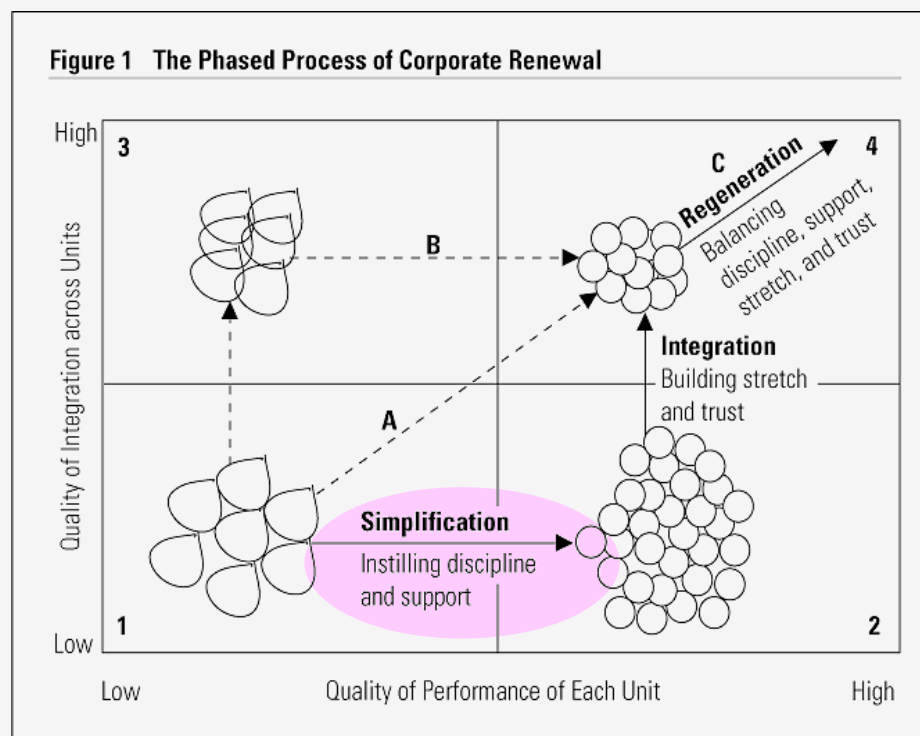


From the past to the future: Corporate Strategy Renewal

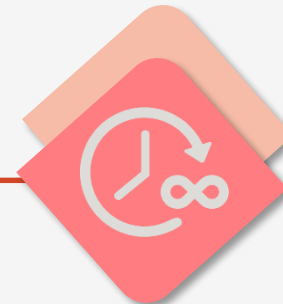
Corporate Strategy Renewal



Simplification: Implanting discipline and support From years 1999 to 2008



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From the past to the future: Corporate Strategy Renewal

ABB in Brief

Once upon a time, there was a Swedish company who felt in love with a Swiss company and they decided to merge.



- **In 1998, after 10 years of marriage: ABB had 1,000 Companies in 33 Business Areas organized into 7 Business Segments**
- **Sales 1998: US\$ 30,972 M**
- **Net Income 98: US\$ 1,305 M**
- **Employees: 199,232**

Business Segments (1998)

Power Generation,
Power Transmission
Power Distribution
Automation
Oil & Gas and Petrochemicals
Products and Contracting
Financial Services

Allmänna
Svenska
Elektriska
Aktiebolaget

- Founded 1883
- By Ludvig Fredholm
- Manufacturer electrical lights and generators
- HQ Location: Vasteras, Sweden



Got married in 1988



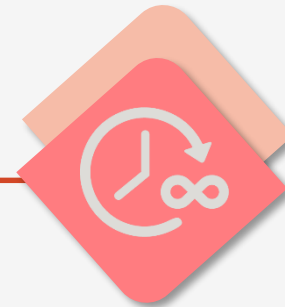
Brown
Boveri & Cie
(BBC)

- Founded 1891
- By Charles Lancelot Brown and Walter Boveri
- Producer of AC-DC Motors, generators, steam turbines and transformers
- HQ Location: Baden, Switzerland

**The result:
Asea Brown Boveri**



→ Leg 8. From Itajaí to Newport



From the past to the future: Corporate Strategy Renewal

ABB in Brief

In the year 2000, after one year ABB sold the Power Generation Business to the French Competitor Alstom, the company lost 1/3 of the revenues...

- **ABB re-arranged its segments, and opened a new one: Research-Dev. and Technology.**
- **Sales 2000: US\$ 22,967 M**
- **Net Income 2000: US\$1,443 M**
- **Employees: 160,818**



Business Segments (2000)

Group R&D and Technology New!
Automation
Power Transmission
Power Distribution
Building Technologies
Oil & Gas and Petrochemicals
Financial Services



Key Highlights year 2000:

- ABB completed its exit from the power generation field
- Started to acquire several technology businesses
- Entered several joint ventures with pioneering tech-automation companies
- Introduced cutting edge technologies
- Continued to implement Value-Based Management in all companies
- Reconfirmed its commitment to sustainable development



→ Leg 8. From Itajaí to Newport



From the past to the future: Corporate Strategy Renewal

ABB in Brief

It was the year 2005 when ABB completed its turnaround re-structuring phase...

- **ABB re-arranged its segments again**
- **Sales 2005: US\$ 22,442 M**
- **Net Income 2005: US\$ 735 M**
- **Employees: 104,000**



Business Segments (2005)

Power Products
Power Systems
Automation
Process Automation
Robotics

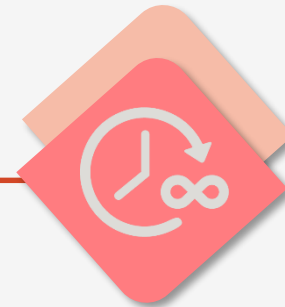


Key Highlights year 2005:

- By the year 2005, ABB had positive net income for the first time after their divestment of the Power Generation business.
- The company was losing money between 2001 to 2004. It took them 5 years to recover.
- Automation Technologies started to be the core business of the company
- Reduced our gross debt, unfunded pension liabilities and securitization.
- Streamlined corporate and operational costs around the world
- Spent \$960 million on research and development



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From the past to the future: Corporate Strategy Renewal

ABB in Brief

2008, was the year when ABB overpassed the revenues it had before the divestiture of Power Generation.

- **Sales 2008: US\$ 34,912 M**
- **Net Income 2005: US\$ 3,118 M**
- **Employees: 112,000**



Business Segments (2008)

Power Products
Power Systems
Automation
Process Automation
Robotics

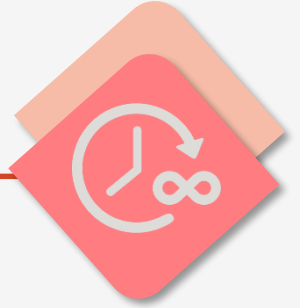


Key Highlights year 2008:

- It took 10 years to ABB to reposition their level of revenues as it was in 1998.
- Launched the first product allowing humans and robots to work safely side by side
- Embedded more non-financial criteria in our business decision-making processes – including the selection of suppliers
- Increased 6% of Research and Development investments
- ABB has earned a reputation for excelling in times of change.
- Confidence was built again, previous to the financial crisis.



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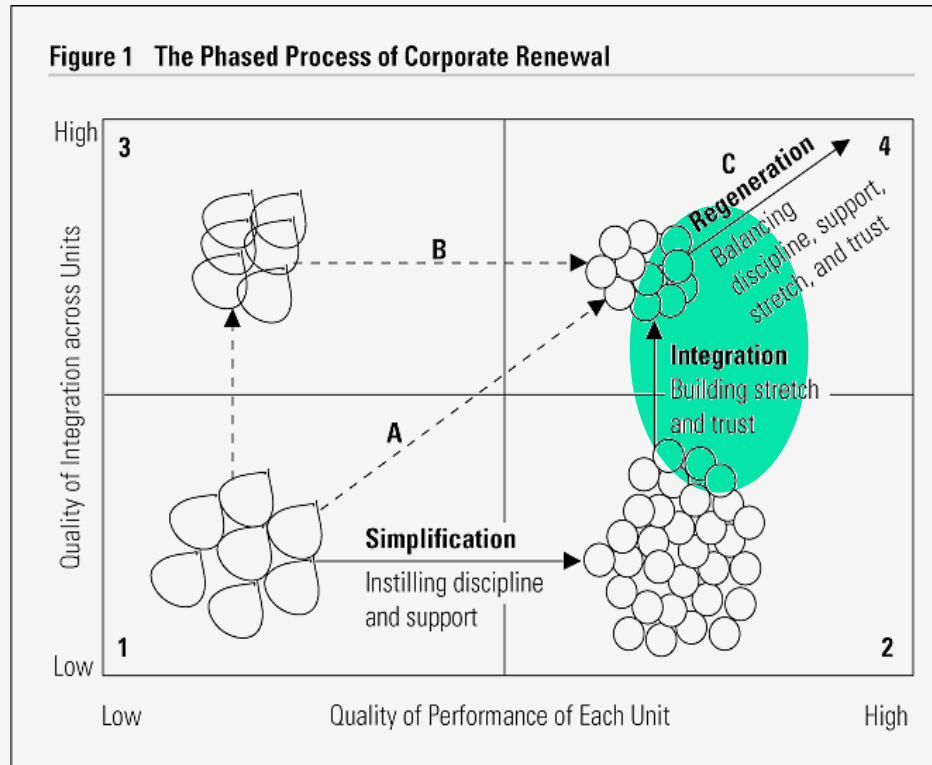


From the past to the future: Corporate Strategy Renewal

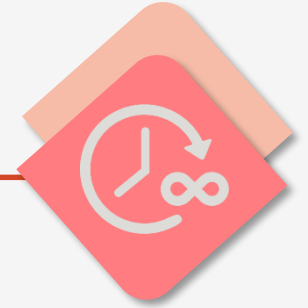
Corporate Strategy Renewal



Integration: Building Stretch and trust From Year 2009 to 2014



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From the past to the future: Corporate Strategy Renewal

ABB in Brief

2009 is the beginning of the Integration phase (in our Bartlett-Ghoshal Model)

- **ABB re-arranged its segments and renamed them to divisions**
- **Sales 2009: US\$ 31,795 M**
- **Net Income 2009: US\$ 2,901 M**
- **Employees: 116,000**



Strengthening the foundations for growth

Business Divisions (2009)

Power Products
Power Systems
Discrete Automation and Motion
Low Voltage Products
Products Automation



Key Highlights year 2009:

- ABB prepared themselves for the financial crisis by reducing operational costs in ways that enabled them to preserve the jobs and skills that will help them to grow again
- Changed their organization structure
- Demonstrated resilience in extreme conditions
- Continued investing in people's development, helping employees to realize their potential and develop the skills and competences, despite the crisis.
- Reinforced three trends: growth in emerging markets, concern about climate change, and demand for greater energy and process efficiency.



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From the past to the future: Corporate Strategy Renewal

ABB in Brief

2013 was an excellent year for ABB. ABB soared in sales above 40 Billion dollars.

- ***Sales 2013: US\$ 41,848 M***
- ***Net Income 2005: US\$ 2,787 M***
- ***Employees: 147,700***



Business Segments (2013)

Power Products
Power Systems
Discrete Automation and Motion
Low Voltage Products
Products Automation



Key Highlights year 2013:

- Solid financial performance in a challenging market, establishing record revenues, higher operating profits and earnings per share despite continued economic uncertainty
- Expansion through strategic acquisitions to reach new markets and strengthen key segments: such as Power-One, Baldor and Thomas & Betts.
- Innovation across the divisions; recognized as one of the world's top 50 innovators by MIT
- New Corporate Governance full in place.



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From the past to the future: Corporate Strategy Renewal

ABB in Brief

2014 is the year of the anticipation for the next level: Regeneration.

- **Sales 2014: US\$ 39,830 M**
- **Net Income 2005: US\$ 2,594 M**
- **Employees: 140,400**



Business Segments (2013)

Power Products
Power Systems
Discrete Automation and Motion
Low Voltage Products
Products Automation



Key Highlights year 2014:

- Delivered robust results in a challenging environment
- Unveiled innovative new technologies, including the revolutionary YuMi robot and a record-breaking high-voltage 525-kV extruded cable system
- Forged new strategic partnerships to expand market presence and lower risks, Hitachi and Philips.
- Returned more than \$2.8 billion to shareholders through share repurchases and dividend.
- Continued Savings: Took out \$1 billion in costs for sixth consecutive year,
- Launched Next Level strategy with ambitious targets to accelerate sustainable value creation, and implemented new organization

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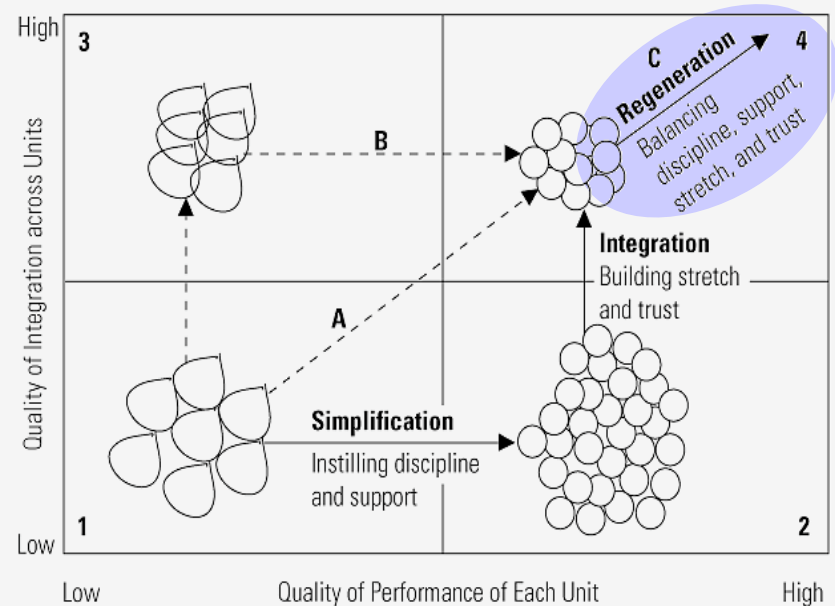
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Corporate Strategy Renewal

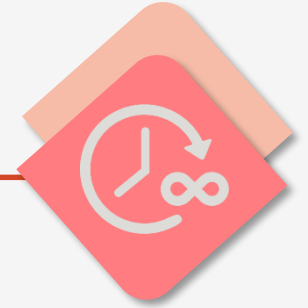


Regeneration: Ensure continuous learning. Since 2015 to the future

Figure 1 The Phased Process of Corporate Renewal



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From the past to the future: Corporate Strategy Renewal

ABB in Brief

2017 is the launching year of "ABB Ability" Strategy for the Fourth Industrial Revolution or Industry 4.0.

- ***Sales 2017: US\$ 34,312 M***
- ***Net Income 2005: US\$ 2,213 M***
- ***Employees: 135,000***



Business Divisions (2017)

Electrification Products

Robotics & Motion

Industrial Automation

Power Grids

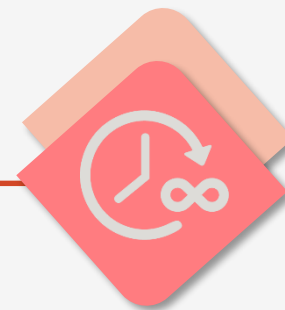


Key Highlights year 2014:

- ABB Ability is central strategy of driving growth through the expansion of high value-add solutions and services.
- Since the year 2015, ABB changed again its organization divisions
- Regeneration is the third stage for ABB and the years to come.

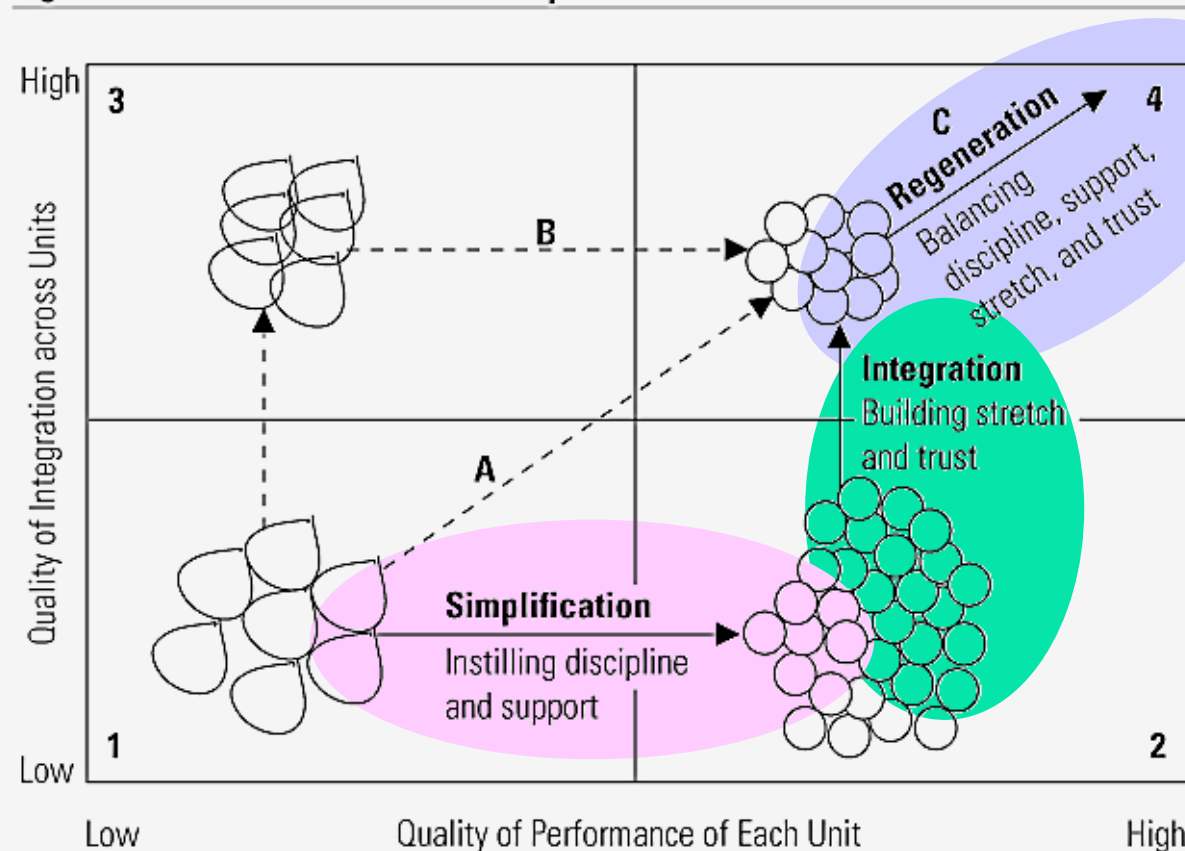


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Figure 1 The Phased Process of Corporate Renewal



Thank you!

