

PURPOSE

The Power of Purpose

An Interview with
Bill McDermott, Chief Executive Officer, SAP

EDITORS' NOTE Bill McDermott is Chief Executive Officer and a member of the Executive Board of SAP. McDermott is credited with leading the reinvention of SAP in the era of mobility, cloud computing, advanced analytics, next-generation business applications and in-memory technology. He joined SAP in 2002 to lead the business in North America and has steadily risen to his current role. Before joining SAP, he served in senior executive roles with Siebel Systems and Gartner, Inc. He launched his business career at Xerox Corporation, where he rose to become the company's youngest corporate officer and division president. McDermott got his start as a young entrepreneur running a small delicatessen business on Long Island, New York, at age 17. He received his bachelor's degree from Dowling College and his master of business administration from the Kellogg School of Management at Northwestern University.



Bill McDermott

COMPANY BRIEF As market leader in enterprise application software, SAP (sap.com) helps companies of all sizes and industries run better. From back office to boardroom, warehouse to storefront, and desktop to mobile device, SAP empowers people and organizations to work together more efficiently and use business insight more effectively to stay ahead of the competition. SAP applications and services enable more than 300,000 customers to operate profitably, adapt continuously, and grow sustainably. SAP is listed on several exchanges, including the Frankfurt Stock Exchange and NYSE.

Would you discuss how SAP's purpose of helping the world run better and improving people's lives is engrained in the culture of SAP?

We've been purpose-driven since before "purpose" was a buzzword. In 2010, we set our bold vision to help the world run better and improve people's lives. This goes well beyond our financial ambitions. With SAP's immense global reach, we're out to make a positive impact to our economy, society and environment. Today, we serve more than 365,000 customers in 180 countries, we're connected to 76 percent of the world's transaction revenue and 78 percent of the world's food distribution. Our

employees are more engaged than ever, serving their communities in far greater numbers. We have the highest retention rate since the '90s. There's a momentum here we can all feel. That's the power of purpose.

How do you define the brand positioning for SAP and how critical is it to communicate the brand purpose internally to ensure that SAP's employees are engaged in this effort?

We felt strongly that our nearly 90,000 colleagues needed to feel personally connected to our purpose and to how we tell that story to the world. We define our brand positioning this way: SAP is committed to help every customer become a best-run business. Now, more than ever, being the best means making a difference. It means connecting people and information to address the world's biggest challenges. That's why we engineer solutions to fuel innovation, foster equality

and spread opportunity across borders and cultures. Every time our customers turn their ideas into action, we help improve people's lives. Together, we can transform industries, grow economies, lift up societies and sustain our environment because it's the best-run businesses that make the world run better – and the best run SAP.

Why is it so important for companies to have a purpose-driven corporate strategy?

It's critical. Today, people seek companies that are committed to changing the world. The research is clear. Purpose-led companies were found to outperform the S&P by 10 to 15 times. Employees are five times more likely to stay at a company with a strong connection to their employer's purpose.

How critical is it to have senior leadership committed and invested in building a purpose-driven organization and how have you engaged your management team in this regard?

When we set the vision and strategy for the company, we invested the time to ensure that every single leader was prepared to tell a single version of the story. Purpose can only scale if it's enabled by one team with one dream. When purpose is a core principle, people look for more than words from their leaders. They look for compassion, energy and enthusiasm for the work we do. They want to see that it's real. That's how trust is built – and that's why we closely measure leadership trust scores. Trust is the ultimate human currency. When you have trust, everything is possible.

What have been the keys to SAP's consistent strength and leadership and how do you define the SAP difference?

We have always believed that our customers *must* win. That's why when we think about our strategy and innovation agenda, it's always grounded in the premise of, where does the customer need to go? When we ask CEOs to name their biggest challenge, most answer "complexity." CEOs know that the simplest global brands outperform the major indexes by 330 percent. That's why we made "Run Simple" the organizing principle of SAP. We want to be our customers' trusted innovator – to deliver products they didn't even know they needed, but once they have them, they wonder how they could ever have lived without them.

We are also very committed to building up our own unique winning culture. We embrace

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a multi-generational workforce – young people and our more tenured colleagues. Our company is getting younger by one year, every year. We invest, train and develop the very best people in the software industry so they can enjoy exciting, meaningful careers here. Even after 45 years, having reached the top of our industry, we still fight every day to earn our customers' business and their trust. Our leaders are both humble and hungry. Our unbending focus on customer empathy keeps us motivated.

Will you address the state of SAP's business and where you anticipate growth opportunities?

SAP is firing on all cylinders. We're delivering whole new levels of efficiency and business insight to our customers through SAP HANA, ranked the clear number one in analytical databases by Forrester. Its market-making potential has only just begun. We have reinvented the intelligent ERP suite with S/4HANA. We've successfully transitioned our business to the cloud, growing faster than most so-called "pure" cloud players. Our cloud ERP solution, S/4HANA Cloud, is taking off with customers of all sizes. With digital transformation a top priority for most CEOs, we've created an innovation system called SAP Leonardo, to harness breakthrough technologies like AI, machine learning, advanced analytics and blockchain to help our customers thrive in the new economy. We are confident in the short- and long-term growth of this amazing company.

SAP is known as a leader in the large, global and multinational space, but how critical are small and medium-sized businesses to SAP's continued growth?

Our goal is to help take the complexity out of running a business, no matter its size. You may be surprised that 80 percent of our customers are in the small-to-medium category but, in my experience, most small companies don't aspire to stay small. We have helped countless customers as they grow and scale, all while relying on pre-packaged, affordable SAP solutions in a portfolio designed just for them.

How critical is it to maintain the innovative edge and is this more challenging to do at SAP's size and scale?

Innovation is in our DNA. We engage in behaviors that we know are at the heart of an innovative culture. For example, we actively empower our colleagues to take risks and fail. We know that aiming high, reaching for the

stars means it's only a matter of time before they come up with the next big breakthrough. SAP's founders exemplified this philosophy. They were five engineers with a big idea, working at a big company that didn't recognize their potential so they decided to strike out on their own. We are absolutely committed to continuing this proud legacy. We have reached massive size and scale, but we are still hungry. We still act like the underdogs. Our engineers are the best innovators in the business. Yet we also do things people don't expect big companies to do, like invest heavily in startups through our SAP.iO unit. We engage with universities, young entrepreneurs and venture capitalists regularly to seize the most exciting innovations the world has to offer.

One of your priorities for SAP has been to build a diverse and inclusive workforce. Would you highlight your efforts in this regard?

My goal is to make SAP the most inclusive software company on the planet. Recently we promoted two outstanding leaders, Jennifer Morgan and Adaire Fox-Martin, to the Executive Board. These two were simply the best people for the job. They were born for this. When we focus on developing the best leaders, we see everyone rise on their merits. It's all about the talent – everything else is just slides. When I look at some of the steps we've taken, we're the first in our industry to be EDGE-certified; we recently exceeded our target of 25 percent women in leadership positions; our industry-leading Autism at Work program has now expanded to 110 SAP teams. We're extremely proud of the progress and we're only getting started.

What are the keys to effective leadership?

It all needs to start with a dream. My dream became the foundation for all the hard work and the achievements that have come since and it's still what drives me today. It pushes me to persevere, to rise above all setbacks. As Ted Kennedy said, "For all those whose cares have been our concern, the work goes on, the cause endures, the hope still lives and the dream shall never die." This world needs humble leaders, who never forget where they came from; leaders who stay tenacious, audacious and courageous. Give people permission to dream big, set a vision and a strategy – together, and there's nothing you can't achieve. ●

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