

In Pursuit of V(ery) S(mall) E(nterprise)s

South African Research to Shape SAP Products for Emerging Markets



Applies to:

SAP Research, Emerging Economies, Very Small Enterprise

Summary

SAP AG is investing about R100 million in cash, capacity and other third-party projects in a South Africa-based research venture that spans five years. This is a bid to capture a slice of the sizeable very small enterprise (VSE) market in emerging markets, such as Brazil, Russia, India, China (BRIC) and South Africa. This article outlines the goals and projects of the SAP Research Pretoria CEC and the SAP Meraka Unit for Technology Development.

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South African Research to Shape SAP Products for Emerging Markets

The world's second largest business software company, SAP AG, is investing about R100 million in cash, capacity and other third-party projects in an SA-based research venture that spans five years. This is a bid to capture a slice of the sizeable very small enterprise (VSE) market in emerging markets, such as Brazil, Russia, India, China (BRIC) and South Africa. But, SAP's products and services have traditionally targeted large, medium-sized and small businesses.

"SAP's own research has showed that 'First World' technology, to date, has not been a 100% fit to the needs and requirements of emerging economies, yet there is little knowledge about the use of ICTs by small businesses in emerging economies, thus the need for technology research in these developing regions," explains Danie Kok, the director of SAP Research Campus-Based Engineering Centre (CEC). This Pretoria-based research centre was established in 2005, joining a network of other such centres and a network of higher education institutions in the BRIC countries.

"The reason for the South African research initiative is that this country offers a good laboratory environment with its dual first/third world economy characteristics, reasonably well-developed infrastructure, moderate levels of ICT acceptance and eleven languages. And South Africa is seen as a driver of business into Africa. Besides, our mandate is not just to help improve current SAP products and services, and suggest new products for these markets, but also to contribute to human capital development in this country, where advanced human capital is in short supply. Through this we also support government's research strategy in the ICT space to further economic development," notes Kok.

SAP funds three human capital programmes in SA – a Masters Intern programme, a PhD and Post-Doctorate programme, and the funding of a joint university appointment programme at the universities of Cape Town, Pretoria and the Nelson Mandela Metropolitan University. Two years ago it also established a unit with the CSIR's Meraka Institute, the SAP Meraka Unit for Technology Development (UTD), where it matches government's investment in ICT research and for research. SAP currently employs 33 staff between the SAP Research CEC and SAP Meraka UTD, including 10 Masters and nine PhD candidates.

SAP interest in BRICs explained:

- In 2007, BRICs had a population of 2.8 billion and a combined GDP of \$14.3 billion
- It is estimated that BRICs GDP will equal that of G7 by 2020
- Estimated ICT spend in 2011 is \$140 billion in BRICs
- Estimated number of SMEs – >25 million
- SMEs contribute 34% of BRICs GDP
- SMEs contribution to employment in excess of 60%
- Estimated ERP expenditure in 2011 > \$6.6 billion

"We have a project-based approach to research," indicates Kok. The SAP Research CEC is focused on user interfaces (UI), the business activities of VSEs, and collaboration, which includes linking first and second economies. Its current project, named Overture, is intent on re-using current SAP business services, but delivering them in a simplified manner to VSE users with an overlying and adaptive UI layer.

Meanwhile, the projects of SAP Meraka UTD have more dramatic names such as ALIGATOR, ACTOR, Novella and C&C. ALIGATOR is concerned with research into aligning ICT strategy with the best business models for VSEs, ACTOR with ICT enabling access to resources (be it infrastructure or financial resources), Novella with investigating the needs of VSEs for integrated business systems, and C&C with sustaining competitive SMMEs through communication and collaboration.

Together the two research units are also working on Project PathS (a patient health system for chronically ill patients in rural areas) to develop a user-friendly patient health solution for managing chronic diseases to improve the quality of primary health-care systems in rural communities. With a budget of about R7 million, this project is earmarked for completion in February 2010.

Once the results of its projects are available, SAP Research CEC in Pretoria will then have to convince SAP in Germany to focus on product development in line with its recommendations. "So, this research will shape

future SAP development, although it won't necessarily mean the development of new products, but could results in the adaptation of core products for new markets in the BRICs countries," says Kok.

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