ERP Consulting Exchange
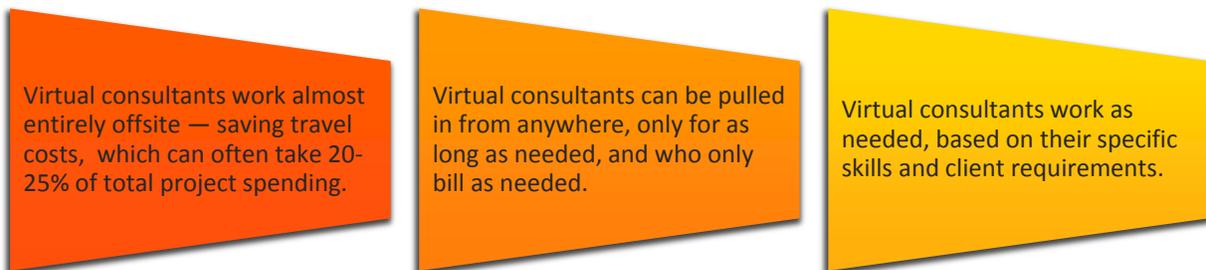
The Case for Virtual ERP Consulting

The right consultant on the right task at the right time

January 2011

Where will you get your team?

Suppose you are a mid-sized, centrally managed U.S. multinational who uses an ERP (Enterprise Resource Planning) system like SAP to handle most of your core business functions. You've got offices in 30 countries and, until recently, production in the U.S. and Mexico. You've just opened a third plant, in China, and need to include it under your SAP enterprise software umbrella. You estimate that the effort will take six months and a team of SAP specialists whose size will vary over the length of the project somewhere in the range of from two to 10. The consultants must speak fluent Chinese, have chemical industry experience and possess particular expertise in specific SAP modules like manufacturing, accounts payable and logistics. The question is: where will you get your team and how will you manage it?

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One option is to hire the team yourself and manage them directly. Another is to hire a traditional ERP consulting firm that would assign consultants to physically work at your various sites in China and the U.S., and who will live maybe 20 days a month in hotels. A third option is ERP virtual consulting.

In a virtual model, consultants work almost entirely offsite, typically in their home offices — saving travel costs, which can often take 20-25% of total project spending. They work as needed, based on their specific skills and client requirements. A client is not locked into paying for consultants who stay available onsite but who may not be needed every day. Consultants can be pulled in from anywhere, only for as long as needed, and who only bill as needed. Skills can be highly specialized since consultants can be selected based on how well they fit a task rather than on physical proximity. More qualified consultants means work gets done faster with fewer do-overs, reducing out-of-pocket costs and getting systems online faster, which can potentially reduce operating costs and increase profitability (probably why the project was started in the first place).

Better, faster results achieved at lower cost make for a compelling business case. It's a case that deserves serious attention from companies looking to apply high-performance, highly specialized ERP skills anywhere in the world. Let's start with most basic question: What do virtual consultants do?

Virtual Consultants Do What Regular Consultants Do

Very much like the SaaS (Software as a Service) computing model, the virtual ERP consulting model employs a "cloud" of geographically dispersed resources that share tasks via the Internet to lower costs, increase throughput and improve quality. But instead of shared software or computer time, the shared resources are ERP consultants. Typically, two

general categories of consultants are involved: implementation specialists and senior consultants. As their name implies, members of the former group perform ERP implementation, postproduction and maintenance tasks that include:

- Writing technical specifications

- Customizing based on functional specs

- Software development

- Writing training materials

- BASIS support

- Data conversion, migration, etc.

The implementation team itself is selected by a team of senior ERP consultants, each with 10-20 years of hands-on experience. (In the ERP Consulting Exchange, these senior consultants include members of the Exchange's management group.) A senior consultant, typically someone who lives near the client, is assigned to be project leader. This consultant meets with the client in person — perhaps two or three times a week during a project's early stages. Working with other senior consultants, the project lead performs project planning, which includes collecting business requirements, blueprinting, writing functional specs and writing the project work plan (including milestones).

The project lead then assigns tasks to the various implementation specialists, reviews their deliverables and updates the clients at key milestones. Unlike traditional consulting, the client never actually meets implementation specialists — although there might be exceptions, such as teleconferences with end-users to receive input and feedback on user interface design or other usability issues.

Following the implementation, postproduction and maintenance tasks can also be done virtually. Those include highly repetitive tasks such as processing production support tickets and SLAs. Those can often be handled more cost effectively by appropriately skilled specialists outside the client's organization.

Virtual Advantages

In many ways, virtual consulting looks very much like the traditional model — the major difference being that most of the work gets done off site. The client still has "face time" with the project leader — but without "bumping into" the potentially dozen or more consultants working on the project in the background. As with the traditional model, all the traditional management tools apply, including project plans, project milestones and progress review meetings. Payments are structured based on agreed-to milestones occurring by specified dates, just as with a traditional firm.

As it's being developed, the actual software code resides on the client's development system, which at most ERP installations is separate from the quality control system (used for testing) and the production system — again, just like with traditional consulting. In fact, clients

ERPCX
Management

Senior
Consultants

Implementation
Team
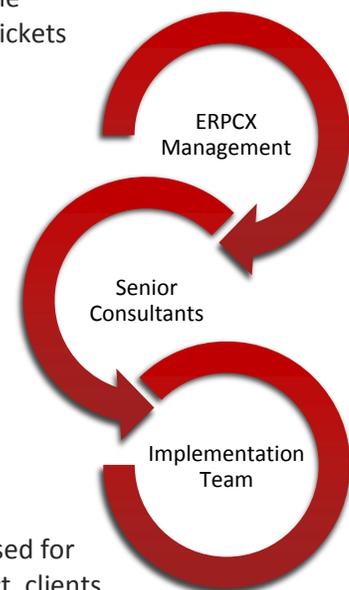
generally have more control over what assets a consultant can access than if consultants were physically entering and leaving the premises every day.

The two main advantages of virtual consulting are 1) much lower cost and 2) higher quality. Most of the cost savings are easy to understand. Clients aren't paying travel expenses, nor are they getting billed for the time consultants spend traveling (often a requirement of larger firms). They're also not paying for "bench warming," i.e., consultants waiting their turn to add value even while physically on site.

Bench warming is almost built into a traditional consulting engagement. Once an employee is receiving a weekly paycheck an employer is strongly motivated to keep that employee placed at a customer site even if the skills-to-task matchup is not ideal or if the consultant's skills are only needed part time. A finance ("FI") specialist, for example, may be more experienced in accounts receivable ("AR") than accounts payable ("AP"), but may not be switched out for an AP specialist when the project focus shifts to AP.

Not only does the consulting firm but also clients have an incentive to keep a benchwarmer in place — if doing so avoids "frictional costs." Those costs include additional travel expenses and the disruptions of repeatedly moving consultants on and off site.

Virtual consulting removes frictional costs because almost any skill can be turned on or off as needed. Skills can also be much more finely modulated as project needs change. You can get a very senior manufacturing specialist with chemical industry experience who speaks Chinese — regardless of

Virtual consulting eliminates benchwarmers — consultants paid to be onsite with nothing to do until their skills are needed.

whether that specialist lives in Shanghai or New Jersey. In fact you can get two or three of them as project demands wind up, and later you can reduce that number as tasks wind down. By contrast, most traditional project teams tend to be static even though most project work is dynamic.

Of course, not only do clients save money by buying only what they need when they need it, but they also get a higher quality result because skills fit tasks better throughout the course of the project.

Better than Offshoring

One way traditional firms try to reduce costs is through offshoring (although they may not always tell the client). And, on the surface, offshoring and virtual consulting may appear to be similar. In both models, consultants work away from the client's site as a way to reduce costs. However, that's where the similarities end.

Virtual consulting is different primarily because virtual consultants are selected for projects based on skills, not because only consultants based in a certain country are chosen. If an India-based virtual consultant is selected for a project in India, it's not because India consultants may earn less. It's because either the project is based in India (so local knowledge is needed) or because the consultant is an expert in the relevant technology or because the consultant has a strong background in the client's particular industry. Very often it's because of two or three of these reasons. This is different from the offshoring model, where the Indian (or Russian, or whatever) consultant is consistently the offshore resource of choice simply because that's where the cheapest labor happens to reside these days.

And offshore labor often isn't cheaper. A point that offshore clients sometimes overlook is that offshore companies have overhead too, just like their counterparts onshore. So even though consultants' rates are less than in the U.S. or Europe, say, they reflect an even lower value. Those rates not only pay the consultants; they also pay for the air conditioning, the lights, the Internet access, the internal support staff and all the other ancillary costs associated with maintaining and marketing a large brick and mortar business. And like traditional consulting firms (which also use offshoring), it is also in the financial interest of offshore firms to constantly bill hours to cover salaries and other fixed costs. In other words, their motive is to keep finding work for themselves rather than necessarily find value for clients.

Cut Out the Middleman

A key factor that plays into the choice of an ERP consulting model is the recruiter. In a traditional model recruiters are often used to pursue a key goal of the virtual model, i.e., to identify and hire hard-to-find specialized talent. To find this talent, recruiters often use networks of recruiters who refer consultants to each other (and often advertise jobs on behalf of each other). For their efforts, a recruiter that refers a consultant to another recruiter that ultimately ends up working on a client project receives a percentage of the client's commission. There may be two, three, or more tiers in this recruiting hierarchy; each one taking its own cut from the percentage it receives from the tier just above it.

If there are multiple recruiters in the hiring chain, the client is likely to get consultants worth much less than the rate the client pays.

There are a couple of obvious problems with this model, which the virtual consulting model avoids. The first is that it's cumbersome. Going through multiple layers takes time and risks plenty of miscommunication. The recruiter who accepted the assignment directly from the client should have an accurate picture of the client's business and the skills required. Much of that information can't help but be lost in translation as it moves from recruiter to recruiter through the chain. This means that the client will have to qualify more candidates before a final selection can be made — adding even more time to the process. In the meantime, project teams may either wait to get started until a key assignment is filled or else base their work schedules on what talent is available rather than on which tasks have the biggest immediate payoff for the client.

Another problem with recruiters is the pay structure. Because each recruiter takes a percentage of the job's hourly rate, and because there are multiple recruiters in the chain, the consultant receives a much smaller rate than what the client pays. For example, if a client pays for $160 / hour talent, it may only actually get $50 / hour talent assigned to the project. Of course, in bad times there may actually be high-value individuals willing to accept lower rates just to stay busy. But they're the ones most likely to bolt when something more aligned with their skills appears. What happens

more often is that the client ends up with less qualified talent than it needs — so more mistakes are made, schedules stall and costs rise.

A virtual consulting model does what recruiters are hired to do — i.e., find highly specialized talent — but without the tiers. There are no middlemen. All consultants are "tier-1" – i.e., they are all personally screened by the project leader with direct knowledge of project requirements and the client's business. In fact, they are screened twice — first by the virtual consulting firm when it selects consultants to join the organization, and second by the project leader in creating a specific project team. Those consultants selected to join a particular project will therefore tend to be well suited for their particular project roles. Project assignments can be made quickly so projects start faster. Project schedules can reflect client priorities — to deliver the biggest immediate bang for the buck — rather than work around staffing roadblocks. Less miscommunications during the staffing process results in better work quality once the project is underway. Consultants are happier — which also spurs quality and productivity. They work on projects more aligned with their preferences, expertise and experience. And they are more likely to be paid what their worth, without tiers of recruiters taking their cuts.

More than a Consulting Firm — A Community

These advantages to consultants — higher pay and working on more suitable projects — are big reasons why consultants like working in a virtual consulting group, along with less travel and the freedom to work where, and very often when, they want. Incentives like these actually work much better than "face time" to keep consultants focused. Consultants know they risk giving all that up if they don't work conscientiously on a client's project. Another incentive is how they are paid as they rise in the organization. As consultants advance into leadership roles, they receive profit sharing checks — in addition to their regular hourly rates — based on the size of the projects they manage. Obviously, advancement requires success working on teams, building teams and leading teams.

Like the ERP Consulting Exchange does, a virtual consulting group can also offer consultants an additional incentive to stay "in the fold" besides just jobs, work life flexibility and rising compensation. That's a rich social networking community, complete with services to help consultants advance in their professional careers. Those include:

- Resume writing

- Resume posting

- Job boards

- Blogs and discussion groups on relevant career-related topics

- Use of corporate assets, including SAP systems

- Group health insurance and other group discount programs

- A rich library of online consulting tutorials and reference materials

- Certification as a senior consultant

Virtual consulting thus offers successful consultants the best of traditional consulting — work stability and career advancement — with the flexibility of freelance consulting. That's a unique and powerful combination previously unknown in the world of ERP consulting. It's likely to attract the best talent that world has to offer, from around the world — a major bonus for the ERP client.

Select the Best Firm

As virtual consulting gains traction, both clients and consultants may wish to decide which virtual consulting organization to select. Given virtual consulting's potential benefits, just discussed, some obvious questions to consider include:

- What implementation services are offered? What senior consulting services?

- How much experience does the firm have — how long has it been operating?

- What do references say about the firm (both clients and consultants)?

- What guarantees does the firm provide that work will be done satisfactorily?

- What's the process for screening consultants?

- Are consultants well qualified in a particular technology, industry or geographic region?

- Are payments made based on achieving plan milestones?

- What portion of fees are going to "overhead" like travel rather than consulting?

- What "community" features are offered to attract and retain consultants?

- What are the backgrounds of the firm's owners and senior executives?

Virtual consulting is a true breakthrough in the way ERP consulting work gets done — a marked improvement over competing paradigms like traditional consulting, offshoring and recruiters. For the client, it leverages modern computing tools to achieve an optimum mix of talent, cost, quality and speed. For the consultant, it achieves an equally optimum blend of opportunity, flexibility and security. If it did nothing else, simply cutting out travel and the recruiter-middleman would be a huge improvement in reducing costs, improving quality and making ERP projects much more satisfying for everyone involved. But the real benefit goes far beyond cost savings. That's the ability to uniquely match right consultant to the right task at the right time for the right amount of time. Given the right virtual consulting partner, those benefits are now achievable to ERP client companies in a cloud-based, resource-as-a-service type model.