



SAP DESIGN THINKING PART A

Every organization exists to serve its customers, and if you can develop a new and unique way to bring value to your users, then leaders listen. I dare you to name one organization that wouldn't want a better way to better explore innovation opportunities with its customers. However, sometimes in large companies, you can get caught up in the politics and culture of various organizations and lose track of your users' needs. I've realized that bringing the voice of the customer back into these conversations trumps politics and culture, because nobody is going to say that the customer is wrong.

—Sam Yen, chief design officer, SAP¹

PART A²

The design-thinking journey at SAP, a global information services company, began in 2004. Hasso Plattner, one of the original founders of SAP, was captivated by an article about design thinking that he was reading just moments before giving a keynote presentation to customers at an SAP sales and marketing event. Sam Yen, the future chief design officer at SAP, recalled how Hasso explained his reaction: “Reading this article brought me back to my roots at SAP—we must better understand our customers’ needs so we can innovate and succeed together.”

Hasso felt that design thinking was required in software development, and in business. In 2005, he agreed to a personal donation that led to the founding of the first design school at Stanford University with David Kelly, founder of the renowned innovation consultancy firm, IDEO. Hasso brought 35 design thinkers into SAP to collaborate with the corporate strategy group and make design thinking a strategic priority at SAP, to drive innovation across the organization. He felt that SAP was successful in its early days because design thinking was a core part of its DNA. As Yen explained:

¹ Interview with Sam Yen, chief design officer of SAP, 01/24/2015. Subsequent quotations are from the author's interviews unless otherwise noted.

² This case draws on data and information presented in a previous case study: “Zia Yusuf at SAP: Having Impact,” GSB No. OB-73.

Matt Saucedo (MBA 2015) and Professor Baba Shiv prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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While the SAP founders were technologists, they remained very interested in how the end users would use their software. They went to the initial customers' offices and built the software at the client sites. They followed the business users around, they interviewed them, and then they would code on location. They would pull the business users aside and say, "Hey, does this work for you? Oh, no? Okay, what about this, what about this?" They would cycle through this process of rapid iteration, which was essentially the human-centered approach to design.

SAP'S HISTORY AND BUSINESS ENVIRONMENT

SAP (which stands for Systems Application Products for Data Processing) was founded in 1972 by five former IBM employees in Germany. Early in its history, the company moved its headquarters to Walldorf, where it remains to this day. In late 2008, SAP had more than 51,000 employees with 2007 calendar year revenues of about \$15 billion. The company had over 70,000 customers in more than 120 countries and invested about 14 percent of its revenue into research and development. SAP research consisted of 13 interconnected centers on five continents, and SAP labs comprised nine facilities established to discover and understand new technology trends around the world. In addition to its headquarters in Germany, SAP had a significant presence in California's Silicon Valley, consistent with the company's strategy of locating some of its facilities near leading universities.

SAP competed fiercely with Oracle (the two companies often explicitly mentioned each other in their marketing activities) and to some extent with Microsoft, as well as with a number of smaller competitors in the enterprise software space, selling to companies, governments, and universities and other nonprofits. Enterprise software "was developed to automate processes that firms repeatedly conducted (for instance, order processing, product delivery, payment)."³ Over the years, Enterprise Resource Planning (ERP) systems had expanded to include customer relationship management, human capital management, operations, and manufacturing. The company's scope of work included materials resource planning (parts and inventory management), supply chain management, and production scheduling, product lifecycle management, and financial planning and control. Implementation of these large, complex systems was difficult and time-consuming and a number of consulting companies, such as Accenture, had large businesses assisting companies with ERP implementation.

By 2008, SAP and its competitors had largely penetrated the Fortune 1000 in the United States and other large organizations around the globe. SAP's growth strategy then shifted in several important directions. First, the company now had software offerings that were geared to the SME (small and medium-sized enterprise) market. Second, SAP and its competitors were striving to become not just providers of software that might automate particular business processes but sellers of solutions that could help companies make better decisions and operate more effectively. To that end, SAP had recently purchased business intelligence software

³ Andrei Hagiu, Pai-Ling Yin, Daniela Beyersdorfer, and Vincent Dessain, "SAP: Industry Transformation," Harvard Business School Case #N9-707-435, September 24, 2006, p.2.

provider Business Objects, and was also emphasizing solving business problems in its internal software and product development efforts.

Third, SAP was broadening its product development activities to include more co-development with customers. This meant building an SAP ecosystem to encourage businesses to learn from each other and, for that matter, to develop products and services for each other that would make using SAP software easier and more beneficial. As described in a case on SAP's strategic transformation, compared to Oracle, SAP tended to build rather than buy vertical applications, and acquisitions had played a smaller role in corporate development.⁴ SAP's strategic vision emphasized the value of IT in enhancing business performance, whereas Oracle stressed cost cutting. While partnering played a relatively minor role at Oracle, SAP was emphasizing building a complete SAP ecosystem that would go beyond partnering to create a community.

Mark Yolton, the former head of SAP's community network, described the company's ecosystem strategy:

We don't just have a customer community; we have a network of communities. I am managing a network of networks. A network of tools, processes, rules, business practices, incentives, disincentives—to get customers talking to each other, partners talking to each other, customers talking to partners, partners talking to suppliers, so that we build up this really strong ecosystem of all of the different stakeholders that revolve around or involve SAP.⁵

THE BIRTH OF THE DESIGN SERVICES TEAM

The responsibility for implementing design thinking at SAP fell on the shoulders of Zia Yusuf, the senior vice president of the office of the CEO. While in this role, Yusuf founded and led SAP's Corporate Strategy Group (CSG) and reported to Hennig Kagermann, CEO of SAP, and Plattner, who was then the chairman. The CSG was composed of a team of 40 senior professionals and provided SAP's CEO, chairman, and Executive Board with a comprehensive set of capabilities to engage on a range of strategic topics. The group carried out projects such as pricing strategy, organizational restructuring, and HR policy development. Essentially, any high-level decision that required significant data collection and analysis fell within the purview of the CSG. As part of his role, Yusuf attended many of the board and management committee meetings and regularly interacted with senior management as well as with people from multiple parts of SAP. Over time, the group grew to include about 40 people, with half working in Palo Alto and half in Germany, and about half the team recruited from people already working within SAP, and half external hires.

Yusuf also became the central point of contact for managing the outside consultants SAP used. When Plattner became focused on user-centered design and design thinking in 2004, it was natural to involve Yusuf and the CSG in that activity. Yusuf described how he helped start the design thinking initiative:

⁴ Zia Yusuf at SAP: Having Impact," GSB No. OB-73.

⁵ Ibid.

Hasso and I had been having a discussion around design and different software and so on, and he was going to make a speech on this topic at Sapphire, which is our annual customer event. Two days prior, *Business Week* came out with a huge article on IDEO with David Kelley and Tim Brown [Kelley was an adjunct Stanford engineering professor who had founded IDEO and Brown was the company's current CEO] on the cover, and they were talking about design, and the power of the user, and so forth. A couple of hours before Hasso's presentation, I showed him the article and it piqued his interest. He took it on stage two hours later, held it up, and said this is what SAP needs to do.⁶

Two days after Plattner gave his design speech at the marketing event, Yusuf called Tim Brown to suggest that the two of them meet with Plattner and David Kelley. Out of that meeting was born the design service team (DST), which initially began as a project within the CSG, but soon spun out into its own entity. Yusuf reached out and engaged Bob Sutton, an organizational behavior professor in the management science and engineering department at Stanford, to help develop the team and help SAP connect with other people doing design thinking. Yusuf also asked Anamarie Franc, a director in the CSG, to help lead the design team, which was initially a combination of experienced internal employees and leaders who had deep SAP networks. Franc sought to hire external thinkers who brought a fresh design perspective into SAP, and brought Sam Yen on as one of the earliest hires. Yen had completed a Ph.D. in design theory and methodology at Stanford (before the d.school had been established), and was well versed in the enterprise software space, having founded a software company after graduating from Stanford.

With the team formed, Yusuf, Franc, and Yen pondered their initial move, as Yen explained: "We had the executive support at the founder and chairman level. However, other people at the executive level were curious about our team's capabilities, but they didn't quite know how we were bringing design thinking back to SAP, and they didn't understand the potential value."

STUDY QUESTION

With the design service team formed, how should Yusuf introduce design thinking to SAP?

⁶ "Zia Yusuf at SAP: Having Impact," GSB No. OB-73.