



Why Engage With Us

Lonnie D. Ayers, PMP

Learn how the SAP Consulting Market is currently structured and how we can help you with your SAP projects.

info@sapbwconsulting.com

www.SAPBWConsulting.com



SAP BW Consulting, inc.

*SAP Delivers The Value
We Deliver The SAP*

www.SAPBWConsulting.com

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Today's SAP Eco-System

SAP is today's leading vendor of ERP (Enterprise Resource Planning) software, with more than \$20,000,000,000.00 in annual revenues. About 60% of the world's economy touches a SAP transaction--daily. More than 1300 partners provide software add-ons to enhance SAP functionality. Globally, SAP estimates there are more than 162,000 SAP consultants working in various consultancies. SAP itself has more than 50,000 employees, of which, about 12,000 work in consulting.

Within virtually every SAP customer, a large number of people work as internal SAP resources, both prior to, during and after implementation.

It is estimated by industry experts that at least \$500,000,000,000 (Billion) has been spent implementing SAP over the past 30+ years.

Why so much?

Roughly speaking, for every dollar of SAP software license revenue, there will be between 3 and 10 dollars of consulting required to successfully implement the SAP solution. Though there is always price sensitivity in the market, there is also a never ending requirement for more consultants, more deeply skilled, with specific industry experience. In short, there is and will be a shortage of SAP consultants at all skill levels.

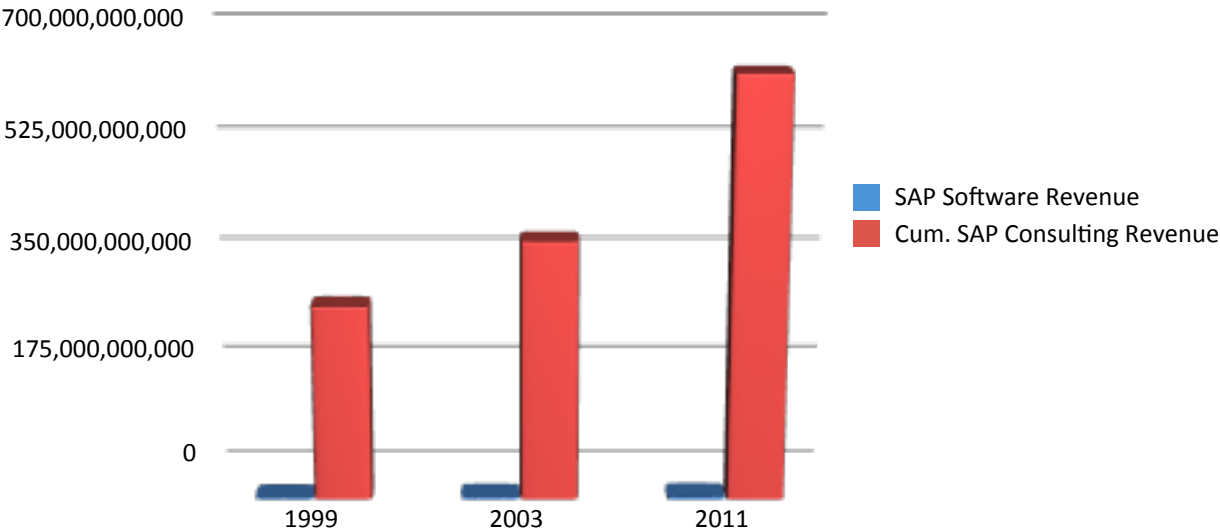


Figure 1 Estimated Cumulative Spend on SAP Projects

The chart above raises the obvious question:

How can SAP license revenue be so much lower than the amount of money spent on SAP Consulting?

Remember, the consulting revenue is the cumulative amount spent globally on SAP implementation projects across all customers. These are only estimates, though they do come from the world's largest SAP implementation company.

In short, we focus on the SAP consulting market because the addressable market is very large and we have something of very high value to offer:

- **SAP Consulting and Industry experience.**

Value Management

However, as successful as SAP has been and is, it is faced with a very difficult task: that of helping its customers get value from their implementations. To that end, SAP has started a separate internal consulting organization called Value Engineering. Their objective is to help SAP customers achieve a positive ROI on their SAP investment.

This, of course, is nothing new or unique. i2 Technologies was a leader in positioning their solutions from a value achievement perspective, and in the early 2000's, could rightly claim, via 3rd party independent audits, that their customers had already achieved over \$75,000,000,000 (Billion) in net positive savings.

We, SAP BW Consulting, have experience in both SAP and i2's approach to value management, as well as extensive experience in preparing and implementing Business Plans for a variety of business entities. Even if you have already engaged SAP Value Engineering, we can help you leverage this service from SAP by asking the right questions and checking their results-twice.

Future of SAP Consulting

Where will SAP Consulting be in the future? We see several clear trends:

1. Increased demand for **Top Gun level consultants**. We have defined what we believe are the characteristics of a Top Gun SAP consultant. Download it here. [Becoming a Top Gun Consultant.pdf](#).

- a. For a client, what does a Top Gun bring to the table:
 - i. Experience
 - ii. Creativity
 - iii. Productivity.
- b. **Experience:** A Top Gun consultant has worked on a variety of projects. A Top Gun also has deep industry experience outside of the SAP arena.
- c. **Creativity:** A Top Gun consultant will, due to his broad knowledge and interest, be able to develop unique solutions, where others, perhaps, saw none.
- d. **Productive:** Top Guns hit the ground running. They are up-to-date on the latest capabilities of both SAP and partner offerings, and know how to set them up for maximum return.

2. Less-and More, Offshore Work:

Though some unsupervised work can be done off-shore, and no doubt, the big guys, i.e., SAP, IBM, TCS, etc. *desperately* want to use as much offshore labor as possible and have opened large tech centers managed by expats, this is not because it helps clients achieve better value quicker.

It is because it helps them (SAP, IBM, TCS, etc.,) maintain their profit margins. There are no super human off-shore software workers that can somehow work at twice the speed of domestic software engineers at a lower labor rate.

They are simply cheaper and less experienced.

In fact, in 1999 when India was featured in Business Week as an up and coming future place to implement software offshore, our SAP Implementation team had already been in the business of implementing software for 20 years.

As they say, “When the cats away, the mice will play”. When the mice are playing with your hard earned profits, who exactly supervises offshore workers in faraway lands especially when you are paying the bill? Once those offshore center’s labor cost start to rise, the business case for operating them falls apart, and indeed, this rise in offshore cost is happening already.

- a. **Business Impact on Clients: We find that most clients have an on-going need for our services. Specifically, they need domestic**

customer facing SAP Consultants with multiple cycles of hands-on development experience who have an intimate knowledge of their particular business and their particular SAP solution.

- b. Nevertheless, some work can be offshored, or done in cheaper U.S. locations. That is why we have set up a very economical onshore support center in Maimi, Florida, staffed by SAP experts.
- c. When the big guys where busy closing offices and laying off highly experienced and highly trained SAP Consultants in America and opening tech centers in India staffed with new employees with little experience, we found a wealth of available, highly trained consultants right here at home.

3. Remote Consulting Whenever Possible:

Due to the tremendous impact on the quality of life of consultants, there will be increasing pressure to reduce or eliminate on-site consulting. This is feasible during certain phases of the project, to a greater or lesser degree, depending on what modules are being implemented and the culture of the client. **We find that remote delivery works well and routinely propose it.**

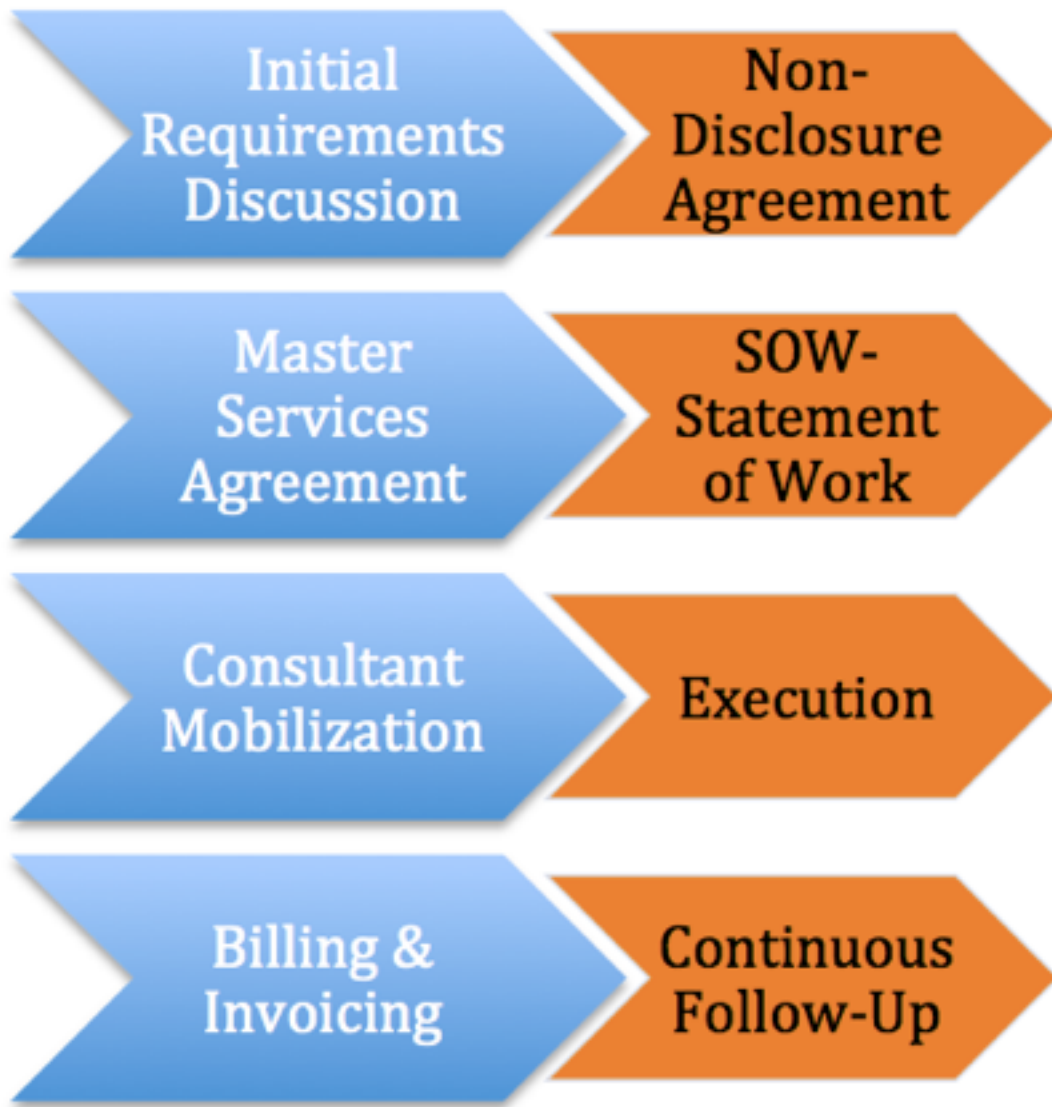
Why people matter

It may sound trite, but people are our most important resource. The SAP solution is continuously evolving. Frankly, better, cheaper, faster is great, but unless you can prove how it helps you do something, profitably, that you couldn't do before, it is irrelevant. The real question is 'So What'? Only motivated, trained, experienced, creative Top Gun SAP Consultants can help you ask those 'So What' questions.

We have a broad spectrum of consultants available, from the most junior to the most senior. Give them a challenge! You will find they will challenge you as well. Progress depends on finding the challenges, and over coming them.

Best Practices When Selecting Consulting Partners

Our engagement process is very simple, and is based on a process we have developed across dozens of client engagements.



This is really the paperwork procedure. What makes it work is our deep SAP and Industry experience.

What are the “keys” to success we look for:

Client	SAP Consultant
Clear Requirements	Sap Certified In Primary Module
Stable Processes	End-To-End Project Experience, More Is Better.
History Of Project Success	Public Speaking Ability
Open Channels Of Communication	Written Communication-Native English Ability
Willingness To Change	Positive Referenceability
Focus On Value	Positive Attitude
Business Case	Industry Experience
Interesting Business	Creativity
	Leadership Ability
	Detail Oriented

Social Networkers

In today’s business environment, social networks are everywhere. Though it seems like the ‘next big thing’, in reality, it is just more of what human beings have always been-highly social creatures. As such, we have built a Global SAP Consultant network via social networking. We were the very first people to create a SAP group on LinkedIn, which has been emulated by thousands of other social networkers, not least of which, is SAP.

But why did we create this network in the first place? Well, the founder of the company, Lonnie Ayers, is a Senior SAP Program/Project manager, and has worked on many SAP projects as their *contracted Project Manager*. A problem he faced over and over again was that when he would be contracted to Project Manage a SAP project, his number one problem was finding SAP resources! This was the case even though the project was entirely contracted to SAP.

How could that be?

To recap: A customer has bought a SAP software license, and has decided to contract with SAP for the complete implementation as well. SAP has a SAP consulting arm, and therefore, should be able to handle the implementation with no issues.

The Ugly Truth

Keeping highly skilled SAP consultants onboard (on your payroll) is very, very expensive. SAP (and other consultancies) have an investor demanded target margin on services revenue that runs in the range of 35% (which can be negotiated down, but not completely away).

As the contracted SAP Project Manager, what is found it that typically; the contract for the implementation was done entirely on assumptions or 'Rules of Thumb'.

Both consultant prices and consultant availability are assumed to be known.

Unfortunately, there is no real visibility of consultant availability, either within SAP or in the 'market'. This is because of the consultants, the system they live in and the demand for consultants.

There is also some market fraud in that bogus jobs will be posted on well known job boards to mine resumes from consultants and then these are floated to the customer as evidence that the contracting company in question actually has these consultants on staff, when, in reality, the only person on staff is a single sales person usually calling from India.

Consultants:

All SAP consultants (consultants working for SAP) are tasked with finding billable projects to keep themselves busy on.

This bears repeating-**all internal SAP consultants are responsible for their own billability.**

There is an internal system within SAP that broadcast resource requirements and SAP consultants can basically pick and chose which ones they will work on. All SAP consultants are also fully cognizant of their [FLC](#) or Fully Loaded Cost rate. The FLC rate is what it cost SAP to pay that consultant for one day. The rate the client ultimately pays then is the $FLC * (1 + Margin)$.

Within the SAP consulting ranks, their rates are based, roughly, on what are commonly known as 'K' rates (Believed to mean konsultant, from German). These SAP K rates range from K1 to K9 and a typical K Rate chart might look like this.

K1/L1	K2/L2	K3/L3	K4/L4	K5/L5	K6/L6	K7/L7	K8/L8
416	520	676	780	884	988	1248	1456

Consultant Managers.

All SAP Consulting Managers (those within SAP and SAP Service Partners) have a billability target. To keep it simple, assume that they are looking for every billable SAP consultant to be billable about 66% of the time.

More billability is better.

The rest of the consultant’s time is taken up with vacation, training, meetings, and sometimes a few ‘internal orders’. The consultant manager’s bonus, to a large extent, is based on having his consultants hit these numbers.

For the Consulting Manager, what is critical is the daily bill rate of his consultants. So if you take the above FLC K Rate Chart plus the target margin, you arrive at a Consulting Manager Rate Chart that looks something like this:

K1/L1	K2/L2	K3/L3	K4/L4	K5/L5	K6/6	K7/L7	K8/L8
640	800	1040	1200	1360	1520	1920	2240
416	520	676	780	884	988	1248	1456

FLC K-Rates (Sample Only and In Euro)

Expenses: On top of these daily charge-out rates, as a rule of thumb, somewhere between 18% to 25% of the daily rate is budgeted for expenses.

For example: K5 Level Consultants will cost you \$1360 a day + 244 a day in expenses or about 1604.80 (@18%) or 1700 (@25%). Roughly speaking, expenses run between \$4880 and \$6800 a month (Bigger cities cost more than smaller cities) and if business class flight is provided, substantially more than these amounts are the norm.

Our experience, which spans the period from 1978 to the present, shows these numbers to be relatively stable. It also shows that on nearly every project, a lot of management time is spent on trying to reduce or haggle over these numbers, yet they have almost nothing to do with getting the project done on time or on achieving a positive ROI.

SAP Account Executives (AEs)

SAP's AEs are in the business of selling software. By design, they view SAP Consultants as a hindrance to hitting their sales targets. They all realize the implementation must get done; from an AE perspective, the cheaper the SAP consulting can be done, the more money there is for SAP licenses.

Bringing it All Together



The System They Live In

So now that we know the financials behind each SAP consulting consultant, and their business objective, we can begin to diagnose the problem. The problem, if you will recall, is that the Project Manager has no SAP resources when doing the SAP implementation.

So what SAP consulting really has is a SAP resourcing system, that grabs consultants from wherever they happen to be in the SAP system, and, then goes to partner companies (who pay to be partners, mostly a closed system that limits competition) and finally, to 3rd party recruiters.

This all happens after the implementation contract is signed!

Implications:

For new SAP implementations:

The SAP Consulting resource management system should kick in to deliver the resources. But it does not have complete visibility into consultant availability for a variety of reasons. This can be due to the consultant not wanting to take a particular project; or a consulting manager not wanting to release a consultant for a shorter duration or lower value project when he knows there is a higher value project to be fulfilled just around the corner; or any number of other reasons, including that the consultant has not put a particular word in his skills profile that the resource managers are looking for, and so they never connect up.

For Existing SAP Customers:

Whether upgrading or extending an existing SAP solution, for example, by deploying SAP Business Warehouse or SAP Business Objects, SAP Resource Management will have less interest in providing resources. Typically, these types of projects will require both fewer resources and more deeply skilled SAP resources. In short, those types of resources that SAP does not have many of, nor can afford to keep many of, on their payroll.

Our Social Networking Approach:

Having been faced with the prospect of delivering a SAP project, many times, with no prospect of having the SAP consultants needed to do the project, we set out to solve this very difficult problem with a proprietary in house solution.

We initially formed the LinkedIN group, SAP Certified Consultant, way back when LinkedIN was charging to form a group. We focused on creating a group of SAP certified consultants and accepted consultants who were working on certification.

Why?

Well, though it is still very controversial, we found that SAP Certified Consultants tended to do very well on projects, as long as they displayed all the other characteristics mentioned before. We quickly had more than 3000 SAP Consultant members, and of course today, LinkedIn has hundreds of SAP groups.

Most importantly, SAP contacted us and asked us about the group, became a major investor in LinkedIn and now routinely uses it as recruitment tool as they do not have an internal database of every SAP consultant they ever trained. As it turns out, they do not have a record of every certification test prior to 2005, either!

This implies that those consultants, such as the author of this document and founder of SAP BW Consulting, Inc., or any other SAP Consultant who is certified and by definition would have more SAP ERP implementation experience, is invisible to SAP.

We now have a large enough group to staff virtually any size SAP project. We also have all SAP skillsets represented within our Global SAP Consultancy reach.

Creating New SAP Consultants

We have also developed our own SAP resource creation program, which starts where SAP training ends. We have a new consultant training and development program which has been proven successful by numerous 'new' SAP resources, and we constantly tweak it.

Where do we find people?

Locally, right here at home. In other words, we don't need to look in India or elsewhere. We found a never ending supply of good, highly qualified people right here at home who just needed some guidance and development.

Summary

- Staffing a SAP project is a challenge
- Building a SAP Consulting network takes work and time
- Ours is one of the largest in the world, and constantly growing
- We have a tried and true, simple engagement model
- We train, develop and promote from within and within the local community.

[Engage us Today!](#)

Why Engage With Us