Software Solutions

German software corporation SAP has a huge responsibility for the success of many supply chains, banks, retailers and other businesses as it provides them with the business software solutions they depend on to optimise their business.

For more than four decades, SAP has been developing systems, applications, and products in data processing to benefit businesses in Europe, the US, and the world. It is the market leader in its field and is at the centre of today’s technology revolution, developing innovations to make the world run better and improve people’s lives everywhere. SAP’s goal is to help organisations to simplify complexities for real-time responsiveness, enable actions with timely information, stay ahead of the competition, and generate new opportunities for innovation and growth.

Jim Hagemann Snabe is a member of the supervisory board and served as co-CEO of SAP with Bill McDermott from 2010 to 2014. He has worked at SAP since 1990, only leaving for a couple of years when he was headhunted by IBM to run its strategy consulting practice, before being called back to take on the role of managing director for Sweden. His professional experience with SAP includes various consulting, sales, development and leadership positions. He has a masters degree in operational research from the Aarhus University in Denmark.

After 25 years in the IT industry, Jim decided that it was time to leverage his experience more broadly and give back to society. Today, Jim’s career direction and focus is to help the World Economic Forum in its mission to ‘improve the state of the world’ and to help five global companies (SAP, Siemens, Allianz, Danske Bank, and Bang & Olufsen) to improve their business by leveraging digital opportunities.

The CEO Magazine sat down with Jim to talk about his work with SAP, how a co-CEO model worked successfully for the company, the importance of embracing innovative technology, and his vision for the future.

The CEO Magazine: How has your past professional experience shaped your leadership style?

Jim: It is influenced by two major dimensions. Firstly, in my role at SAP, as well as at IBM, I was exposed to a very global company. A large portion of my leadership has to do with a belief that the leaders of business need to—besides delivering a solid performance of their business—take a responsibility in shaping the world for the better. There’s not necessarily a conflict of interest between those two things if you are strategic enough about what you are doing with your company.

So that’s one major element, and the other one is a strong belief that as a leader you’ve got to create the...
future. There is a very important role and responsibility for any leader to build a better future. That dimension has a lot to do with innovation, with the ability and willingness to reinvent yourself every once in a while as new opportunities arise and as your current business model maybe comes to an end. I have always said that leadership is about dreams and details. Dreams because as a leader you have to inspire people to be able to reach goals they never imagined possible, and details because without spending time on the details the dreams will never become reality. You could argue it’s a rather ambitious DNA. It is one that is never satisfied with the current, and one that is always thinking about where the next radical changes will be coming from.

What gives SAP its competitive advantage and point of difference?

SAP has been in business since 1972 so it has more than 40 years in the IT sector. You don’t find many companies in that sector that have been successful for more than four decades. What is it that made it possible for us? I think there are a couple of things that matter more than anything. Number one, there was always a very strong customer orientation. You never leave a customer, you get inspired by the customer, you try and do whatever is possible and whatever is necessary for the customer. I believe that the customer orientation was what SAP was created on in the first place and what still exists in the business’s operations today.

There were five partners who founded the company—Dietmar Hopp, Klaus Tschira, Hans-Werner Hector, Hasso Plattner, and Claus Welleweber—and they spent a lot of time with the customers. Through that they were showing by example that the customer was the most important thing. The times when SAP has been performing the best have also been the times when we have had more focus on the customer.

Number two, there has always been a long-term orientation with a focus on high quality within the company. SAP is a software company but we don’t make toys or computer games. We build software that runs major companies; it runs global supply chains, banks, and insurance companies. Airplanes are maintained with the software, energy supply chains are managed by the software, cars are built with the software. So a lot of what SAP does is mission critical. If the software were to stop working, then the customer’s business stops working, the bank stops transacting, the retailer closes shops, and the planes can’t fly. I think SAP has been very successful over four decades because we have always had a very solid engineering skill. We could argue that the German heritage of the company is one that is of very solid engineering, is long-term oriented, is always finding solutions that last, and is of a high quality.

The third point I would like to mention is innovation—the ability to come up with new product ideas and architectures that fundamentally change the industry. Again, I’ll come back to the fact that SAP has been in IT for four decades. In other industries four decades is nothing but in IT, if you look at the companies that were big in the 70s, most of them don’t exist today. There are only a few that are still around, including IBM and us.

The IT industry is unique because of the pace of change. Either four or five years, new innovations drive fundamental changes in the industry that challenge everyone in the industry—even the market leaders. In order to survive, businesses need to be able to adapt to the new situation. SAP was built on the vision of standardized real-time business software and nobody else had that idea at the time. We also came up with the first client-service solution so a new architecture and technology enabled a significant opportunity for SAP. In recent years, SAP has innovated a new generation database architecture, which is 10,000 times faster than traditional database technology. So these jumps are really based on a DNA of innovation where you don’t continuously improve on existing products but you also take a massive step forward and define the next generation of technology. In order to stay a leader in the IT industry, you have to lead the innovation and reinvent yourself again and again.

Those are my three points on why SAP has been successful—an obsession with the customer, an obsession with long term and high quality, and an obsession with innovating and having the guts to rethink the fundamentals and reinvent itself.

For four years you worked as a co-CEO alongside Bill McDermott. How did this management model work to SAP’s advantage?

There is a lot of learning in this story. Most people say that a model with two CEOs will never work. That’s because they have the assumption that if there’s not one person making the decisions then no decisions will be made at all. But if you have two individuals that are complementary in skill, then together they cover a much broader and deeper area of expertise. That was the case when Bill and myself: Bill, the American, with a very strong sales background and myself, the European, with a very strong innovation background. The combination was a very powerful one.

We had two brains so we could think strategy in a more effective way, we had four ears and four eyes so we could listen to the market and the customer more effectively and, most importantly, I had four hands so we could execute a strategy in a much consistent and fast way. I would argue that because of that model we were able to reshape and reinvent the company much faster than what we otherwise would have been able to.

The model clearly has advantages but the question is, can it always work? This is where I would say not always. It really depends on the people that are put in such a situation. It has to be people who are willing to sacrifice their own self-esteem and decide to focus all of their attention on the success of the company. They’ve got to take themselves out of the equation and say, ‘We’re here to partner around the company. It’s not about me; it’s about the success of the company.’

Secondly, you have to have two people who have 100-per-cent trust in each other so that all of the energy is used in making the company successful. If you have that circumstance then the co-CEO model can be a very powerful model. My partnership with Bill McDermott was unique. Not only because Bill is a great leader with big dreams and attention to details. He is also the kind of person you can trust. Our partnership developed into a strong friendship. In our case, we also had the benefit that SAP had proven this model successful before. Maybe the founders who teamed up to create a successful start-up in the 70s formed this tradition.

What are some of the major challenges SAP has faced over its existence?

I think there have been a couple of challenges over the years. It is clear that one of the key elements in...
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HOW A STARTUP AND SAP CAN BE SUCCESSFUL TOGETHER

Extract from an interview with Bastian Nominacher, Co-CEO of Celonis. Published on the SAP Startup Focus Blog.

How has Celonis developed so far?
Celonis is an ambitious startup in the Big Data analytics space founded in 2011. Based on extensive background in academic research, Celonis has quickly become the leading vendor for Process Mining software. By the end of 2014, Celonis has grown to more than 40 employees and has accumulated a unique expertise in the emerging field of technology. Market leaders such as ABB, Siemens, Bayer, KPMG or RWE all rely on the power of Celonis Process Mining.

What is the business need addressed by Celonis Process Mining?
Whether in purchasing, sales, production, customer relationship management or every other business area, processes involve many different experts, employ various IT systems, and span across several organisations and locations. Keeping track of what is actually happening in a large enterprise is becoming an increasingly difficult and time consuming effort. In fact, inefficient and slow processes are key cost drivers in any business and directly affect corporate performance. Hence, there is the dire need to streamline processes and create transparency.

Describe a problem solved by Celonis Process Mining
Take a recent engagement with a large automotive supplier, for instance. The automotive industry is highly dependent on an efficient supply chain. Any interruptions in the production and logistics process directly translate into increased costs and diminishing customer satisfaction. The customer was particularly interested in visualising the material flows, how a customer order passes the different production steps across the globe, and throughput times. What are the sources of redundant stock? How does it accumulate and who is responsible? Are there unnecessary waiting times between shipments? With Celonis Process Mining, the customer was able to target those questions and greatly improve its processes and everyday approach.

How does Celonis Process Mining benefit from SAP HANA?
Process Mining is an all-out, full-blown big data operation that requires a processing backbone able to handle unbelievable amounts of data. With SAP HANA as a powerhouse, Celonis Process Mining is free of any restrictions and able to provide a seamless user experience with real-time access to all of the data. Real-time Process Mining with SAP HANA has allowed us to be the “Google for processes” for our customers.

CELonIS IS PART OF THE SAP STARTUP FOCUS PROGRAMME

Since the start of 2013, Celonis has been part of SAP’s prestigious Startup Focus programme. The SAP Startup Focus programme is aimed at startups with big data, predictive analytics and/or real-time data decision solutions. The programme provides access to SAP HANA for the startup community, helps promising startups accelerate the development of their solutions and assists with bringing them to market.

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being successful over decades in IT is that you must be the first to scale a new innovation to market when a new generation of technology disrupts the market. Being late with a new generation of technology is not an option. In times where SAP was not doing that, the company had some issues. This is the first dimension of being successful as a company in the IT industry and this becomes more relevant in all industries as they begin to think about leading the next generation of digital innovation in their industry in order to survive.

Success can be your biggest enemy. If you are successful then there is a tendency, as you grow your success and have a strong market position, to increase your risk of complacency and assume that what is being done today will be successful forever. With that comes an unwillingness to challenge assumptions and reinvent yourself. If I come back to it, the core values that really grew SAP were getting out to the customer, having high quality, and driving innovations for the next generation. There has always been a focus on the current but also on investing into the future. That is how we have always overcome any challenges.

How does SAP collaborate with its key suppliers and other partners to ensure that it continues to be successful now and in the future?

Having good relationships with suppliers is an important part of SAP’s strategy. Quite early in the history of SAP, back in the 1990s, the company realized that it would be impossible to do everything on its own, so it opened up a very strong partner-based strategy. We called it an ecosystem. I would even say that in many cases we gave our partners 10 times bigger business than SAP. That’s because with their special skills we could target a greater market share together.

I think companies need to decide whether they want to be an end-to-end provider or whether they want to be the best at what they do. SAP chose to be best at building business software, so it needed other companies to fulfil the end-to-end solution role. The benefit for SAP has been that it has covered more ground, become more global and more relevant.

So in the later years we have opened up our platforms, with startups or support programs, where we give very cheap access to our technology. These startups or companies can build, innovate, and come up with solutions for us and with that create, in effect, 10 or maybe even 100 new innovations for our customers. Through that we are able to establish a long-term value proposition for SAP.

I think that the world is going more and more in this direction. The level of complexity and the number of opportunities that you have when you digitize is so significant that companies ought to look for an ecosystem approach. Why can’t people who are not employed in your company be a very valuable part of your innovation cycle, and of your delivery of the value cycle to your customers?

I think we will see much more of that in the future. Uber is a good example of an extreme case where, for instance, the simple taxi companies are disappearing and there are many freelance drivers who get together and get integrated in a business model because of technology. I am sure we will see that model enter into more businesses as well in the future.

What is your vision for the future of SAP and the industry as a whole?

I think the future holds significant opportunities because of technology innovation. All industries need to take advantage of the digital opportunities that are arising. In my mind, the future holds a radical transformation. I think we are seeing the end of the industrial age where we learned to mass-produce similar products and mass distribute them and hope they get bought by the consumer. I think we will see more of a world where we, through advancements in digital technology, are able to understand the individual needs of the consumer more accurately and deliver on those in a more optimal way. This could potentially solve the resource-constrained situation we currently face, and lead to more sustainable business models.

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Our approach to digital can grow your business in entirely new ways.

Today, technology can transform every aspect of your company. Now every business is a digital business. Our industry expertise, coupled with our integrated capabilities across interactive, analytics and mobility, can help you take advantage of the opportunity to innovate and compete. We can also manage your digital processes or take them to the cloud. All so your company will see tangible results from the virtual world. That’s high performance, delivered.