

The logo for Precision Sourcing, featuring the word "PRECISION" in white uppercase letters on an orange rectangular background, with the word "SOURCING" in dark blue uppercase letters on a white rectangular background below it.

PRECISION
SOURCING

SAP Q1 Quarterly Report 2024

OVERVIEW

Are the good days over? The Australian IT market in Q1 23/24 has been marked by a combination of optimism and caution. The sector has continued its growth trajectory, albeit at a more measured pace compared to previous quarters. The primary drivers of this growth include ongoing digital transformation initiatives across industries, increased back to office requirements, and a surge in cybersecurity investments.

Many would suggest a significant downturn coming (if it's not here already) but not necessarily a recession. We are currently in a period of 6-12 months of corrections before a proper kick off in 2024.

Australia's IT market is characterised by a robust ecosystem of tech companies, startups, and established enterprises. Major cities like Sydney, Melbourne, and Brisbane remain key hubs for IT activities, attracting both domestic and international players. Australia's stable political environment and strong commitment to innovation have contributed to its resilience in the face of global economic challenges.

Knock-on Effect on the SAP Market

The Australian SAP market has witnessed a lot of conversations when it comes to S/4HANA in Q1 2023. "Conversations" being the operative word as companies are still discussing the how, when and why regarding their S/4HANA journey. The "why" component is solely focused on significant spend, and the golden question is – for what return? This coupled with a cautiousness around company spend in general has seen the S/4HANA can being kicked down the road. 2024 will be a big year - but only IF the business cases that are in discussion are successful.

Current Trends in the SAP market

Cloud Adoption: The adoption of SAP solutions in the cloud has surged, as businesses seek flexibility, scalability, and cost-effectiveness. This shift has opened opportunities for SAP Cloud Consultants and providers. "Cloud adoption is a major opportunity for SAP's partners to deliver the work and the message SAP are sending out is they are not there to compete with partners, they are there to collaborate and help partners deliver projects." (Service Delivery Manager, S/4HANA Cloud APJ – SAP Australia)

Cautious Spending: Economic uncertainty has made businesses cautious about IT spending. Cost-benefit analysis and ROI assessments have become more rigorous. This is leading to big delays for projects starting.

Replanning and Redesigning: many organisations have revisited their IT and SAP strategies, leading to replanning and redesigning of projects to align with changing priorities and market conditions.

Business Cases: Businesses are scrutinising IT projects more rigorously, demanding that proposed initiatives demonstrate clear value and a robust business case. This trend has slowed down approval processes.

A lot of end customers are asking for 'free' work from SAP's partners when it comes to answering the 'how and why' questions of S/4HANA. The consultancies that work out effective costing models for customers are the ones that will succeed.

A trend in 2023 has been that many companies don't understand what S/4 will look like for their business. How much control will they have, what does public vs. private cloud look like for the business, what SI has the strongest track record for large scale programs and niche technologies like IS-Utilities, IS-Retail etc.

We have found the biggest hurdle at the moment for most companies is not knowing how to move forward. Some key questions to think about with S/4 HANA are:

1. Is the Executive team and/or the Board aware of the Transition challenge and potential investment required?
2. Do I feel confident that my company has the right internal resources regardless of whether I engage an SAP partner?
3. How will I ensure my SAP Partner is included in our culture and meetings to create a smooth process through the S/4 HANA journey?
4. Are there companies who are ahead of us with their transition journey, that I can talk to and gain from their experience?

Work from home vs office: The companies that are successful with the transition back to the office will win. Do you make it mandatory? Do you encourage? Do you leave employees with autonomy? The HR departments will be working overtime as companies navigate this.

TIPS FOR CLIENTS & CANDIDATES

Tips for Clients

For organisations navigating the evolving SAP landscape in Australia, here are some tips:

Invest Wisely: Prioritise IT and SAP investments that align with your long-term business goals and demonstrate tangible returns. Engage with consultants to conduct thorough cost-benefit analysis. Investing wisely doesn't necessarily mean driving down costs. It means investing in areas that benefit in the long term.

Staff back at the office: The importance of storytelling is huge. What are the key compelling reasons? What is the benefit? What are the consequences if we don't change? The best stories are ones you can relate to. Take staff back to when they were a young grad or starting out in their new role. How did they learn? Was it behind a screen at home? Or was it sitting next to an experienced colleague? Don't have people come in just for the sake of it. Sell the 'why'.

Sooner rather than later: Moving quickly would be more cost effective when it comes to sourcing a program. There seems to be several companies looking at 2024 and if these projects begin at the same time we will be in a huge war for talent.

Tips for Candidates

Skill Diversification: Consider diversifying your skill set to encompass emerging technologies such as AI, machine learning, Cloud Technologies and cybersecurity in addition to your SAP expertise.

Continuous Learning: Stay updated with the latest industry trends and certifications to remain competitive in the job market.

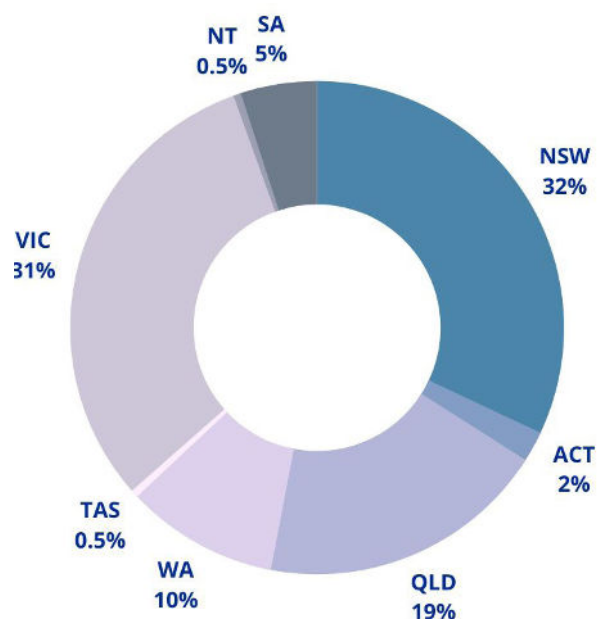
Networking: Building a strong professional network can provide valuable job opportunities and insights into market trends.

Optimise your LinkedIn: Ensure your LinkedIn is clear, concise, and up to date. Before an employer interviews or hires they will look at your LinkedIn profile. Simple changes like:

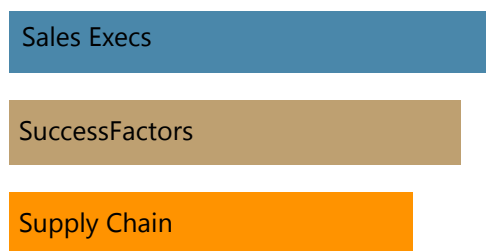
- Dates matching your CV
- Updated professional picture
- Job title is easy for an employer to know what you do
- Bio reflects the benefits you add to an organisation
- Ask previous managers and colleagues to recommend you

QUICK FACTS

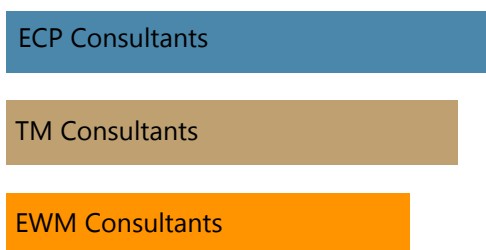
Hires Per State



Skillsets In Demand



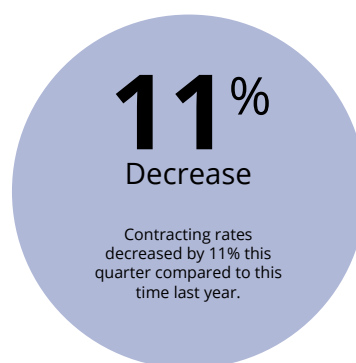
Job Titles In Demand



Number Of People Changing Jobs

	Q1	Q2	Q3	Q4
2021	720	2020	1076	1211
2022	2570	1988	2388	2063
2023	1939	1244	2180	1688
2024	1873			

1873 changed jobs which is a 27% decrease on Q1 of last year. However, a 10% increase on last quarter's numbers. While the market is 'quieting' it is not 'dead quiet'.



OUTLOOK FOR NEXT 12 MONTHS

Looking ahead to the next 12 months in the Australian IT market:

There used to be a saying that if candidates are flexible with rate and location, there would always be work. Moving in to the next 12 months we believe the word 'office' could be added to this. Candidates that are flexible with rate, location and number of days in the office will have the pick of the bunch when it comes to work.

We caught up with a senior Director at a consultancy who was on a client site. Their client had told them that during their last go-live only one person from their previous SI was onsite. This led to the decision to retender for a new SI when the next big project came about. The companies that can entice their staff back to the office will succeed the most.

The demand for SAP professionals is expected to remain robust, with a growing emphasis on SAP cloud solutions and security. Multiple projects starting at the same time will only enhance this.

Remote working has enabled consultants to service multiple clients at once, with one employment being full-time and commonly the other, ad hoc. This will reduce over the next 12 months due to the onsite demands.

In conclusion, the Australian SAP market is proving to be ever changing. A lot of positive conversations coupled with cautiousness from economic uncertainty. While caution prevails, opportunities for growth and innovation continue but need to be proven time and time again. The organisations and professionals who navigate this landscape successfully keep reinforcing the 'why' with a forward-looking approach are well-positioned for success in the year ahead.