

SAP BUSINESS ONE EMERGES AS THE SMB ERP SOLUTION TO BEAT

Data Source

In this report, Mint Jutras references data collected from its annual ERP Solution Studies, which investigate goals, challenges and status and also benchmark performance of enterprise application implementations, with ERP at the core.

The most recent 2014 study surveyed almost 800 participants from companies of all sizes, including 440 with fewer than 500 employees. In this paper, we refer to these companies as small to midsize businesses (SMBs).

If you are a small to mid-size business (SMB) faced with a decision about Enterprise Resource Planning (ERP), SAP Business One is likely on your radar. Even if your initial search did not result in placing SAP's solution on your short list, chances are one of its competitors has brought it to your attention by attacking either SAP or Business One, or both. Why? Just like political attack ads that go after the front-runner, ERP vendors go on the attack against the industry leader. By sheer numbers, SAP is the largest enterprise solution vendor and over 80% of its 263,000 customers are in the small to midsize bracket. With over 45,000 SAP Business One customers, this solution might be an easy target, but it is not going to be easy to beat.

The rationalization, "Nobody ever got fired for choosing [insert front runner here]" doesn't work for ERP, leastwise for ERP in a small company when it is usually the top boss signing off on the decision. All 45,000 SAP Business One customers could not have been "wrong." And let's face it: If you want to make an informed decision about a solution, you don't go to the competition for the facts. Competitors often get the facts wrong and propagate rumors, myths and misinformation. Any comparison the competitions' sales/marketing teams offer is often driven by wishful thinking and influenced by drinking their own Kool-Aid. So let's examine some of those assertions, along with some facts.

"WE'RE A BETTER FIT"

Fit is certainly important. For many years fit and functionality was (by far) the top criteria by which ERP solutions were selected, although most recently "ease of use" has bubbled to the top and is either number one or a close second (Table 1). In fact, the smaller the company, the higher the priority of ease of use. Early ERP solutions were notoriously hard to use. While solutions have evolved and navigation is far more intuitive, all the features and functions in the world are worthless unless you can figure out how to use them. Small companies tend to run way too lean to be bogged down by usability issues, and these issues extend beyond the user interface to the entire user experience. Both are critical.

Table 1: Top 10 Selection Criteria Priorities (Scale of 1 to 4)

Selection Criteria Priorities

Selection criteria was prioritized using a scale of 0 to 4:

- 0: Not a consideration
- 1: Nice to have
- 2: Somewhat important
- 3: Important
- 4: Must have/Most important

	Small	Lower Mid	Upper Mid
Ease of use	3.47	3.27	3.16
Fit and Functionality	3.29	3.28	3.20
Flexibility to address changing business needs	3.20	3.27	3.24
Ease and speed of implementation	3.19	3.15	2.94
Quality and availability of vendor support services	3.16	3.11	3.00
Integration technologies and capabilities	3.15	3.14	3.16
Total cost of ownership	3.11	3.13	2.90
Must be an integrated end-to-end solution (preferred over multiple point solutions)	3.05	3.10	3.08
Software cost	3.01	2.87	2.81
Ability to tailor functionality without programming	2.97	3.10	3.10

Source: Mint Jutras 2014 ERP Solution Study

So, in evaluating solutions, you should to do a feature comparison and also assess the overall user experience. No software product is the best fit for every company, which makes careful evaluation very important. Some competitors will point to manufacturing as a weak spot for Business One. It is true SAP relies on partners to strengthen functionality for manufacturing, but that doesn't mean it is weak. SAP Business One benefits from SAP best practices developed throughout the company's long history of supporting manufacturing processes. In addition, partners, like [Blue Ocean Systems](#) and [Be.as Group](#), have an equally long history of supporting manufacturing.

Interestingly enough it is often those competitors that are relative "new entrants" to manufacturing that make a big deal of this. In these cases there will be trade-offs. Those that are new are not saddled with older methods of planning and production, and may be able to leapfrog the established players, in following trends such as cloud, mobile, social and big data. But they might also be missing features that veterans in manufacturing just take for granted: features like effectivity dating in bills of material and traditional material requirements planning (MRP). So it is important never to assume these basics. Ask the tough questions and ask for features and functions to be demonstrated.

The reality

The SAP Business One ecosystem has about 700 active value added resellers (VARs) and offers more than 500 partner-provided solutions.

STRONG ECOSYSTEMS

These same new entrants are likely to point to their own ecosystems, touting more and better quality add-on's to their own solutions. The reality: the SAP Business One ecosystem has about 700 active value added resellers (VARs) and offers more than 500 partner-provided solutions. So if the competitor is

claiming a larger ecosystem, ask for numbers and for proof. Quality is obviously more subjective, but numbers also speak loudly here as well. Look for longevity and market penetration. Also look for certification programs and ask whether any add-ons and integration being offered have been vendor certified.

SAP has invested in these certification programs since the ecosystem is so important to its success. This is because SAP seldom sells direct to SMBs anymore. SAP itself **might** sell direct to a small business unit or division of one of its large enterprise customers, but for the most part it sells exclusively through its channel. As a result, the success of Business One is tied directly to the success of the channel, which puts an entirely different complexion on partner relationships. The same cannot be said for all vendors.

What is SAP HANA?

[How does SAP define HANA?](#)

“SAP HANA is an in-memory data platform that is deployable as an on-premise appliance, or in the cloud. It is a revolutionary platform that’s best suited for performing real-time analytics, and developing and deploying real-time applications. At the core of this real-time data platform is the SAP HANA database which is fundamentally different than any other database engine in the market today.”

INVESTMENT LEVELS

Competitors often point out that SAP Business One receives the lowest level of investment of the company’s solutions for SMBs. First of all, that doesn’t mean the level of investment in SAP Business One is small and may in fact be far more than a small competitor can invest in its entire portfolio of products. Also SAP is (more and more) investing in infrastructure, technology and edge products that contribute to the growing footprint offered to SMBs.

The development of SAP HANA is an example. While not developed specifically for SMBs or for Business One, it is this research and development (R&D) effort that makes *SAP Business One Analytics, powered by SAP HANA* and *SAP Business One, version for SAP HANA* both possible. What other SMB ERP products enjoy this type of effort invested to support in-memory and much more? This investment would not be considered part of a Business One budget. Add to this the continued investment from partners.

However, moving forward there is one point of uncertainty in terms of continued development. Back in July SAP announced a new division focusing on small and midsize businesses (SMBs). At the same time SAP also redefined SMB as companies with fewer than 500 employees, a subset of SAP’s traditional view of small to midsize enterprise (SMEs). SAP was careful to say at the time that this was an organizational change and **not** any kind of product announcement. However SAP did say it was putting in place a [strategy](#) to “redefine the SMB business solutions market by creating the next generation of simplified business applications powered by SAP HANA, delivered via the cloud that will solve tomorrow’s complex SMB challenges.”

At the time [Mint Jutras wrote](#) that while this was an organizational announcement, there is a product element implied. To date SAP has not elaborated on its plans for this next generation of simplified business applications. It might mean SAP Business One will get even more attention,

but then again it might mean another product line will surface as the new, strategic go-forward product for small businesses, a position SAP Business One has held for many years. One thing is certain: SAP simply can't pull the rug out from under 700 VARs and 45,000 customers. But exactly what this new direction means for SAP Business One, and whether it is evolutionary or revolutionary, is unclear. Rest assured though, SAP is not taking its eye off the ball in terms of SMB solutions... in fact quite the contrary.

“WE HAVE A DEVELOPMENT PLATFORM”

Some competitors point to their own development platforms and the ease by which customers can build and deploy custom applications as a point of differentiation over Business One. First of all, SAP Business One is also built on such a platform. Partners and customers alike have access to it via a software development kit (SDK). However, does an SMB have the developers, the information technology (IT) staff or the desire to do this? Not really.

However, this is the environment on which more than 500 partner-provided solutions are built that extend the functionality of SAP Business One for some specific industries and for other business needs. And if customization is needed or desired, the typical SMB will engage a partner to deliver it, although many configurations can be done by the end user.

These same competitors might also claim their solutions are built for ease of integration with other applications. While the 2014 Mint Jutras ERP Solution Study found 78% of SMBs rated integration capabilities as important or “must have”, 89% expressed a definite preference for a pre-integrated, end-to-end solution. With these preferences in mind, SAP and its partners have taken the approach of building a complete solution, rather than one that is most easily inserted into a heterogeneous mix of solutions. A tradeoff? Yes, but one that leans heavily in the direction most SMBs are most likely to go.

That said, customers might already have a favorite eCommerce tool or some other add-on. SAP Business One comes with an integration framework that partners can use to integrate with other SAP and non-SAP software. This, combined with partner certified add-ons, provides a flexible and complete solution.

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WILL YOU OUTGROW SAP BUSINESS ONE?

Competitors love to point out that Business One is only a fit for small companies, and that SAP does not provide a simple migration path to upgrade to different products. SAP Business One has long been positioned as a solution for small companies, typically those with fewer than 100 employees. But no Business One customer embarks on an implementation thinking they will replace it when they hire employee number 101. It is not unusual for such

implementations to grow to support 100 users. Mint Jutras finds on average 52% of employees have access to, and regularly an ERP solution, a much higher percentage than in days gone by. So this leaves some room for growth.

In the past SAP has acknowledged some performance constraints when the number of Business One users goes over 100. But with the introduction of Business One running on HANA (one of those technology innovations not directly tied to the Business One R&D budget allocation), performance and scalability is enhanced. But that doesn't guarantee that SAP Business One will have the functionality to support all business needs as companies grow.

Of course SAP understands very well the needs of the larger midsize and large enterprises. Its flagship SAP Business Suite is installed in an impressive percentage of the Fortune 500. But SAP Business One was designed to eliminate a lot of the complexity this type of "large enterprise" functionality introduces. When competitors claim their solutions can easily scale to satisfy the needs of the large enterprise, you have to wonder about the complexity this introduces back into the (same) solution sold to a small company. Perhaps this complexity can be masked in the early stages of growth. Perhaps not. You have to ask the question: Is the competitor abandoning small companies as it moves up market?

Even if the underlying solution might be able to support them at 10X their current size, is it configured at implementation to do this? If not, then dragging that same implementation through a migration of sorts will not best support the burgeoning business and it might be better at some point to re-implement.

Yes, there is the potential to outgrow Business One. But few SMBs embark on an implementation thinking it will sustain them through that kind of growth cycle. Even if the underlying solution might be able to support them at 10X their current size, is it configured at implementation to do this? If not, then dragging that same implementation through a migration of sorts will not best support the burgeoning business and it might be better at some point to re-implement. You don't want to be saddled with limitations or decisions made based on prior (limited) needs. And if the SAP Business Suite is now a better option, "migrating" a Business One implementation will likely not be the best approach.

If new requirements (beyond SAP Business One) indicate the SAP Business Suite is a better fit, growing companies should view this as an opportunity to review and re-implement to best fit those needs. And yes, there will be a cost, but the cost will be well defined. Expanding a competitor's solution to meet those needs may also have a cost attached. Make sure you quantify them carefully so as to compare apples to apples.

However, most SMBs don't become large by growing organically into a large monolithic enterprise. Usually they will expand (either organically or through acquisition) by adding divisions or business units, often to get into new geographic markets. Many of these new divisions can and should be managed as SMBs. SAP Business One today supports 2,300 affiliates of large enterprises. Yes, those different divisions need to support financial consolidation and reporting. Intercompany transactions are supported, along with SAP Business

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One to Business One consolidations. The solution comes with pre-built integration to the SAP Business Suite right out of the box. Who better to consolidate into SAP than SAP? But of course some SAP Business One customers may also need to consolidate to different, non-SAP solutions. SAP Business One, in this case, will rely on the integration framework to complete the financial consolidation.

Also if this expansion is into new parts of the world, you need to determine how well the competitor is represented in other parts of the world. Business One is running in 150 countries, with 41 localizations and 27 languages. And yet competitors claim better support for multinational firms? Check the facts.

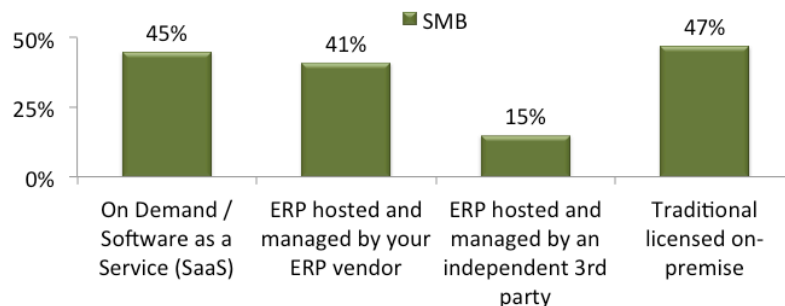
“SAAS IS BETTER”

Those offering solutions deployed through the cloud as software as a service (SaaS) will point to the elimination of IT hassles associated with just keeping the lights on. This is certainly a valid argument for SaaS, but don't rule SAP Business One out. It too is available in the cloud.

But not everyone wants to move to the cloud (SaaS). With SAP Business One, you don't have to. You have a choice and it is important that you investigate if the benefits of operating in the cloud outweigh those of an on premise implementation and decide **what is best for you**.

The Mint Jutras ERP Solution Studies have been asking for several years what deployment options would be considered in evaluating ERP options today (Figure 1). While we have seen a growing interest in SaaS solutions, this deployment option is by no means the only option being considered.

Figure 1: ERP Deployment Options that would be Considered Today



Source: Mint Jutras 2014 ERP Solution Study

There are certainly trade-offs between offering an exclusively SaaS solution and offering multiple deployment options. Typically those that offer SaaS exclusively can bring innovation to the market faster because they only maintain a single line of code. However, those that offer multiple deployment options offer choice and the ability to migrate to and from SaaS. While Mint

Jutras observes that most SaaS deployments stay SaaS, with little or no movement between the two options, there is a significant advantage to SAP Business One customers currently running on-premise solutions and wishing to move to the cloud, either as hosted or SaaS. The advantage is in being able to migrate in that direction without having to purchase and implement a new solution.

In selecting any solution it is important to ask all competitors not only about functionality of the software to ensure it covers what you need, but also about service level agreements (SLA), uptime, performance stats and price protection.

SUMMARY AND RECOMMENDATIONS

As noted earlier, the sentiment, “Nobody ever got fired for choosing [insert front runner here]” doesn’t apply to ERP solutions. ERP runs your business. The provider of every viable solution on the market today can point to successful implementations and industry observers and the media love to highlight the failures. A lot is at stake in selecting the right solution for your business. Don’t hand over the due diligence to anyone, including your “favorite” ERP vendor salesperson. A few points to remember:

- Look for a great fit for your business. Do you need project management or project-based accounting? Are you a demand-driven manufacturer? How do you plan now? How do you need to plan? Do you have multiple divisions in multiple countries? Are those countries supported? Do these operations inter-operate? Ask the right questions.
- Look for ease of use. There is no substitute for putting your own hands on the product. Don’t rely on a pre-sales consultant whose job it is to make it look easy. How are workflows defined and implemented? Can they be easily configured? Ask to see how the system is configured, without doing invasive customization.
- Closely examine the candidate solution providers and their ability to invest in the product. If they quote you development budgets in terms of percent of revenue, do the math. A large percentage of a small number can easily be (much) smaller than a smaller percentage of a larger number.
- Look to see how much of an ecosystem might be required to support your needs and then look carefully to see how much of that ecosystem is in place and well established.
- Make your own choice about deployment options. While Mint Jutras is admittedly a big fan of SaaS, it might not be right for you.

And finally, don’t fall for the line that says all SAP implementations cost millions of dollars and take multiple years to complete. Old and generalized perceptions die hard and some competitors just won't let them die at all.

Nobody pays SAP or its partners this much for SAP Business One. And if you want to know how long it takes to implement, ask a customer.

About the author: *Cindy Jutras is a widely recognized expert in analyzing the impact of enterprise applications on business performance. Utilizing close to 40 years of corporate experience and specific expertise in manufacturing, supply chain, customer service and business performance management, Cindy has spent the past 9 years benchmarking the performance of software solutions in the context of the business benefits of technology. In 2011 Cindy founded Mint Jutras LLC (www.mintjutras.com), specializing in analyzing and communicating the business value enterprise applications bring to the enterprise.*