The Power of Innovation

**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*

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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.

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 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.*

Will you address the state of the business today and where you anticipate growth coming from for SAP?

Initially, we not only rethought the business from the customer's perspective, but we knew that this idea of the data explosion based upon mobility and social media would be huge, so we reinvented the company on HANA, which is a real-time in memory data platform. This has also led to the reinvention of our ERP Suite with something we call S/4HANA, which is Fourth Generation ERP. Through the acquisitions and organic growth in the cloud and the business network, we have really transformed the company. Today, 80 percent of revenues come from businesses we weren't in six years ago.

This underscores the power of innovation in the modern economy. If we don't innovate, we're gone. Ultimately, it's all about customers and customer success.

How is SAP built culturally to make those transformations and reinventions based on its scale?

We try to maintain the framework of the original idea put forth when it was a small company created by our founder and chairman, and his co-founders. They had a big idea, which was to radically simplify ERP or at that time, one common standard for companies to run their financials on globally.

That one idea led to a very large company. I always remind people that we stand on the shoulders of giants, and what made them great is that single-minded focus on doing something very unique and very differentiated, and truly focused on customer satisfaction.

When we did something important for a really large customer, we knew we ultimately had to get it right because customer satisfaction is the only thing that matters, and we could really scale the company.

Today, I do believe those values live everywhere around the world for SAP. Yes, we have a culture of innovation, but it's customer centricity that fuels everything we do.

Many see growth in the U.S. today as predominantly slow but stable. Do you still see the U.S. as offering the greatest opportunity for growth?

Absolutely. Nobody could ever look past the U.S. and expect to have a successful global company. It's not just the absolute growth number for the U.S. but it's the scale itself that makes it so compelling financially. It's imperative that we have success in the U.S.

The U.S. is also one of the key first movers and adopters with innovative technology, so it's the bedrock of innovation in the global economy still today.

The beauty of our business model is that we are diversified across 25 industries – small, medium, and large – and we are in 193 countries, actually executing our plan. Looking at the future, we believe in the U.S. We also believe strongly in Europe where we continue to grow in steep double digits even as others decline. We're looking at the BRIC countries, because Brazil is coming back already; Russia

had a very good quarter, though it's difficult right now to operate there but they are performing; and India and China are super growth markets for us.

I also underscore the Middle East and Africa. They are huge market opportunities. We're having triple-digit growth in those markets. They are still small in relative terms but when we're thinking about building a company for the ages, we have to build for the long term.

I always try to focus on nailing the big markets and making sure customers are happy there and innovating in the faster movers so that 10 to 20 years from now, we will have built a masterpiece.

SAP is known as a leader in the large, global, and multinational space, but how critical is the small and medium-sized businesses?

Today's small and mid-sized companies will be tomorrow's large companies, and many times that fact can be misunderstood when people think about SAP. We're a company with more than 300,000 customers now, so we ran through the Fortune 1000 some time ago. The fastest growing businesses in our company are small and mid-sized companies. When I think about what's close to my heart, Under Armour was a mid-sized company in 2005 and today, they have massive success and growth in the marketplace. Under Armour is one of our largest global accounts and one of the more pristine brands in the world.

We have to start with them when they are small and make sure that the customer is satisfied. Ultimately, we must continue to introduce them to new innovation that helps them rethink their business models, and helps them innovate for their customers and their customers' customers. If we can build that value enablement into every engagement, small and mid-sized become big faster than one might think.

We're going to hit the accelerator on this. With the cloud, we have a huge platform now to grow faster in small and mid-sized. The inhibitor to small and mid-sized in the past was the hardware investment, and the capital investment that they had to make in software and hardware, as well as services.

Now, with the cloud, they can consume this innovation as a service. They can rent it so there are no more barriers to entry for small companies to start using technologies that can make them behave like big ones. ●