

Short-term memory gain

Will a takeover and new technology revive the German software giant?

WHEN Bill McDermott and Jim Hageman Snabe jointly took the helm at SAP in February they promised to be much “bolder”. The troubled German software giant would move faster to acquire other companies, and new products would be introduced more quickly. “We’re off to a very fast start,” the pair said in unison.

This was not idle chatter. On May 12th SAP announced that it would buy Sybase, a vendor of database software, in a deal worth \$5.8 billion—the second-biggest purchase in the company’s history. Next week, at the firm’s annual customer conference, to be held simultaneously in Frankfurt and Orlando, it will introduce new technology, loosely called “in-memory”, that is intended to re-install SAP as an industry leader.



The acquisition of Sybase deepens SAP’s rivalry with Oracle, the other big maker of business applications, which has performed more strongly of late (see chart). Whereas Oracle has snapped up dozens of firms, SAP has grown mainly organically. The takeover of Sybase will help SAP to catch up. It will give the firm access to new customers, particularly in financial services, and new products, such as databases and software to make applications available on mobile devices.

Yet it is next week’s announcement that is the more important for SAP. It became the world’s third-largest software firm by seizing on the shift from mainframes to networks of smaller machines in the 1990s. Now corporate computing is once again going through an important change. As memory chips get cheaper, more and more of them are being packed into servers. This means that firms, instead of having to store their data on separate disks, can put most of them into their servers’ short-term memory, where they can be accessed and manipulated faster and more easily. The software SAP is releasing next week, a new version of Business ByDesign, its suite of online services for small companies, aims to capitalise on this trend, dubbed “in-memory”. SAP also plans to rewrite other programs along similar lines. “The bet on in-memory may well decide whether we’ll be swallowed like Sun Microsystems or become the BMW of enterprise software,” says an executive at the firm.

In-memory technology is already widespread in systems that simply analyse data, but using it to help process transactions is a bigger step. SAP’s software dispenses with the separate “relational databases” where the data behind such transactions are typically stored, and instead retains the data within the server’s memory. This, says Vishal Sikka, the firm’s chief

technologist, not only speeds up existing programs—it also makes them cheaper to run and easier to upgrade, and makes possible real-time monitoring of a firm's performance.

Some observers are not convinced. They have not forgotten that many of SAP's new products in the past decade have not been big successes, not least Business ByDesign. "There is healthy scepticism as to whether all this will work," says Brent Thill of UBS, an investment bank. Existing customers may prefer not to risk disrupting their customised computer systems by adopting the new software.

And then there is the competition. Workday, which offers online services to manage employees and finances much like Business ByDesign, has been using in-memory technology for some time. Oracle is also on the case. "It's hard to imagine that other vendors can't catch up," says James Staten of Forrester Research, a consultancy.

These efforts suggest that in-memory will proliferate, regardless of how SAP will fare. That could change the way many firms do business. Why, for example, keep a general ledger, if financial reports can be compiled on the fly? Hasso Plattner, SAP's chairman and the instigator of the firm's in-memory efforts, thinks the trend could help streamline the world's supply chains: "The faster software can process data and plan demand, the fewer physical parts have to be stored."

In-memory could also redistribute the cards in the computer industry. If SAP's approach proves successful, the makers of software for relational databases could lose some of their clout. Larry Ellison, the boss of Oracle, which makes most of its money from such software, has ridiculed SAP's idea of an in-memory database, calling it "wacko" and asking for "the name of their pharmacist". Mr Plattner, not to be outdone, retorts that it doesn't take a psychologist to understand why Mr Ellison might say such a thing.

Fonte: The Economist, May 13th 2010. Disponível em: <www.economist.com>.
Acesso em: 20 maio 2010.