

Will you survive the S/4 skills apocalypse?

A study of the SAP skills ecosystem
with 5 crucial survival tips.

it
Resulting

A RESEARCH STUDY BY **RESULTING IT** AND **DR DEREK PRIOR**,
FORMER SAP RESEARCH DIRECTOR AT GARTNER

During my 19 years as SAP Research Director at Gartner I was lucky enough to speak to thousands of SAP customers.

In all that time I can safely say nothing has caused the same amount of confusion, panic, and uncertainty as there is today around S/4HANA.

And it's that same uncertainty that makes this research so timely and so compelling.

With the 2025 support deadline for ECC approaching fast, SAP users have some tough decisions to make.

After they have cleared the S/4 business case hurdle, the next challenge will be to find the talent they need for their S/4 migration - they must also secure that talent to run their SAP programme for years to come.

This report brings a much needed dose of clarity to the situation and provides the information SAP users require to make smart and strategic resourcing decisions in the run up to 2025.

I think it's a great and valuable piece of research and it's something I'm proud to have been a part of.

I look forward to hearing all of your opinions on it.

Dr Derek Prior



Dr Derek Prior

Former Gartner
Research Director,
Non-Executive
Director Resulting IT

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Apocalypse is a strong word...

...reserved for some apocryphal zombie incident, post-nuclear catastrophe or medical pandemic.

What we're about to reveal to you is nothing on that scale.

But, if you run SAP – and more importantly, if you run your business on SAP – then this topic is as close as you'll get to apocalyptic.

There was already an issue. SAP skills have shown a constant rise in demand since the late 90s. With an ageing workforce and two generations of offshore outsourcing, the supply and demand dynamic for SAP talent was already an imbalanced ecosystem.

Then S/4HANA happened.

No real impact at first. But as SAP carefully laid out a plank for their customers to walk – a plank branded with the numbers 2025, the SAP talent ecosystem started to recoil in response.

40,000 SAP customers will need to migrate from their existing ECC systems to S/4HANA – a move that is far from a simple technical upgrade.

This research report explores the SAP skills ecosystem, how it will respond and adapt to S/4HANA – and importantly – we delve into the things that SAP customers like you need to consider as a potential skills apocalypse unfolds.

Our research methodology

Research was conducted via an online survey from June to October 2019.

Participants weren't required to complete all questions, meaning that some answers have a higher number of respondents than others.

Although a global audience responded, the survey shows a UK bias due to promotion through Resulting's network.

The 429 respondents comprise existing and former SAP consultants as well as some in-house SAP users.

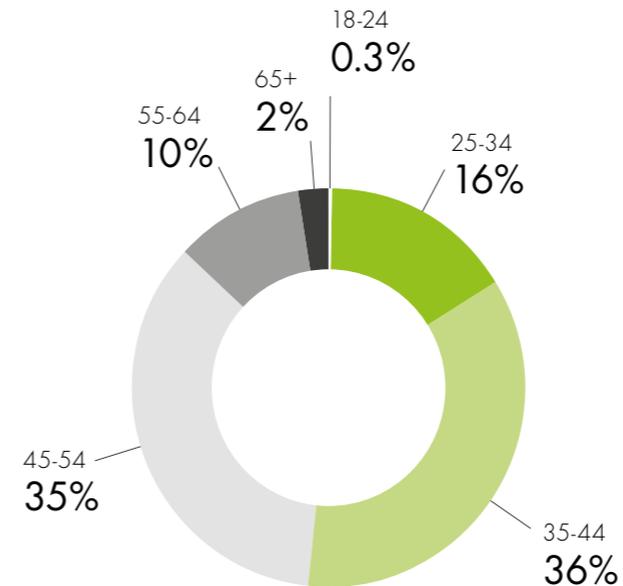


**429 SAP consultants
participated**

Grab your rucksack and a baseball bat and turn the page...

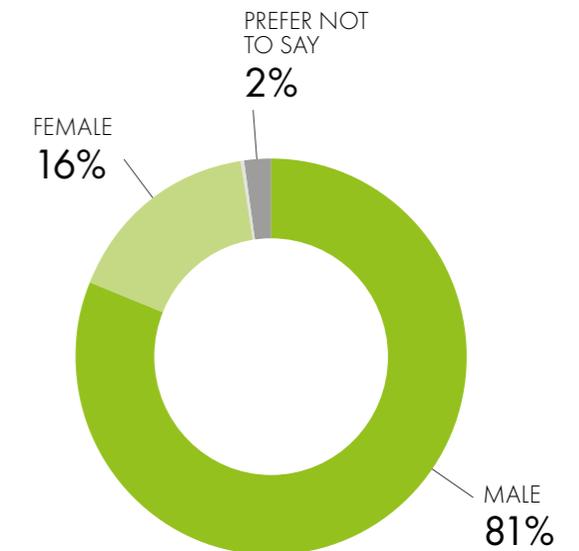
A snapshot of the SAP skills ecosystem

What is your age?



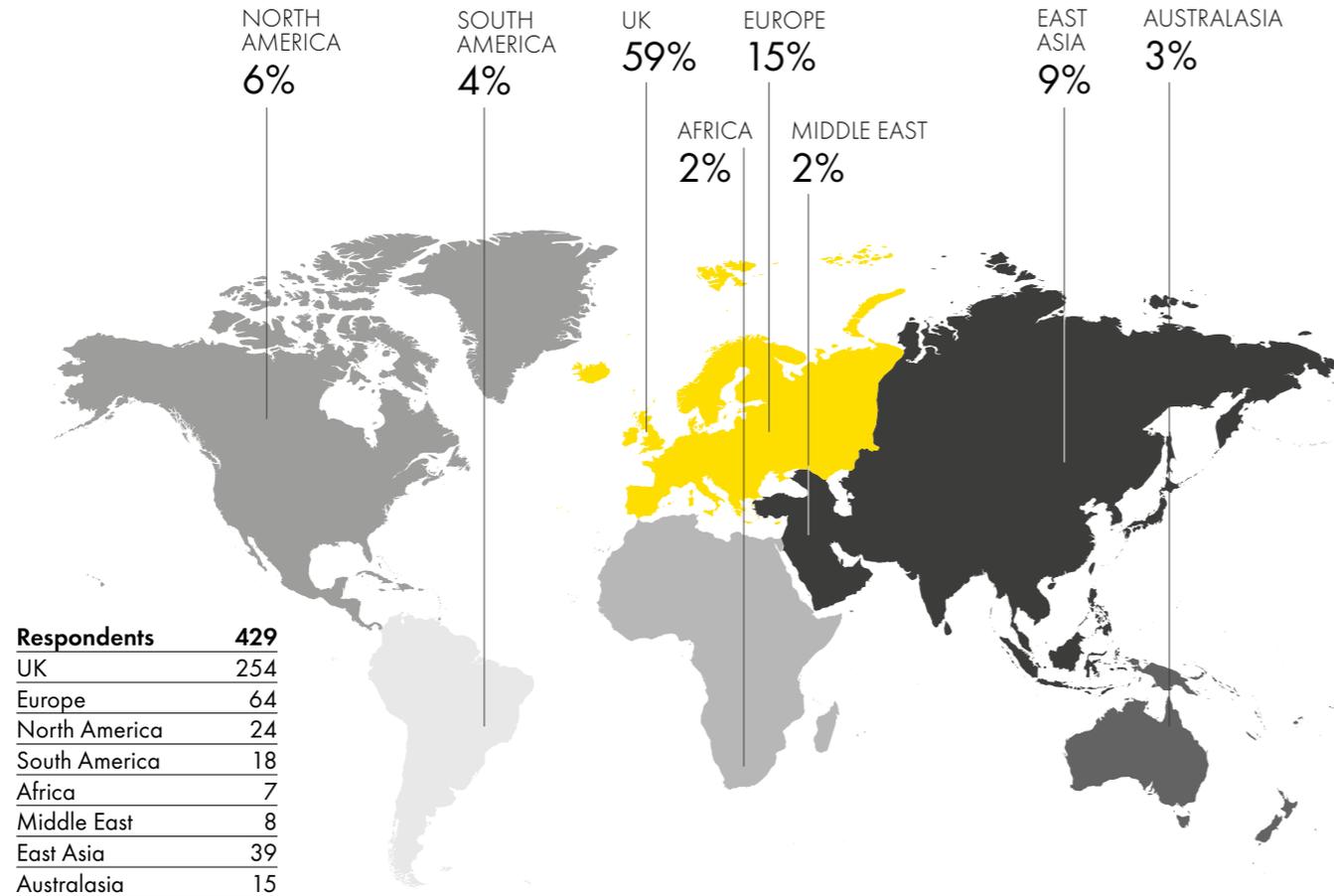
Respondents	343
18-24	1
25-34	55
35-44	122
45-54	121
55-64	36
65+	8

What is your gender?



Respondents	341
Male	277
Female	56
Other	1
Prefer not to say	7

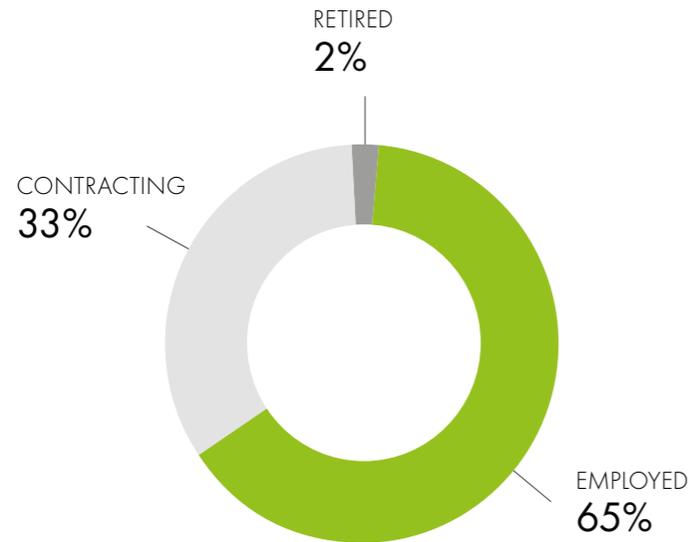
Where do you currently live?



SAPographics

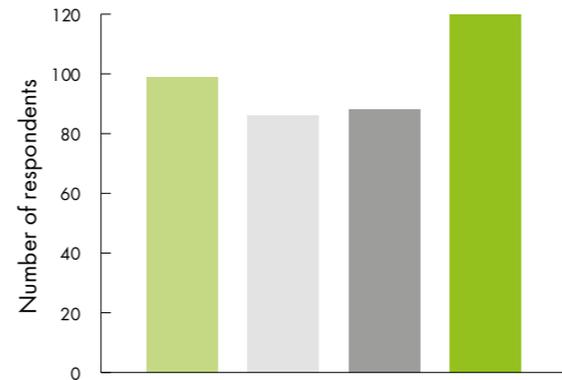
Visualising the skills of
the SAP ecosystem

What is your current employment status?



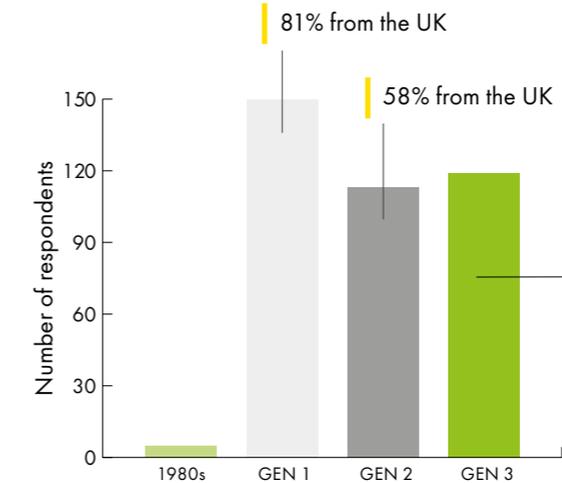
Respondents	416
Employed	268
Contracting	139
Retired	9

Which of these best describes your employer?



Respondents	393
SYSTEMS INTEGRATOR/ LARGE CONSULTANCY	99
INDEPENDENT OR BOUTIQUE SAP CONSULTANCY	86
SELF-EMPLOYED	88
BUSINESS RUNNING SAP	120

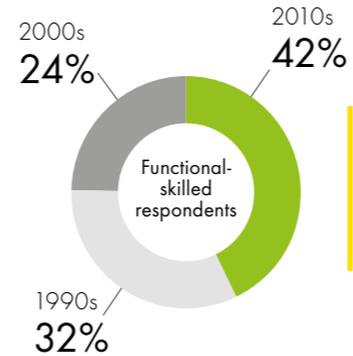
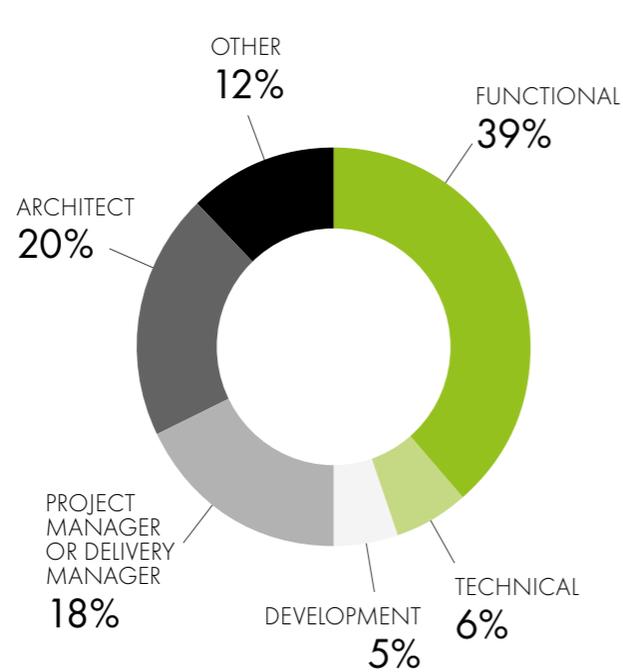
When was your first SAP project?



Respondents	387
1980s	5
1990s (GEN 1)	150
2000s (GEN 2)	113
2010s (GEN 3)	119

The respondents who started SAP in the 2010s showed a much greater global diversity than any other decade with only 35% coming from the UK.

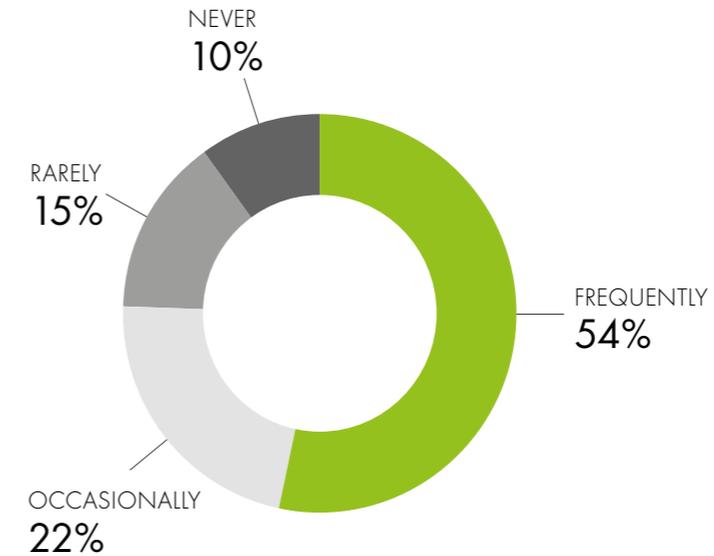
Which of these statements best describes your SAP skills?



42% of the functional-skilled respondents did their first SAP project in the 2010s, making this the 'greenest' group of respondents.

Respondents	388
Functional (Consultant or Business Analyst)	150
Technical (e.g. Basis)	24
Development (e.g. ABAP)	20
Project Manager or Delivery Manager	70
Architect (Technical or Functional)	77
Other	47

Are you still hands-on with SAP?



Respondents	388
Frequently	208
Occasionally	86
Rarely	56
Never	38



Are you ready for the SAP skills apocalypse?

With the 2025 end of support deadline for ECC just around the corner, the SAP skills apocalypse might be closer to reality than some realise...

There are an estimated 40,000 companies running ECC globally – and most will look to migrate to S/4HANA by the time the end of support deadline comes around.

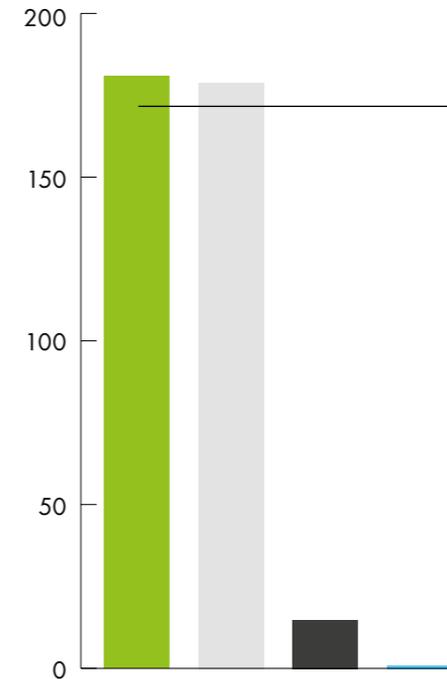
Assuming an optimistic nine-month S/4 migration with an optimistic fifteen SAP consultants per project, the SAP industry needs to supply >100m days of consulting effort while keeping the existing lights on.

By our estimates, fewer than 8% have completed an ECC to S/4 migration globally at the time of writing.

But there's more to it than this....

**The SAP industry
will need to supply
MORE THAN
100 MILLION
DAYS
of consulting effort
for S/4 migrations**

What's the most recent version of SAP you've implemented or worked on?



Initially, this result seemed promising – showing that 48% of respondents have worked on S/4 projects and implementations.

However, further analysis shows that of this group, 28% are solutions architects.

Maybe this shows that a large number of respondents are in the early blueprinting stages of their S/4 programme – and there is still a dearth of live or nearing go-live examples for people to get real boots-on-the-ground experience.

Respondents 393

S/4HANA 181

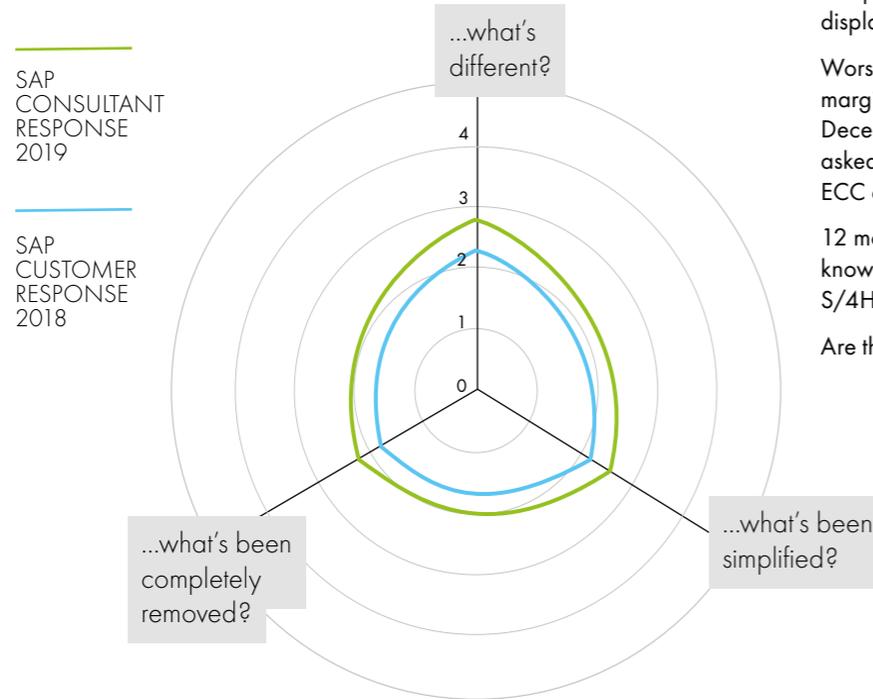
ECC 179

R/3 14

R/2 1

Do SAP consultants even understand S/4HANA?

When it comes to S/4HANA how certain are that you understand...



Alarming, when asked how well they understood what's different, simplified and completely removed in S/4HANA, respondents displayed a poor understanding.

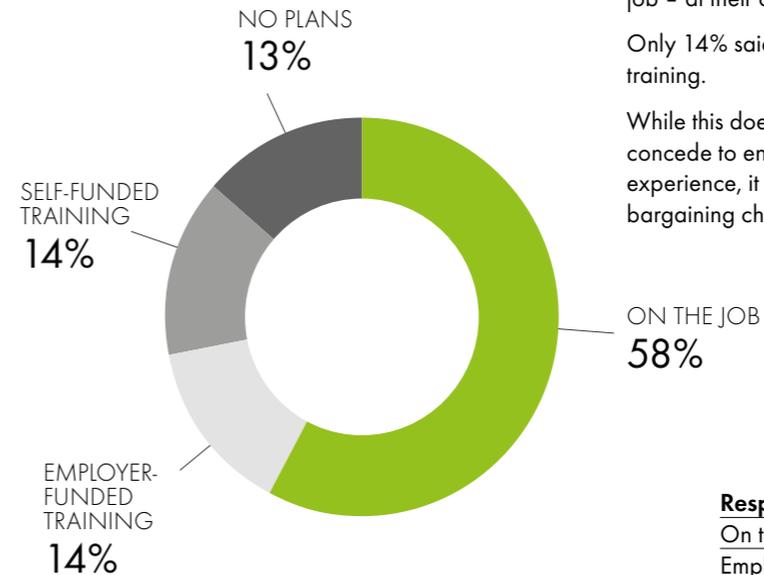
Worse, this view of SAP consultants is only marginally better than the results from our December 2018 S/4HANA Research where we asked the same question to a group of motivated ECC customers and UKISUG members.

12 months on, SAP consultants appear to only know marginally more than SAP customers about S/4HANA.

Are there any S/4 experts out there?

Where will all the S/4 skills come from?

How do you plan to gain your S/4HANA knowledge?



With high demand for S/4 skills and the promise of high rates, one might expect SAP consultants to see S/4HANA training as a worthwhile investment.

Surprisingly, 58% of our respondents said they expected to gain S/4HANA training on the job – at their customer's cost.

Only 14% said they would consider self-funded training.

While this does mean businesses will have to concede to engaging contractors with no prior S/4 experience, it may provide them with a powerful bargaining chip when hiring.

Respondents	356
On the job	206
Employer-funded training	51
Self-funded training	51
No plans	48

Download the S/4HANA report
www.resulting-it.com/should-we-migrate-to-S4-HANA



What about the \$AP \$/4 gold rush?

With an increase in demand for skills, S/4HANA implementation experience is going to become an increasingly valuable commodity.

As demand for S/4HANA skills becomes more and more skewed in favour of the SAP consulting market, businesses running SAP can expect to take damage on all sides.

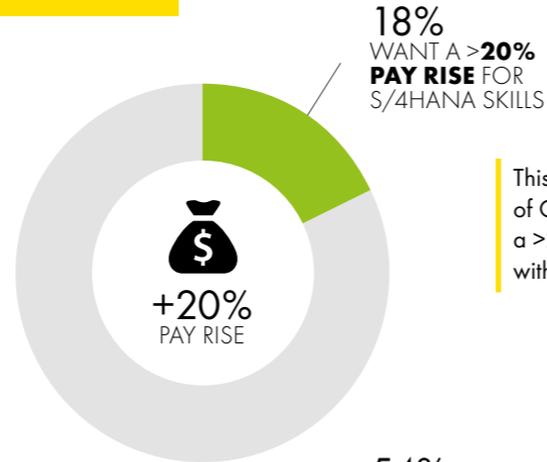
Not only will contractors start to charge higher daily rates, but junior in-house SAP consultants will become increasingly hard to retain should they gain valuable S/4HANA experience working on projects.

While the high percentage of people expecting a pay rise >10% is alarming, perhaps it should be taken with a pinch of salt.

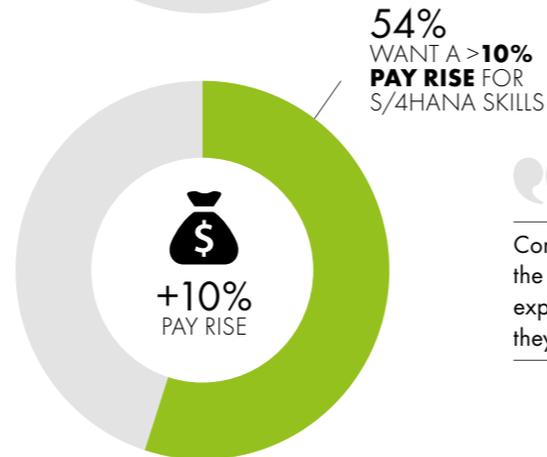
This group skews towards the junior people – the people you’d expect to increase their salary as they get more experience under their belt.

Our research shows, of those people who expect the highest salaries 40% plan to retire in the next 10 years.

So, while there is a spike in demand for pay at the bottom of the career pyramid – a far greater percentage of SAP customer budgets could be freed up by senior-level people leaving the industry altogether.



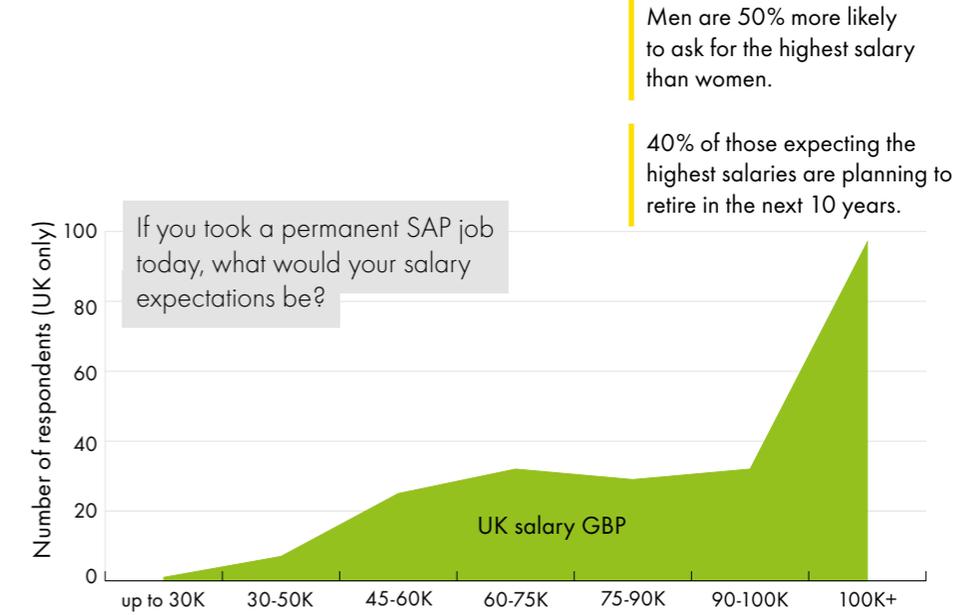
This group had the highest representation of Gen 3 – with 48% of those expecting a >20% pay rise having started working with SAP in the 2010s.



Companies who already pay SAP salaries in the lower quartile are in for a shock with 72% expecting more than 10% pay increases once they build S/4 skills.”



Stuart Browne
Managing Director
Resulting IT



But how did we get here?

So if we really are on the verge of an SAP skills apocalypse maybe it's time we took a second and asked "how did we get here?"

After all - those who do not learn from history are doomed to repeat it...



From offshore to unsure

The mid-2000s saw a mass migration to offshore outsourcing by many SAP customers. In-house and local resources were swapped out for teams in India and other low-cost delivery locations. While this strategy seemed a sound short-term cost-cutting solution during times of austerity, 15 years on, the chickens have well and truly come home to roost.

Mass offshoring has resulted in a dearth of home-grown talent to fill the shoes of the retirees leaving the industry.

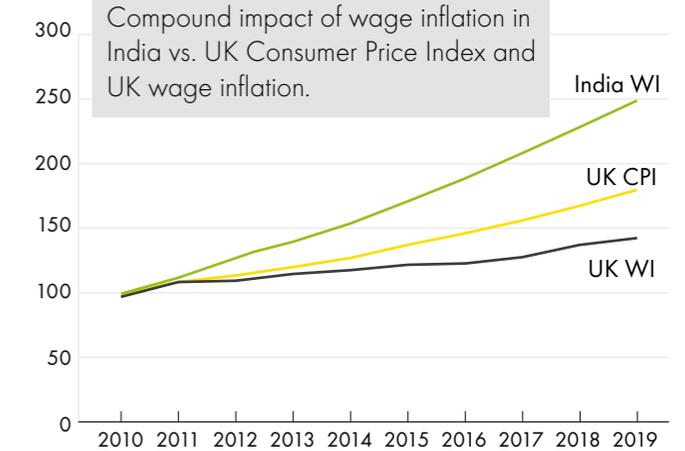
Since the 2008 crash, the UK consumer price index (CPI) has flattened to an average of 3% per year with similar levels in other western countries. Over the same period, wage inflation in India has remained steady at 10.5% per year, and resulted in a compound increase in salaries of 2.5x over just eight years.

Offshore labour arbitrage has been affected as a consequence - from around 5:1 in 2012 to just 2:1 in 2019.

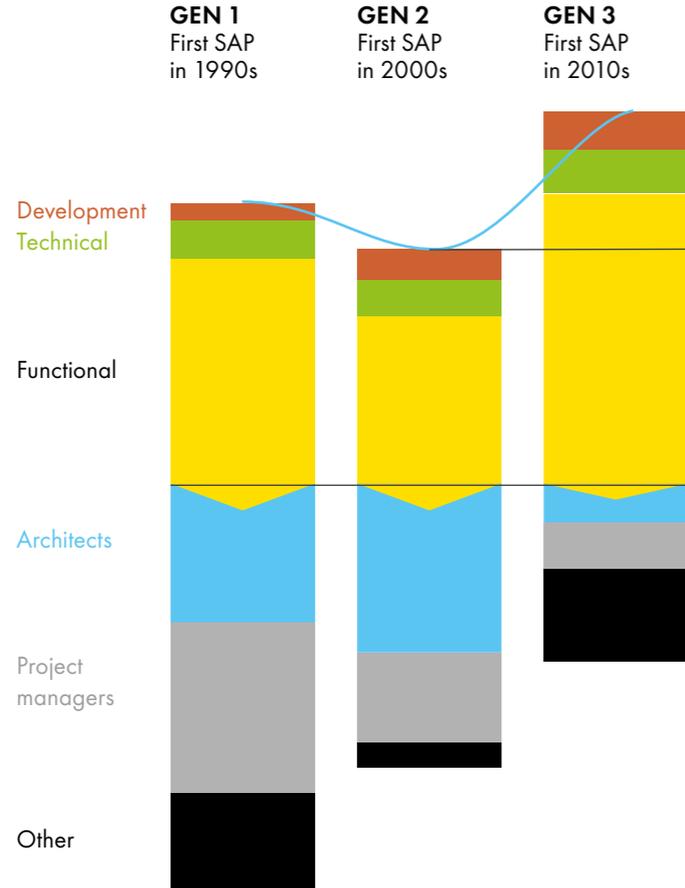
All of this means you now get considerably less bang for your buck when it comes to offshore resources.

Ally this with a trend towards more agile delivery, DevOps principles and the need for better customer intimacy, and there's a pronounced demand for local, in-house SAP delivery teams.

So exactly how badly has 2000s offshoring affected the global SAP skills market?



Welcome to the unhappy valley



When we look at our respondents by the decade they started working with SAP, we can see the real challenge the industry faces – an ageing workforce.

This combined with the offshore exodus has created a significant gap in the SAP talent pool. As the current workforce begins to retire, the skills apocalypse will start to unfold.

Offshoring in the 2000s has led to a dip in the amount of SAP skills available at the consultant level, who are the people needed to replace senior people planning to retire. There is also leakage across all points in the progression, particularly juniors, as people choose to leave SAP for different careers.

As people become more senior they are also more likely to move into hands-off roles. This means there will be fewer skilled hands-on senior people to go around.

It also means the “unhappy valley” phenomenon will start to affect the availability of good people to transition into project manager, architect and practice leader roles.

So why do we find a zombie apocalypse so damn scary anyway?

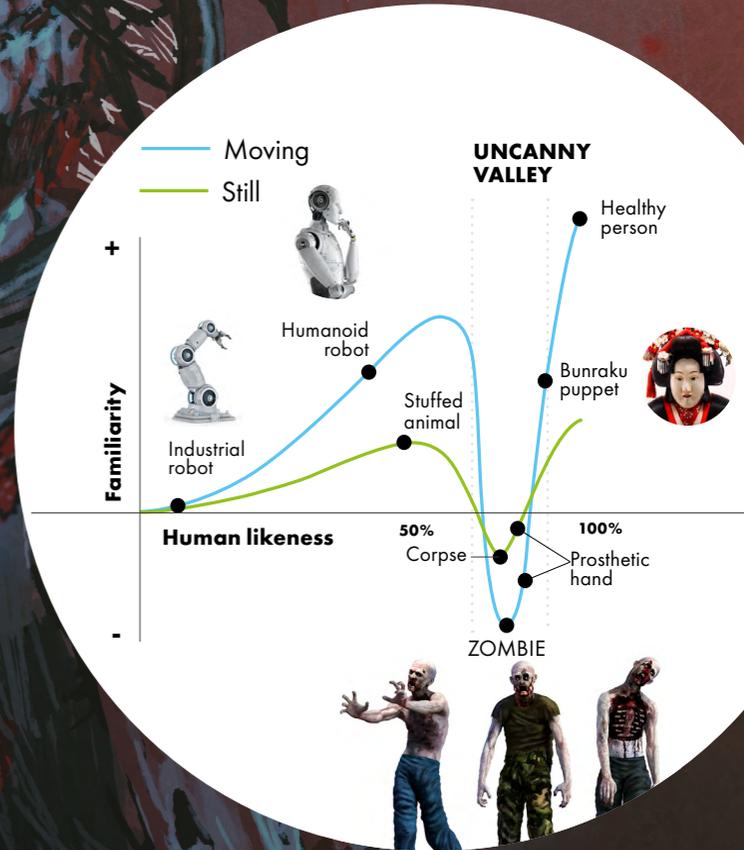
After all, there’s no other monster that captures the public imagination in quite the same way.

It’s all to do with the uncanny valley.

The term “uncanny valley” describes our strange revulsion toward things that appear nearly human but not quite right, and it can be visualised in a graph like this.

It’s an evolutionary instinct that protects us from disease by keeping us away from anyone playing host to some unpleasant, behaviour-altering illness.

Interestingly, there’s a similar shape in the trend of experience in the SAP ecosystem – SAP’s very own unhappy valley – and the consequences could be just as scary.



But this is just the tip of the iceberg...

Searching for a promised land

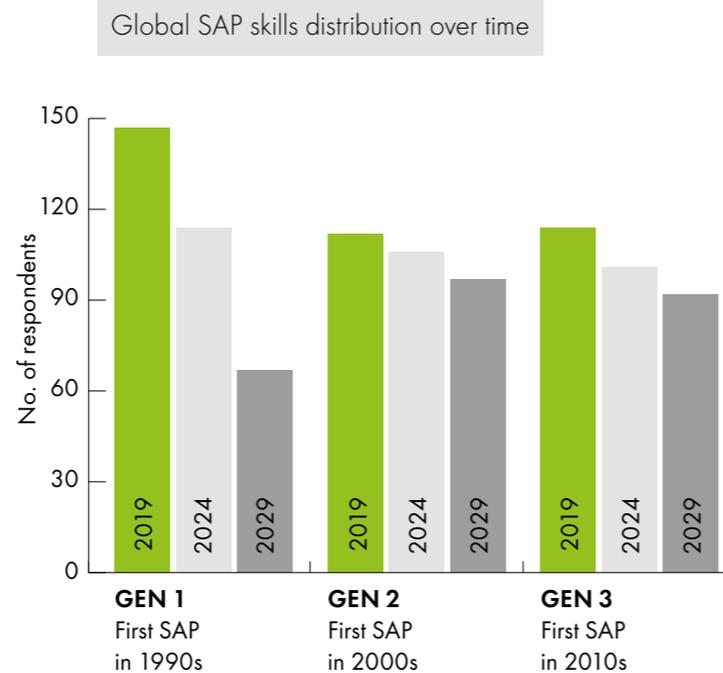
Like any good apocalypse story, perhaps there's safety just over the horizon – somewhere safe, green and untouched by the ravages of war, zombies or whatever pandemic has destroyed utopia.

While there is today an emerging imbalance in SAP skills – with a big skew towards the 1990s Gen 1'ers and the unhappy valley of the Gen 2'ers – could there be a better world on the horizon?

We can project how the global SAP skills distribution might change over the next decade.

As the Gen 1 group retire, we see that the Gen 3 group will diminish at a slower pace.

Come 2029, this group might just be our salvation...



Is there a happy ending?

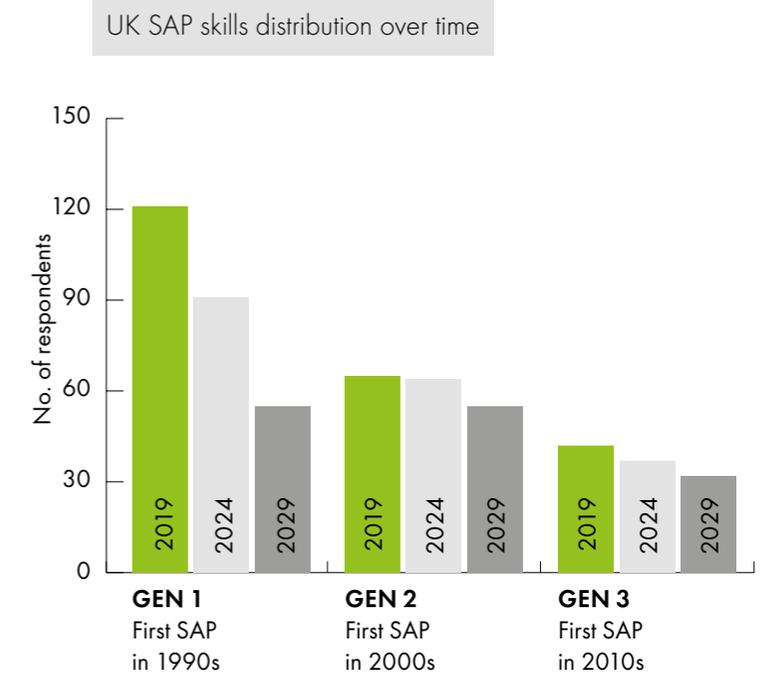
While on the surface things look like they could recover over the next few years – things aren't always as they seem.

When we adjust this distribution to show the UK only, instead of seeing an SAP ecosystem in recovery we see an SAP ecosystem that's crashing and burning.

The damage to the UK SAP skills market by 2000s offshoring can be seen in its entirety – and what's worse – the numbers continue to fall in Generation 3.

While there may be sufficient SAP skills globally, if you want skilled people on location in your office, you're going to be disappointed.

Did you expect a happy ending?



What about the day after tomorrow...

Maybe Generation 4 will save us?

During a time of heightened demand for SAP skills, with a decade of S/4HANA fallout, if the SAP skills shortage is ever going to recover without relying on offshoring, something drastic must happen.

We need to bring more young people in at the bottom of the pile. But it doesn't look like that will happen any time soon.

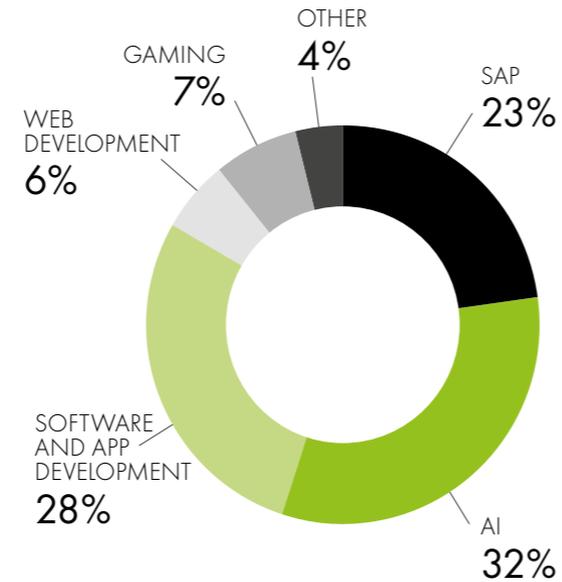
When we asked experienced SAP respondents which technology they would recommend IT graduates advance into, SAP only received 23% of the votes cast.

AI/machine learning and software development both received more with 32% and 28% respectively.

Interestingly, respondents who gained their SAP experience more recently (2010s) were more likely to recommend SAP as a career path than their more experienced (1990s and 2000s) peers.

Perhaps this shows that as people move away from hands-on positions into roles like PM and CIO they take a broader view of the tech landscape and realise SAP isn't the utopia that it once was when it comes to enterprise IT.

Which technology would you advise the next generation of IT graduates to advance into?



Recruiters aren't the answer

Most people are asking the wrong people the wrong question...

Let's face it, the majority of recruiters don't really understand anything about the skills you're hiring for. The good ones know the basics and the bad ones simply google for acronyms.

But they're guided by your job descriptions and requirements. Most SAP customers are trying to hire zebra unicorns – apocryphal people.

IT JobsWatch data is an interesting lens because it focuses on the salaries being offered in live job ads, with data dating back 15 years.

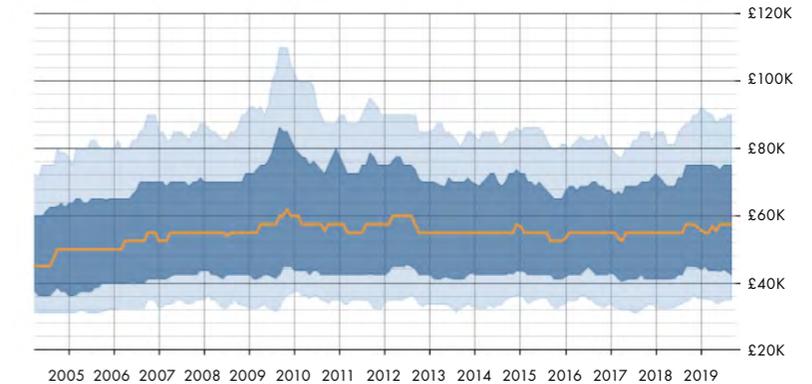
But these are salaries offered – not salaries of successful job ads. This is what SAP customers want to pay – not what they wind up paying to hire the right person.

A high proportion of permanent job ads remain open for months.

Why? Because there aren't enough people on the streets.

SAP salary trend

This chart provides the three-month moving average for salaries quoted in permanent jobs quoting SAP.



SOURCE:
<https://www.itjobswatch.co.uk/jobs/uk/sap.do>



And these things don't help...

If you're based in the UK, there are other macro economic factors that could add another layer of complexity to SAP rates and salaries.

The first is the Off Payroll Working legislation which is planned to come into force in April 2020. Otherwise known as IR35 for the private sector, this legislation is likely to result in rate increases to compensate for increased tax and national insurance charges, and a potential reduction in the supply of contract resources and a shift in demand from contractors to in-house SAP resource and boutique consultancy services.

In a recent survey of 1,200 IT contractors by Gattaca plc - 10% said they'd work abroad if their role was deemed to be inside IR35. 12% said they'd retire and 25% said they'd seek a rate increase to compensate for reduced net income¹. That's around half of IT contractors who will either disappear from the UK ecosystem or demand higher rates.

Brexit too will have some impact. The weakness of the British Pound vs. Euro may drive further contract resources to European-based projects.

However, changes to cross-border working practices may restrict ability to serve European markets and result in the emergence of different supply models.

At best, this creates unpredictability. At worst, chaos.

¹ Gattaca plc Research
<https://www.youtube.com/watch?v=iit2bvAPaTw&feature=youtu.be>

So what can you do?

What steps can you take if you're going to survive the SAP skills apocalypse?

5 steps to surviving the SAP skills apocalypse...

#1

Move indoors

After a decade and a half of outsourcing through austerity, the negative effects of low cost offshore delivery are starting to take their toll. Companies are starting to realise that they cut their cloth too thinly and are getting serious about building capabilities in house.

Revisit your sourcing and resourcing strategy through a new lens. Consider what a modern SAP Centre of Excellence might look like - and how it could provide a basis for success.



63% of procurement respondents felt that they hadn't procured the right balance of third party vendor and internal resources to support business adoption of SAP."



Just 20% of HR and resourcing respondents felt they had achieved the right balance in their SAP delivery model."



Download the SAP Success Report
www.resulting-it.com/sapsuccess

#2

Open-minded staffing

Stop shopping for overly specific resources who probably don't exist. Recognise that most SAP skills can be gained quite quickly by bright people.

Sometimes hiring a close fit or even a blank canvas is the best option. Attitude may trump specific experience.

Take a critical look at what you could do if you scrapped your existing job spec boundaries.

Don't trust recruiters who have suddenly started hiring for S/4 1809 or 1909 consultants. The old modules still exist in S/4.

Asking for an 1809 consultant is like asking for a Mk5 and forgetting to mention that you want a VW Golf.

#3

Spawn your own

Invest in creating your own SAP skilled people rather than relying on contractors or managed service providers.

This investment is not only important for your business, it's important to the overall ecosystem of SAP customers. If nobody creates SAP skills, there will be a skills apocalypse.

Just think about it this way – 54% of people who started working with SAP in the 1990s plan to retire from the industry in the next 10 years – and this is also the group who commanded the highest salaries. That means a huge amount of salary spend is going to be freed up from SAP budgets in the coming years.

For every senior person who leaves your SAP team, you could easily hire two junior consultants AND give them a 20% pay rise for their new S/4 experience – and still have money to spare.

If we're ever going to rebalance supply and demand in the SAP industry affecting the supply and demand imbalance is critical.



Just 18% of hands-on business managers said that they'd place a strong emphasis on creating an internal SAP capability to reduce reliance on external consultants. Worryingly, 73% of execs said they had."

In the UK, consider utilising the Apprenticeship Levy to build an SAP talent pipeline.

#4

Take knowledge seriously

Knowledge of your SAP system and business processes is sacred. Without it, your business success is at risk. Yet most people don't formally manage knowledge transfer or monitor knowledge gaps within their team. Take steps to map out your SAP knowledge so that it can be measured and used to improve skills within your team.



Only 14% of business managers felt they had placed a high importance on self-sufficiency through knowledge transfer."



#5

Augment responsibly

Think about augmenting your in-house team with expertise rather than outsourcing. Use external expertise to underpin your own skills and improve them through osmosis.

But do this judiciously so that your own team is still in control.



Join the survivors

Resulting IT is the UK's leading business-side SAP consultancy.

We can support you in building the internal capability you need to succeed with SAP.

Find out more at www.resulting-it.com



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