

How SAP Seeds Innovation

SAP's collaborative Web sites and discussion forums give its customers ways to learn from SAP business partners as well as from each other

by [John Hagel](#) and [John Seely Brown](#)



Ecosystem is an overused term. All companies have one, yet when you strip away the rhetoric, most corporate ecosystems turn out to be conventional supplier or distribution-channel relationships with a few high-profile "strategic partnerships" thrown in for good measure. When they are not simply fodder for PR flacks, these "relationships" are often driven by short-term transactional needs, with distrust, rather than trust, as the foundation.

This is a shame, because these collaborations can become fertile ground for innovation and learning, not just among a few select partners but across an ever-expanding array of participants. SAP ([SAP](#)) has set the standard—certainly within the tech industry—and offers a good example of the potential here.

There are many reasons for SAP's success, but two in particular stand out. First, SAP generated its ecosystem, which consists of customers, business partners, experts and independent parties by addressing the needs of the participants. Too often, companies launch ecosystem initiatives with a clear view of the benefits for themselves, but with a much less developed understanding of the needs and motivations of prospective participants. Second, SAP went further—it focused on the needs of individuals, not just companies. Even though most of its customers and partners are enterprises, SAP recognized that participation ultimately is by individuals. It designed its various collaboration platforms with the goal of making individuals more successful in their daily roles by helping them connect more effectively with the specialized resources most relevant to them.

While many technology companies have invested to build large networks of business partners and customers, SAP is one of the leaders in the scale, diversity, and integration of its vast ecosystem. Companies in many other industries could think much more imaginatively about their own relevant ecosystems, given SAP's experiences.

Impressive Participation

Consider some of the stats. More than 9,000 companies participate in SAP's various partner networks globally, and 1.2 million individuals participate in SAP's online communities. Roughly 25,000 new participants sign up for the latter each month, and from 2006 to 2007, its number of page views doubled, to more than 150 million. Participants contribute some 6,000 online posts per day and create better than 60,000 wikis to handle ongoing discussions, while at least 1,200 bloggers comment regularly on community topics. More than 3.5 million posts have accumulated in these forums, and the pace of activity is accelerating. It took three years to reach the first million forum posts, nine months to reach the second million, and only six months to reach the third million. In total, 100,000 members have contributed posts to the online forums.

Beyond scale, SAP's ecosystem has also developed remarkable diversity, with "communities of innovation" organized around specific areas of practice to address the needs of both individuals and companies. For example, the SAP Developer Network (SDN) provides a robust forum for software developers seeking to generate more value from the platforms and products sourced from SAP and its partners. More tellingly, from the time a developer posts a question until she or he receives a response takes 17 minutes, on average, and two to three additional responses typically come in over the following 24 hours to refine and amplify the initial response. About 85% of all discussion threads are closed as complete.

At the company level, 15 Industry Value Networks bring customers together with a broad range of its business partners to address specific issues—for instance, banks looking to develop software interfaces that will help them collaborate more effectively. By contrast, the Enterprise Services Community provides a platform for technology users and partners to collaborate with SAP to define new services (such as "procure to pay" in the fashion industry or product lifecycle management for the defense industry).

Often these initiatives involve the participation of technology users who are not SAP customers. More than half of the enterprise service bundles released in February 2008 as part of SAP's enhancement package for its core ERP system were based on input provided through the Enterprise Services Community.

Advantage of One Boss

Unlike most technology companies, SAP has assembled all of its ecosystem components under one senior executive. Zia Yusuf is the executive vice-president of SAP's Global Ecosystem & Partner Group. Yusuf believes that this organizational approach is critical to success. In a presentation, he observed that "when individual functions or business groups have responsibility for segments of the ecosystem, these segments tend to become silos and reflect the interests of the groups sponsoring them, rather than serving the needs of customers. By bringing all of the elements together in one place, we can more effectively focus on the customer and mobilize all of the resources relevant to the customer. We seek to

improve the economics of our customers materially by accelerating value creation while at the same time helping them reduce costs."

SAP is continuing to explore ways to scale its ecosystem initiatives and more effectively leverage the growing specialization available within the ecosystem. Already, customers use the forums to collaborate in developing shared approaches to common business needs. For example, 12 hospitals in Germany and Austria came together in an Enterprise Services Community Definition Group and, in less than six months, worked together to define the key service interfaces for several business processes. As ecosystems expand, ecosystem organizers can play a significant role in enhancing the value of the resources by finding more creative ways to connect participants.

What can other companies learn from SAP's efforts to build a scalable ecosystem at the edge of its enterprise?

Effective ecosystems generate differentiation and specialization

Pundits often throw around terms like ecosystems, networks, webs, and communities without differentiating among these various forms of collaboration. Take a hard look at the ecosystem emerging around SAP, and you will find large-scale networks of partners that mobilize specialized expertise to participate in more focused communities. Even broader webs of participants provide the recruiting ground for new partners to join more formal networks. Each type of collaboration serves different objectives and requires different management approaches. Executives need to be clear about which form of collaboration is appropriate and manage the initiative accordingly. Companies in other industries are likely to find that the relative mix of networks, communities, and economic webs will vary.

Ecosystems evolve over time, but the orchestrator plays a key role in seeding and feeding participant initiatives

Evangelists for collaborative ecosystems often scare off executives with rhetoric suggesting that executives need to give up control and that ecosystems are "self-organizing." Executives need to understand that traditional control-oriented management techniques do not work well in shaping broader ecosystems. At the same time, though, executives should be reassured that there are significant ways to influence the development of broader ecosystems by focusing on incentive structures and governance techniques. SAP has taken significant initiative in shaping its ecosystem over time by identifying customers' unmet needs, seeding forums for engagement on specific topics, and encouraging participation. Its programs for recognition of significant contributions by participants have helped to increase involvement significantly in community forums. SAP awards points for diverse contributions to its community forums, and these points ultimately qualify participants for prizes. More recently, participants can make donations to the UN World Food Program and gain a listing on a prominent Top Contributors Web page.

Robust ecosystems are helpful to individuals, not just institutions

SAP's networks of partners mobilize firms to contribute specialized expertise in the ecosystem, but the

forums where much of this value is delivered engage individuals and help make individuals more successful in their jobs. By providing ways for individuals to get their jobs done faster and become more productive in their work, SAP ensures that participation in these forums is sustained over time. If this is important in enterprise software, it is likely to be even more important in consumer product and service businesses—particularly where significant opportunity exists to engage individual consumers by connecting them with others sharing their interests.

Robust ecosystems require mobilizing large numbers of specialized third parties, not just the vendor and its customers

Troll through discussion forums organized by SAP, and you will find lots of examples of employees at one customer helping out employees of other customers. Part of the richness of these forums is that they bring together not just the experience and expertise of SAP and its clients, but the depth and breadth of thousands of highly specialized business partners. This is perhaps obvious in a complex product business, such as enterprise software, but it also can be important in a broader range of businesses. The value of relatively simple products can often be enhanced by grasping the broader context in which they are used. For example, a maker of office products might add a lot of value to filing devices by bringing together advice on office productivity techniques.

Ecosystems at the edge bleed into the core of the enterprise

Discussion forums provide an opportunity for employees to reach beyond the edge of their own enterprise to access expertise in a diverse ecosystem of other companies. The support they receive provides an opportunity to improve internal business processes and the economic performance of their companies. But the full benefits will not be realized unless executives design ways to disseminate this learning within their organizations.

Ecosystems are not just about connecting to existing resources—they help provide platforms for distributed innovation and learning

Many executives tend to view ecosystems in static terms: diverse resources can be accessed and mobilized through ecosystems. At the same time, these ecosystems can become fertile ground for the innovation of new products or services and, in the process, help all participants get better faster. As one example, SAP formed an Industry Value Network to engage a group of banks and technology partners to define new enterprise services to support activities through the life cycle of a loan, from initial marketing to ultimate repayment. Sustained collaboration by diverse participants generated significant new insights into how software can enhance bank-loan performance.

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