HOW INNOVATION WORKS
Taking innovation further. Four SAP customers talk about the solutions that transform their businesses — and their industries.
For computer maker Lenovo, product and business model innovation go hand in hand
Lenovo has emerged to become one of the most innovative personal computer makers in the world.

AN INDUSTRY LEADER
Founded in 1984 in Beijing, Lenovo is China’s largest IT enterprise and personal computer (PC) maker. The Lenovo Group, with executive headquarters in the Research Triangle, in the U.S. state of North Carolina, employs over 23,000 people. The company has a presence in more than 60 countries, with manufacturing and distributing facilities in Brazil, China, Hungary, Malaysia, Mexico, the United Kingdom, and the United States.

With its acquisition of IBM’s Personal Computing Division for US$1.75 billion last year, Lenovo became a global player overnight. Yet the acquisition posed a significant challenge for the ambitious computer maker. Managers faced the task of having to integrate the two organizations and optimize IT systems to avoid losing market share to the company’s main competitors. It became clear to Lenovo’s leadership that the company needed a modern enterprise resource planning (ERP) system.

“Companies don’t just compete against other companies today; they compete against entire supply chains,” explains Lenovo President and CEO Bill Amelio. “Companies in our industry must sustain a constant level of innovation, and that’s only possible when every player in the supply chain is integrated on a flexible IT platform like SAP NetWeaver.”

A PLATFORM FOR INNOVATION
After reviewing the offerings of several different companies, Lenovo chose SAP to help the company build a platform for its global processes. Lenovo’s goal is to integrate its entire global supply chain, customer relationship management processes, and existing ERP processes. To achieve that, the company is implementing the SAP NetWeaver platform and various applications from the SAP for High Tech solution portfolio.
From the SAP Business Suite applications, Lenovo will be deploying SAP Customer Relationship Management, SAP ERP Financials, SAP ERP Human Capital Management, and SAP Supply Chain Management, including the SAP Advanced Planning and Optimization application. It will also be using the SAP xApp Cost and Quotation Management, SAP GRC Global Trade Services, and SAP xApp Manufacturing Integration and Intelligence composite applications. Together, each of these applications will help Lenovo respond faster to business and market changes; integrate the company’s growing global operations; and manage end-to-end processes. And, because of built-in capabilities from the SAP NetWeaver platform, Lenovo will also be able to take advantage of enterprise service-oriented architecture (enterprise SOA). This will allow the computer maker to quickly enhance the capabilities of its IT landscape, and adapt its supply chain to accommodate future shifts in product innovation and customer demand.

**COMPETING WITH A DOUBLE-EDGED BUSINESS MODEL**

With an end-to-end supply chain in place, Lenovo will be able to pursue its highly innovative dual business model with even greater speed and efficiency. Rather than restrict itself to a single means of reaching customers, Lenovo utilizes a relationship model and a transaction model. In the first, the computer maker establishes long-term relationships with its largest customers – for instance, very large corporations, government, and educational institutions. These customers typically order large quantities of PCs pre-configured to suit their unique needs which Lenovo then builds to order. But Lenovo also sells to individual consumers, as well as small businesses and midsize companies, with its transaction business, serving customers that have common needs – and require minimal customization – through a highly efficient distribution model. The transaction business allows the company to achieve broad market coverage, even in smaller cities.

“Companies don’t just compete against other companies today; they compete against entire supply chains.”

Bill Amelio, President and CEO of Lenovo

Continuous innovation: Lenovo has filed more than 1,000 applications for PC patents over the past four years.
“In the future, innovation will also be based on the very business model that drives it.”

Yang Yuanqing, Chairman of the Board of Lenovo

Delighting customers: SAP helps Lenovo glean high volumes of transaction data to identify customer needs and create innovative new products.
“The way to get a world-class supply chain is to have a rich mix between transaction business and relationship business,” says Bill Amelio. “A dual model is inherently more complex, but with SAP we can do it because we have a better IT system that can better support our business.”

GETTING CLOSER TO CUSTOMERS
Understanding what millions of customers around the world want is a formidable task. Yet with the SAP platform, Lenovo is able to glean and analyze high volumes of transaction data across its entire business – from retail cash registers to direct sales. It uses this real-time data to identify customer pain points, and to then address them with new product innovations. By understanding customer needs across a broad range of issues – from optimal hard drive size to computer virus protection – Lenovo consistently leverages opportunities to delight customers through innovation and differentiate itself from its competitors.

PUSHING THE ENVELOPE
In no other sector have product life cycles been shortened as in the PC industry. Product innovations emerge at lightening speed, as does the pace at which competitors copy them. But Lenovo has managed to leverage its supply chain to stay ahead of the innovation envelope – and limit the negative effects of commoditization. The computer maker has filed more than 1,000 applications for PC patents over the past four years. By understanding customers’ growing need for security, for example, Lenovo has developed technology that enables users to log on to their machines by fingerprint. And by gaining insight into their customers’ desire for a single solution for crashes, Lenovo has developed a PC that can recover from a virus at the click of a button.

BUILDING THE MOST EFFICIENT SUPPLY CHAIN IN THE WORLD
Currently the world’s third-largest PC manufacturer, Lenovo has a very clear strategy for future growth. With an international business three times the size of its substantial core business in China, Lenovo is anxious to extend its global footprint among consumers, small businesses and midsize companies. For Yang Yuanqing, Lenovo’s Chairman of the Board, this ambitious path for growth and IT-driven business model innovation are two sides of the same coin.

“We want to have more market share in the future — and that means building a strong dynamic business model built on a flexible IT platform,” explains Yang Yuanqing. “In the future, innovation will not be based on product and technology alone, but also on the very business model that drives it. And SAP is the IT partner that can help us achieve that.”
SAP provides Kaupthing Bank a platform for integration – and a blank check for growth
With the help of SAP, Iceland-based Kaupthing Bank is once again poised to double in size.

A NEW STAR IN THE NORTH
Kaupthing Bank is Iceland’s leading bank and one of Europe’s fastest growing and most successful. It offers integrated financial services to companies, institutional investors, and individuals in five core business areas: corporate banking, investment banking, capital markets services, asset management and private banking, and treasury. Headquartered in the capital city of Reykjavík, the bank is listed on exchanges in both Iceland and Sweden. Kaupthing Bank operates in ten countries, including all Nordic countries, Luxembourg, Switzerland, the United Kingdom, and the United States. With €40 billion in total assets and 2,700 employees, Kaupthing Bank is the seventh largest bank in the Nordic region in terms of market capitalization.

A HOT ECONOMIC CLIMATE IN THE NORTH ATLANTIC
Times have changed for the small island nation just below the Arctic Circle. A decade ago, Icelanders had virtually no investments abroad. But Iceland’s decision to join the European Economic Area in 1992, the growing internationalization of financial markets and the rise of electronic financial networks have provided fertile ground for growth, both at home and abroad. As a result, Iceland’s financial services market has flourished well beyond its borders, with growth rates twice that of Denmark and Sweden.

Kaupthing Bank has been quick to recognize and capitalize on these opportunities. With a corporate culture that values straightforward and quick decision-making, the bank has used an innovative business model to achieve exponential growth. As a result, the bank has doubled in size every year for the past couple of years.
The bank attributes its success in its key areas of investment banking, corporate banking and private banking to quick decision-making and innovative product range based on reliable information systems. To execute a strategy with this level of ambition and complexity, however, the bank recognized the need for a powerful, flexible IT architecture that could enable it to continue the pace of rapid growth with strong revenues and high-quality service.

A PLATFORM FOR GROWTH
After reviewing the various offerings of several major enterprise software makers, Kaupthing Bank’s managers came to the conclusion that SAP offers the best solution for financial services. With the SAP NetWeaver platform, the bank has standardized and synchronized its wide range of services and activities. And by selecting the SAP for Banking solution as its business backbone, Kaupthing Bank is taking advantage of the powerful set of applications, including SAP Deposits Management, SAP Loans Management, SAP Leasing, and SAP Collateral Management. With these applications Kaupthing Bank has unified operations, standardized processes, reduced the number of legacy systems across the banking group, improved revenue growth, and achieved faster product and service innovation.
"With SAP for Banking, Kaupthing Bank delivers unified, high-quality cross-border banking services."

Sigurdur Einarsson, Executive Chairman of Kaupthing Bank
“With SAP for Banking, Kaupthing Bank is able to offer its clients unified, high-quality cross-border banking services in each of the countries in which it operates,” says Sigurdur Einarsson, Executive Chairman of Kaupthing Bank. “As a result, we’re able to clearly differentiate ourselves from other Northern European corporate banks.”

For example, the bank can now easily handle multiple currencies across 10 countries in several different time zones. It has also greatly simplified the day-to-day management of checking accounts and loans. Employees processing loan applications in Finland, for example, can also process loans from Sweden and Iceland using the same system and the same rules.

The recent implementation of the SAP NetWeaver platform and SAP for Banking solutions has received acclaim from analysts and other participants as well. This year, Kaupthing Bank received the Retail Banking Project Award in the “Core Banking” category from the banking industry magazine The Banker.

**BANKING ON THE FUTURE**

An accomplishment of this size would be difficult for any company anywhere to repeat, but Kaupthing Bank maintains an ambitious set of objectives. Though size is never an objective in and of itself, the bank seeks out opportunities like those presented by SAP to support steady, organic growth. “Achieving consistent growth is about more than just size,” says Sigurdur Einarsson. “Our goal is to maintain strong profits by satisfying our customers. With SAP for Banking, we have all the tools we need to sustain a high level of customer service and product innovation.”
With SAP, Procter & Gamble moves closer to its customers—and ahead of the competition
With more than 300 well known brands, Procter & Gamble has worldwide presence.

**ALWAYS ONE STEP AHEAD**

Global consumer products company Procter & Gamble (P&G) is an innovation leader in the rapidly changing consumer retail industry. With the help of SAP, P&G has built a highly advanced supply chain, moved closer to its customers, and enhanced its ability to absorb acquisitions. As a result, the company drives growth and innovation in every aspect of its business – and maintains a strong competitive advantage.

More than 300 P&G brands are household names throughout the world. In fact, 22 of its beauty, grooming, and household care products boast annual sales of US$1 billion or more. P&G is also a pioneer in leveraging global enterprise resource planning (ERP) and a long-time SAP customer. The company began making country-specific purchases of SAP R/2 in Europe and Latin America as early as 1988. By 1997, the company had already begun a global SAP rollout, resulting in one of the first worldwide, standardized IT systems. And in 2006, P&G again led consumer packaged goods companies with its commitment to move toward enterprise service-oriented architecture (enterprise SOA) with a global upgrade to SAP ERP 2005. Since then, the company has focused on optimizing its overall supply chain, leveraging SAP’s market-leading supply chain management and planning applications. These solutions – as well as P&G’s long-term strategic partnership with SAP – have helped the global leader strengthen every aspect of its value chain.
BUILDING A SUPPLY CHAIN THAT RESPONDS IN REAL TIME
Supply chain management is a key focus for manufacturing companies today, particularly those in the highly competitive consumer goods space. P&G has taken the practice one step further by building an adaptive supply network—a demand-driven supply chain capable of analyzing streams of real-time data and automatically producing highly accurate forecasts at any given moment. P&G uses this information to make better purchasing decisions; to fine-tune sales and marketing efforts; and to ensure that each of its hundreds of products are in stock on store shelves.

Operating with this kind of precision has become a necessity for a consumer products company like P&G, which finds itself competing in an increasingly difficult retail environment. Margins have become thinner and growth much more difficult to achieve. The balance of power has shifted decisively to retailers and continues to move toward the consumer, who has become less loyal and more willing to try new brands. When a branded product is out of stock, consumers will often simply switch to another product, regardless of the brand’s strength.

“Staying the same will not work. The supply chain can hold your business model back, or propel you ahead,” says P&G CEO AG Lafley. “SAP allows us to get more in tune with the dynamics of the supply chain, with our consumers and with our customers.”

“With SAP, our business model can be used as a tool for innovation—and competitive advantage.”
AG Lafley, CEO of Procter & Gamble

Always in stock: SAP helps keep P&G’s more than 300 quality brands on store shelves throughout the world.
MOVING CLOSER TO THE CUSTOMER
With this deeper understanding of customers and consumers, P&G has succeeded in taking demand shocks out of its supply chain and in ensuring that shelves are consistently well-stocked. By taking data from point of sale and pushing it back through the supply chain as consumer decisions are being made, P&G makes better business decisions faster. As a result, the company is able to deliver its products at the right time, the right place, and at the right price – anywhere in the world.

STREAMLINING ACQUISITIONS
New acquisitions are also an important part of P&G’s growth strategy. This was the company’s goal when, for example, it acquired Gillette in 2005 – an acquisition that enlarged the company by 20% by adding a brand recognized around the world. Gillette, the global leader in the grooming, personal care, oral care, and batteries businesses, operated 32 plants in 15 countries at the time P&G acquired it. Combining the operations of two large companies posed a tremendous challenge. Since both Gillette and P&G ran SAP solutions, the integration succeeded in record time. “SAP has allowed us to become more flexible and adaptive in nearly every area of our business – from cutting costs and accelerating innovation to bringing new acquisitions on board,” says P&G Global Services Officer and CIO Filippo Passerini.

WELL POSITIONED FOR THE FUTURE
Over the coming decade, P&G will confront a number of challenges and threats, including competition from new brands; shifting consumer and retailer demands; as well the erosive effects of commoditization. But with its portfolio of SAP solutions, the company is well-positioned to manage future change. “The winning companies down the road are going to be the ones that have winning supply chain capabilities. We know that our business will change several times over the next 10 years,” adds AG Lafley. “But with SAP, our business model can be used as a tool for innovation – and competitive advantage.”
Innovation in real time: SAP gives P&G users real-time data for better, faster decisions.

“SAP solutions allow P&G to be flexible and adaptive in nearly every business area.”

Filippo Passerini, Global Services Officer and CIO of Procter & Gamble
In the city of Cape Town, fiscal and social responsibility run on the same platform.
KOOPMANS DE WET
V & A WATERFRONT
GOLD OF AFRICA
MUSEUMS
INFORMATION
KASTEEL
HALL
COMPANY’S GARDENS
The seven autonomous municipalities that once made up Cape Town, South Africa, merged on December 5, 2000, to create a new “Unicity” — and a fresh set of challenges. Overnight, the new organization took responsibility for 30,000 employees, a budget of €755 million (R7.2 billion), and service delivery to nearly 3.2 million citizens — from electricity distribution, water, and sanitation, to waste removal, housing, and healthcare.

Yet the newly merged city was unified in name only. In addition to having separate political parties and administrations, the former municipalities had also been supported by incompatible, antiquated IT systems. After a great deal of discussion and debate, the City of Cape Town chose to put a single IT system in place that could manage the city’s entire operations. Under the codename “Project Ukuntinga,” meaning “to soar” in isiXhosa, one of South Africa’s 11 official languages, the search for a software provider began. City officials were determined to make the project business-driven rather than technology-driven, and solicited the knowledge and experience of more than 250 senior and middle managers across all business disciplines. Based on their analysis and feedback, the City of Cape Town chose SAP as the project’s lead software partner.
CAPE TOWN, INC.

With SAP ERP as the backbone, as well as the industry-specific set of solutions contained in SAP for Public Sector and SAP for Utilities, city officials laid out very specific improvement goals for the new IT platform, including financial and management accounting, procurement, materials management, human resources, and payroll management. They also set clear benchmarks to measure the project’s success, with the firm expectation that the project pays for itself within four years. But with the improvements achieved through billing alone, the city saw a return on their investment in just over two years.

“Today’s budgets are tighter and the debate over how to best allocate resources is getting tougher,” says Nirvesh Sooful, chief information officer for the City of Cape Town. “The right IT systems have to be in place to make government as cost-effective as possible. SAP has helped Cape Town run its administration like that of a successful business. We’ve enjoyed a strong return on investment and our citizens have never been more satisfied.”

The City of Cape Town’s move to become more like a business reflects that of a growing number of public sector senior executives. A study by the Economist Intelligence Unit titled “Business 2010: The public sector” revealed that issues such as economic crises, privatization, budget cuts, and the continuing evolution of e-government, as well as the growing scrutiny of citizens, will push governments to

Built on fairness: Savings from the SAP implementation helps fund social programs to bring water and other vital services to the disadvantaged.
“SAP has helped Cape Town run its administration like that of a successful business. We’ve enjoyed a strong return on investment and our citizens have never been more satisfied.”

Nirvesh Sooful, CIO of the City of Cape Town
be more citizen-focused, more business-like, and smarter in their use of technology. Two-thirds of those surveyed plan to adopt new technologies to improve service quality, and another 33% will use technology to deliver services to more constituents and through more channels.

ACHIEVING A NEW BENCHMARK
The city’s SAP software environment has made the day-to-day management of Cape Town much more transparent. The SAP for Public Sector solutions, for example, enable city workers to oversee a multitude of tasks, from tracking incidents and reports on broken-down equipment to managing the intricacies of the annual budget. The SAP solutions have also helped the city cut down on fraud and corruption by enabling an online audit trail. All transactions can be traced, giving city officials and auditors a complete and transparent overview of how taxpayers’ money is being spent.

CLOSER TO THE PEOPLE
Almost every aspect of the city’s management, service delivery, and governance has been streamlined and made more efficient. The most palpable change is in the way Cape Town’s citizens interact with their government. Citizens can now pay for services from a single, consolidated bill at any cashier’s office in the city, over the Internet, by debit/stop order, with retailers, or even at the post office. And a single centralized call center offers citizens a single point of contact where they can call with questions about their accounts.

A BETTER BOTTOM LINE – AND BEYOND
The integration of financial systems and the streamlining of billing processes across the SAP software environment have not only greatly increased efficiency, but have also unlocked billing value. By increasing the city’s ability to collect outstanding bills, payment ratios jumped from below 85% to more than 98% in the first two years alone, freeing up the city’s cash reserves and helping it avoid additional debt. This has allowed the city to divert most of the resulting savings toward social development programs aimed at individuals and small businesses.

In the past, disadvantaged parts of the city have often had no water, sewage, or energy service. Cape Town’s social programs have provided reliable utilities, as well as debt relief, for those who have been unable to pay past-due bills. They have also supported affirmative procurement policies that help small businesses compete for city contracts. “By helping us add value to the City of Cape Town’s bottom line, our SAP software has helped us touch lives well beyond it,” says Nirvesh Sooful. “From both a financial and human perspective, the city’s investment has been returned many times over.”