# SAP sharpens AI strategy ahead of Sapphire to bridge vision and customer needs



As SAP prepares for its annual Sapphire conference, the spotlight increasingly turns towards its burgeoning artificial intelligence (AI) strategy. Walter Sun, SAP’s Global Head of AI, shared insights five months prior, highlighting the rapid developments within the AI landscape, underscoring the momentum the company has gained as the event approaches. The array of new AI offerings announced over the past months, including the open release of an ERP dataset aimed at advancing enterprise AI research, illustrates SAP's commitment to harnessing quality data while avoiding the complexities of traditional data migration and cleansing projects.

A key announcement earlier this spring was the launch of SAP's Business Data Cloud (BDC) alongside an expanded partnership with Databricks. This aligns with the needs of modern enterprises, as a robust data foundation is crucial for effective AI deployment. SAP's efforts aim to streamline processes and reduce the friction often associated with data consolidation, but the real question remains: does BDC provide tangible advancements that enhance operational efficiency? Industry experts will be closely tracking this development during Sapphire.

The enterprise AI market has evolved significantly since the beginning of the year. SAP now finds itself in a competitive landscape where vendors like UiPath, Boomi, and ServiceNow are making strong claims as agnostic AI agent orchestration platforms. To maintain relevance, SAP must clearly convey its capabilities as a core AI agent platform. The recent establishment of partnerships, including participation in Google’s A2A protocol, highlights SAP's intent to integrate with broader interoperable systems.

Another concern arises with the ongoing relevance of cloud software amidst chatter on the “death of SaaS.” SAP must articulate convincingly the benefits of their Software as a Service (SaaS) offerings, emphasising how they will support customers in migrating to S/4HANA clouds. Without such clarity, the urgency for organisations to adopt these platforms may wane.

As customer expectations evolve, many seek a clearer understanding of AI's immediate applications and benefits rather than getting lost in futuristic projections. This gap between vendor aspirations and customer reality poses a significant challenge. SAP’s historical success in fostering strong customer relationships necessitates a focus on demonstrating concrete results from current AI capabilities, especially in uncertain economic times.

Moreover, SAP's engagement with customers who possess varying levels of enthusiasm for AI presents another challenge. A recent survey showed a divergence of opinion among users, with some perceiving AI as overrated, while others anticipate its transformative potential. As Jens Hungershausen, Chairman of the Board of the German-speaking SAP user group (DSAG), noted, SAP needs to balance scepticism about AI’s current capabilities with an optimistic future vision.

The question of data quality is paramount, especially given SAP's emphasis on its BDC initiative. Effective AI applications require not only high-quality individual customer data but also aggregated insights from industries. The role of knowledge graphs—a focal point of SAP's AI initiatives—cannot be understated. These frameworks integrate unstructured and structured data, thereby enhancing SAP’s enterprise AI offerings. As the company continues to iterate on its AI models, the ability to seamlessly apply these innovations to structured business operations will be vital.

Customers also expect innovation paired with flexibly designed solutions. There are substantial demands for AI-driven tools to accelerate project timelines and provide immediate value. The integration of incremental, experiment-friendly applications within the SAP ecosystem can help facilitate this transformation. However, SAP faces the challenge of broadening access to such innovations, ensuring that partners with new ideas can thrive alongside established capabilities.

Feedback from user groups such as ASUG and UKISUG further underscores the landscape SAP is navigating. Key themes include the necessity of user education regarding AI capabilities and the importance of addressing AI-related risk management concerns, especially regarding data quality and security. As articulated by Conor Riordan from UKISUG, the ability to implement AI cannot compensate for broken processes. Insights like these reinforce the need for businesses to focus on their foundational processes before integrating AI technology.

During Sapphire, SAP will be keenly focused not only on promoting its technological advances but also on showcasing how these solutions can resolve real-world business challenges. Leaders in the user community are hopeful for a collaborative atmosphere where SAP can foster open dialogues about innovation's role in refining enterprise landscapes amid rapid change.

The fixture of AI within SAP’s strategy is a crucial talking point as the conference unfolds. With significant investment in generative AI and partnerships with market leaders, SAP seems poised for noteworthy advancements. However, the essential task will be bridging the gap between high-level vision and actual customer experience. SAP's ability to articulate these connections, backed by real success stories and clear data governance, will likely shape the ongoing conversation in the enterprise technology space.

As attendees gather to listen and engage, the outcome of these discussions will reflect the collective aspirations of SAP and its user community in navigating an evolving technological future.

### Reference Map

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## Bibliography

1. <https://diginomica.com/sap-sapphire-ai-preview-seven-burning-questions-about-ai-sap-should-address> - Please view link - unable to able to access data
2. <https://www.axios.com/2023/07/24/sap-ceo-christian-klein-ai-dividend-pricing> - In July 2023, SAP CEO Christian Klein highlighted the significant benefits of generative AI to businesses, noting that companies will be willing to pay more for enterprise software incorporating this technology. He pointed to the example of German retailer Schwarz Group using generative AI in conjunction with various data sources to improve demand predictions at its Lidl and Kaufland stores. Klein emphasized that businesses with data in multiple silos need better data organization to achieve such benefits. SAP, the largest non-U.S.-based software maker, specializes in complex business tasks and sees its vast business data as an advantage in leveraging generative AI. Klein envisions generative AI enhancing SAP's business in multiple ways and recognizes the broader potential of merging generative AI with business data.
3. <https://news.sap.com/2023/07/generative-ai-investments-aleph-alpha-anthropic-cohere/> - In July 2023, SAP announced strategic investments in three leading generative AI companies: Aleph Alpha GmbH, Anthropic PBC, and Cohere. These investments reinforce SAP's open ecosystem approach to AI, aiming to embed AI across the SAP portfolio. They complement a US$1+ billion commitment to invest in AI-powered enterprise technology startups from Sapphire Ventures LLC. Sebastian Steinhaeuser, Chief Strategy Officer at SAP, stated, "We are at a watershed moment, with generative AI poised to fundamentally change how businesses run."
4. <https://www.ft.com/content/9db8fe6d-3f8a-4886-a439-c23faf459c23> - In October 2024, SAP CEO Christian Klein cautioned EU policymakers against over-regulating artificial intelligence, warning that it could hinder Europe's competitiveness compared to the US. He emphasized the importance of regulating AI outcomes rather than the technology itself. Klein criticized the EU's restrictive AI and data protection policies, suggesting they put Europe at a disadvantage. SAP invests €2 billion annually in AI, focusing on business-specific applications rather than competing with US tech giants. Klein also highlighted SAP's efforts to attract US talent and invest in AI startups. Despite SAP's success under Klein, including a rise in cloud sales and increased market capitalization, the company faces internal morale issues, with many employees dissatisfied with recent AI-focused restructuring.
5. <https://learning.sap.com/learning-journeys/becoming-an-sap-btp-solution-architect/exploring-the-ai-strategy> - SAP is positioning SAP BTP as the leading AI platform for SAP, aiming to integrate AI support across all SAP products and business processes. The AI capabilities are divided into three areas: Joule, Embedded AI Capabilities, and AI Foundation on SAP BTP. Joule is a generative AI copilot embedded within SAP applications, offering generative AI, embedded assistance, natural language processing, predictive analytics, process automation, and context-aware recommendations. Embedded AI Capabilities enhance SAP products by automating tasks, analyzing data, improving user experience, optimizing processes, fostering innovation, and ensuring seamless integration. The AI Foundation on SAP BTP provides comprehensive AI services, integration with SAP BTP, data management, prebuilt AI models, scalable deployment, security and compliance, innovation and customization, and enhanced business processes.
6. <https://diginomica.com/generative-ai-disruptions-rise-and-grow-thomas-saueressig-reveals-next-steps-saps-ai-strategy> - SAP's approach to generative AI focuses on embedding AI naturally into its software applications, differentiating by not competing on foundational technology but partnering with companies like Microsoft, OpenAI, Aleph Alpha, Cohere, Anthropic, IBM, and Google. This strategy aims to integrate the best available technology into SAP's applications, making it highly relevant, reliable, and trustworthy for customers. SAP plans to embed generative AI in every product, leveraging its foundational model built from extensive business data to provide wisdom and knowledge across its suite.
7. <https://www.forbes.com/sites/moorinsights/2024/06/27/sap-charts-a-course-for-the-ai-driven-enterprise-at-sapphire-2024/> - At Sapphire 2024, SAP showcased several generative AI capabilities that add intelligent automation to its business applications. For example, in the forthcoming SAP Advanced Financial Closing app, AI is being used to automate the financial close process. In SAP Billing, an AI-driven chatbot helps improve customer service. These and other AI-driven features aim to automate error detection and analysis, provide personalized insights, and predict potential issues for users from financial controllers to collections specialists. SAP’s AI copilot, Joule, integrates with SAP S/4HANA Cloud, SAP Build, and SAP Integration Suite, offering real-time recommendations in ERP areas ranging from supply chain management to cash collection to analytics. By the end of 2024, Joule will also be part of SAP Ariba, the company’s procurement suite, where it will help select suppliers, automate contract and purchase order management, and predict demand and risks. By the end of the year, SAP says, Joule may be able to influence as much as 80% of common user tasks, potentially increasing productivity by 20%. While the application of AI to problems in finance or supply chain management seems obvious, AI is also making its way into other areas. For example, SAP SuccessFactors employs AI to surface relevant details for managers to use in compensation discussions, while SAP Sales Cloud uses AI-based forecasting to find the best combinations of salespeople and products.