SAP’s MISSION: PROVIDE SMBs AN UNLIMITED PATH TO GROWTH

SAP BUSINESS ONE AND SAP BUSINESS ByDESIGN PROVIDE CHOICE

Many see SAP from a single lens focused on the largest enterprises in the world. But in fact it has a team and products dedicated to addressing the needs of small to midsize businesses (SMBs). But the most successful SMBs today are not content to be either small or medium-sized forever. After a decade of economic uncertainty, growth is definitely back. The right technology-enabled enterprise applications can help propel growth, while those built on outdated technology can stifle it.

In response, all the teams at SAP, but in particular those focused on the SMB segment, have a unified mission: to provide choice and an unlimited path to growth. “Choice” translates to providing more than a single solution: instead a portfolio of Enterprise Resource Planning (ERP) products, available in the cloud, but also with a choice of deployment options.

The SAP strategy behind this mission is to not only support and promote growth, but also to lead companies on a journey to become what it calls an “intelligent enterprise.” Technology is critical to both and the SAP SMB team is being smart and selective about leveraging the technology of SAP to speed that journey.

For the SMB, the three components critical to delivering on this strategy are:

- The “suite in a box” provided by SAP Business One and SAP Business ByDesign
- SAP’s vast store of intelligent technologies (think artificial intelligence, machine learning, natural language processing and more)
- A strong digital platform

These three together mean more innovation delivered through the SAP SMB development teams as well as a strong and growing ecosystem of partners.

GROWTH IS BACK!

SAP’s mission to provide an unlimited path to growth would seem to be right on the money. After a decade of economic uncertainty, growth is making a comeback. Seventy-two percent (72%) of the participants in our Mint Jutras 2018 Enterprise Solution Study predict moderate to explosive growth in the coming year. While economic factors outside of their control remain at the top...
of the list of potential inhibitors of growth, there are steps they (and you!) can take to counter these inhibitors and accelerate that growth trajectory. The right technology-enabled enterprise applications can help propel growth, while those built on outdated technology can stifle it.

Enterprise Resource Planning (ERP) is at the very core of the applications necessary to support growth. The fastest growing companies are 37.5% more likely to say it is absolutely critical and has a direct impact on growth. It forms the operational system of record of the transactions that fuel growth. While the basics of ERP provide the foundation on which to build, growing companies need more than basic functionality today. The basics help you streamline and automate standard business processes, promoting efficiency, yet growth requires more:

- More productivity
- More and better communication and collaboration, both inside and outside of your company
- More intelligence to help you decide on your next strategic move

Legacy ERP solutions simply don’t make the grade today. More and better features and functions, combined with advanced technology, are needed to achieve differentiation and a competitive edge. Modern digital platforms enable more innovation, helping you extend the functionality of ERP itself and support seamless integration with other, complementary solutions crucial for growth.

Let’s examine each of SAP’s three components for SMBs and the role they play in the journey to growth and intelligence.

**SAP’S “SUITE IN A BOX” APPROACH FOR SMBs**

Of course, SAP is best known for its ERP for large enterprises. And many think of the company only in that context. And yet, over 85% of its customers are small to medium size businesses (SMBs). But SAP didn’t achieve this level of penetration down market with a single ERP. This segment of SAP’s installed base runs one of two other solutions: SAP Business One (for the low end of the market in terms of target company size) and SAP Business ByDesign (which comes up market somewhat).

Rainer Zinow, Senior Vice President and Head of Product Management for these two products, is often asked why SAP chose to offer more than one ERP solution. His answer is quite simple, “Our customers have different buying preferences. And therefore, we provide choice.”

Rainer Zinow, SVP, Head of Product Management for SAP Business ByDesign and SAP Business One

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believes ByD is alive and well and its installed base (which is already larger than many of its competitors’) will continue to grow, largely because it satisfies a need in the market and its roadmap is ambitious.

SAP’s current strategy is to secure those SMBs as customers early and provide a path for growth. To that end SAP recognizes a fundamental difference between typical large enterprises and their small to midsize counterparts.

All enterprises need a solid foundation of core functionality. Most large enterprises prefer to put that core functionality in place and then assemble a more complete and customized solution on top of that foundation. Smaller enterprises have neither the level of internal expertise nor the budget for this approach. They prefer a more complete, pre-assembled solution – what SAP calls a “suite in a box.” B1 and ByD are both designed to be that “suite in a box.”

So why two solutions? Again, the answer is simple: More choice. In Rainer’s words, “For those that want to consume a solution from the public cloud, we have ByD. And for those that prefer a private cloud or an on-premise solution, we have B1. The journey to the public cloud started by companies saying, let’s do a little customer relationship management [CRM] in the cloud, then a little human resource management. I’ll tell you, the journey continues. The same companies that told me, ‘We don’t plan to do financials in the cloud’ are exactly the companies that are doing it [financials] in the cloud today.”

Beyond the deployment models, what’s the difference between the two? Business One is for smaller, less complex businesses. Through the years the upper threshold of size has been defined differently – sometimes by number of employees (less than 100) and sometimes by annual revenues (the upper range typically around the $100 million mark). But those qualifiers can be misleading. Some businesses that are quite large (in terms of revenue) produce that revenue with a very small number of employees, while others that are quite labor intensive might have high staff-to-revenue ratios.

However, one qualifier that has remained consistent: B1 serves those smaller businesses operating as a single legal entity... with a level of simplicity that is quite appealing. In contrast, ByD, while also intended for small to mid-size businesses seeking a simpler solution, was designed from the start to handle multiple legal entities (multi-company). Today it runs in 144 different countries and according to Rainer, 30% of the ByD development resources are dedicated to satisfying global governance and compliance requirements like IFRS 15 and 16 and Europe’s GDPR requirements.

This was prescient of SAP back when ByD was first conceived (circa 2005, prior to launch in September 2007). Even then operating environments were becoming more distributed, but “multi-company” was still largely the domain of the large enterprise. Since then the Internet has truly changed the business world, leveling the playing field to make it possible for even small companies to establish a global presence, which in turn paves the way for global
expansion. Establishing operations internationally requires the creation of a separate legal entity and creates new requirements.

As smaller and smaller companies are beginning to face these new requirements, it is much harder to retrofit this kind of multi-company functionality into an existing system (B1) than to enhance the functionality built in from the beginning (ByD). And therefore, as B1 customers grow, the path forward may well be ByD. Some might resist, preferring to stay right where they are and simply upgrade to a newer version – the old “if it’s not broken, don’t fix it” philosophy. But is that really smart?

As companies venture into the global, digital economy they also face an added level of complexity. Re-evaluation and reimplementation may very well be a smarter option than dragging along decisions made under prior constraints in terms of both features and technology. Think of it as an opportunity rather than a burden. But SAP is also doing its best to ease the burden and sweeten the opportunity by sharing technology and development efforts between the two products wherever possible. That’s where its portfolio of intelligent technologies and the digital platform come into play.

**APPLYING INTELLIGENT TECHNOLOGIES**

The second component of SAP’s strategy in delivering the “intelligent enterprise” to growing mid-size companies is its vast store of intelligent technologies, including (but not limited to):

- all sorts of artificial intelligence (AI) components like machine learning (ML), natural language processing (NLP), and more
- IoT technologies that facilitate the autonomous exchange of data and
- analytics to make sense of all that data

These different technologies all fall under the Leonardo brand. So what is SAP Leonardo? It is essentially a toolbox of digital technologies, including machine learning, block chain, big data, data intelligence, IoT, analytics, and more. SAP markets and sells these tools individually and collectively but mostly to those large enterprises. Even for the large enterprise it also packages them with design thinking and services to deliver innovation to solve specific business problems. This is how the SMB development teams at SAP use them.

The team is trying out each and every technology SAP is building out under the umbrella of Leonardo. But they also check whether the technology is useful (does it solve a real problem?) and whether or not it is commercially viable. Leonardo pricing might not work for an SMB. According to Rainer, “Suddenly we have technologies available to us at a feasible price, that we didn’t have before. Ten to fifteen years ago you needed a water-cooled mainframe to do some of these things.”

Here’s an example of an application of AI and IoT that is useful regardless of size of company: What if you could add a cheap temperature monitoring

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device on a truck? You might already know the temperature when you load
the truck and you can check it again upon arrival (delivery). But what happens
in between can have a damaging effect, like an increased likelihood of
spoilage. This technology-enabled device tracks the temperature over the
entire journey. If it sees a variation during the journey it can alert the driver
and tell him or her to go back.

As the team goes through all the different AI and IoT aspects, it will selectively
build a few and make sure they are easy to add on to either B1 or ByD, or
both. The more they can add to both, the easier the transition might be for a
B1 customer to “graduate” to ByD as it grows, as these shared components
will remain constant during the transition.

Another example of one of these “tests” resulted in the introduction of Alexa
to ByD. SAP already has a digital assistant (SAP CoPilot), but this is a lighter
version of a virtual assistant. And it passed the sniff test for ByD because it was
relatively simple to add. The team simply created a skill in Amazon, a little
program in ByD (about 120 lines of code) and mapped to existing application
programming interfaces (APIs).

The results of these types of efforts will probably be add-on’s at least for a
while, but eventually they might move into the mainstream product in much
the same way as the teams are now taking advantage of SAP Analytics. ByD,
for example, has a new capability to analyze which combinations of
characteristics of orders are troublesome. This used to be an overnight job
involving lots of paper and guesswork. Now, with one click, results are
visualized meaningfully, and a manager can easily spot that a specific sales rep
tends to over-promise.

As the team is going through each of these new technologies and an
abundance of ideas, it rejects any that require any kind of special hardware or
added capacity. Remember, for an SMB especially, it must be commercially
feasible.

SAP is also looking for things the B1 and ByD development teams can do
together. User interface (think dashboards and portals as well as mobile apps)
and added intelligence are the logical first choices for the same reason as
noted above. Although, many of these types of projects might be industry-
specific and therefore good candidates for (specialized) partners to deliver in
the future. Mint Jutras expects partners to do more and more over time, but
in these early stages the partners expect SAP to deliver the first few and show
them how. Today, every dollar SAP spends on knowledge transfer is
considered money well spent. And that includes money spent on delivering a
strong digital platform.

**SAP DIGITAL PLATFORM**

In [SAP Business One: The Next Twenty Years](#), we talked about the value of a
platform. While SMBs prefer a complete, end-to-end solution – a suite in a box

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Click here to see a demo of Alexa and SAP Business ByDesign together.
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– a “one size fits all” approach simply doesn’t work. Some of the problems with the early versions of ERP resulted from software vendors trying to be all things to all businesses. By trying to please everyone, they added complexity, but still never had a complete solution for anyone. The 80-20 rule prevailed. Nobody expected a solution to satisfy all their needs (an 80% fit was often the goal), resulting in invasive (and sometimes expensive) customizations that built barriers to further innovation.

Technology today provides an alternative – solutions that are easily configured and personalized, without invasive code changes. But more importantly next generation solutions must be extensible (i.e. easier to add new functionality), while preserving the integrity of the core. This is really what a good, open platform like SAP’s digital platform is all about: loose coupling of these extensions through modern APIs (application programming interfaces) that replace and discourage invasive customization.

This can be accomplished through microservices. For the reader with a technical background, microservices, also known as the microservice architecture, is defined (by Wikipedia) as an architectural style that structures an application as a collection of loosely coupled services. For those nontechnical readers, think of it as constructing a solution from a set of Lego building blocks – easy to assemble, easy to un-assemble and just as easy to re-assemble, redefined and/or reconfigured.

B1 partners have a long history of creating add-on solutions. In the past they were also very likely to customize the software for individual customers. As SAP opens up the platform, making it more extensible (i.e. easier to add new functionality) while preserving the integrity of the core, these have and will become loosely coupled extensions connected through APIs. There are also 4,440 add-ons to ByD. Both products have morphed from being stand-alone solutions to platforms.

CONCLUSION

SAP doesn’t plan on being everything to everybody. It’s not going it alone. It will continue to invest in the core functions of ERP, along with the underlying architecture and the over-arching user experiences. All companies beyond the incubation stage require a good solid ERP. Customers don’t need something different than ERP. They need ERP and “more”. Many factors combine to determine what “more” they need, including the type of business and their stage of growth and expansion.

SAP would like to address those needs regardless of where businesses are in their growth life cycle. In order to secure those SMBs early and provide a path for growth, it will need to provide an affordable solution that addresses the growing complexities of the global, digital economy. For the small company that is most likely to be SAP Business One, but also don’t rule out the possibility of SAP Business ByDesign. Offered exclusively as a multi-tenant
software as a service (SaaS) solution, it minimizes the up-front capital expense required. And while it doesn’t have quite the longevity in the market that Business One enjoys, SAP is investing heavily in innovation and over time both products will benefit even more through shared development efforts.

Any solution needs to be simple enough for a small company, but robust enough to take them to the next level. SAP is relying heavily on its partners to help take its customers that final mile beyond core ERP and is now upping the ante in helping those partners deliver, through knowledge transfer and by making underlying intelligent technologies readily available. Together these two products, enhanced with intelligent technologies and fortified by a strong digital platform, provide choice along the growth path to the intelligent enterprise. If you are an SMB on a growth path, in search of a vehicle to get you where you want to go, you might want to hop on board.

About the author: Cindy Jutras is a widely recognized expert in analyzing the impact of enterprise applications on business performance. Utilizing over 40 years of corporate experience and specific expertise in manufacturing, supply chain, customer service and business performance management, Cindy has spent the past 13 years benchmarking the performance of software solutions in the context of the business benefits of technology. In 2011 Cindy founded Mint Jutras (www.mintjutras.com), specializing in analyzing and communicating the business value enterprise applications bring to the enterprise.