

Chapter 78

From Business-to-Business Software Startup to SAP's Acquisition

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ABSTRACT

Through its cloud-based source-to-pay business network, SAP Ariba provides an integrated platform and interface to help companies manage their supply chain. In this chapter, the authors examine how Ariba, a small startup company formed during the internet boom of the '90s, was able to overcome hardships, survive market and industry downturns, and continue to thrive and survive in such a competitive industry. The authors also review major events, innovations, and decisions that helped the company to grow and succeed rather than to fail like its many competitors.

INTRODUCTION

Nearly one trillion in commerce was contributed by more than two million buyers and sellers around the world last year. Organizations tapped into the comprehensive source-to-pay solutions and business network offered by SAP Ariba. They digitized their supply chains and efficiently managed their trading relationships (SAP Ariba, 2016).

Ariba, Inc. was born during the dot-com bubble, at that time a start-up with great potential along with countless other e-commerce companies. The shake-out that occurred later on among a plethora of competing businesses, confirmed the solidity of Ariba's focus and business model while competitors like Commerce One, could not stay in business. However, the interesting evolution of Ariba, from a pioneer

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to a sufferer to a survivor, has taught us much about survival in the competitive business to business (B2B) software industry. Ariba's software would help many companies save money on their procurements, and control expenses in numerous areas aside from payroll. Ariba promised to help companies improve their bottom line, and many of Ariba's clients today hold positions on the coveted Fortune 100 list. Going public in 1999, Ariba's stock price at one time reached \$259 per share. At the time, Ariba was still getting their feet wet; they had not yet made a profit. In 2000 their stock reached \$168.75, but a negative turn in the economy lay just ahead. Many companies began to cut back on investments and in just 9 months Ariba lost 95% of its value. This would be disastrous to any company, and would be the downfall of most, but Ariba made some critical key decisions that helped continue its leadership in the B2B e-commerce world (Clarke & Pucihar, 2013; Schumann et al., 2014). They are one of the few companies to not only survive the burst of the dot-com bubble, and but to thrive, and to this day remains a successful company. Ariba was purchased by the German software firm SAP for \$4.3 billion in 2012 (Jones, 2012).

BACKGROUND

E-commerce was in many ways revolutionized by Ariba Inc., a leading independent company in the sphere of B2B commerce network providers. Since the time of its founding, the company has been evolving constantly, in cooperation with leading companies in the industry, in order to deliver e-commerce platform products to its customers/clients. Its value chain model was successful in helping it to develop business relationships further than expected, the results of which made it a top 40 Fortune 500 company.

Ariba has overcome many obstacles, including lawsuits, changing customer requirements, and organizational restructuring, however still managed to remain a leader in its specific niche industry area. The firm has done so by delivering solutions and services that meet customers' expectations, and have been able to cope with intense competition by keeping up with today's technologies as well as developing solutions for tomorrow. Ariba was founded in Sunnyvale CA, in September 1996, by seven men, one of the most influential being Steven Krach. Krach's early career accomplishments included being one of the youngest vice presidents of General Motors (Ariba, 2008). The challenges of procurement that he encountered there became the impetus for the development of Ariba. Through the use of the Internet and B2B e-commerce, Krach and his associates brainstormed and came up with the idea of automating the purchasing of commonly used supplies and services. While this may seem to be a rather simple concept, it turned out to be an insight and area that held huge demand and potential.

After three months of intensive research, which included meeting with 60 Fortune 500 companies, Ariba had a prototype developed and ready for their initial marketing campaign. Having signed software licensing deals with Cisco Systems, Advanced Micro Devices and Octel Communications, prior to software completion, the pieces were put into place for the launch of their product. While Krach and Ariba were innovative in their concepts and efforts, they were not the only pioneers in the area, Commerce One, Oracle, I2, and PeopleSoft, Inc. were competitors with similar, but not necessarily identical, offerings.

The objective was to become a leader in this niche industry with the means and resources to provide procurement software and network consulting services, which would allow corporations to manage and automate their spending more effectively and efficiently. The management of these would include essentially all non-payroll expenses associated with running a business. Since access to data was one critical component, Ariba offered their clients real-time access over the Internet. These applications were

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