

Case Study on:



Ruban D'Honneur Recipient

European Business Awards 2011

**The HSBC International Growth Strategy
of the Year Award**
Software AG



Software AG Business Process Excellence

Words from the Judges

"Shifting focus from product to process has led to significant growth."

Operating in the business-to-business software sector, Software AG is Germany's second largest software vendor, fourth largest in Europe and has a well-established presence in the US. The company is a well-deserved recipient of the European Business Awards Ruban D'Honneur for the HSBC International Growth Strategy of the Year. The accolade has been given in recognition of the fact that Software AG has experienced huge growth in the past eighteen months following the launch of its cutting-edge Business Process Excellence (BPE) product portfolio, which saw the business return over €1 billion revenue in 2010, one year ahead of plan.

Group revenue increased by a staggering 32% (year-on-year) driven by a 34% growth in the BPE business line. In the same year, operating income went up 23% and net income grew by 25%.

Despite the global financial crisis, Software AG has achieved growth through diversification and has benefitted from the fact that the new BPE product portfolio offers improved efficiency for businesses looking to optimise performance. BPE provides an alternative to straight cost cutting; it provides a way forward to a more productive future.

BPE is a sustainable business approach that allows organisations to minimise their resource usage and re-use their existing software in new ways without having to replace it and start again. BPE integrates the many and differing enterprise IT systems into one highly flexible virtual system with web-based access to any application in order to streamline and modernise business processes and improve efficiency.

"Never before has a software product enabled a convergence of people, processes and technology in such an effective and cost efficient way without disrupting business."
Darren Roos, COO EMEA/Member of the Board, Software AG.

BPE offers a new level of understanding, alignment and flexibility between business operations and the underlying IT infrastructure. The central premise is that it is only when the operational and technical components of business processes are



integrated, automated and optimised as a whole that a company's process management can be successful in the long term.

"From our research, we found that in businesses of all sizes, processes have simply evolved over time and been somewhat cobbled together, owners of the processes have moved on and knowledge has been lost. BPE offers companies the opportunity to re-engineer, manage and continuously improve their business processes in order to increase productivity and competitive advantage as well as cutting costs."

Software AG manages every element of a customer's BPE journey and prides itself on outstanding customer service from the initial research stages through to the implementation of a bespoke product portfolio and beyond into customer support. In a bid to offer a full spectrum of services, Software AG acquired IDS Scheer, with its market leading business process modelling software ARIS in 2009. By bringing ARIS in-house under the Software AG umbrella, the company is able to offer the very best foundation for implementing process design and management.

In order to succeed with its aggressive growth strategy, Software AG shifted its focus from an internal to an external facing organisation. The almost 6000 strong workforce was made aware of the company's dynamic growth targets as well as the requirements of all stakeholders. The company looked to raise its profile within the software industry both domestically and internationally through corporate social responsibility projects, sponsorship deals and industry collaborations such as the foundation of the Software-Cluster in South-West Germany.

"The phrase 'Extreme Collaboration' illustrates our behaviour at Software AG. Externally, for our customers, BPE offers 'extreme collaboration' between all parties within their organisation; customers, partners, suppliers and staff – all collaborating to streamline the business. Internally at Software AG, 'extreme collaboration' is what we undertake with our clients in every aspect of the business."

"Software AG is the global leader in Business Process Excellence with over 6,000 employees operating in 70 countries worldwide and enjoying a history of more than 40 years of innovation in offering customers a unique portfolio of end-to-end business process management (BPM) solutions. Proof that in the highly competitive world of software supply, specialisation and focus on a key performance improvement sector can deliver substantial growth."

Phil Forrest, Chairman of Judges, European Business Awards 2011

Looking to the Future...

Software AG aims to become global market leader in Business Process Excellence and in turn become a global IT champion. In order to achieve this, international expansion is key to future plans. The company already has a direct market presence in Brazil, Israel, Japan and South Africa and is focusing on further geographical diversification to provide continuous growth as other territories adopt BPE.

"Software AG's unique BPE process optimisation portfolio provides technological freedom for our customers and goes some way to solving the conundrum of Business & IT alignment. As word spreads about our offering, we are anticipating long-term double-digit growth."

The foundations for Software AG's growth strategy were laid by the company's CEO, Karl-Heinz Streibich who, along with the global sales force, consulted almost one thousand of the company's major customers to gain valuable insight into all their current business issues and concerns as well as their future requirements. Regular customer consultation will continue as a core feature of Software AG's strategy development and is used as much more than just a passive collection of opinion; it is an opportunity to join in open discussion and shape the future direction of the company.

Software AG has also begun to use its own software to streamline internally, from dynamic cost management and budgeting, through its deal closure processes to a single corporate wide customer view. Software AG has set itself an ambitious target to achieve continued double-digit revenue growth over the next three to five years, bolstered by a major strategic acquisition every two to four years in order to achieve a 30% EBIT margin. The company is looking to double its revenue and profit every five to six years. With these bullish targets, the company needs to be operating with the most efficient business processes in order to rapidly and effectively focus resources on growth areas as well as quickly identifying upcoming customer requirements and acting on them.

Within Software AG, there are plans to establish a corporate culture of international collaboration between the larger and smaller global offices. Currently Software AG is present in over 70 countries but the available skills and resources are not equal. This change in regional structure will allow smaller territories to borrow resources for individual sales negotiations or projects, thereby allowing smaller countries to take on much larger strategic projects that are currently out of their league.

The company has also established an internal Corporate University to train its rapidly expanding international workforce in essential technological, managerial and cultural skills. This will continue to develop in the future, especially in light of the company's future acquisition strategy. In addition, the University Relations Programme which has been set up with universities across Germany will provide a constant supply of trained and ambitious individuals to support Software AG's growth plans.

The final focus for the future is a longer-term brand strengthening exercise. Part of Software AG's successful integration of acquired companies has been to keep their well-known brands alive; it has helped to quickly establish Software AG's reputation within new market segments. However, as time moves on, Software AG will be looking to increase awareness of its own brand to ensure maximum recognition in the marketplace.





"This award is a direct recognition of what we have achieved at Software AG. We are a European software company competing in a world that is dominated by the US and it is testament to our people that we are being acknowledged."



Darren Roos,
COO EMEA/Member of the Board,
Software AG

About Software AG

Software AG operates in the business-to-business (business infrastructure) software sector and competes with mainly US based major vendors such as IBM, Oracle and Microsoft to name but a few. The company is Germany's second largest software vendor and the fourth largest in Europe. Software AG achieved revenues of €1.1 billion in 2010 and has more than 5,600 employees serving 10,000 enterprise and public institution customers across 70 countries.

Flexibility and Independence

The company was founded in 1969 and is listed on the Frankfurt Stock Exchange; it has some customer relationships that span over 30 years. The company is the largest independent vendor operating in the business infrastructure market and 'independence' is what it offers its customers. The market consolidation trend of the last five years has significantly reduced the number of truly independent vendors and drastically reduced customer choice. In contrast, Software AG's growth strategy is uniquely based on increasing customer choice and flexibility. The company can integrate applications from SAP, IBM, Microsoft and Oracle, to name just the big four. It can combine new and existing hardware platforms, reuse existing systems and create new applications to get the best out of these services.

Building on strong foundations

Software AG has a large stable business line: Enterprise Transaction Systems (ETS) which has consistently returned strong financial results. It was introduced in the 1970s and has been updated and enhanced in the intervening decades returning record figures since 2006. However, since BPE has been launched, ETS no longer looks like a high growth division even though it is regularly returning profit of over €300 million!

Respect in the Industry

Industry analysts, Gartner Group and Forrester, rank Software AG's portfolio in the 'technology leadership category' in twelve different technology areas relevant to Business Process Excellence, more than any other competitor.

About the European Business Awards

Since 2007, the European Business Awards programme has been shining a light on the most pioneering businesses on the continent by promoting excellence, best practice and innovation in the European business community. The awards programme recognises excellence in all disciplines of business including individual business functions. Last year entrants ranged from fish farming organisations to renewable energy firms. Together they had a combined turnover greater than €766 billion Euros (6% of EU GDP) and employed over three and a half million people between them.

Businesses from each of the 28 European territories are invited to enter the Awards. The competition for finalist places is fierce with many of the Europe's most established brands being represented.

The judging panel is comprised of experts in their fields who each bring experience, business acumen and understanding to the board. The overall winners in each of the categories will be announced at the Awards ceremony in Barcelona on 22nd November 2011.

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