



CXO INTERVIEW FOR THE INDUSTRIALIST PUBLICATION, MARCH/ SAP AUDIO TRANSCRIPT

Christophe Mouille: Thanks a lot Georg for making the time today for this conversation. First of all, to start with, can you please give us one word that best describes you?

Georg Kube: Well Christophe thank you very much for having me today. It's actually two words which come together in one. I would say it's structured chaos. I like to live in a world where there is a certain degree of chaos, flexibility and opportunity and things that could happen at any time. But then I'm always inclined to give that world structure so I can see the grand scheme of things. And it's this, I would say, this area of tension that describes me pretty well.

Christophe Mouille: Do you want to tell us a little bit more about your journey and your current role as Global VP of Industrial Machinery and Components at SAP.

Georg Kube: I'm actually an industrial engineer. I'm a mechanical engineer by trade. I've learned this a long time ago, but then I moved into IT very quickly when the topic of P M and CAD CAM systems were born. I implemented CAD CAM systems for a while and then moved into the role of industries, industry marketing, consulting for industries. And about 10 years ago I joined SAP in the industry marketing

organization responsible for industrial manufacturing, but also other industries. And I stayed in that role for quite a while until I then moved into the solution management role, which I am having now. So basically, as a, you know, VP of industrial manufacturing at SAP I'm responsible for the solutions that we have in the market for those industries.?

Christophe Mouille: When you look at the last decade, we've seen companies operating under increasing level of disruptions. So, in that context, maybe two questions. What's your view on where industry and manufacturing companies stand today in terms of leveraging Industry 4.0 and digital technologies to achieve, a faster, more sustainable change on one hand? And on the other hand, what would you see to be top challenges that still need to be overcome?

Georg Kube: We had a big German newspaper last fall, a headline that says Industry 4.0: Ten most fears. They basically made the point that despite Industry 4.0, and digitization for that matter, there wasn't progress and productivity wasn't where it should have been. And my personal opinion is that sure, we could be further ahead, but without digitalization and without industry 4.0, we would be way back.



However, I think there is a couple of things that are not going well. The first thing is that companies typically look at technology first when I think about Industry 4.0. They talk about sensors and they talk about protocols and talk about connectivity. They should talk about business scenarios. The next thing is that many scenarios and many initiatives are centered around making manufacturing more efficient. So, it's a cost driven approach. Well, I think the real opportunity is in top line, not the bottom line. They should think about how can I make more money instead of how can I make my money with less cost? Silo thinking is a big problem. Many initiatives are in manufacturing. They don't look into the engineering area. They don't look into sales. They don't look into finance for that matter, because many of these things have a financial implication. And there's also a big, big problem because companies are very reluctant to share data. Digitalization requires data sharing. And finally, many of these initiatives work for big companies who have lots of resources. They can have big implementation projects, but it doesn't scale down to many, many small and medium businesses that we have in our industry. So, it's these five things that I look at as the things that we need to overcome in order to become more successful.

Christophe Mouille: What do you think the whole business network could play into this context?

Georg Kube: Well, I assume we heard about ManufacturingX as the next big thing, at least driven here out of the German and European marketplace. ManufacturingX is an open data ecosystem, which is basically using the Catena-X concepts and making it broader across all industries with a focus on industrial manufacturing. And as a matter of fact, it addresses many of the things that I just said, mainly the data sharing aspect, because in a business network where data is shared in an open and trusted way, where every participant maintains sovereignty over their own data, suddenly the reluctance to share data to somebody else is going away or is going down, at least.

So, I think business networks are a key to make industry for successful, and especially the open data ecosystems like ManufacturingX and Catena-X.

Christophe Mouille: When it comes to SAP, how does SAP help the industry and manifest for the client to accelerate their digital transformation to achieve their full potential? And maybe you can illustrate with an example?

Georg Kube: The real potential lies in the business perspective, So, we are looking at it from a perspective of what additional business models can customers, can clients achieve by using the technologies and the solutions that we can provide. And in my industry, Service based business models are a key element of what we're trying to help our customers to achieve. And we have many examples. We have a Kazan for compressors, we have Bitzer for compressors as well, but also a Hokanson, which is a company that builds building equipment that you see on roadsides, constructing roads and so on. They're also moving to a, you know, rental subscription as a service model using SAP technologies. So, we provide the business layer for digitalization while many of our partners are providing the more connectivity and edge oriented layer.

Christophe Mouille: What about sustainability and the circular economy, which is a big theme today. What's your view on where to start from and how can manufacturers drive real value from the circular business models?

Georg Kube: I was with a client just a couple of weeks ago, a client that does roller bearings, small things. Nevertheless, they are taking particular pride in the fact that they recycle and remanufacture their roller bearings. Obviously, they do this for the larger ones, the one that you find in wind turbines and stuff and not the smaller ones that you find in household machines.



But yet it's a relatively simple product and remanufacturing makes total sense, because what they told me is they're saving about 40% of the energy and the raw material that goes into a product by reusing what they already have and can take back out of the marketplace. Another great example is Volvo construction. They're taking out the used big engine blocks out of the construction machines, and they refurbish it completely. I personally think this is probably one of the most effective ways for the industrial manufacturers to drive sustainability, because it's a very direct way to reuse the raw materials, energy, CO2 footprint, which has already been done. And savings are in the area of 40 to 60 percent so I think this is very real.

Christophe Mouille: So now in a couple of weeks, will we all go to Hannover Messe, So, what trends do you expect to see at the fair and what will be SAP's focus this year for the events?

Georg Kube: I'm totally looking forward to Hannover fair. I believe companies are in this tension between saving what they have, being very cautious trying to create a resilient business, you know, stabilizing their operations in terms of the supply of raw materials, the supply of energy, all these kinds of things. And at the other side venturing forward and transforming their business and opening up new markets. So, the big topics that we see is business transformation. Still a big, big thing. Everybody's looking for the next business model. Resilience, clearly stabilizing the supply chain to be able to fulfill what has been acquired in terms of orders. And thirdly, sustainability. Transformation, resilience and sustainability - are the big three things, and that's what we're going to focus on as SAP obviously. This is where our booth will show a lot of innovations in these three areas.

On top of this, I expect that there will be a lot of buzz around ManufacturingX, the German initiative to create this open data ecosystem for the manufacturing industries, not only industrial manufacturing,

but also chemicals and medical and high tech and aerospace. All these companies require a better way to interact and share data, and ManufacturingX is going to do just that. And we at SAP are deeply involved, and we will also show what our strategy is in this area.

Christophe Mouille: What would be the new digital technology that you would see in the coming years that would be a game changer, if you will, in terms of impacting the future of our industry and manufacturing companies?

Georg Kube: I think what is dearly needed and where I see a lot of advancements right now is the concept of a digital twin. We are talking about it probably since we talked about Industry 4.0, but it has always lacked on two dimensions. It has lacked on the dimension of interoperability. There were so many twins, and they didn't talk to one another. The engineering side, the manufacturing side, the service side all had this representation that didn't work together. And I see now was the emerging of standards driven through ManufacturingX, for example, like the administration shell and others, I see that there is a there is a structural layer coming in that actually creates interoperability of digital twins between companies.

And the second element around the digital twin is the visualization layer. So far these have been very, very rudimentary 3D models, step models whatever. And now we talk about the industrial metaverse. Right now, think about a structurally correct, interoperable digital twin of all type of products, of buildings, of factories, of machinery. All of these things come together in a metaverse where people can immersively engage and collaborate. I think this is going to be a big, big, big step forward. And it's also supporting, obviously, the network aspect that we just talked about.



Christophe Mouille: What would you say inspires you the most in life?

Georg Kube: If I look at my professional life, let me put it this way, right? I'm much, much more inspired by what our clients do than what we do as software providers or consultants. I was just recently visiting a house fair of a big machine toolmaker. And they were showing their newest equipment like five axis milling machines with all the kind of gadgets and automations and so on, I look at these things and I think about the amount of courage and enthusiasm and confidence it takes to build it, not digitally, but for real, Cast the stuff, mill this stuff, build it together, make it work. Physical products or think about ASML with their new chip making machines with the new technology, it's almost unfathomable how that works and yet they these guys make it work. And they invest huge amounts of money to something that in the end becomes a physical product, and it actually does work. That really inspires me.

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