

Making a Difference

SAP Vision

An Interview with Deepak Krishnamurthy,
Chief Strategy Officer and Executive Vice President, SAP

EDITORS' NOTE Deepak Krishnamurthy is responsible for shaping SAP's corporate strategy and identifying the short and long-term growth drivers working with the SAP Executive Board. He also co-leads SAP's innovation initiative SAP.iO, specifically focused on driving SAP.iO Fund, an early stage startup incubation initiative, and serves as SAP's Strategy Officer to the World Economic Forum.



COMPANY BRIEF SAP is the world's largest business software company and leader in enterprise applications, analytics, mobile, and in-memory technologies. SAP is a global Fortune 500 corporation with over 350,000 customers across 200-plus countries.

SAP is in the middle of a remarkable transformation into a highly innovative cloud company focused on helping their customers transform into digital businesses. With a large portfolio of innovative offerings ranging from big data to cloud applications, SAP generated more than \$23 billion in revenue in 2016, while maintaining strong and profitable growth. Today, SAP has more users on its cloud offerings than Salesforce.com and is growing at over 30 percent in the cloud. SAP is the first technology company that is EDGE certified for Gender Diversity and ranks #1 in the Dow Jones Sustainability Index in the technology industry.

There is much talk today around purpose in brands. Will you talk about the focus for SAP around being a purpose brand and how you define what that means?

SAP's Vision is to "Help the World Run Better and Improve People's Lives." This has been our mantra since 2010 – it has been an incredible journey so far, but there is lots more to accomplish.

Our vision has two sides to it. On the one hand, we seek to drive impact through our customers and ecosystem by providing innovative products and solutions. On the other hand internally, as a company, we adopt values that reflect empathy for the world we live in. The latter is more about the culture we are trying to build, while the former is more around products and solutions that we deliver to help us execute on the vision. We want to achieve both objectives by focusing on "purpose driven" innovation.

When thinking about our vision and how we wanted to drive impact, we wanted to align our activities around the 17 UN Sustainable Development Goals (SDG) and specifically focus on 3 big areas: economy, society, and environment. The focus was on making the execution around the vision real, rather than being an empty tag-line.

We started looking at the economy in terms of how we can create jobs and deliver more skills, especially technology skills, as well as how we can eliminate gender bias in the economy. For example, Business Beyond Bias is an innovative software module in SuccessFactors that eliminates gender bias in the workplace. The openSAP learning platform today has more than 1.5 million enrolled students in 185 countries with access to more than 90 free-of-charge MOOCs building much needed skills in the economy.

The environmental focus is driven by how we can deliver products and solutions that can make an impact to the world we live in. We have a portfolio of products that help our customers track their carbon footprint. Additionally, our cloud procurement solution SAP Ariba is being used for sustainable sourcing of goods and raw materials by certifying suppliers who embrace sustainable and free trade practices.

The third element is society. We look at the impact we can achieve by improving the health of people using SAP Health solutions or the lives we improve for the people living in SAP powered Smart Cities.

Do those three areas necessarily have to be interrelated to be effective?

There is some aspect of interrelation, but we look at them separately because we want to be able to create products that can be oriented towards each bucket. Even within those buckets, we don't look at economy as a big bucket – we looked at the economy bucket and determined that the things we needed to focus on were gender and gender equality; skills and skills training. After identifying these impact areas, we developed initiatives that could add value.

We also took a more grassroots approach. We want to create individual initiatives that are employee driven as they have the highest impact.

We have an internal award to recognize these grassroots initiatives, named after one of SAP's founders Hasso Plattner, that we give for

innovation and courage in driving the entrepreneurial spirit. The most recent winner is a team from South Africa that built an initiative called "SAP Skills for Africa." They focused on training local African talent and matching them with jobs in Africa. Other finalists included "Engaging for Refugees" focused on training displaced people with new skills.

How do you communicate that focus within such a broad company, and how important is it to have support that is both top down and bottom up?

Top-down support is super important; it has to start with the CEO. In every single all-employee meeting, the vision of helping the world run better and improving people's lives is addressed by Bill McDermott and the management team.

We also communicate to our shareholders based on the vision of helping the world run better and improving people's lives. If you look at the SAP Integrated report, we start our annual report with what we can do for the environment, the economy, and society and use that as a focus of our shareholder communication.

The bottom up approach is probably much more critical in terms of communication and empowerment. We work to get that message across even as we're conducting new employee onboarding. We are building employee toolkits to communicate our vision and most importantly want to view the impact through the lens of the customer. We want to enable our customer's to have an impact and help them realize their vision and purpose.

You talked about "Purpose Driven Innovation" as a way to execute on your vision. What is the difference between innovation and disruption, and how does a company like SAP with such history maintain its edge while also delivering on the vision?

At SAP, we look to drive both innovation and disruption.

We want to be innovative and to drive innovation in everything we do. Take the example ERP – We want to deliver the best ERP in the cloud to our customers. To do that, we fully embraced the cloud and started building S4/HANA ERP product natively on cloud, ground up. The goal, in this case, was to be innovative, not disruptive as we wanted a path for our existing customers to move to S/4HANA.

In most of the applications we build today, innovation is key to success. Our 2020 Strategy is focused on building and delivering the most innovative solutions and every product initiative is geared towards that. We are accelerating organic innovation by identifying great leaders, great talent, and great teams that can drive it.

In the past, we have also acquired innovations inorganically. We did buy the best-in-class assets, but the difference between us and many of the software companies is that we give the CEOs of the best-in-class businesses new businesses to run. That's what we did with Hybris. The Hybris leadership team is responsible for the entire customer engagement and commerce portfolio. We also did this with Concur where the Concur CEO is now running our Business Networks and Applications area.

Disruption takes things one more step and has the potential to impact existing businesses. In some sense, we did this when we acquired many of the cloud assets in the past. Many of the companies we acquired had competed against us, so we had to be willing to disrupt our existing business model, especially as we moved to the cloud.

Recently, we also started investing in initiatives, which moved us much further ahead of the curve. For instance, we are now seen as a leader in machine learning by Gartner. We did this by investing in machine learning earlier than others as we saw the potential to be a game changer three years back.

We are also working on creating new innovations under SAP.iO, an initiative I co-lead with our Chief Innovation Officer, Dr. Juergen Mueller. SAP.iO is all about creating new start-up businesses in an open innovation model.

SAP.iO will focus on both internal and external incubations funded through a "Venture" investment model. If we want to come up with a new disruptive business or data service or marketplace model, all of those things can be built internally with SAP.iO. Some of these ideas come from entrepreneurs, or intrapreneurs, those employees who think and act like entrepreneurs. On the external incubations, we are also making early stage seed investments in start-ups that are very interesting and disruptive. SAP.iO Fund will invest in companies that use SAP APIs and data to build new business models for our customers and drive digitization.

With this emphasis on improving people's lives and purpose driven innovation, is it possible to put metrics in to measure impact?

It's difficult to track progress in the short term but not so much over the long term.

In the case of vision/purpose, when we look at the different areas we set out to impact in the long term, we can measure how many people live in smart cities that are enabled by SAP or powered by SAP, we can measure how many people use SAP health and how many have been touched by the personalized medicine it empowers, we can measure how many people are getting trained through our skills initiatives. These are some key metrics to hold ourselves accountable to our purpose and goals.

The moment we start measuring success in the short term, we might end up making some sub-optimal decisions. As long as we're tracking toward the bigger goal, we give the flexibility to the people who are executing these initiatives to focus on the long term impact.

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In the case of innovation/disruption, at SAP.iO, we are focused on making some big bets that will play out in the long term. Of the 25 businesses we incubate, maybe 10 of them will be successful. Also, we're looking to build the culture where people can be comfortable with failing, which can happen when people take risks. The more people take risks, the more they will be empowered to come up with some unbelievable idea that nobody has thought of. It's about the number of initiatives we can fund and not necessarily the revenue we can track in the very short term. We like to see monetization, but we won't expect every business we incubate to be successful.

On the venture investments side, it's much more about working with start-ups that leverage SAP's extensive datasets to unlock value in our customers context. With the SAP.iO fund, we want to touch at least 50 start-ups every year, and that can turn into hundreds of start-ups over the next few years. That's how we'll build a completely new ecosystem that acts as a force multiplier for SAP around innovations like machine learning, blockchain, and the Internet of Things.

In 2009, when the opportunity presented itself to join SAP, what excited you and, looking back, has it been what you expected?

It has been much bigger than what I expected. This is a company that has always been evolving. The ethos and culture is much more that of a start-up, and there is enough flexibility to drive initiatives and to own and execute on them. That can only happen with a great management team, which we have at SAP. The executive board is all about empowering the next level of talent that comes in.

My personal goals as I joined the company in 2009 were to drive corporate strategy and work with Bill McDermott, CEO, on go-to-market strategy. Over the past couple of years as the chief strategy officer, it has shifted more to focus on driving innovation. Co-leading SAP.iO

has been a remarkable journey because of the ability to drive change in the business model.

Most importantly, what excited me about SAP more than anything else was the people. I met with some unbelievable leaders when I interviewed in 2009. The single most important motivation for me was to work at a place with great leaders and people, where I would have the flexibility to drive outcomes. When I was consulting at McKinsey, I used to work with clients who used SAP, and they always said it was a great brand and the

best-in-class software company. The reputation of SAP in the technology space, especially with customers who use SAP day to day, made this opportunity even more exciting.

From your vantage point, how critical is having a diverse culture?

Diversity in gender, race, ethnicity, and sexual orientation are very important in building a vibrant culture. I can talk from experience – my strategy team has an incredibly diverse culture. The most important mindset while living in an age of disruption is the ability to question ourselves and the status quo. That doesn't manifest well when we only have like-minded people.

We need people coming in from around the world questioning what we should be doing because they've seen different business models elsewhere; that's how we can drive innovation.

Culture and diversity go hand in hand. Great culture is always synonymous of a very diverse and inclusive workforce. We can set ambitious goals and define a strategy for growth, but without a great culture we can't achieve any of these things. ●