

Quality People Management CEO Profile: Bill McDermott, SAP Winner of the ISO 10018 Honorary CEO Citation for Quality People Management

By Bruce Bolger

This profile of Bill McDermott, the American CEO of SAP, Europe's largest software company, continues ESM's new Quality People Management CEO series honoring chief executives at organizations that base their success on a strategic and systematic approach to engaging all stakeholders—customers, distribution partners, sales and nonsales employees, vendors and communities. The Honorary CEO Citation singles out leaders with a strategic focus on human capital management in order to provide CEOs, boards of directors and other executives a new paradigm for 21st century people-centric leadership. In recognition for Bill McDermott's accomplishments, ICEE has awarded the SAP CEO its second ISO 10018 Honorary CEO Citation for Quality People Management (see ESM: "[ICEE Launches Honorary CEO Citation for Quality People Management](#)"). The first recipient was Hubert Joly, CEO of Best Buy.*



This report sponsored by EGR International, A Trusted Leader in Engagement



How a young man from a middle-class household in Flushing, NY bought a delicatessen at age 16 that would help put him through college and go on to achieve extraordinary success is a story best told in Bill McDermott's book, [*Winners Dream, A Journey From Corner Store to Corner Office*](#). ESM honors McDermott for his extraordinary exemplification of 21st-century leadership: a strategic and systematic approach to the management of human capital as an asset, and for fostering the engagement of all stakeholders—customers, employees, distribution partners, vendors, communities, and investors.

SAP's 2018 voluntary annual Integrated Report, most recently published in February 2019, represents a paradigm for 21st-century CEOs seeking to emulate his company's strategic and systematic approach to engaging all stakeholders in its brand, culture, mission and goals. Moreover, the format and content in SAP's Integrated Report provides a benchmark against which other public, private and even not-for-profit organizations can plan, measure and disclose their own efforts to manage what is now finally recognized as an asset: human capital, comprised not just of employees, but customers, distribution partners, vendors and communities.

As a leading supplier of software in customer experience and employee engagement, SAP should be held to a high standard, but with about 96,500 employees worldwide, the ability to strategically and systematically manage human capital with such consistent results and positive outcomes is no small accomplishment.

Enterprise Engagement: Not Just a Popularity Contest

McDermott could be selected for the Honorary CEO Citation for Quality People Management designation based just on the company's Glassdoor.com scores alone. Nearly 5,500 employees who have posted on Glassdoor.com give him a 98% positive rating, and 93% of people would recommend the company to a friend. As a technology company, SAP has a major advantage over companies in other industries in that the pay is high, growth opportunities abound and the working conditions are much above average. That said, the company's Integrated Report demonstrates these sterling stats are no accident, but rather the result of the CEO's strategic and systematic approach to engaging all stakeholders.

While his sparse Wikipedia page contains little in the way of self-promotion, McDermott posts pithy, personal reflections and advice on his LinkedIn page, coming from someone who not only achieved success on his own merits to become the first American CEO of a European technology company, but who also bounced back rapidly after the loss of an eye in a 2015 accident. While his LinkedIn profile and writings reveal a hard-working, focused executive, he apparently has a light-hearted side and, having come up through the ranks from sales, he is known to enthusiastically celebrate success at employee events.

A Successful, Sustainable Organization

Investors should be happy as well. The company's stock has risen to about \$112 a share in March 2019 from around \$79 five years ago, with an annual dividend of about 1%. Revenues and profit margins have consistently increased year to year as well, and costs have been reduced, despite hits in various sectors of its diverse lines of technology business. With these financial results come the comfort of a company that is squarely and positively addressing the environmental, social and governance (ESG) issues that it and a growing number of investors, customers and employees believe are the foundation of a successful and sustainable organization. Because ESM and Enterprise Engagement focus specifically on the social aspects of ESG, here are some highlights of the human capital elements disclosed in Integrated Report that serve as a benchmark for other companies seeking to focus on customer and employee engagement and well-being. SAP has published the Integrated Report (IR) encompassing its full-year financial, social, and environmental performance since 2012, following recommendations from the International Integrated Reporting Framework.



In addition to providing detailed financial results related to revenues, profits and expenses, the IR discloses the number of employees (96,500); personnel expenses per employee, including stock plans (\$115,000); number of women working at SAP versus total number of employees (33%); women in management (25%); employee engagement index (84%); business health culture index (78%); leadership trust index (60%); employee retention (94%); and Net Promoter Score, (-5.0—note: this is a good score). With annual sales of \$26 billion, the company’s revenue per employee is about \$269,892. These numbers, both those that are good or in need of improvement, are further addressed in the IR and include extensive details on the company’s workforce and customer engagement strategies, some of which are highlighted below.



The Employee-Customer Connection

The report addresses the connection between employees and customers that is the foundation of Enterprise Engagement and ISO Quality People Management principles. The report states: “Our people are key to enabling our customers to successfully become intelligent enterprises. For this reason, we strive to understand the needs of today’s employee and how a 21st-century organization must evolve to keep attracting, retaining and growing current and future talent. To address these expectations and to provide intelligent, integrated and meaningful experiences for our people, we continuously evolve our Human Resources (HR) strategy.”

According to the report: “Our HR strategy details our people implications, derived from the corporate strategy, into areas of strategic investment that span the entire employee lifecycle. At the same time, it allows us to create a culture that deals successfully with the agility and scope of a digital workplace built on our purpose to help the world run better and improve people’s lives. This culture inspires innovation, leads change, and ultimately creates employee satisfaction.”

This systematic connection of the strategic plan to culture and people is also emblematic of ISO Quality People Management principles aimed at addressing the needs of all key stakeholders. The company report also addresses its customer engagement strategy: “SAP’s purpose is to help the world run better and improve people’s lives. We achieve this by providing solutions that help our customers tackle the challenges of today’s world to be successful. We can only do this with a sharp focus on our customers’ needs. We want our customers to see a company that listens and responds to their needs. We want to design and develop with their needs in mind. We want them to experience a constantly improving SAP.” The report explains the basis for its excellent -5% net promoter score, which includes multiple means of gaining ongoing feedback from customers.



The current strategy also includes “Harmonizing our interactions with customers. Continuing to evolve our portfolio into a seamless intelligent enterprise offering. Further integrating customer experience for our cloud assets in particular. We engage in this process transparently, as we believe transparency leads to accountability.” SAP says it’s basing its strategy in part on its belief that the world is moving towards an “experience economy.”

Business Advice From McDermott

Below is a sampling of both business and personal advice from McDermott for other CEOs or aspiring CEOs.

- » **Engage employees.** “If a vision is not supported by the workforce, even the most brilliant ideas risk being nothing more than light bulbs in a basket.” From his book [Winners Dream: A Journey from Corner Store to Corner Office](#)
- » **Forever be the underdog.** “I have no interest in mediocrity or maintaining the status quo, even if they’re safer bets,” he told [CNBC](#). “I love that I was and still feel endlessly like an underdog. Because it keeps you humble to remember where you came from. And it keeps you hungry because if you stopped thinking like an underdog, anything you have achieved can and will be taken away from you if you neglect your responsibility to keep it.”
- » **Address the why.** McDermott’s [Linked In page](#) notes that “As a leader, you can’t simply tell people what they need to do. You need to make sure that everyone on your team understands the vision for where the company is going and why that is where it needs to head. You have to make sure they fully grasp what part they play in making that vision a reality. Your teammates will give you their best effort if they know that what they are doing matters.”
- » **The need for vision.** “Great leadership needs to be about more than just meeting goals--it has to be about vision.”
- » **Dignity for all.** “If you are a leader, remember that every team member deserves the dignity of understanding how they can participate in the masterpiece of success.”
- » **The wealth of diversity.** “A diverse team is the key to success, and anyone not looking to include people from all walks of life is missing a golden opportunity.”
- » **Trust through tough times.** “When times are tough, trust can decline, but that’s when people need to trust one another more than ever. If we want to improve people’s lives and make the world run better, trust is a key component to success.”
- » **Wellness and well-being.** “The physical and mental wellness of our team is paramount. This is one of the many reasons I urge everyone at SAP to do things outside of the office that give them joy. If our people don’t take care of their health, ultimately everything else suffers, and I want everyone at SAP to have a dream job. I want people to be happy and to be inspired to have a thrilling career. The people who power this company are the most important part of it.”
- » **Put people first.** “Do this with your friends, your family, your employees, and even those you don’t know. Do everything you can to ensure you make this world a better place for everyone.”

Personal Advice From McDermott

- » **“Dreams are meant to be big.** It doesn’t matter how impossible something may seem or how slim the chances of it coming true may be.”
- » **Perseverance.** “Never allow present circumstances to interfere with your original dream. Where you are today does not define who you are and says nothing about where you might be tomorrow.”
- » **Growth through challenge.** “Every difficult situation we face in our lives is an opportunity to learn and grow. We can extract benefits from whatever hardships we’re faced with, if we can only identify what the good in the situation is.”
- » **Empathy.** “Successful salespeople and respected leaders know how to empathize,” McDermott told [Forbes](#) in 2015. “Whether selling or leading, you must put yourself in other people’s shoes, understand their needs, care about what pains them and do all you can to solve their problems.”

**Note: The Honorary CEO Citation for Quality People Management citation is not to be confused with an ISO 10018 Certification. The Citation is a recognition of CEOs who have demonstrated a strategic and systematic approach to engaging all stakeholders and does not verify that the organization would qualify for an actual ISO 10018 Quality People Management certification.*

Featured EEA Supporter:



EGR International

A leading Engagement Agency with a proprietary, fully customizable engagement portal technology designed to support the demands of large enterprises.

Contact:
Jenni Smith
212-884-1834
jsmith@egrinternational.com