

Hasso Plattner announces a clear course change for the company. He blasts US managers – and wants to run again as supervisory board chairman.

Düsseldorf For many years, Bill McDermott and Hasso Plattner worked closely together. At SAP, the management board head made several multi-billion-dollar acquisitions to build up the cloud business, backed by the major shareholder and supervisory board chief. "I'm very sure that, without Bill, SAP would not be where it now is," Plattner wrote to employees in October, when the American had announced his resignation.

Yet just in time for the annual general meeting on Wednesday, where new CEO Christian Klein will make a virtual appearance to shareholders, Plattner is for the first time audibly distancing himself from McDermott and his strategy. In an interview with Handelsblatt, Plattner claims that for too long, subsidiaries emphasized independence and self-reliance.

"We bought some companies just because they had a nicer user interface. But that's not enough." Integration isn't working yet at SAP, he adds. "That's a fact, sad to say." But that is exactly what the customer base is demanding.

The blame for the problems comes from an internal culture clash between the Americans within the company, who demand independence, and the Germans at Walldorf headquarters pushing for standardization. That was also the reason for the ultimate failure of the management duo of American Jennifer Morgan and Christian Klein: "Discussions about SAP's strategy have been getting slower and slower since the beginning of the year," Plattner observes.

"Two very different cultures collided," he says. When he enthroned the duo in October, he was still "convinced it was an ideal combination. I didn't realize how far the mutual understanding between the acquired companies in America and the German headquarters had already diverged by that stage." Plattner concludes: "Now I know: the differences are vast."

His assessment also applies to the preceding CEO. "For Bill McDermott, competition was the priority. For me, it was always the customer." Plattner continues: "The idea of simply letting every company run independently and autonomously may even have made sense from a business viewpoint. It even stimulated a certain growth dynamic." But it's not enough; he adds: "Nevertheless, technologically, we didn't make the right decision. That cost us a year and a half to two years, but mentally the toll was a lot more."

Plattner also has a surprise up his sleeve: he is considering running for reappointment as chairman of the supervisory board. Actually he had already announced that he would be stepping down from the supervisory board in 2022. That's the year in which Germany's currently most valuable group will celebrate its 50th anniversary. It seems that he has changed his plans in the meantime. "I'm already 76 now. A couple more years won't make any difference."

Read the complete interview here:

Mr Plattner, for the first time in SAP's 48-year history, the Walldorf-based IT group's annual meeting will be held virtually Wednesday. And for the first time, you'll only be able to follow the shareholders' meeting on screen from California. Which is worse?

The fact that I can't attend in person has another consequence, of course: I'll be on mute most of the time during the video conference.

That won't happen to you with us.

But at the annual meeting of my own company, I'm literally left out in the cold. There's a feeling of being a bit shunted aside in this regard, because I'm only allowed to read a statement for a video message. You know me – that's not usually my style. I like standing up there and, at times, I have even ventured getting a laugh.

SAP annual meetings have sometimes been quite stormy events, for example, when the allegedly excessive and intransparent management board compensation was discussed.

The irritation on this issue wasn't so much due to the facts rather than their bad presentation. It was too complicated – incidentally, just like many things at SAP are complicated.

Did that also apply to the relationship between the two co-CEOs, Jennifer Morgan and Christian Klein?

The American recently had to leave, after only half a year.

When I re-introduced the co-CEO last October and appointed a woman as CEO of a DAX company for the first time, I got a lot of praise from all sides. To me, it was almost weird how unanimously the approval of the decision turned out. Even the supervisory board accepted the proposal without dissent. Beside, the female issue eclipsed the simple personnel issue to some extent, because in the end, there were quite objective reasons for the appointment of the duo – and then for its breakup, too.

Why did the team fail?

Discussions about SAP's strategy have kept getting slower since the beginning of the year. The outbreak of the corona pandemic also increased the pressure to act faster. In our industry especially, the pandemic has the effect of a catalyst. And suddenly everyone was pestering me – board members, employee represen-

tatives, supervisory board members. You need a clear line ...

... this obviously didn't exist with the German-American duo after all. Shouldn't you have seen that coming?

As chairman of the supervisory board, I'm more powerless than you may think. In many cases I can only make recommendations. I tried that on a number of occasions.

For example?

That SAP definitely needs a core system. That's been the case since our founding in 1972. And as we now move to the cloud, all our services and applications are naturally required to adapt. This takes time.

SAP has acquired a lot of companies in recent years. So is progress not being made in integrating them?

It's got to be more harmonized in any case. We bought some companies just because they had a nicer user interface. But that's not enough. For example, it is only possible to exchange master data between all the services via central components on the SAP cloud platform.

Instead, the American SAP section headed by Jennifer Morgan came down on the side of protecting the independence of the new acquisitions.

And we discussed this topic repeatedly over the past few years. But Bill McDermott...

... the sole chief for many years before the Morgan/Klein duo...

... believed in a model that also represents the USA politically: the individual states have wide-ranging freedom, the central administration has to keep the country together externally. Minimum control, maximum individual responsibility. But that doesn't work at the management level of a company.

But you yourself long supported this idea.

It was certainly my mistake not to express myself more articulately here. The acquired companies were given extremely high growth targets in some cases. There was no energy at all left to deal with issues such as coalescing with other parts of the group.

Did Jennifer Morgan in the end just continue in the spirit of her patron, McDermott?

Be that as it may, a lot of this still remains; it can't simply be shrugged off. When you ask major SAP customers, you always hear the same thing: "You have to bring the services into line!" Oracle has done that. The idea of simply letting every company run independently and autonomously may even have made sense from a business viewpoint. After all, it did stimulate a certain growth dynamic. And some of the individual parts have performed quite well. Yet technologically, we didn't make the right decision. That cost us a year and a half to two years, but mentally the toll was a lot more.

In what way?

Because there was a collision of two very different cultures. On the one hand, we believed that only independence promotes the creativity of the individual parts. On the other, they have to coalesce.

In October you asserted that Klein and Morgan, who obviously represent these two different cultures, would "complement each other perfectly".

At that time I firmly believed that it was an ideal combination. I didn't realize how far the mutual understanding between the acquired companies in America and the German headquarters had already drifted apart by that stage. Now I know: the differences are vast. Oracle boss Larry Ellison knew this long before us – and always dealt with it accordingly, even though he's an American himself. As soon as he bought a company, he sent the old bosses home. He did that even with Sun chief Scott McNealy. And we have to do this differently going forward, because there is only one way: integration, which is still not working fully at SAP. Unfortunately that's a fact.

SAP has recently faced a lot of trouble as it was unable to offer the same security standards on all components. Does that have anything to do with it?

That too showed the fundamental mistake: we have to have the same level of security in all the components. Everything has to be unified: security, application management, user interface, in other words a central instance, the cloud platform, is essential.

Was this ultimately another clash between SAP's Walldorf culture and the US culture?

No, we simply didn't listen to our customers. Our subsidiary Ariba, for example,

promised customers things that we have long had in the central system. Because it was so separated, there wasn't enough control. And our American colleagues felt overly confident.

The US market has long been the most important for SAP with regard to customers, sales, and so on...

... and I had set the goal back in the 1980s: SAP can only survive with a strong US business. In principle, of course, it has worked quite well. It's just that Americans think differently from us Europeans in many respects. That's certainly all very well, but then you have to talk about it. Based on facts.

Sounds like it's been an emotional ride at times instead.

It was about different philosophies. For Bill McDermott, the competition was the priority. For me, it was always the customer.

At least SAP benefited from the tension in the relationship for a long time, right?

No question: Bill McDermott's acquisition strategy gave SAP a powerful boost. Our own first cloud initiative was a flop. But the successes have only concealed the fundamental problems in some cases. As a German-American company, we always have it tougher than purely American corporations such as Oracle, Workday or Microsoft. We also have to find our own solutions...

... which evidently will now return to more German dominance than American.

This isn't about nationalism, but about the best way forward for the company.

The dispute over the Morgan/Klein management duo was not the only personnel issue; neither was it the first. Why did Bill McDermott really leave?

He got a more lucrative offer with less complexity. All I can say is: Congratulations! You know something: at SAP, the relationship between Europe and America is actually not quite so simple and European corporate governance is not understood by an American. It was a successful time, we had an excellent working relationship, except in those cases when he didn't listen to me. (Laughs) But what could I do?

Where didn't he listen to you?

Just an example: Bill held the fundamental belief that brand marketing was perfectly adequate for a company like ours.

I was never able to convince him that we also have to advertise our products, like IBM, for example. He never wanted to accept that.

Other top people have also left SAP recently, such as cloud boss Robert Enslin. Does this also have anything to do with the fundamental problems you have just outlined?

I can't reveal the whole inside story here!

Explanations are helpful anyway.

In very general terms, it could be said that we think and act very technically, but on the other hand, we thought that we needed general managers at the head of the units who tend to come from sales – especially in the US. This didn't work for product development. By the way, German companies have always done it differently. At Daimler, you don't get to be head of the car division without really knowing a lot about automotive engineering. The basic tension continued in our company with some top people like Enslin. On the one hand he was supposed to earn money, on the other, of course, he was expected to invest a lot in integration. Mistakes do happen.

Head of technology Bernd Leukert also left the company.

Because Bill McDermott said he had to go. It was as simple as that. But naturally there were reasons for this, too. Progress wasn't being made with the cloud version of our core product, S/4 Hana. The young team has a list of problems that need to be resolved. We now have the team ready to go, headed by Christian Klein, only 40 years old, and Thomas Saueressig. But they understand each other.

This team is also highly homogeneous: four white German males and only one woman, Irish-born Adaire Fox-Martin. No one from America or even Asia.

If opportunities arise, we will be happy to expand the management board again – and internationalize it. In any case, we are in discussions with several candidates.

Including female candidates?

Of course. Naturally enough, this must be decided on a purely professional basis. And of course we also want to see that, at some stage, East Asia plays a role on the management board. as a growth region, China is too important for us to ignore.

You're an IT engineer, you still own

almost six percent of SAP's shares, and you are still considered to be SAP's "brain". What is the group's most important strategic goal?

That's something for the management board to formulate.

But you can certainly make recommendations, as you've just explained to us.

The direction is clear to me: cloud, cloud, cloud! We shouldn't rely just on Amazon, Microsoft and Google. Implementation of all our services is clearly superior in the cloud. That is also where harmonization of the acquired firms must finally be completed. This is one of the reasons why more than 20,000 of the 100,000 or so SAP employees are currently working in development alone. They now need to build new solutions.

SAP has set itself the target of significantly increasing its margin, but at the same time it intends to invest in the product. Would you be prepared to accept lower earnings for a while, in return?

That's a matter of getting the right balance. I can't imagine what our investors would say if we announce lower margins. But we can leverage synergies in development. Integration is almost complete. Basically, the many thousands of developers can focus on making new things.

Criticism is sometimes leveled against the Hana database that you once devised, the basis of almost all SAP applications. Is it justified?

That subject is closed. The Hana database is so superior in practice that there is no alternative. And quite honestly, it saved SAP's life, because it let us speed up our ERP system by a factor without a lot of changes and at the same time to physically downsize it. This meant a huge cost saving for our customers.

You're the last of the five SAP founders still active in the company on SAP's 50th anniversary – and that even as chairman of the supervisory board, a position you intend to step down from in 2022. Are those plans going ahead?

To be honest: I'm already 76. Another couple of years won't make any difference.

This means you intend to run for re-election?

As long as I'm alive and well, why not? I've already been asked about this. And I see at least some logic in bringing a bit of cer-

tainty and continuity to the company in turbulent times such as the ongoing corona crisis. So yes, I'm at least thinking about whether I should renew my position as chairman of the supervisory board.

What changes could the coronavirus bring about at SAP – including positive ones?

Even before the corona crisis we merged sales and consulting, as we had done at one time in the 1970s and 1980s. At that time, our developers also did consulting, in other words they could see the customer. That was one reason why SAP was able to grow so vigorously beyond Europe and become a global company. Due to the corona crisis, it now means that we also do this at a distance. Once you get used to working in the way we are doing this interview right now, we can learn a lot from it for our services as well.

So more home office and video-conferencing?

Although we are not physically present with customers, we can strengthen the bond with them using present-day means of communication. Our consultants are currently losing a quarter of their time in travel to and from the customer. This leaves a lot of room for improvement.

What changes will corona bring to our society?

I can't predict the social impact nearly as well as my friend Bill Gates, who's now being hit very much below the belt from a wide range of groups on account of his outstanding commitment.

You mean all those conspiracy theories that are insinuating that he wants to introduce some kind of global vaccination dictatorship? Does this equate to the politics of envy?

In any event, a lot of absurd claims are being made. On a smaller scale, I myself also promote medical matters. For example, we developed an app within a few weeks and launched it on the market for personal medical data. The project is now being used on a large scale in Mount Sinai Hospital in New York and will probably soon be used at the Charité hospital and in Heidelberg University hospitals.

Last year, you sold SAP shares for around 100 million euros. Are you planning new charitable projects?

My foundation now has a team of over 100 people and a lot of ideas. All that needs

funding.

Will the global economy remain at a lower level for a long time after corona?

That's also difficult to predict. One aspect that will definitely remain is the fear of a new wave. This is another thing that Bill Gates predicted early on.

You are one of the few German billionaires who intend to bequeath half of their wealth to the "The Giving Pledge" initiated by Gates and Warren Buffett, with the money to be channeled into philanthropic causes. Have you ever regretted making this commitment – or are you rather annoyed that other German super-rich individuals aren't doing the same as you?

The donated assets are held in the Hasso Plattner Foundation, I have no regrets.

There's growing resistance to the corona shutdown in many places, the economy is taking a massive hit. Was the battle against the virus proportionate?

Anyone disagreeing with this must first of all understand what exponential growth actually means. If the reproduction rate is greater than one, there is a critical number of new infections, especially as it is 14 days before the person knows whether they are infected. In the US, a figure of two million deaths in the initial phase of the pandemic was entirely realistic! There are only a few methods to contain the virus at an early stage. These include self-isolation and face masks. Experts are warning: wait until the virus returns in September, October.

Mr. Plattner, thank-you for the interview.