**CASE: Culture Clashes Make Change Difficult at SAP**

Software giant SAP is based in Germany and is seeking to develop more efficient global operations. At the beginning of this decade, about two-thirds of its managers were German, and most key projects were led from its headquarters in Walldorf, Germany. The company's leaders hoped SAP could become more agile and creative by bringing in a more diverse group of employees and sharing responsibility.

Unlike the more typical route to globalization by setting up sales offices and manufacturing facilities, SAP introduced change from the top down. The company made English its official language, even for meetings at headquarters. It hired foreign managers, making them half of the company's top management. It placed product development under the leadership of Shai Agassi, based in Palo Alto, California. Agassi was charged with overseeing development groups in eight centers around the world.

One objective for the globalized SAP was to develop and implement software much faster. The process of creating a new program at SAP had been taking at least a year, as programmers in Walldorf carefully worked out each problem. The resulting programs were complex and difficult to install and didn't work well with other companies' products. At the same time, the Internet was making customers' software more interconnected and increasing the pace of change. To keep up, SAP would have to change as well.

SAP hired programmers in India and China, as well as in Germany and the United States. German programmers focused on the coding associated with the software's main tasks, American employees more often addressed programming that affects the user's experience, and Indian programmers worked on updating and fixing the code in older programs. Some human resource functions were outsourced to Prague, in Eastern Europe.

The changes frightened many of the German employees, who worried they would lose their jobs and the company would lose its reputation for quality. Agassi assigned a group of 10 software developers to create 100 programs for analyzing data such as defects in parts. Their deadline: just 12 weeks. The developers first insisted the task was impossible, but when Agassi wouldn't back down, they found a way to meet the deadline by writing a program that would write other programs. Still, they worried that working so fast would ultimately lead to problems with quality.

Employees in Germany complained about the move away from "good, old German engineering" and the requirement that they speak English in meetings. They criticized the "Americanization of SAP." Eventually, they rallied enough support to form a workers' council, similar to a union, to help workers find other jobs at SAP when positions were moved to other countries. So far, though, the company has avoided layoffs at headquarters—in fact, it has hired programmers.

Personnel director Klaus Heinrich guided American executives in working with engineers in each country. For example, he urged them to manage German workers by making a good impression with hard work and quality. Managers learned to give German employees plenty of leeway and give Indian employees plenty of attention. Still, Agassi, the U.S.-based head of product development, resigned out of frustration with the level of conflict.

**Questions**

1. In your opinion, what aspects of the changes at SAP would be most difficult for the German employees? Which would be most difficult for the SAP employees in other countries?

2. What HRM activities or functions were affected by the changes described in this case?

3. Imagine you are an HR consultant called in to advise the leadership at SAP. Suggest a few ways the company can overcome cultural barriers that are affecting its efforts to become more creative and agile.