

sapphire

A man with a beard, wearing a light-colored button-down shirt and dark pants, is standing in a workshop. He is holding a clipboard and a pen, looking down at the clipboard. In the background, there is a large window with two shelves of potted plants. A workbench with various tools and materials is visible in the foreground.

SAP, Not Just for
Big Businesses



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Introduction

If you know something about business software and you hear the name SAP, you probably have one of 4 thoughts:

1	2	3	4
<i>I don't know what that is (it's okay, lots of people don't)</i>	<i>That's software for huge companies, and it's really expensive</i>	<i>I've heard horror stories about how hard it is to get SAP working</i>	<i>SAP is the 3rd largest software company in the world (based on 2017 sales) and has software that helps run many parts of businesses of all sizes.</i>

The fourth reason is why we created this ebook. Over 60,000 businesses worldwide run SAP's product for SMB – SAP Business One – yet many small businesses don't know much, if anything, about the product.

However, if you're considering a change in the technology tools you use to manage and grow your business, you should understand more about the history of SAP, SAP software for small business, the Business One product, and how that information can affect the success of your business.

Business software is a living, breathing tool, unlike a static machine. With a machine, you might occasionally tune and adjust it or maybe add or replace a part. Software, on the other hand, is always changing. Great software vendors understand both the historical context of how their product is used and are looking to the future as to where technology is going, keeping in mind that their products need to adapt to take advantage of those technology trends.



While SAP is a big company and many of the largest companies in the world use their enterprise-class products, there are unique benefits for small businesses as a result.



A brief history of SAP – the company

SAP AG was founded in 1972 by five German engineers with IBM in Mannheim, Germany; interestingly, four of the founders – Hasso Plattner, Dietmar Hopp, Klaus Tschira, and Hans Werner Hector – were still with SAP in early 1996. When an IBM client asked IBM to provide enterprise-wide software to run on its mainframe, the five began writing the program, only to be told the assignment was being transferred to another unit. Rather than abandon the project altogether, they left IBM and founded SAP near Heidelberg. While the company originally took its name from the abbreviation for Systemanalyse und Programmentwicklung ('systems analysis and program development' [in German, of course]), SAP eventually came to stand for Systeme, Anwendungen, und Produkte in Datenverarbeitung ('systems, applications, and products in data processing,' again in German).

Without the benefit of loans from banks, venture capitalists, or the German government, SAP began fashioning its software business gradually with the cash flow generated by an ever-growing stable of customers. Working at night on borrowed computers to land their first contracts, Plattner and colleagues built SAP's client list with German firms in its region, beginning with a German subsidiary of the global chemical company ICI and later adding major German multinationals like Siemens and BMW.

Operating in a corporate computing climate where business programs were designed to provide only specific, isolated solutions with no relevance to a company's other applications – let alone outside company's needs – the idea of a fully integrated software product that could be tailored to any company's business proved a hard sell at first.





A brief history of SAP – the company

However, because SAP produced software, a non-labor-intensive product, it avoided the labor agreements and high costs that plague many German manufacturing startups. In 1976, SAP declared itself a GmbH (Gesellschaft mit beschränkter Haftung) corporation, or limited company, and by 1978 it was selling its financial accounting software to 40 corporate customers.

By the mid-1990s, SAP had traveled from relative anonymity to the business applications vendor of choice for nine of the ten largest U.S. corporations, one-third of the Fortune 500, seven of the ten largest Business Week Global 1000, and 80% of the Fortune 100 companies in software, computers, peripherals, and semiconductors.

In 2001, SAP made the acquisition that would result in the company's entry into the small business space. The purchase of TopTier Software, an Israeli company specializing in portals, brought with it Shai Agassi.

Mr. Agassi founded TopTier Software in Israel in 1992 and later moved the company's headquarters to California. Agassi served the company in various capacities, including chairman, chief technology officer, and eventually CEO.

In addition to TopTier, Agassi co-founded several other companies with his father, Reuven Agassi; one of those companies, TopManage, was a developer of small business software SAP acquired in April 2002. TopManage's product became SAP Business One.





SAP Business One

SAP Business One was originally designed as a multi-national product. The product's initial customers were in Israel, Panama, and Germany.

After the acquisition by SAP in 2002, the product was rebranded as SAP Business One and introduced to the U.S. market in 2003. The new product acquisition allowed SAP to reach out to the small business market with a simpler yet robust product.

Another significant change for SAP in the U.S. was the addition of a reseller (partner) channel that resold the product. Before the introduction of SAP Business One, all SAP customers engaged with SAP employees to purchase software licenses. With SAP Business One, SAP created a network of value-added resellers (VARs) to sell to, and consult with, customers. Today, the majority of new customers for SAP, and virtually all of the SAP for SME customers come through these partners.

Since the release of the product in 2003, SAP Business One has undergone eleven significant new version releases, resulting in a product that can be deployed (implemented) in a timeframe and at a cost reasonable for a small and growing business. The product is easy to use and contains a robust feature set.



“We looked at a variety of different options, and SAP Business One was a perfect fit for our company. It was an approachable ERP that we knew would be scalable to the maximum extent of our business, so it had plenty of room to grow, and it formed a good ecosystem for additional future products and functionalities down the road.”

– SAP Business Customer - Sagamore Spirit Distillery



Big Business - Small Business and how they inform each other

A large enterprise is complex and different than a smaller company – they aren't just a “grown-up” small business with more people and more sales. We intuitively understand this.

A large enterprise has multiple locations in numerous countries. They have to contend with different capital structure. They evaluate risk differently. Rather than having one or two products or services, there may be hundreds or even thousands.



From a staffing perspective, a large enterprise has teams of people doing what may be a part-time (or non-existent) role in a smaller business. Addressing the silos created by these teams was SAP's original innovation, and the original SAP product broke down the barriers between disparate systems and gave an enterprise a single solution that integrated all the parts.

There are very few companies that grow from small businesses to complex enterprises. If you stop and think, you could probably name a few “unicorns” that grew quickly over the last 15 years: Facebook, Tesla, Google, Biogen. But in general, they are the exception, not the rule.

As you consider software for your business, you want to consider products that will offer room for the growth that meets your plans and aspirations. For 98% of businesses, this means they don't need to buy and install SAP's enterprise S/4 HANA product. It's too much product – too complex to implement and too expensive to run. The product is designed for the complex, distributed enterprise that has teams of people doing different functions yet needing to work together. However, if you distance your business from the above statement just a little bit, you can see where the similarities are.

Your business also has a team of people who need to work together. They likely all have different functions with the similar goal of helping your customers and growing the business. Your sales team needs to know how much inventory is in stock or, if it's not in stock, when it will be, and the answer depends on whether you order it domestically or from overseas or if you manufacture it.



Big Business - Small Business and how they inform each other

Your purchasing manager needs to know what to buy and, therefore, what the demand may be. If you are small enough that your sales team is only a couple of people, a quick conversation a couple of times a week may suffice. But if you have six, eight, or more salespeople and service teams that also work with your customers, demand forecasting gets more complicated.

Your accounting team must capture, verify, and pay the bills. If you only buy from a few vendors, basic accounting software works just fine – but if you buy goods internationally, bill clients in multiple countries, and sell online, direct or through a channel, it gets more complex. You need to track landed costs and multiple currencies and report on profitability in multiple dimensions.

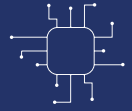
Your executive team needs access to good information to plan for the future. Again, if you're a small business with one or two products or services, the information is easy to obtain and digest. Once you have a few different product lines or countries you sell to or supply lines that stretch internationally, however, access to analytical tools and the ability to ask and answer "what if" becomes important, if not mission critical.

Functionally, these actions are the same actions large enterprises take. But instead of a few countries, they have dozens. Instead of a few products, they have hundreds. Instead of a dozen salespeople, they have a thousand. You and they have the same issues; theirs are just an order of magnitude more complex.



“Before SAP Business One, we had a DOS-based ERP. It was really pen and paper in the warehouse. With SAP Business One, the great part about it is all the different pieces talk to each other. So our credit department, our sales department, and our warehouse, they all interact in one platform. That makes it a lot simpler because all the information that we need is in one place and it's easier to keep people accountable.”

– SAP Business One customer - Highway Two



Getting more than skin deep – SAP for SMB

If SAP can solve the complexity of the largest businesses in the world, the company is in a great position to solve the complexity of your business. SAP Business One is unique in this manner – it's not a “dumbed down” version of a product designed for large enterprises, it's a purpose-built business management software product that incorporates SAP's institutional knowledge and understanding of how businesses operate, designed for a small business to run.

As you consider which software to run your business on, it's important to look deeper than just the current functions, features, and user interface (the look and feel). There are three primary reasons businesses choose to move to a new enterprise resource planning (ERP) management system:

- 1 The company needs for reporting, integration, transaction volume, and security have outgrown the basic accounting package they started working with (e.g., Quickbooks, Peachtree, Xero).
- 2 Their system is no longer supported by the vendor (i.e., the software is no longer supported or the hardware that the software runs is unavailable).
- 3 The business strategy or structure has changed. It could be a new product line, the outsourcing of a key function (like manufacturing), or the business may have been spun out from a larger company.

In any of the above scenarios, the tendency is to focus on the needed features first and everything else afterward, but changing your ERP or business management system is a difficult, time-consuming, and expensive process – you don't want to do it again in five to seven years. With that in mind, as you consider software, consider the following “intangibles” that drive the longevity and ongoing development of a mission-critical software product. (You may want to consider using the headings below and key questions as you evaluate vendors and products.)





Getting more than skin deep – SAP for SMB

What is the background of the company management and where do the bulk of the company staff come from?

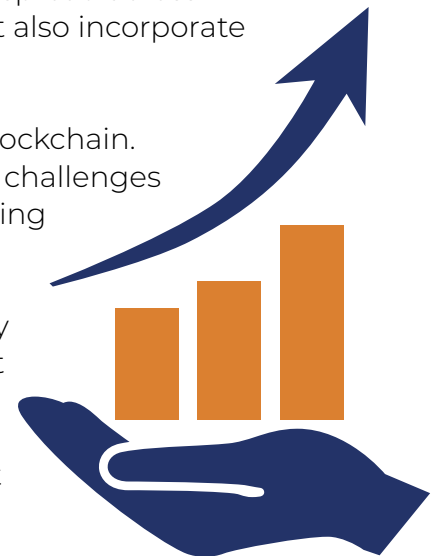
SAP has a 45-year history of creating software for the most complicated businesses on the planet. The senior management team, by and large, has spent their career with the company, offering deep knowledge about both the product and how it's used by customers. Many of the executives involved with SAP Business One have spent time in roles with the enterprise-class products, which ensures the cross-pollination of ideas and knowledge and is a key driver in how SAP's experience with big businesses gets translated to SAP Business One.

How much does the software developer invest in funding research and development? How do they ensure maximum leverage of their investment?

SAP spends about four BILLION dollars a year in research and development (out of twenty-six billion in sales). The R&D investment alone is larger than the sales of many of the company's competitors. Of course, that R&D investment is spread across multiple products and segments; however, that investment must also incorporate how to take advantage of newer or emerging technologies.

Consider the evolution of cloud computing. The emergence of Blockchain. The growth of big data and in-memory computing. The ongoing challenges with cybersecurity. Our continued march toward mobility and doing everything we need on our phone or tablet.

These topics don't only concern large corporate enterprises – they also affect smaller businesses and the research and development that SAP does in these areas affects all the company's products. In fact, with in-memory computing (which delivers 10x-100x increase in data processing speeds), the first product release that supported the new SAP HANA database was SAP Business One.





Getting more than skin deep – SAP for SMB

How does integration with other products fit into the company's overall product strategy?

No accounting or ERP product can do everything for every type of business; the software will need to integrate with other systems or products. If the software wasn't created with integration as a core design philosophy, this will be a challenge.

SAP released the initial software development kit (SDK) for Business One in 2004 and continues to invest in expanding the integration points and making them easier to use. The SAP Business One SDK philosophy and development parallels the enterprise-class integration strategy of SAP NetWeaver that allows systems of all types to share data and processes to deepen collaboration between systems, businesses, and people.

“SAP Business One has been able to grow with us and we've always been able to kind of customize the system we needed it to. Sapphire has the experience. They're able to carry our projects from start to finish with a dedicated project management team, always on top of it, and have really transformed our business to what we thought it could be.”

SAP Business One customer – Rocker Industries





Getting more than skin deep – SAP for SMB

What motivates the software developer to strive for high quality?

Every software vendor claims to have high-quality products, and they know their reputation depends on the continued quality of future products. But you need to ask what the motivation for quality is, beyond their reputation. Publicly traded companies have additional motivation to ensure their share price remains high, but privately held companies are less accountable.

SAP is unique among ERP software developers in this regard. There are many SAP enterprise-class customers (R/3, SAP Business Suite, S4/HANA) who also use SAP for SME products such as SAP Business One for smaller divisions or subsidiaries. This approach helps organizations adopt a classic two-tier strategy ensuring tight integration is kept amongst other applications implemented across the extended enterprise.

While smaller business customers may be willing to forgive quality issues (or feel that they have no power to affect change at the vendor), SAP's enterprise customers are not forgiving if the product's quality doesn't meet standards.

So, in addition to reputation and share price, SAP's drive towards product quality is motivated by the need to avoid risk and relationship damage with their largest, multi-billion dollar clients who can afford to hold them accountable.

What is the stability and financial position of the vendor that creates the software?

Focusing on the features and not the software developer is a critical error for your business if you license software from a vendor that goes out of business or is acquired by another company. If the software vendor goes out of business, you find yourself with software that quickly develops security vulnerabilities or is no longer supported on updated hardware and operating systems. If the software publisher is acquired by another vendor, you may find yourself using software with only minimal investment being made to keep it current.

As of September 2017, SAP had five billion dollars in cash in the bank – a great deal of stability to depend on.





Getting more than skin deep – SAP for SMB

Who you buy from and how you license software matters, too.

In general, most businesses prefer to work with companies that are similar in size and scale to themselves. Large enterprises want to work directly with a bigger company that will understand their needs and challenges and respond at an appropriate pace. Smaller businesses are more nimble and may also need advice or consulting on process and procedures, not just on how to functionally use a product.

When SAP launched SAP Business One in the U.S. in 2003 and Canada in 2004, they chose to sell the product through authorized and trained resale partners; rather than selling through the current sales team, SAP understood that smaller businesses needed to buy from and work with a vendor that was closer to them in both size and geography.



The result of this decision is that the sales and implementation partner is an integral part of the overall solution for your business. SAP-authorized Business One partners understand how the product works. Which adaptations and customizations are easily made. Where another product integration may be required and how to apply all that knowledge to your specific business needs and processes.



Getting more than skin deep – SAP for SMB

Why should you get to know SAP's software for smaller businesses?

This ebook wasn't written by SAP because SAP, as a company, invests their marketing budget in promoting their overall brand and not a specific product. There are more than 60,000 smaller businesses worldwide that run SAP Business One and about 5,200 of those take advantage of the powerful SAP HANA database. The only reason there aren't more companies running SAP Business One is that smaller businesses don't know that SAP has software for small business that will work for them.

Today, the typical business is choosing software that will grow with them for the next 10 to 15 years. SAP as a vendor is the best choice if you're making a decision you expect to live with for a long time. SAP Business One is designed with integration in mind – and as a smaller, nimble business, you likely need to have your business management system work with unique software and systems that give you a competitive edge.

With Business One, you'll never have to worry about bigger issues like product quality or vendor stability, and you can be assured that SAP is staying on top of technology trends and investing in implementing the right technology at the right level of sophistication for each of its product lines.

As your business grows in complexity, whether through international expansion and sourcing or new product lines, you'll find the features and flexibility you need already built into SAP Business One.





Learn More About Sapphire Systems

Software is always evolving, so it's impossible to list all the features and functions of SAP Business One in this document (and it would likely be out of date by the time you read it). At Sapphire, we'd like the opportunity to talk to you about both your current needs and future plans and show you how SAP Business One can meet your needs today and tomorrow.

Sapphire Systems is a leading global provider of cloud and on premise enterprise software delivering organizations with industry specific solutions. With over 1,000 customers' worldwide, Sapphire partners with market leading software authors, develops unique customizations, and offers unrivalled customer service and support. Headquartered in London, UK with offices across the United States, Australia, Latin America and Asia, Sapphire offers 24-hour support and has extensive knowledge and experience in helping clients to achieve a measurable return on investment.