


From B2B Survivor to SAP's Swallow: SAP Ariba's Success

John Wang, Montclair State University, USA*

Steve Bin Zhou, University of Houston-Downtown, USA

Yang Li, Montclair State University, USA

Houda El Bouhissi, University of Bejaia, Algeria

 <https://orcid.org/0000-0003-3239-8255>

ABSTRACT

Ariba Inc. and Commerce One Inc. (C1), two bellwethers with e-entrepreneurship in the e-commerce field, provided business-to-business (B2B) spend management and supply chain services. After having been wiped out by the devaluation of the stock market that followed the dot-com era, C1 is extinct today. Having faced the same market condition and serious competition, innovative Ariba had a different path and was acquired by SAP in 2012. Nowadays, SAP Ariba (formerly known as Ariba) is the largest digital B2B network on the planet. Why did Ariba survive whereas C1 collapsed? The authors explore the external (hidden costs, high-priced software, hurtful investigation, harmful publicity) and internal (adaptations to environment, acquire to advance, add consulting services, aim customer support) factors that would draw lessons for other companies to learn.

KEYWORDS

Acquisition, Blockchain, Business-to-Business (B2B), E-Commerce, Entrepreneurship, Innovation, Supplier Network, Supply Chain Management

INTRODUCTION

Ariba was born during the dot-com bubble, at that time a start-up with enormous potential along with countless other e-commerce companies. B2B buyers had diversified procurement systems that were provided by Ariba, Commerce One Inc. (C1), and SAP. These procurement systems used a different B2B protocol to interact with the seller's system. Ariba's software would help 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 (Kakarlapudi & Mahmoud, 2021).

In September 1996, Ariba was founded in Sunnyvale CA by seven men, including one of the most influential beings Steven Krach. Krach's early career accomplishments included being one of the youngest vice presidents of General Motors. 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 produced the idea of automating the

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*Corresponding Author

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purchasing of commonly used supplies and services. While this may seem to be a simple concept, it turned out to be an insight and area that held huge demand and potential (Ariba, 2022).

Ariba's 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 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 used in conjunction with the *Ariba Supplier Network* to purchase goods and services (Schneider & Bruton, 2008).

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, before 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, C1, Oracle, I2, and PeopleSoft, Inc. were competitors with similar, but not necessarily identical, offerings (Shahin et al., 2022).

In June 1999, Ariba went public at a modest \$23 per share and traded as high as \$259 per share at times later that year (Haksoz & Seshadri, 2007). Their e-payment and service agreements were made with American Express and Bank of America. All of these were considered large and bold undertakings for a young startup company at that time. However, other Internet start-up companies were beginning to offer similar software and services. Over time, smaller companies began offering websites that provided a place to manage procurement, some with lower costs and fees. Facing challenges in the market, Ariba was to be faced difficult challenges and had to make major decisions to stay in business.

Ariba finally saw a profit of \$10 million in December 2000, which also included the completion of a few acquisitions. Soon after, in 2001, the economy began to weaken in a downward spiral and Ariba's stock plummeted 95% in just 9 months, making a business overhaul necessary. Ariba decided to take drastic cost-cutting measures, cutting about a third of their staff. Over time, Ariba persisted and would once again regain its position as a leader in the B2B procurement industry due to its specialized and niche product line (Lacoste et al., 2022; Wang et al., 2009). Before SAP's acquisition, Ariba was a software company that provides cloud-based procurement, spend management, and supply chain services that enable suppliers and buyers to connect and do business globally Ariba was purchased by the German software firm SAP for \$4.3 billion in 2012. With Ariba, SAP e-procurement platforms are an integral part of new purchasing organizations (Jones, 2012).

SAP Ariba provides some features that are unique and innovative compared to its competitors. In addition to these features. Ariba is also open to all kinds of systems along with providing the companies with an innovative way to connect with the large network of buyers and suppliers. SAP's Ariba is a strategic product that helps in the integration of Procurement & Vendor/Supplier collaboration. Ariba brings together the Supplier/Vendor management solution and provides both parties with a wide range of solutions. SAP Ariba not only has the relevance to be part of the ERP process but also plays a vital role to produce deliverables. Currently, the Ariba Network has more than 3.6 million users located in nearly two hundred countries worldwide (Wang et al., 2019).

The remainder of this paper is organized as follows: Section 2 provides theoretical background and literature review. In Section 3, we introduce the research methodology. Sections 4 and 5 detail external and internal factors, respectively. Section 6 reveals lessons learned and future research directions. Finally, the paper concludes with a summary of the paper's main points in Section 7 before references.

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