



## Summary

### 1) Innovation management: the key to success. IBM's point of view regarding innovation in the Electronics sector.

In a bid to gain an in-depth knowledge of its environment, IBM regularly carries out market and customer surveys through its entity "Institute for Business Value".

One of IBM's most recent surveys of 450 managers\* confirmed that after several years marked by cost-cutting and risk management, the growth objective is back in corporate strategy, particularly where the "Electronics" sector is concerned. IBM's customers clearly indicated that this growth must be mainly driven by innovation: new increasingly differentiated products and services with a faster time-to-market.

The electronics market is a special case as, despite corresponding to a sector of activity, it pervades all other markets such as automotive, aviation and medical markets. Able to provide new easily-configurable functionalities, electronics and software (systems) have become key tools for differentiation, innovation and even survival.

But this is no easy task. In addition to ever-increasing technological complexity is the rise in development costs and the transformation of the ecosystem which also involves innovating the way partnerships are formed and constantly renewed.

Research, Development and Innovation are often wrongly linked, as indicated by our analysis of company performance (Total Shareholder Return\*\*) in relation to R&D investments. The real challenge is managing innovation management or combining invention with judgment to create new solutions that are tailored to the market. IBM Business Consulting Services has thus developed an analysis model used to diagnose the efficiency of the innovation chain in organizations as a basis for appropriate improvement and transformation programs.

### 2) Schneider Electric's response to the innovation challenge

Today, electricity is essential for most products and services. It is the most adaptable form of energy, the safest to transport and the most flexible to use. Electricity has even become intelligent thanks to the convergence of electricity, automation and communication technologies.

Schneider Electric is focusing on innovation to provide the best of the New Electric World to everyone, everywhere at any time and to make electricity increasingly safe and easy to use while respecting the environment. A key factor for success and a strategic priority at the heart of its new company program new2, Schneider Electric dedicates €535 million to R&D (5.2% of its revenues).

Products, software, services, production processes: R&D involves 4,500 researchers and developers in 25 countries and 60 application centers in 18 countries.

These R&D efforts are used in all markets in which Schneider Electric is present, enabling its customers (one of which is IBM) to innovate and be more efficient: building automation and control, enhanced by new Voice-Data-Image communication possibilities; industrial automation systems for integrating on-board intelligence into equipment and accelerating the deployment of the "transparent factory"; new electricity generation methods; quality and high-availability of power and efficiency and mastery of its use.

### 3) IBM's response to the innovation challenge

Over the last 10 years, IBM has radically transformed its positioning in the market and developed a wide range of professional services. IBM's values have evolved alongside the company's transformation to focus on innovation to drive value creation for its customers.

With numerous research laboratories and development centers in the world and over \$5 billion dedicated to R&D each year, IBM is an innovative company both in terms of technology and services. By opening up its Research to its customers, IBM enhances its intellectual capital and helps its customers to innovate in their products and services as well as in their processes.

By combining the mastery of new technologies and its consulting/services capacities with an in-depth understanding of its customers' businesses, IBM helps them to transform in order to boost performance.

IBM BCS\*\*\* teams go out to numerous customers' premises to help them to better manage their innovation and optimize their development cycle (PLM: Product Lifecycle Management).

### 4) IBM and Schneider Electric: a strategic partnership in 3 areas

Schneider Electric and IBM have signed a co-development and international cooperation agreement in the field of microelectronics. This will be extended to the food and beverage business. It involves providing easy-to-integrate connections between Transparent Ready automated system architectures and IBM's middleware WebSphere™.

IBM chose Schneider Electric in the USA in a bid to optimize its electrical costs in production centers. For Schneider Electric, energy efficiency is a major challenge for the future, with three key concerns: energy consumption, electrical equipment operating conditions and energy quality and availability.

For software development, which is increasingly present in its products, Schneider Electric chose IBM's Rational™ solutions to optimize and increase the reliability of its developments.

\* Source: IBM 2004 CEO Survey

\*\* TSR: Total Shareholder Return = ((End-of-period share price – Start-of-period share price) + dividends)/Start-of-period share price.

\*\*\* IBM BCS (Business Consulting Services), IBM's consulting and services division.

### **About Schneider Electric**

Schneider Electric is the world's power and control leader. Through its world-class brands, Merlin Gerin, Square D and Telemecanique, Schneider Electric manufactures and markets a comprehensive range of products and services for the residential, buildings, industry, energy and infrastructure markets. Schneider Electric has 85,000 employees worldwide, operations in 130 countries and recorded sales of €10.4 billion in 2004 through the 13,000 sales outlets of its distributors. [www.schneider-electric.com](http://www.schneider-electric.com)

### **About IBM**

IBM, which has made On Demand Business its growth engine, is the world leader in information services and technologies. IBM develops and markets global On Demand Business solutions: hardware (servers, storage and PC), software, services and financing. With its vast international network of services and solutions consultants and experts and its 90,000 business partners, IBM transforms these advanced technologies into added value for businesses of all sizes, particularly SMEs and SMIs. Investing nearly \$6 billion a year in research and development, with more than 3,000 researchers and engineers and eight laboratories in six countries, innovation is at the heart of IBM's strategy. For the eleventh consecutive year, IBM topped the US corporate patent list by receiving 3,248 patents in 2004. Each year more than 30% of these patents lead to tangible IBM commercial offerings. For more information, go to [www.ibm.com/fr](http://www.ibm.com/fr)

### **Press Contacts:**

#### **IBM**

Karine Faucher-Véronneau  
IBM Global Services & Business Consulting Services  
Tel: 01 49 05 88 51  
E-mail: [karine.faucher@fr.ibm.com](mailto:karine.faucher@fr.ibm.com)

#### **OneBlue for IBM**

Judith Sautereau  
Tel: 01 53 32 55 47  
E-mail: [judith.sautereau@oneblue.fr](mailto:judith.sautereau@oneblue.fr)

#### **Schneider Electric**

Véronique Moine  
Tel: +33 (0)1 41 29 70 76  
E-mail: [veronique.moine@schneider-electric.com](mailto:veronique.moine@schneider-electric.com)

#### **DGM**

Michel Calzaroni / Olivier Labesse  
Tél. +33 (0)1 40 70 11 89  
Fax +33 (0)1 40 70 90 46