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SAP's Best-Kept Secret

Small Businesses and Midsize Enterprises Are Rapidly Adopting SAP's Solutions

by Dr. Prasad Akella, SAP



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When Allison's Pantry, a \$10 million specialty foods and baking company, outgrew its accounting software and needed to improve visibility into its operations through a truly integrated, company-wide solution, it turned to SAP Business One. When Johnson Products Company took over a line of business from Procter & Gamble and needed a business management system quickly, it implemented SAP Business ByDesign. And when Abiomed, an \$85 million medical device company, needed to increase visibility into its manufacturing operations and support growth, it selected SAP Business All-in-One. All of these projects went live very rapidly — ranging from a couple of weeks to less than six months.

Such successes from small and midsize enterprises (SME) are repeated many times every quarter, but they almost always surprise people who usually associate SAP software with large enterprises. It's SAP's best-kept secret: Approximately 80% of SAP's 105,000 customers fall into the SME category, and a large number of SAP's SME customers have fewer than 100 employees. On average, 22 new SME customers choose SAP solutions every day.

In this article, I'll explain why SMEs are flocking to SAP's solutions, what impact these solutions are having on their businesses, and what this might mean for *your* business.

Smaller Doesn't Mean Simpler: Solutions Tailored to SMEs

Contrary to some opinions, being smaller doesn't relieve SMEs of demanding business requirements; for example, the US Food and Drug Administration doesn't grant special approvals for smaller firms, nor do Walmart and Toyota relax their standards for smaller suppliers. SMEs

have to find powerful solutions to address their specific needs at a fraction of the cost and complexity of full-scale ERP implementations. So what are these specific needs, and how does SAP address them?

Execution

Unlike larger enterprises, SMEs usually sell a narrow range of products and services to their customers and have more limited resources. As a result, their risk tolerance is low, and they don't have much room for error. Continued success lies in a sharper focus on execution through developing two key capabilities:

- End-to-end visibility into businesses processes, so issues can be identified and addressed quickly
- An integrated business system that eliminates silos, so operational metrics can be measured and tracked to enable a system of accountability

Introducing the SME Insights Column

Welcome to the inaugural SME Insights column. I look forward, in future installments, to continuing to share our thoughts on why SME customers are overwhelmingly selecting SAP solutions. I will be joined by my colleagues at SAP as well as members of our partner ecosystem in discussing how our employees, products, and partners are coming together to help SME organizations address their key issues.

Please contact me at prasad.akella@sap.com or visit <http://akellas.org/prasad> to suggest topics that you would like us to address in the future.

SAP has developed a portfolio of targeted solutions that address both these issues and are specifically designed to enable its SME customers, from small start-ups to established midsize businesses, to select a solution that best fits their needs (see **Figure 1**).

Growth

Once SMEs achieve the right product-market fit, they begin to enjoy growth — both within their home country and in international markets. To launch and support this often rapid growth, they need to ensure that they have an underlying enterprise business system that supports their new global operations and supply chain.

Many organizations find that their current collection of business systems (or their current ERP system) cannot support their global operations plans or local regulations. A good example is an SME customer in India that won a contract requiring the company to deliver electrical harnesses globally, in sequence and on a tight schedule, to a large OEM. The company suddenly found that it had to bootstrap itself and dramatically up its manufacturing game. In another scenario, a mid-sized medical device manufacturer is managing the regulatory requirements of the countries in which it operates, as well as navigating the challenges of multiple legal entities, languages, and currencies, by leveraging the built-in functionality of SAP Business All-in-One.

These examples show that SMEs are selecting SAP software because it can support their global

operational and regulatory reporting requirements today, while also supporting the continued scaling of their operations as they grow and become more sophisticated.

Business Insights

Even though being smaller doesn't relieve SMEs of the same demanding business requirements that large companies face, their size does provide them with the flexibility and speed to move faster than larger companies when responding to changing market dynamics. However, with their limited resources, SMEs cannot afford to move quickly in the wrong direction. Therefore, SME executives need clear visibility into what is working well so it can be quickly capitalized upon, and into what is *not* working well so it can be rapidly addressed.

For example, FreshDirect, an online grocery delivery company based in New York City, uses SAP BusinessObjects Edge Business Intelligence (BI) software to improve the quality of its products and shipments. "Our business is very complex. Insights from SAP BusinessObjects solutions allow us to identify and implement business controls to proactively manage this complexity," says Jason Ackerman, CFO and founder of FreshDirect. "In addition, the software allows us to relationally connect data across various applications, measure an operational metric, identify process issues, and continuously address them to improve the metric. It is important to continue to make the business more streamlined and

FIGURE 1 ▼ An overview of SAP's portfolio of solutions that best fit the diverse needs of SMEs

	SAP Business One	SAP Business ByDesign	SAP Business All-in-One solutions	SAP BusinessObjects Edge solutions	SAP BusinessObjects BI OnDemand
Who?	Small companies that have outgrown accounting-only solutions and want to professionalize their entire business	High-growth small businesses or midsize companies that want to limit their IT infrastructure	Midsize or fast-growing small companies with a drive to optimize business performance	The more than 60% of SMEs that have yet to implement advanced business intelligence and related initiatives	Companies of any size that lack IT resources or are interested in moving beyond using spreadsheets for business intelligence
What?	The most affordable entry-level ERP solution in our portfolio	A powerful, on-demand solution that is the easiest offering to consume in our portfolio	The most scalable solutions in our portfolio, with the deepest industry-specific functionality	A comprehensive set of business intelligence and performance management solutions supporting your needs today and in the future	A comprehensive, on-demand business intelligence solution in a software-as-a-service model that helps you get up and running in minutes
How?	Offers the full functionality and integration that you get from an SAP solution	Proves to be powerful yet easy to evaluate, buy, implement, use, and adapt	Leads the way in industry-specific processes and functionality, with the scalability to handle complex global requirements	Aims specifically to help SMEs manage business intelligence, performance management, planning and consolidation, and strategy management	Provides complete, intuitive, turnkey business intelligence that delivers instant insight

efficient, especially as we look to growing beyond the New York City market.”

Lower TCO, Faster Deployments

Almost every SME customer has unique challenges and thus needs to implement systems for focused execution, growth management, and insights into its business. Yet, SMEs typically don't have deep IT pockets — they want an easy-to-use system that can be implemented inexpensively, quickly, and predictably by affordable consultants who understand their business. And they want to be sure that their costs over time are low.

The Best Things Come in Small Packages

The above examples show that SME customers are looking for systems that provide them with end-to-end visibility into business processes, eliminate departmental silos, support growth, and deliver business insights — but at a lower cost of ownership than typical ERP and BI solutions. SAP addresses these needs by:

- Packaging numerous prebuilt, preconfigured, and pretested best practices templates directly into the software solutions and componentizing them so users can pick and choose the functions they need. For example, SAP Business All-in-One contains industry best practices for business processes — such as purchasing or build-to-order manufacturing — to help small to midsize manufacturers, wholesale distributors, and service companies deploy a tailored, enterprise-level business management solution quickly and affordably, and yet be positioned for growth without the solution becoming a constraint.

- Creating specific programs to further accelerate deployments.

A specific example is the SAP

Business All-in-One fast-start program, a product of collaboration among SAP and several hardware partners to bring software and hardware into one preintegrated, pretested package. As a result of such programs, a typical deployment of SAP's SME solutions can be reduced to a few weeks. To make it even more affordable, select partners in the fast-start program offer a subscription-based hosting option.

SAP's SME Solutions Can Benefit Large Companies, Too

Many large enterprises are also turning to SAP's SME solutions for their smaller subsidiaries or affiliates. Using the SME portfolio as a cost-effective alternative to implementing a large ERP system to connect their subsidiaries to a main business network, large enterprises can provide the same level of operational excellence they have at their headquarters to their smaller subsidiaries, distributors, and business partners, while gaining the visibility needed to make better, faster decisions company-wide.

For example, Checkpoint Systems, Inc., with revenues of over \$770 million, used the SAP Business One application to launch its new franchises and network them to company headquarters, which runs SAP ERP. The franchisee sales reps use SAP Business One to manage all of their job-related processes from order to cash. Their orders flow back to the SAP ERP application at Checkpoint, which ships directly to the franchisees' customers from a central warehouse for delivery in 24 to 48 hours. When it introduces new products, Checkpoint downloads updates across the business network to SAP Business One users. Now it has the best of both worlds — a central company focused on large accounts, and a network of franchises serving the “mom and pop” stores. This penetration across all retail segments allows Checkpoint to sell to everyone and expand its business.

Learn More

If you are an SME looking to focus on execution, address issues of growth, gain insights, or lower your TCO, I encourage you to visit www.sap.com/sme. ■

SAP prices its SME solutions well within customers' reach. To learn more, visit www.sap.com/sme/solutions/businessmanagement/comparebm/index.epx.

Additional Resources...

- “Software That Fits: A Guide to SAP Solutions for Small and Midsize Companies” by Jeff Stiles (*SAPinsider*, April-June 2010, sapinsider.wispubs.com)
- *Discover SAP (2nd edition)* by Nancy Muir and Ian Kimbell (SAP PRESS, www.sap-press.com)