SAP Support Outsourcing: What Managers Should Look For

Applies to:

This white paper is intended to be a quick reference in finding solutions, templates and tools for effectively managing strategic outsourcing of SAP support/maintenance projects.

Summary

This white paper looks at measuring the outsourcing maturity level of SAP support project engagement and the key contract features of both the levels (cost focus and strategic focus) of outsourcing.

The framework used during the Transition phase of the strategic outsourcing is presented in this white paper. There would be several challenges like – ownership of the transition, transition period calculation, documentation and change management – during the Transition phase. These challenges are discussed along with best possible solutions.

The framework to manage next stage of support operations in strategic outsourcing is also presented. The challenges during this phase like team structure, ticketing tool selection, support teams structure, resource planning, authorization issues, end user behavior, customer's concern on quality and security, strategic alignment of objectives and cross suppliers collaboration and governance are discussed along with best possible solutions.

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Author Bio

SAP certified solution consultant in mySAP SRM with around 10 years of total work experience including experiences in full life cycle implementation of SAP R/3 4.6 C, Rollout of SAP ECC 6.0, Prototyping / Proof-of-Concept activities and Support / Maintenance projects. Has domain experience in Automobile Industry for about 2 years. Worked across the globe with reputed clients like Intel, ABB, SAP AG & NXP Semiconductors. Won best performer award in various client engagements. Recognized as a creative and effective planner, troubleshooter and problem solver.

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Introduction

Our Client's Backyard is Our Front Yard

"Our client's backyard is our front yard" is the popular caption of this outsourcing era. A manufacturing company that uses SAP for their business operations can concentrate on the design, manufacturing and sales of their final end products (front-yard activities) rather than focusing on the applications that run and manage their internal operations (backyard operations). This is because there are Application Service Providers (ASPs) whose core business is to support and maintain the company's internal applications. These days, it is possible to outsource an entire SAP system—hardware, software, implementation, support and so on. The primary reason for outsourcing is to enable companies to focus on their core business instead of redirecting resources and energies on systems implementation and support. Many people—especially the ASPs—started demonstrating outsourcing as the next logical step, where companies can outsource their SAP infrastructure and the maintenance of their SAP systems.

This white paper attempts to analyze the outsourcing maturity level of the customer and the possible ways to shift the customer to the next level by using a predefined framework or methodology. This paper also provides time-tested solutions for the various challenges faced by the middle-level manager (both from the client and ASP side) when an outsourcing deal is proposed for SAP Support/maintenance.

Note: The challenges faced and the solutions discussed are based on the author's experience in SAP Support projects. The templates presented in the Appendix are based on the author's experience and TCS Way of Working in SAP support projects.

Evolution of Outsourcing

Enterprises choose to outsource for various reasons. The most common reasons are to reduce and control operating costs, to improve company focus, to gain access to world-class capabilities and to free internal resources for other purposes.

Allie Young, from Gartner explains that the outsourcing market has been shifting gradually from a cost focus to a business focus, and that a new emphasis on access and speed to market has emerged. "The focus now is on business outcomes, not just infrastructure," she says. "This is about taking advantage of relationship types and models, and a variety of contracting modes and structures. It is very complex."

Although the financial structure of conventional outsourcing arrangements typically includes bonuses and penalties, which are based on the achievement of minimum service levels by the supplier of the outsourced service, the trend in outsourcing deals is to focus on upside targets. The incentives are aligned around enterprise-level outcomes such as market share and return on equity.

Gartner has noted an important shift in outsourcing's strategic positioning at many forward-looking companies and organizations. "We are seeing indications of involvement at a much higher level, with outside partners taking over entire business processes – not core competencies, but important competencies. These deals are being done at a level that can truly influence outcomes. The real change going on is that the influencers and decision-makers in outsourcing now are the business-unit and executive-level leaders, not those at the operational levels." says Young.

The level of SAP support outsourcing is measured by the term 'Outsourcing maturity level'. Table 1 shows the two different maturity levels an outsourcing deal can be proposed for and what it means for SAP support projects.

Table 1 - Maturity Level

Maturity	Definition	What it means in SAP support/ maintenance project outsourcing
Level 1	Cost focus	• Hiring external SAP consultants • Outsourcing small projects • Outsourcing the secondary support tasks like testing activities
Level 2	Strategic focus	• Outsourcing the support tasks with the ASP organization retaining major control • Outsourcing the total support work

Figure 1 show the outsourcing trend, where the transition towards Strategic Focus is occurring at a much faster pace.

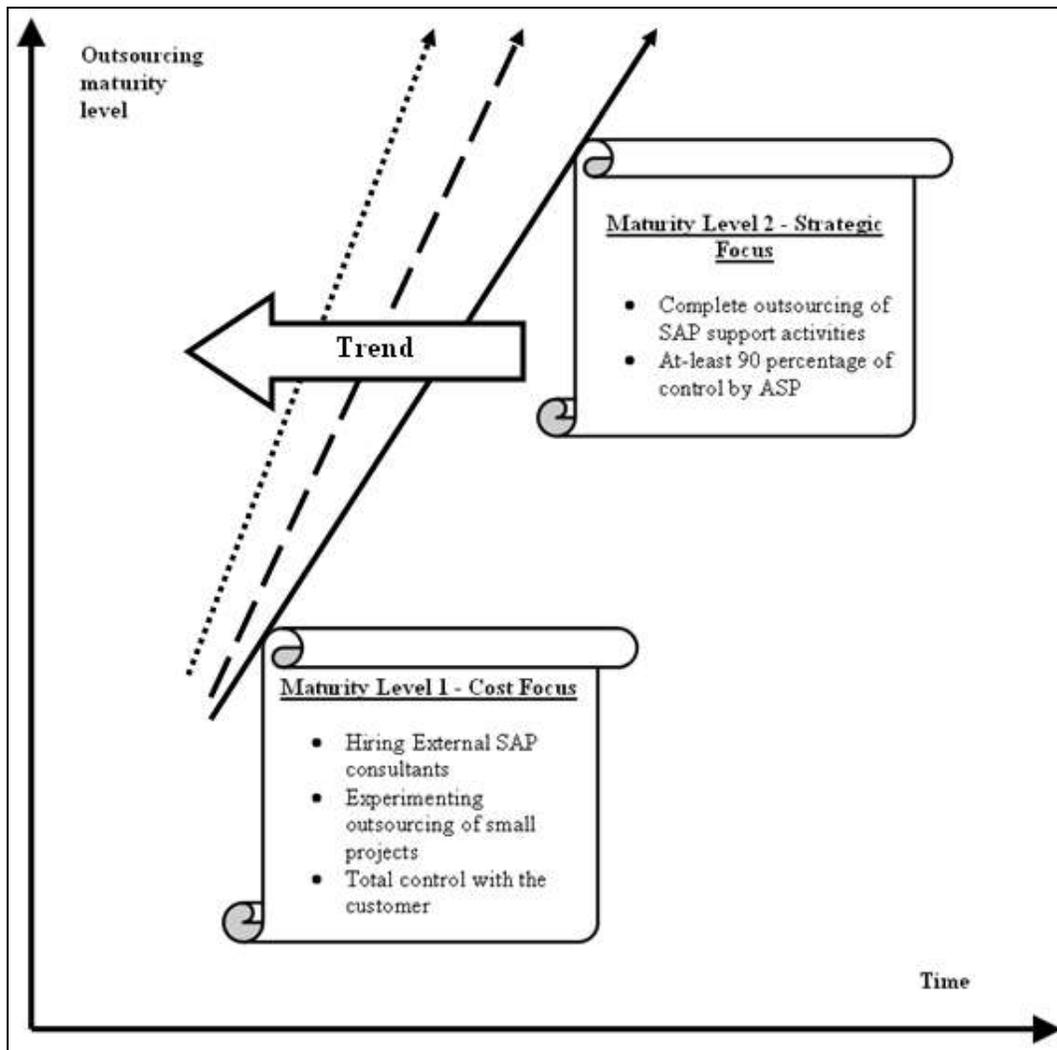Figure 1 - Maturity Level Chart

The current maturity level of your support engagement can be measured by answering the questions available in the Outsourcing Maturity Questionnaire provided in the Appendix. If the answer to more than seventy percent of the questions is 'Yes', you are at Maturity Level 2. This questionnaire was prepared based on the author's experience in SAP outsourcing projects.

Client Engagement

SAP support engagement outsourcing maturity level is mainly based on the status of the enterprise, their outsourcing experience and their comfort level with outsourcing. The proposal differentiators in terms of cost, expertise, niche competencies and previous experiences in similar engagements are the key factors that help ASPs to win the support engagement contract.

Enterprises with prior experience in outsourcing with a multi-vendor environment have a different dynamics. However, for the mutual benefit of both the customer and ASPs in SAP support engagements, it is better to have a single partner to support two different applications running for the same business process. For example, the same ASP must support the Materials Management (MM) module of ECC 6.0 and the Supplier Relationship Management (SRM) system because both the applications run for the same purchasing process. This helps to avoid unnecessary blame shifting between the ASPs (mostly they are competitors in the SAP practice). Additionally, a full view of the support issues is possible because access to the system and the required authorization is available.

There are a few questions that need to be answered at the time of the initial customer engagement. This differs based on the maturity level of the agreement between the customer and the ASP.

Customer Engagement at Maturity Level 1

Following are some of the questions that the ASP needs to face when the agreement is at Maturity Level 1 (see Figure 1 - Maturity Level Chart):

- How will my operations run?
- How will my standby work?
- How is the time zone covered?
- Escalation procedures?
- Service Level Agreement (SLA)?
- Immediate expectations for cost-benefit realizations?

Key Features of the Contract at Maturity Level 1

The primary responsibility of system maintenance is with the customer. The ASP just acts as a 'Service Provider'. The SLA is based on a mutual agreement of the number of incidents or tickets (issues in the SAP system infrastructure that falls within the purview of the contract) that the ASP can expect. If the number of tickets reduces beyond a certain level, the contract is renegotiated for a lower price in fixed-price projects. The change requests in the system are generally handled with a time and material pricing model.

Customer Engagement at the Maturity Level 2

Following are some of the questions that the ASP needs to face when the agreement is at Maturity Level 2 (see Figure 1).

- Will you take care of the end-to-end responsibility?
- How you will leverage with offshore presence?
- Plans for employee retention?
- Implementing SAP best practices?
- Root-cause analysis?
- Outcome based model?

Key Features of the Contract at Maturity Level 2

Primary responsibility of system maintenance is with ASP. In this scenario, the contract always aims to minimize the issues in SAP systems. The penalty is based on the number of incidents exceeding a certain limit. This ensures that maximum responsibility rests with the ASP organization and results in a more permanent fix in the system. Re-opening tickets and changing the ticket's deadline leads to a penalty. The key objective is significant cost savings to the customer's organization. After achieving steady state (see Table 2 for the definition), the top 10 key problem areas are reported and a focus on minimizing these problem areas is covered from a financial perspective in the contract. A permanent fix for repeating incidents and improvement ideas are rewarded. Additionally, the contract must define the number of SAP certified consultants (at least 30 percent of the total strength) who will be involved in the support engagement.

ASPs at this level often need to demonstrate their robustness of the methodologies and security of their processes to establish strong customer relationships.

SAP and the SAP User Group Executive Network (SUGEN), a global federation of 12 key SAP user groups, through their initiative to measure the success of SAP Enterprise Support services has aggregated key performance indicators from four major categories; they represent key customer business-value drivers defined after discussions with customers. Following are the four major categories for the SUGEN KPI Index:

- Business Continuity
- Business Process Improvement
- Protection of Investment
- Total Cost of Operations

Obviously SAP Support project outsourcing at strategic focus reaps the maximum benefits of outsourcing. In the forthcoming sections we will look into the framework and the challenges with possible solutions encountered in strategic outsourcing.

Transition Framework

Generally, the transition of support management and related services operates within a framework or methodology as shown in Figure 2, when the outsourcing maturity level of the support engagement is at Level 2 (strategic focus).
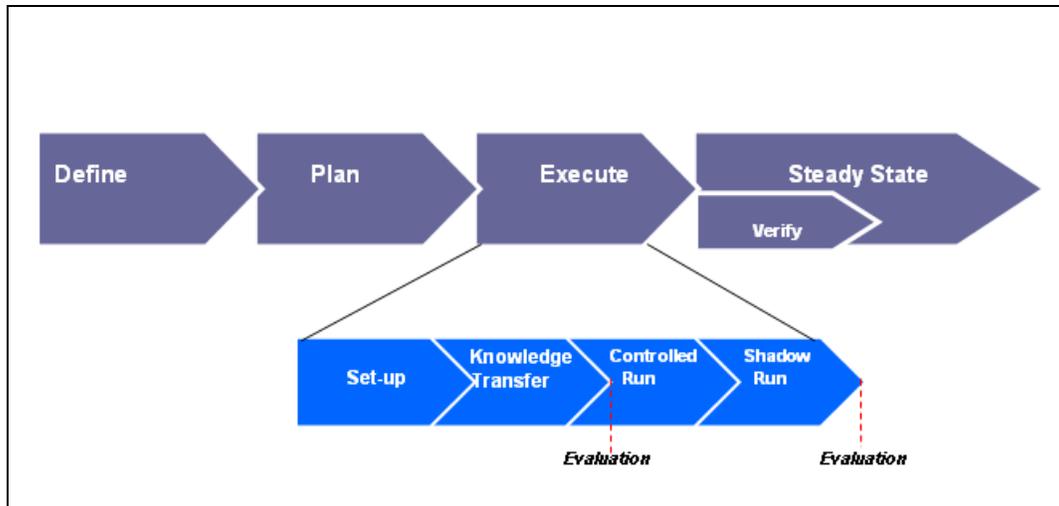

Figure 2 - Transition Phases

Table 2 provides a brief outline of each phase and the corresponding sub-phases.

Table 2 - Transition Phase Details

Phase	Sub-phase	Brief
Define	-	Definition of the overall program goals / objectives and key outcomes. The Program Charter and the Contract / Letter of Intent are created in this phase.
Plan	-	The program and operation-level tasks are planned and defined. The high-level plans and the governance framework are the key documents created and resources are mobilized (staffing, infrastructure and so on).
Execute	Setup	The detailed Transition plans are defined and infrastructure is setup, tested and operational.
	Knowledge Transfer	Knowledge is transferred to the ASP through class-room sessions, hands-on exercises, guided support, documentation and so on. Evaluation of the knowledge gained by the ASP is conducted at the end of this sub-phase through a play-back session or exit interview after every knowledge transfer session.
	Controlled Run	Execution of assigned tasks by the ASP under the guidance and support of the customer in a controlled environment.
	Shadow Run	Independent execution of the services by the ASP with minimal or on-call support from the customer. A readiness evaluation for steady state is conducted.
Steady State	Verify	In this steady state phase, the responsibility of providing services rests with the ASP. The early part of the steady state phase is marked by a Verify sub-phase to track and measure Service Levels achieved by the ASP against the target measures set. The measures are evaluated in conjunction with the customer and applicable adjustments to the service-level targets are made. After a successful Verify sub-phase, ongoing services are executed in compliance with the service levels.

Each of the phases are carried out by using the Entry-Task-Validation-Exit (ETVX) model, to ensure that proper deliverables are obtained and that transition is executed in a controlled manner.

Transition Challenges

This section describes the common challenges that are generally encountered during the different phases of Transition, when the outsourcing maturity is at Level 2 (strategic focus).

Outgoing Vendor Support

The main problem that an ASP faces in support project is obtaining the required knowledge from the outgoing vendor or from the customer organization itself. Generally, there is a resistance in providing complete details of the business process.

The best approach is to get sign off documents and to find a person from the customer or outgoing vendor who has a better social competence for providing Knowledge Transfer. However, to ensure a common understanding, the best practice is to create a Business Process Master List (BPML). BPML describes all processes with the process steps and associated SAP transaction codes and also describes the interdependencies of the business processes. BPML helps to clearly identify the business processes pertaining to Transition. To see the BPML template, refer Appendix .

Ownership of Transition

Two or more parties are always involved in the SAP support contract. The ownership of Transition rests both with the customer and the ASP.

Therefore, it is beneficial to have a joint Program Management Office (PMO) set-up to address the issues and escalations that arise during Transition. Identify the commitment of all stakeholders and ensure that they are adhered to in spirit. Typically, the customer is just concerned with the fact that knowledge is being transferred from them or from the third party. Therefore, this must be addressed at an early stage to ensure better results.

Documenting the Knowledge Transition

It must not be mandatory to document the Knowledge Transfer (KT) sessions at all times. This leads to reinventing the wheel.

Instead of creating documents, organize the available documents and create a "Document traceability matrix". This is a better approach. To see the Document traceability matrix template, refer Appendix. If there is no documentation available for the business processes in the customer's organization, use the opportunity to document the available knowledge. Identify a shared location and an appropriate document structure that must be accessible to the client and the ASP right at the start of the project so that the KT documents have a proper place for reference. Prepare a known error with solution database during the KT so that it can be available for reference during the support work. Usually ticketing tools has the capability to build the known error with solution database.

Transition Period

Before the KT sessions begin, perform an analysis on the identification of key business processes in relation to the number of tickets received in the past one year. Include future projects as well. This provides the number of hours that must be spent on each business process during the KT sessions. However, the general practice is backward scheduling due to stringent schedules.

Judiciously distribute the total available hours on each business process based on factors such as usage of the business process, percentage of tickets received in each business process and the complexity of the business process. To calculate the KT hours that must be spent on each identified business process as per BPML (after the available duration is fixed), use the 'Knowledge Transfer Plan' available in Appendix.

Change Management within the Customer Organization

In support engagement, there is always a disconnect between the new ASP's Service Level Agreement (SLA) and other contractual terms and the current Way of Working (WoW) within the customer's organization.

This must be addressed with a proper Change Management Plan. The support Transition from the customer (or other vendor) to the ASP must simultaneously take place along with the Change Management Plan within the customer's organization, so that once the ASP takes over the support, the end users of the customer organization are well-aligned with the ASP's WoW and SLAs.

System Readiness Check

One of the important immediate challenges after KT is the availability of the customer's system to the ASP people. There should be well-aligned understanding on infrastructure readiness related aspects.

Support Operations Management Framework

The operations management of a support/maintenance project at Maturity Level 2 (strategic focus) can be covered within a framework and each area contains several processes. Every process will have a detailed step-by-step procedure to ensure clarity and to run the project effectively.

Figure 3 shows the key areas and processes applicable for the support engagement.

Figure 3 - Support Operations Management Areas

The maturity level of the customer again plays a key role in the usage and applicability of one or more of the above processes. All the processes are applicable if the outsourcing maturity of the support engagement is at Maturity Level 2.

An ASP like Tata Consultancy Services (TCS) has well-defined step-by-step procedures for each process which ensures the smooth running of the support operations.

Support Operations Challenges

This section describes the common challenges encountered in some of the process areas within the Support Operations Management Framework or during the support operations, when the outsourcing maturity is at level 2 (strategic focus).

Rationalization of Team Structure

The support team structure does not need to be an exact replica of the customer organization's team structure. This often leads to inefficiency.

Instead, it is beneficial to have the support teams based on the SAP module and the business process flow in the customer's organization. For example, most of the European customers (particularly in the hi-tech industry) have Purchasing and Logistics-related activities as two separate teams. If the exact team structure for the support team is copied at offshore locations, it would require SAP MM consultants in both teams. In this case, it is wise to combine both teams and have a single team with the MM consultant who had KT from both teams. All Finance-related teams like Purchasing, Logistics, Controlling, Sales and Distribution can be covered under one common head.

Non-core modules like Plant Maintenance (PM), where the tickets are generally fewer, particularly in the hi-tech industry, must be given additional responsibility. PM consultants can also act as team leads, take on other responsibilities like Sarbanes-Oxley Act deployment coordinator or get involved in other core modules like Production Planning or Materials Management.

There are a few SAP modules like Environment Health and Safety (EHS) that receives very few tickets. Therefore, ASPs should identify these consultants for cross-module training expertise at the early stages for better utilization of SAP consultants.

Ticketing Tool

Use the same tool to log and resolve tickets in both client and ASP organizations to minimize the time delay and information loss between the customer and ASP's Information Technology Service Management (ITSM) system. Following are the top five ITSM products available in the market:

- TechExcel Service Wise
- FrontRange ITSM
- BMC Remedy IT service management
- CA IT Service Management
- Numara Footprints

It is prudent to be with these top five ITSM tools to obtain the best functionalities from the ITSM tool.

In support engagements working across geographies, it is beneficial to have desktop-sharing tools like Webex, Net Meeting and so on, so that the ASP team can view the customer's screen and understand the issue better.

Support Teams

Centralization (or de-centralization) of support teams like ABAP, BASIS and Workflow must be decided on the basis of workload requirements and the level of technical changes in the system. The past history of tickets can provide an indication of the support team's contribution to fix the incidents.

The level of customization is an important factor to decide whether to centralize or decentralize the ABAP team within the functional teams. In a heavily customized business process, it is better to have ABAP consultants in the respective functional teams.

Resource Planning

The key demotivating factor in a support project is that the highly skilled and sparsely available SAP consultants have to work in shifts, particularly in night shifts.

A viable solution is to plan for onsite presence to cover night shift. Currently most ASPs are adopting multi-sourcing approach across geographies to meet global delivery requirements. This is a better trend to provide best talents in the SAP market to the customers.

It is always better to engage a SAP support project with ASP's who are capable in following aspects:

- Has a large brand name in SAP engagements – so that they have the ability to attract strong SAP consultants. Also big brand ASPs will never compromise on the security of the SAP database of the customer.

- Ability to expand – Availability of SAP consultants to take care of severely damaging incidents and to meet the high surge in incidents because of projects, upgrades and changes in the customer's SAP environment.

High Severity Issues

The severity of the tickets raised by the customer can vary. For a description of the different priority or severity levels, see Appendix. However, the issues and escalations faced during the support operations are typically with 'very high' priority tickets.

Any issue that the customer faces must get immediate attention. However, this cannot be provided at all times by the ASP. Therefore, identify issues with the highest severity (or priority) at the time of finalizing the contract. If these issues are not identified, they will be redefined continually even after reaching the steady state. Following are some of the typical top severity issues in a SAP support environment:

- Failed incoming/outgoing interfaces to the SAP system

- Run-time error for all critical transaction codes

- Severe system performance issues

- Unable to complete business critical transactions like creating a Purchase Requisition, Purchase Order, Goods Receipt and Goods Issue due to a system performance issue

Authorization Issues

For a new member joining the team, the time taken to decide the role along with the approval and assignment of the required role is always an issue in support projects. This can be solved by creating composite roles at the beginning of the support engagement.

Another issue with authorization is non-alignment of roles between members of the same team. The creation of composite role for every team solves this problem. For example, every MM module team member can have a single composite role (like MM second line support) instead of many roles. Thereafter, any new member induction or transfer is very easy since they just have to request a single composite role instead of many roles.

Composite roles consist of single roles. Users who are assigned a composite role are automatically assigned the associated single roles during the compare. Composite roles do not themselves contain authorization data.

Explore the usage of a composite role for all members that belong to the same team at the start of the project to eliminate authorization issues. Also, provide debugging authorization in the production system in display mode to facilitate debugging in the production system.

Roles related to certain preapproved and predefined support requirements like mass uploading can be identified and provided to ASPs at the initial stage of the support work. This helps to reduce the special edit access requests in the production system.

Ecosystem for Process Improvement

Support projects are always considered as a boring job by SAP consultants. Therefore, to keep their morale up, competency advancement plans must be in place. Provide the consultants with ample opportunities to attend high-quality training programs and enroll for SAP certification courses in support projects.

Conduct knowledge-sharing sessions between the teams in support projects because time and knowledge are easily available. This ensures team members are aware of every team's responsibility and can appreciate the questions asked when the support ticket is forwarded from one team to another. After achieving a steady state, conduct a 'Knowledge Week' where cross-functional training is provided by various functional consultants across teams. However, to achieve this, top management commitment must be available.

End-user Behavior

In support engagements, misunderstandings typically occur about the ASP's WoW with the customer's earlier WoW. Although the Change Management Plan takes care of this, it usually continues as an issue that leads to escalations and unnecessary mail exchanges.

The best approach is to conduct end-user meetings every month after the ASP achieves a steady state. Check the following aspects during the monthly user meetings:

- Deployment of WoW

- Explanation on process changes

- Development of a collaborative culture to solve the open issues

- Clarification of each other's expectations

- Definition of clear roles and responsibilities

- Provision of clear escalation procedures and escalation contacts

- Demonstration of the average response time an ASP waits to obtain clarity on the issues

Customer's Concern on Quality and Security

Security and Quality of services are two major areas which will be under review after the support engagement gets into steady state. Quality models (like ISO standards, CMMI certification and Six Sigma deployment practices) and Security compliance guidelines especially SOX should be part of the operations framework of ASP. Nowadays SAP support engagements have SOX consultants in the project engagement to take care of this requirement.

In SAP system, FICO and HR modules should have additional password restrictions as these two modules carry the 'Confidential' data of the customer. Signing of Non-Disclosure Agreements and the availability of those documents in the common shared folder is a pre-requisite in SAP support engagements.

Seating Arrangement for SAP Consultants

Seating arrangement of SAP consultants in support engagement should be driven by the business process dependencies within the SAP system(s). The synergy and dependency of the various modules should be analyzed to decide on their seating arrangements. Table 3 gives one best possible combination.

Table 3 – Process Based Seating Arrangement

Main Process Area	Modules
Finance related	Finance, Controlling, Purchasing, Logistics, Travel management, Supplier Relationship Management etc.
Customer Management related	Sales & Distribution, Customer Relationship Management, Partner Relationship Management, Non-ABAP technical team etc.
Production related	Production planning, Quality Management, Plant Maintenance etc.
Others	Human Resource, Business Intelligence, etc.

Strategic Alignment of Objectives

The objectives and road map of the ASP and customer's organization should be aligned. This is a major challenge when the support engagement is transitioning towards strategic level. The overall ownership of the SAP system should be with ASP and the acceptance of this engagement should exist with both the partners.

Cross Suppliers Collaboration and Governance

Major challenge in multi-vendor relationship for the client in SAP support project is the understanding of overlap of each supplier's responsibility within the overall business processes. The 'Operations Manual' which will get approved and frequently reviewed by the customer should clearly indicate this to avoid unnecessary discussions and confusion.

Conclusion

This white paper discusses the current trend in SAP Support Outsourcing along with the related issues faced by a middle-level manager in a SAP support engagement when the SAP support engagement is at strategic focus, and offers best practices in how these issues can be addressed effectively.

For an ASP like TCS, there are many key factors that contribute towards transitioning their customers to the next level of strategic outsourcing. These include an innovative tool that is available to identify the maturity level, time-tested methodologies for support transition and operations, amicable solutions for various challenges faced during the transition and operations, best practices for the support engagement, available templates to scientifically solve the support-engagement challenges and the rich experience of the SAP consultants, which effectively provide a competitive edge that leaves other ASPs far behind.

Related Content

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http://findarticles.com/p/articles/mi_m4070/is_2002_June/ai_87430218/
http://www.business-software.com/crm/help-desk-vendor-reviews/help-desk-vendor-review.php

Appendix

The section provides the various templates that a manager can use in a SAP support engagement. These templates are prepared based on the author's experience in SAP outsourcing projects.

- Outsourcing maturity questionnaire
- BPML template
- Traceability matrix template
- Knowledge transfer plan sample template
- Details on severity priority levels

➔ [Download these templates](#).

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