Making Procurement Awesome

Alexander Atzberger

**An Interview with
Alexander Atzberger, President, SAP Ariba**

EDITORS' NOTE *Alexander Atzberger has held his current post since April 2015. Prior to this, he was Chief of Staff, Office of the CEO at SAP; Senior Vice President, Head of Fast Growth Markets and China Power Plan at SAP, as well as Senior Vice President-China Strategy and Growth Plan, Vice President-Global Field Strategy, Senior Director-Strategic Planning, Value Engineering Principal, Young Global Leader at the World Economic Forum, and MBA Rotation Member. He was also an associate with McKinsey and a product strategy manager for e-Steel. He received his B.S. in Finance from New York University and his M.B.A. from Harvard.*

COMPANY BRIEF *SAP® Ariba® (ariba.com) is the marketplace for digital business, creating frictionless exchanges between millions of buyers and suppliers across the entire source-to-pay process. Their market-leading solutions enable companies to simplify collaboration with their trading partners, make smarter business decisions, and extend their collaborative business processes with an open technology platform. More than two million companies use SAP Ariba solutions to connect and collaborate around nearly one trillion in commerce on an annual basis.*

Will you talk about how the history of SAP Ariba evolved to where it is today?

SAP Ariba was founded in 1996 and we just celebrated our 20th anniversary as a company. We were founded during the dot-com era and had the idea to improve purchasing and procurement by launching auction functionality, and online catalogs to make the buying experience for businesses simpler and easier.

SAP Ariba was the first company that thought about connecting buyers and suppliers over a network. We focused on the notion that if we brought together buyers and suppliers in an online community, any company that joined could actually benefit from all the other companies that are already a part of it.

The dot-com boom came and went, there was the crash, and Ariba was one of the few businesses that survived by reinventing itself as a cloud company. In 2012, SAP acquired Ariba and it became their leader for procurement solutions in the cloud.

Today, the company has about a 50 percent market share globally and is probably 12 to 15 times the size of its closest competitor. We are very focused on helping procurement professionals inside a company drive value for the business, both in terms of developing innovative new products and in terms of driving cost savings. Additionally, we can also help casual users inside a company buy things with the same speed and simplicity that they do at home.

We set out a clear, simple vision after we became part of SAP, which is to make procurement awesome.

If you ask how someone feels about procurement, the last word that typically comes to mind is "awesome." We wanted to change this.

Did the cultures for SAP and Ariba mesh quickly and how important has it been to maintain an entrepreneurial edge?

It's extremely important. The imperative for any company is speed and focus – it's not about the big eating the small but about the fast beating the slow. It's also about creating a sense of urgency, and it requires a focus on knowing who the customer is.

When we look at SAP's mission and vision and how we address our customers' needs, we always look to involve the entire company and do it holistically. When you look at SAP and SAP Ariba, SAP Ariba is smaller with fewer employees, which allows decisions to be made quickly. As we merged, we looked to maintain this urgency by allowing the company to operate as an end-to-end business inside SAP.

I've tried to make sure everyone at SAP Ariba feels they can make decisions quickly because they understand the customers' needs better than anyone else. At the same time, I ensure that we tap into the bigger SAP company as well, because we're no longer just another start-up trying to create compelling solutions that address a sliver of a problem; we're part of the largest enterprise software company in the world and can take advantage of its tremendous innovation and global reach.

Depending on which market we're in, this gives us different cards to play, and opens up enormous possibilities.

When you're that big of a player in the space, where will the growth come from?

There are a number of areas. In procurement itself, there are new trends and market opportunities – one very hot topic is supplier risk for financial services companies. Today, knowing what suppliers actually do is a big data problem and we can address that issue.

SAP Ariba was founded to address indirect materials – buying furniture, paper and pencils, etc. We are now expanding to direct materials.

While the focus of expansion is often on large enterprises, small and mid-sized businesses are a critical driver of today's global economy, and represent another large growth area for us as we can help them connect with buyers who are ready to buy and deliver technology that allows them to efficiently manage both their sales cycle and cash flow.

Is much of the business today in North America?

When SAP Ariba was acquired, 80 percent of our business was North America based. Today, it's less than 50 percent. We've seen the impact of SAP most dramatically when it comes to global expansion and distribution.

SAP is top of the line when it comes to software sales. When they saw what the SAP Ariba solution did and that procurement is maturing in many countries, they began to address that need and go to market with it.

When you say "making procurement awesome," what does that mean?

People sometimes hate procurement because they see it as something that holds them back from getting their job done.

Anyone buying from a website wants it to be like Amazon – do a simple search, find the product, click, buy, and be done with it. I was talking to one of the largest consulting firms in the world recently. They hire millennials, who may want, for instance, to order an Apple watch to enhance their ability to communicate. They go on their internal purchasing site and don't find it. Then they go outside to buy it and try to expense it, but they get an e-mail back that says they aren't approved to buy the watch. They didn't know there was a policy in place that needed to be followed, so the person becomes upset because they don't know if they are going to be reimbursed for it. Procurement now has more work to do.

How should the experience go? First, you need the goods and services that employees

need to do their jobs listed on a site – either through a company catalog or links to preferred suppliers or a network of trusted suppliers like we have built, so when a user does a search, they find what they are after.

Then, the policies of a company need to be embedded in the workflow. Generally, nobody in a company knows their procurement policies, and they shouldn't have to. If I click on something and there is a procurement policy behind that, it should guide me through the process and automatically execute the purchase in line with it.

How far along are you in this effort?

We're far along. Part of what we announced earlier this year was the guided buying experience. For many companies, content has been a big challenge. We started partnerships with eBay, Office Depot, and others to bring in more content. One of the challenges is that it's extremely frustrating for someone to do a search and not find what they're looking for, which is why we have introduced something called Spot Buy. With this product, if a desired item is not in a company catalog, users can go and see eBay's results for the item, which might fulfill the demand.

The beauty for companies, especially those of large size and scale, is they now see what their employees are not finding in the internal catalog. If they see that there is a lot of demand going to other sites, they can determine whether they should bring eBay into their catalog.

Also, users can notify procurement that they saw an item cheaper elsewhere. If another supplier has these things at a lower contracted rate already, maybe a separate catalog shouldn't be created for it. Perhaps they should go through the standard sites and meld it into one procurement experience for users.

How high up the executive chain do you need to work to build relationships within the companies?

Typically it's with the Chief Procurement Officer – they are our number-one customer.

When a company, for instance, conceptualizes a new device or product, they want to ensure that their procurement team is engaged in terms of the cost of the product and they

want their innovation department and their new product development teams to be integrated into this. This means procurement becomes much more of a value-creator rather than just a cost savings driver or compliance driver.

The other way we are moving up the value chain is tying procurement into the supply chain activities so, when it involves supplier risk or payments, our discussions are with the CFO.

Our typical stakeholders are between the CPO, the COO, and the CFO. Of course, we also talk to them about our integration with the larger SAP structure. This is an area where we work with the CIO.

What size does a company need to be to take advantage of these procurement benefits?

Typically, we look at organizations that have a procurement department and for whom sourcing has become a means of value creation.

Internally, we have a starting point of 1,500 employees and above. At this size, it really becomes a large-scale organization that needs a

procurement structure, a workflow inside the company between sourcing, contracts, and operational procurement, as well as supplier collaboration.

We certainly see a market for solutions underneath that as well, but the solution needs to be architected and provided differently.

How important is it to mirror your diverse customer base within SAP Ariba?

Diversity is important for us partly because of the global customer base we have, so we need to be closely in touch with where the market is, but it also creates new ideas for the business. Diversity drives different thinking and if we're in the innovation business, we need diversity so we can better understand our customer needs, but also open the solution space to new ideas.

On the development side, we have put a really nice focus on inclusion of people with autism inside the organization, which has been very positive for the company overall.

The company has also been a leader in corporate responsibility. Will you talk about the partnerships in that regard?

SAP's vision is to improve people's lives. At SAP Ariba, we work to determine how we can support that purpose.

When we look at the supply chain, there are a lot of topics there that relate to this – one, in particular, is the topic of forced labor. There are about 40 million people today that live and work in forced labor conditions, sometimes deeply rooted in socioeconomic contexts.

We have many companies that have this in their supply chain and it is a challenge to identify and overcome this. We partnered with Made in a Free World, which built a database to understand trade flows and at a sub-component level, where products originated.

We believe in business as being inherently good, so we work with our customers and their suppliers to identify risk in the supply chain and areas where we can do better. The problem is much more complicated than saying we won't do business there. It's about how to address the issues underlying it. ●

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