

# Rift Over Co-CEO Caused Agassi to Leave SAP

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His departure had nothing to do with the Oracle lawsuit or SAP's bumpy financials, officials said.

Shai Agassi is leaving SAP AG to tackle climate and energy issues in Israel and not as a result of Oracle's recent lawsuit against SAP, or SAP's two missed quarters in fiscal 2006, according to SAP's chairman, Hasso Plattner.

Rather, according to Plattner, Agassi's departure stems more from the fact that SAP's board extended Henning Kagermann's CEO contract to 2009, leaving Agassi in the lesser position of president of the Product and Technology Group for another two years.

"What happened is I shared my plan with Shai that he should become co-CEO with Apotheker," said Plattner during an impromptu press conference March 28.

"When I asked Henning - Kagermann, SAP's CEO - if he could stay until mid-2009 - we will launch a new product - Henning agreed. It became apparent to Shai that he was not comfortable committing a long-term, 10- or 15-year period to SAP and responded that I should not consider him for the co-CEO or CEO position."

Plattner said after Agassi's response to Kagermann's contract extension, it was Plattner's turn to respond.

"It became clear to me that when a 120-percent person is not committed in long terms, we should make short-term changes, because it would release energies in others."

Under SAP's bylaws, Kagermann's contract would have expired this summer on his 60th birthday, to be extended on a yearly basis.

Agassi and Leo Apotheker, president of SAP's Global Customer Solutions & Operations, were front runners for the top spot at SAP.

And from the look of today's announcements - Apotheker was named deputy CEO, alongside Kagermann - the board was clearly considering a co-leadership role between Agassi and Kagermann. SAP executives stressed that it was this rift that led Agassi to give up his coveted role at SAP - and not the explosive legal claim brought by Oracle last week that alleges theft on a grand scale by TomorrowNow, SAP's subsidiary that provides third-party support for Oracle's applications.

"This has nothing to do whatsoever with Oracle," said Kagermann. "The proof is this meeting, which was issued before Oracle launched its broad attack."

When asked about his thoughts as to whether Agassi would have been named to the top spot should his contract not been renewed, Kagermann responded strongly. "I will not be pushed by anyone inside or outside of SAP to make comments about public positions," he said. "That's it. Period."

Whatever the reasons behind Agassi's resignation - the reasons not outlined in a press release - SAP is clearly under pressure. Oracle's lawsuit, whether specious or not, is shedding a negative light on the company in what has been a tough year on the financial front.

Twice during the year - its second and fourth quarters, respectively - SAP restated guidance in a downward trend. At the same time, the company will invest between \$370 million to \$493 million over the next eight quarters in a new mid-market suite, A1S, which SAP hopes will increase its earnings by \$1 billion over the next four years, and nearly triple its customer base by 2010.

SAP said during its fourth-quarter earnings call in January that the investment in A1S would likely have a negative impact on the company's operating margin this year, chipping 1 or 2 percentage points off 2006's 27.3-percent margins.

During the March 28 press conference, Plattner said Agassi's leaving - despite his position as chief architect - would have no impact on the development of A1S. "With all his responsibilities, Shai is not responsible for A1S. Peter Zenke as a board member is," said Plattner. "We have only disclosed that we will come out with the product this year, so - Agassi's leaving - will not impact us at all. Except all the technology stuff we are using is part of Shai's contribution."

During his six-year tenure at SAP, Agassi was very much behind a major platform push that led to the development of NetWeaver, SAP's integration and development platform, and the company's transition to a SOA (service oriented architecture) model - an achievement that cannot be understated for a company that was once synonymous with the word "monolithic."

The transformations at SAP, with Agassi as the frontman technically, with customers and with the press, led him to be viewed as a bit of a wunderkind at SAP and in the technical community.

While it may be hard to measure the impact of Agassi's departure in the near term - particularly with SAP's platform strategy that puts it in line

to compete with the likes of Microsoft and IBM - Kagermann was adamant that there will be no changes in SAP's strategic direction.

"Strategy is given from the CEO, not just one member," said Kagermann. "We will continue to execute. There is no need to change. It is a superior strategy. The Business Process Platform, you will see it in products. NetWeaver will continue to be a revenue generator for SAP."

In light of Agassi's departure, SAP also announced the formation of an Executive Council, comprised of the company's corporate officers, which will be responsible for both customer-facing and product strategies. Executives leading development will report to Kagermann. The Executive Council consists of: Doug Merritt, who lead the development of software for the business user; Klaus Kreplin, who will continue to lead SAP NetWeaver technology; Jim Hagemann Snabe, who will lead development of the SAP Business Suite and industry solutions; Michael Kleinemeier, who will drive collaboration and lead industry business unit priorities; Bob Stutz, who will continue to lead the CRM team; Hans-Peter Klaey, who will continue to lead the SME organization which now encompasses SAP Business One; and Bill McDermott, CEO of SAP America, who will oversee the Americas, Asia Pacific and Japan regions. The changes will take effect April 1.

Agassi, for his part, will be returning to his entrepreneurial roots. He started his meteoric rise at SAP in 2001 when his portals company, Top Manage, was acquired by SAP. Now he plans to take on climate change and global-energy issues, according to Plattner.

"[Agassi] said, 'When I look to the future I see myself getting older.' He is so young, I cannot understand this - but that is what he told me," said Plattner. " - Agassi - has said many times he has many things he wants to do. He will save many thousands of tons of energy. You will be amazed. He will start in political things in Israel, building a company."

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