# Four Lenses Analysis

SAP

## LENS 1: MISSION DRIVE

**Rating: 3/5 - Weak**

Mission Statement: We bring out the best in every business.

Revenue Sources: SAP is rapidly shifting from traditional software licensing toward recurring cloud revenue. In 2025:

Cloud revenue grew 23% to €21.0B.
Software license revenue fell 29% to €990M.
Software support revenue fell 7% to €10.5B.
Cloud + software represented 88% of total revenue.

SAP's revenue model is particularly relevant: the company increasingly depends on customers continuing to subscribe to its cloud ecosystem, rather than relying primarily on one-time software-license sales.

Alignment: mission-driven

Justification: The mission matters, but isn't structurally required for profit.

## LENS 2: FINANCIAL GRAVITY

**Rating: 4/5 - Resisted**

Company Type: public

Pressure Source: - Mature ERP market: SAP has a huge installed base, but this also limits organic growth opportunities.
- AI disruption: Generative AI lowers the cost of developing software, making it easier for smaller companies to build ERP or ERP-like products that could compete with SAP.
- Long-term commoditization: Core ERP may remain essential for large companies for decades, similar to banking's legacy systems, but the profits from providing these systems could decline as software development and infrastructure become cheaper and more commoditized.

Justification: SAP faces high pressure to sustain growth and respond to AI disruption, but management has largely maintained its long-term cloud and AI strategy rather than abandoning it for short-term results.

## LENS 3: GOVERNANCE

**Rating: 4/5 - Strong**

Dual-Class Structure: no

Board Composition: 18 directors

Vulnerability: 24-month vulnerability assessment: Low

SAP has relatively few takeover defenses, but its size makes a major activist position extremely expensive. Its German two-tier governance structure, with separate Executive and Supervisory Boards, also makes a rapid change in management or strategy more difficult. Overall, fundamental change within 24 months appears unlikely.

Justification: SAP has limited takeover defenses and no controlling shareholder, but its enormous market capitalization and German two-tier governance structure make fundamental activist-driven change within 24 months difficult.

## LENS 4: MISSION TRANSMISSION

### Rating: 4/5 - Helped

Industry: Enterprise software / ERP (Enterprise Resource Planning)

Competitors: 1. Salesforce — a direct competitor to SAP in CRM and customer experience, although Salesforce does not compete with SAP across the full ERP stack.
2. Oracle — SAP's closest full-suite ERP competitor, particularly in large enterprises.
3. Microsoft — Dynamics 365 competes with SAP across ERP and CRM/business applications.

Concrete Example: SAP's core practice of standardizing and integrating business processes through enterprise-wide ERP software.

Justification: SAP helped establish integrated, standardized ERP as the industry model for large enterprises, with Oracle and Microsoft now competing directly against SAP's integrated enterprise-suite approach.