

Interview

Enterprise Solutions

An Interview with Léo Apotheker,
Deputy Chief Executive Officer and President, Consumer Solutions & Operations, SAP AG



Léo Apotheker

EDITORS' NOTE Léo Apotheker has been a member of the SAP AG executive board and President of Global Customer Solutions & Operations since 2002. He was formerly President of SAP EMEA (Europe, Middle East, and Africa) from 1999 to 2002. Since joining SAP in 1988, Apotheker has held other positions with the company including CEO and founder of SAP France and SAP Belgium (1995-1997) and President of SAP's South West Europe region (1997-1999). From 1994 to 1995, he was Management Partner at ABP Partners, a strategic management consulting company, and from 1992 to 1994, he served as the founding President and COO of ECsoft, a European venture capital start-up. He also held positions at McCormack & Dodge Europe and Swift. Apotheker graduated with a degree in international relations and economics from the Hebrew University in Jerusalem. He is also a member of the supervisory board of AXA.

COMPANY BRIEF Serving more than 41,200 customers in over 120 countries, Waldorf, Germany-based SAP AG is the world's largest business software company and the world's third-largest independent software provider overall. The company (www.sap.com) employs approximately 42,000 people in more than 50 countries and is a leading provider of enterprise resource planning (ERP) software used to integrate back-office functions—such as distribution, accounting, human resources, and manufacturing—for companies, ranging from small businesses to

multinational corporations, in a variety of sectors, including technology, retail, financial services, health care, and government.

How would you characterize SAP's business today? What is your outlook for growth?

Our portfolio is probably the strongest in the industry, when you talk about enterprise solutions. We have all the tools, software, and services that any enterprise of any size in any industry would require to manage its business, both inside the four walls of the enterprise, but equally or even more important, outside the four walls of the enterprise. We cover all of the back-office capabilities, all of the front-office capabilities, all of the logistical capabilities, all of the customer-facing capabilities, and of course, all of the core operations required for an enterprise to collaborate with other business partners. We also provide intelligence to enable users to do their jobs in a significantly more effective way with a series of end-user tools. We operate locally, and do business in all of the countries of the world. We have a global organization, with a global network of development capabilities, and therefore, we are able to quickly integrate trends and new ideas emerging anywhere in the world. Our growth outlook is very positive. We're coming off three years of double-digit growth, and we have every intention of continuing that in 2007.

What kind of companies does SAP serve? Are they only large, multinational corporations, or do you also focus your efforts on small and midsize companies?

We estimate that roughly 60 to 65 percent of the world economy runs SAP software, and the world economy is not comprised of only large enterprises. In fact, we have about 40,000 customers, and there certainly aren't 40,000 companies in the *Fortune* 1,000. We actually serve about 26,000 small- to medium-sized enterprises, and we are proud of that, because we have helped a number of them become medium to large businesses. We believe that we can help many other companies achieve that.

In selling SAP's products and services, do you deal mostly with C-level executives?

I believe we have to be at all the C levels—not just one—to help our customers articulate and shape a much better IT strategy. And that's not for the sake of IT, by the way, but for the sake of doing better business, and it's something we do very well.

Do you anticipate strong business opportunities for SAP in China?

We have been focused on China and a number of other emerging markets for many years now. We didn't recently discover Brazil, Russia, India, or China [BRIC]—we've been there since the '90s, and that puts us in a favorable position as market leaders. In fact, India and Russia are in a neck and neck race to be the strongest growing BRIC country right now. We have identified, on a global level, nine strategic countries to focus on: First and foremost, of course, is the United States of America, the world's largest IT market, where we are, by the way, the market leader; add to that Brazil, the U.K., France, Germany, Russia, India, China, and Japan.

How do you differentiate SAP's products and services from those of its competitors? To many people, they might sound similar.

A distant number two might attempt to commoditize certain services to catch up to the market leader. That's fair and logical, and if I were number two, I would be trying to do the same. So we must continue to provide added value and differentiation when it comes to our brand and our services. A few things, therefore, have a direct impact on our strategy. We believe in innovation and we invest in innovation to create differentiation and additional value for our customers. With our M&A strategy, we try to buy innovation—not just market share. Yesterday's technology will not help us differentiate. So we merge our strategy to bring additional capabilities and stronger value to our customers with an approach that stresses our role as trusted advisers. In fact, people buy SAP not only for the good technology, but also because of the unique relationships that we build with our customers. We act as their trusted advisers for IT strategy and business innovation.

Many corporations struggle with finding the talent they need to make their businesses successful. Even in a technology company like SAP, it all comes down to the people who work for you. So how are you finding the employees you need? Are you pleased with your ability to find talented people?

We are in the innovation business, and we are in the relationship business, and it's all about people. Working in a global market, we have to source talent globally. If we only sourced

in local markets, we'd be in trouble because there is a scarcity of talent in the worldwide market, due to the high levels of competition for that talent. So we are in the fortunate position, as global players, to source our people globally. We recruit in many places and from many sources. We are very much in favor of open borders so we can have unrestricted access to global talent. At the end of the day, we are competing for talent, and we're doing a reasonably good job. I wish that the supply of talent was bigger. As a global community, we have a vested interest – all of us together – in increasing the supply of talent.

Do you think there will be continued consolidation in your industry? Do companies need to be of a certain size and scale to compete in the global arena?

Yes. Consolidation is happening in the market. There are two ways to consolidate a market: one is to buy up anything that moves and the other is to out compete and win business. We have selected the organic growth strategy; that doesn't mean that we don't do some acquisitions – we actually do. We look for niche technologies that make sense to buy, versus make – it's faster. But yes, you need scale, because the investments that we need to make into core capabilities, technology, and services are very capital intensive, and therefore, you can only achieve results through scale. That doesn't mean niche players can't create a very interesting market. But the niche players need to focus on their domain of expertise. We have set up a complete program, thanks to our platform, to attract Independent Software Vendors [ISVs]. We have attracted about 2,500 ISVs to our platform, so that they can actually specialize in their niche. We will protect those markets for them so they can actually achieve some scale in their own capabilities.

You also have a strong focus on partnerships. How important is that to the business? How do partnerships affect the way SAP operates?

It's an essential ingredient of our strategy. It is very arrogant to believe that one company can innovate along all dimensions, industries, and sectors – that just simply doesn't make sense. By the way, a great partner can be a customer. I believe that is probably one of the most important competitive differentiators of SAP – the fact that we can create differentiated solutions together with our customers and partners. We hope we can continue to innovate on our partnering strategy. It gives us a significant advantage over everyone else, and it shows that we are a loyal partner. In fact, we have been cultivating these relationships for over 20 years, and I believe that, in order to be a trusted adviser to your customers, you need to be loyal to your partners. And we are recognized in the industry for this.

Companies today are focusing more on social responsibility and corporate citizenship. For SAP, this has seemingly been a part of corporate culture for a long time. How would you define the role of corporations in society?

There's a debate raging in many boardrooms – what is the role of a corporation? Is it only there to provide shareholder value? Or is

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it also there to provide stakeholder value? We believe that a company of the size and reach of SAP has to look after the interests of all of its stakeholders – our customers, employees, shareholders, and, in a certain sense, society at large. We believe that by bringing the type of innovation that we create to the market effectively, we can actually unleash a new wave of growth in the global economies, and that can be turned into benefits for the entire society, depending on the structures of each of these societies. We take an active role in being a good corporate citizen. I'm very proud of the fact that, for example, here in the U.S., we have a very active community program where our people are very much committed to driving community services. We have a volunteer program that we are very proud of. We do this globally, by the way – we have it all over the world. We recently joined the Three C initiative, which is a global initiative to drive emission and pollution control and to push down carbon emissions. We take a very proactive view in playing a social role. But we also understand that, at the end of the day, a corporation is not there to solve social problems; a corporation can be a good corporate citizen, but it can't be more than that. We are not elected officials, and we are not politicians. We are here to run a business, and we hope that through running a good business, we can contribute to society and be active in a number of things that are truly for the common good.

When you joined SAP in 1988, did you ever imagine you would have spent almost 20 years with the company? What has kept you with the company so long?

I joined SAP because I thought that it was a company that had a very interesting and unique technological vision, and I thought I could contribute to making it into a global leader. It has become, in a certain sense, part of my fabric. It's a company that you either love – and fortunately, we have 40,000 people who love it – or you hate. It's a very strong culture. We are who we are, and we are very conscious of the fact that we are who we are, and for me, it's just become a very enduring intellectual and emotional connection. To be absolutely candid with you, in 1988, I did not expect SAP to become the company it has become today. But to be fair, there are many things that have happened globally since 1988 that I had no clue would happen. So I think it's proportionate. I just hope that we can continue to make SAP a great company to work for and a great company to work with.

Your time is pulled in many directions. As such, how do you find time for client interaction?

For me, customer interaction is like oxygen. I have always felt that executives who don't spend time with customers slowly but steadily lose touch with reality and end up doing a bad job. So, for me, talking to customers is always an enlightening experience, good or bad. Whatever the interaction might be, you can always learn something. Customers, at the end of the day, make sure that the company performs. Without customers, you don't need a strategy. Once you have customers, strategy will help you to have even better customers. So I try to find as much time for clients as I can. And I try to meet as many customers from around the globe as I can. There's no point in meeting customers from only one part of the world, and there is no point in only meeting customers of a certain size. So you want to make sure that you meet a wide variety of customers. I have the privilege of meeting many as I travel around the world. I spend about 170 days a year traveling, which is great for the airlines and also good for my work. I feed all of these experiences back into the organization, and I think that makes us a better company.

Over the past two decades, you've held many positions with SAP. What do you think those who have worked closely with you would say of your management style?

I think they would say I'm hard-charging, open-minded, and focused, and that I want results, and for people to take responsibility. I have a real problem with people who are not willing to live up to their jobs. Once they do, I have a lot of tolerance for risk-taking, trials, and attempts to do things better, even if they don't all work out. I have a sense of humor, and I try to have a real sense for different styles and different cultures. I think that's very important. If you want to do business globally, you have to have an open mind for many cultures and diverse attitudes toward life and business. I'm merging those together and branding them as one. That makes us a pretty unique company, and I think that's what I try to present as an executive. ●