

DIGITAL TRANSFORMATION IN ACTION

SUCCESS IS SIMPLY HUMAN

INSIGHTS ON SAP'S
HR DIGITAL
TRANSFORMATION





TABLE OF CONTENTS

Success is Simply Human	3
SAP Corporate Strategy, Culture, and People	4-5
Technology to Enable Success and Sustain Growth	6
SAP HR Goes Cloud Highlights	
Talent Management	7
Cognitive Intelligence and Analytics	8
Total Workforce	9
Core HR and Shared Services	10
Collaboration, Work, and Learning	11
SAP HR Goes Cloud Spotlight	
HR Transformation and Finance	12 - 14
SAP HR Goes Cloud: Where We Stand	
Employee Experience	15
Key Learnings	16
Results, Performance, and Global Recognition	17
What's Next?	18

SUCCESS IS SIMPLY HUMAN



Stefan Ries
Chief Human Resources
Officer, SAP

Change is the new normal. All organizations are experiencing it, and many CHROs are seeing a dramatic shift in HR from delivering transactional excellence to becoming architects of digital transformation.

The new world of work operates differently, and how work gets done in HR is changing:

- HR must deliver "experiences" to prospective new hires and employees that match the best customer experiences.
- HR is expected to drive measurable change, reporting on impact, not just activity.
- HR must be fluent in data analytics and predict outcomes tied to the business strategy.
- Solutions are expected to operate seamlessly with finance and other business processes.
- Simplification is the key to success as we navigate a world of ever-increasing complexity, change, and digitalization.

In this document, we share our HR transformation story within the broader context of SAP's own transformation to become THE cloud company. From the beginning, we anchored our HR strategy in the business strategy, thereby developing a consistent, comprehensive way forward, where HR could help lead SAP's overall transformation.

Moreover, we show how SAP is the "test driver" for our own solutions, leveraging SAP® SuccessFactors® solutions to simplify the way we do business and sustain the next wave of growth.

We believe that this journey provides clear insights and learnings for our customers.

Bersin by Deloitte recently featured our internal HR transformation program, HR Goes Cloud, in a best-practice case study, confirming that SAP has chosen the right path moving forward for its customers and workforce.*

*https://www.successfactors.com/en_us/download.html?a=/content/dam/successfactors/en_us/resources/case-studies/case-study-hr-digital-transformation-sap.pdf&Campaign_CRM=CRM-XM16-GAM-HR_BSMNB

SAP CORPORATE STRATEGY, CULTURE, AND PEOPLE

In 2010, we started our digital transformation with a clear vision and mission: to help the world run better and improve people's lives; and to help organizations become best-run businesses. We also set an ambitious goal for ourselves to double our market value over a five-year period, transform our business model, and focus on innovation and value creation across all stakeholders.

To achieve this, we focused our resources and energy on several strategic pillars, including:

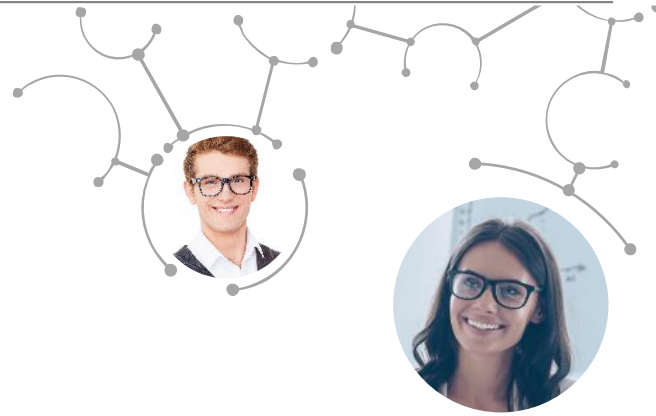
- Becoming a cloud company and delivering faster, lower-cost innovation to our customers across all market segments
- Accelerating innovation through both organic growth and strategic acquisitions
- Simplifying how we do business with customers, how we run our internal business processes, and how people work
- Adapting our culture and our people strategy to the new market reality

Guided by the above pillars, we accelerated our investment in organic innovations and strategic M&A, and we have achieved our financial goals as stated in the publicly available financial statements.

"Constant innovation is the key to growth. Customers' needs change constantly. Unless a company has a bias towards innovation, versus a bias towards the status quo, it's easy to become irrelevant."

Bill McDermott
CEO, SAP





To enable the mind-set shift required for transformation, we focused on creating an environment that drives innovation, performance, and engagement:

Culture is centered around innovation and customer empathy

Continuous innovation is key to growth and market relevance. It is a blend of creativity, diversity, execution, and higher risk tolerance. SAP is one of the first companies to adopt the **design thinking approach**. We have invested in virtual and more than **200 physical collaboration spaces** to drive innovation into everything we do. Diversity and inclusion play big roles in fostering empathy and innovation. These values are evident in our Autism at Work program and growing millennial workforce.

Compelling “experiences” are essential for engagement

Our **“Empathy to Action”** pledge enables our people-centered approach and focuses on eliminating complexity from the end user experience so we can deliver our best experience to customers and employees. Delivering consumer-style experiences to employees drives engagement and customer success.

Behavioral values shape culture

“How We Run” reflects the behavioral values that provide the foundation to SAP’s corporate culture. They include: **tell it like it is, stay curious, embrace differences, keep the promise, and build bridges – not silos**. “How We Run” was created by employees, for employees, and is sponsored by the CHRO.

Investing in leadership drives the ultimate currency – trust

Investment in our leaders grows trust and allows us to deliver on **our leadership principles of driving simplicity, developing amazing talent, and ensuring customer success and performance**.

The net promoter score (NPS) of our leadership learning programs further increased from 80% in 2015 to 88% in 2016. The industry standard NPS for learning programs is 42 according to PeopleMetrics.

CHRO and CFO partner for performance

To achieve a truly holistic strategy, the partnership between the CHRO and CFO is essential. It helps us understand the **connections of financial and non-financial indicators and works to support the corporate strategy**. This allows HR and finance to lead the way, providing proactive business health checks and decision making for the entire workforce.

Technology drives productivity and sustainability

By transforming our business model, we doubled our revenue and number of employees in the space of five years. Each new business required very different governance, skills, and organizational structures. We estimate, two times the revenue growth increased complexity by ten times. Using our own software solution internally to drive our business and manage our workforce greatly helps in managing complexity and enables us to realize our **Run Simple** operating principal.

TECHNOLOGY TO ENABLE SUCCESS AND SUSTAIN GROWTH

SAP HR digital transformation

For over 30 years, we have used our own on-premise HCM solutions. However, we found that our new business strategy required more agility, a more intuitive user interface, and faster innovation cycles. We needed smarter applications that leverage new technologies such as analytics, cloud, machine learning, and mobile.

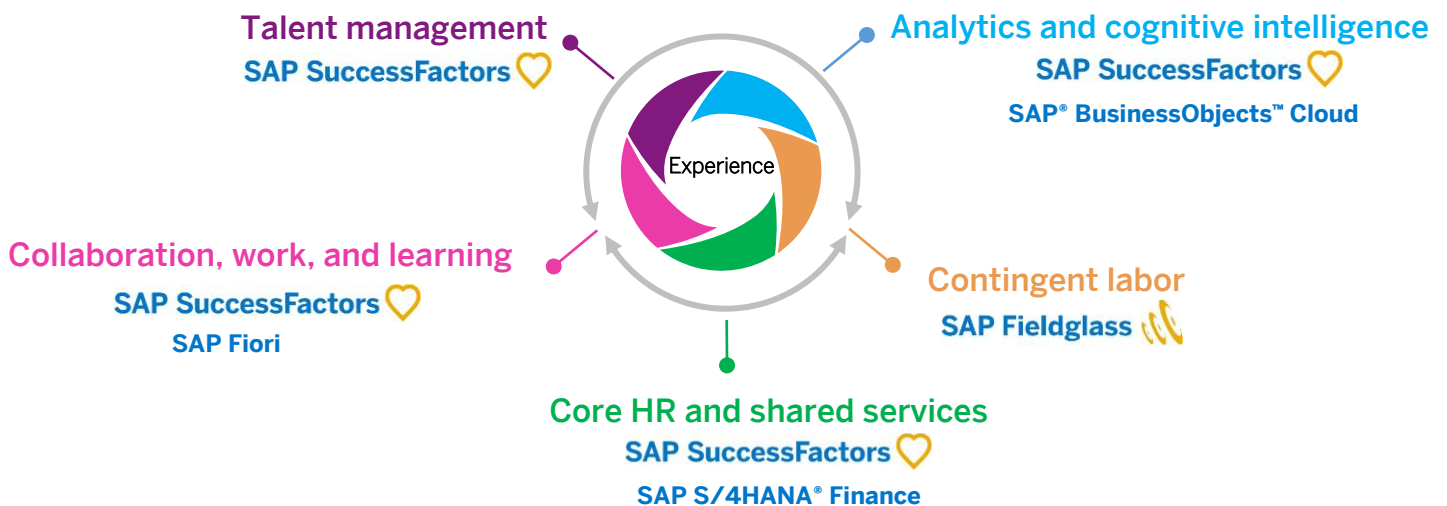
“With our three guiding principles of simplification, standardization, and customer satisfaction, we stay focused on our goal to create a seamless and simple employee experience.”

Stefan Ries, Chief Human Resources Officer, SAP

We also wanted to drive productivity and sustainability in the business and attract new talent in high-growth areas. To enable our business objectives, we turned to our new SAP SuccessFactors cloud solutions, which are better-suited for today’s and tomorrow’s needs.

SAP’s HR digital transformation program is called “HR Goes Cloud.” We started our migration journey in 2012 after the acquisition of SuccessFactors. The goal was to move all HR processes from on premise to an innovative SAP SuccessFactors HCM cloud landscape.

SAP HCM technology landscape





Talent Management

Challenge

When we started our transformation, we lacked a comprehensive view of our talent landscape. We were running multiple systems, making it difficult to surface talent.

Our biggest challenge was getting the right people working on the right things, the right way, and providing them the right development opportunities, so we could reach our business goals and they could achieve their career aspirations.

Objectives

- Simplify talent management and make it globally consistent
- Create a global talent community
- Accelerate talent development to achieve the increased scale of roles needed for our cloud transformation
- Increase speed to select the best internal talent to move before the market
- Align daily activities with corporate strategy
- Enable employees to steer careers better
- Provide a modern user interface

Resolution

- **SAP SuccessFactors integrated talent management:** recruiting, onboarding, learning, performance and goals, compensation, and succession and development
- Evolve our performance process based on a continuous dialogue between managers and employees

We now have an end-to-end integrated solution for talent management and the ability to use workflows, content, and data to continuously improve our business results through our people.



Achievements

>20,000

Hiring cases were successfully managed in 2016

>200

Job postings on job boards with SAP SuccessFactors Recruiting Posting

6 week

Shortened yearly compensation planning cycle, from 9 weeks to 3 weeks,

40%

In support effort in the year-end process

89%

Of impacted employees view continuous dialogue with managers as a significant improvement over annual reviews



Cognitive and Analytics

"The SAP Digital Boardroom is THE steering tool for HR."

Stefan Ries, Chief Human Resources Officer, SAP

Challenge

To realize our new corporate strategy and understand our workforce development needs, we had to continuously ensure our people strategy was aligned to the business. This required a 360-degree view of our workforce, using data from HR and other parts of the organization, like finance and operations. Because data sat in silos, reports were manual, and data security and authorizations were needed. The process was time-consuming and inefficient, and the data was not live.

Objectives

- Simplify planning, reporting, and predictive analytics in one analytics solution
- Provide real-time workforce insight and its correlation to broader organizational trends
- Provide faster blending and analysis of workforce data with business, finance, and operations data

Resolution

- **SAP Digital Boardroom**
- We now leverage workforce data, metrics, and filters from the SAP SuccessFactors Workforce Analytics solution in SAP BusinessObjects Cloud and the SAP Digital Boardroom solution.
- This is delivered through SAP BusinessObjects Cloud, which allows us to have interactive executive discussions through the SAP Digital Boardroom.
- We now have access to real-time HR and cross-company analytics and can track strategic workforce priorities, such as gender and diversity. We also have integrated HR workforce and cross-company business planning, with real-time insight into aligned HR and financial data.



Achievements

3 days



Reduced HRBP reporting efforts by three days per month, with SAP SuccessFactors Workforce Analytics

39%



Fewer ad hoc reporting requests due to enhanced HR and financial analytics capabilities with SAP Digital Boardroom



Total Workforce

Challenge

A large part of our workforce is contingent labor. Our dependence on contractors requires us to have well-designed processes to identify the best sources of talent, manage their performance, and significantly lower the cost of doing business. However, we did not have a coherent global strategy and management process to handle contractors or visibility of our total workforce.

Objectives

- Access available talent for all types of workers
- Provide accurate and global total workforce data
- Unify onboarding and learning processes
- Mitigate risks by ensuring compliance to policies and regulations

Resolution

- **SAP Fieldglass®**

We now have a global, standardized process and solution for external workforce management. The SAP SuccessFactors and SAP Fieldglass integration for total workforce data and analytics is unique, with unified workforce management across all worker types (internal and external).

As we complete the implementation of SAP SuccessFactors Employee Central, we will unlock further comprehensive total workforce capabilities.



Achievements

25,000
External workers securely managed

15-20%
Less effort for standard tasks



Core HR and Shared Services

Challenge

With the fast pace of our M&A activities, we added over 15,000 employees. When dealing with this extreme demand, HR became bogged down with time-consuming tasks that diverted resources away from servicing SAP employees.

It became paramount to simplify and standardize our solution and processes across all companies at the lowest cost and highest quality possible.

Objectives

- Simplification
- Standardization
- Customer satisfaction
- Reduced costs
- Positive experience for newly acquired employees

Resolution

SAP SuccessFactors Employee Central

We now have 88% of employees impacted, indicating that SAP SuccessFactors Employee Central contributes to higher efficiency.

SAP SuccessFactors people profiles

We now have more than 100,000 SAP employee and contingent worker profiles

SAP Shared Service Framework

We migrated repeatable services into shared services, and we do this continuously to optimize.



Achievements

30% 
Increased productivity after centralizing and standardizing the process for creating contracts and offer packages

Simplified

SAP's HR core data model in SAP SuccessFactors Employee Central (reduced by >7,400 wage types and 46% of org units, and >850 data fields eliminated)



Collaboration, Work, and Learning

Challenge

To foster a strong learning culture and a continuous learning environment, we needed to enable collaboration and the ability to learn anywhere and anytime. However, we had more than 60 learning management systems and over 50,000 learning assets. This complexity made it difficult to find useful assets and track completion.

Objectives

- Provide access to learning and collaboration from anywhere, anytime
- Increase the speed of learning and development for all of our talent
- Deliver personalized, on-demand learning
- Maintain one global learning platform

Resolution

- **SAP SuccessFactors Learning**
- **SAP Jam**

“It’s not just about the technology – it’s about the impact of what the SAP SuccessFactors solutions do for our overall organization. They help us sustain our culture and keep a finger on the pulse of employee engagement.”

Brigette McInnis-Day
Executive Vice President, Human Resources, SAP



Achievements

12% 

In the net promoter score for learning (67% in 2014 to 79% in 2016)

1.3 million

Learnings were delivered in 2016; all can be consumed on mobile devices

93% user adoption

Of SAP Jam groups

HR TRANSFORMATION AND FINANCE

The link between financial success and the people driving that success is unmistakable. A joint view across HR and finance to support smart business decisions and better manage performance provides a clear competitive advantage. A recent EY study found that companies with a high level of collaboration between HR and finance experience an increase in cash flow, employee engagement, and productivity.*

At SAP, HR and finance have a long-standing history of cooperation in the areas of organizational design, workforce planning, compensation plan design, and synchronization of organizational and financial hierarchies. These two areas also share a joint mission to enable efficient and effective business execution, improve the speed and quality of decisions, and optimize resources to deliver results.

However, to make this collaboration truly effective, the right technology is needed to drive and sustain execution. From the outset, integrating HR and finance was part of our HR transformation road map.

Just as the HR function has been transforming at SAP, so has finance. The transition to SAP S/4HANA® Finance is providing SAP the business agility needed to support our corporate strategy. Once the solution was live, we began harmonizing processes between HR and finance.

“A business partnership between Finance and HR is critical to ensure that we have the right strategy and are executing it properly.”

Joel Bernstein,
Chief Financial Officer,
Global Customer Operations, SAP.



*EY, *Partnering for performance, part 2: the CFO and HR*, 2014



HR and Finance

SAP's HR Goes Cloud program is harmonizing HR and finance along four dimensions:

Data consistency

We are aligning data between our HR and finance solutions with the SAP Cloud Platform

- HR master data matches 100% between HR and finance systems
- Master data changes are made once and appear in both areas
- HR and finance speak in one voice using one source of the truth for all HR and finance master data

User experience

We are delivering a unified experience for all roles across HR and finance solutions with the SAP Fiori® user experience

- SAP S/4HANA Finance was built using SAP Fiori
- We have updated the user experience for SAP SuccessFactors solutions using SAP Fiori design principals
- SAP Fiori design principles offer role-based experiences using personas

Intelligent services scenarios

We are driving smart process automation across HR and finance solutions with intelligent services

- Monitoring, connecting, and predicting transactions resulting from a change and automatically adjusting them for the user
- Orchestrating between HR and finance, where both personas are in sync, and the application becomes smarter

Scenario examples:

- Workforce planning and budgeting, project staffing, and employee events
- Performance and compensation management

Analytics scenarios

We are using HR and finance data for real-time business steering with the SAP Digital Boardroom

Scenario examples:

- Real-time predictions about how the HR workforce and salary plan impact financial performance
- Bonus payments and sales commissions planned and reported to employees based on financial performance
- Integrated business planning: HR workforce and recruitment plan fully linked to sales and the company's financial plan
- Strategic hiring decisions reflected instantly in HR and finance to secure financial goals



HR and Finance

As our HR digital transformation journey has matured, the benefits of managing business performance through a seamless HR and financial landscape are being realized:

Challenge

In business there are really only two levers – people and money. Having a joint view across HR and finance to drive smart business decisions has been a key pillar of our HR transformation. Challenges we faced included:

- Highly manual accrual and payroll processes
- Lack of alignment between HR and finance master data
- HR workforce management plan not linked to overall SAP financial plan
- Lack of holistic and forward-looking workforce management
- Limited analytical insights on HR data

Objectives

Harmonize HR and finance processes to:

- Manage workforce needs and optimize costs
- Manage the cost of hires and performance
- Evaluate the impact of business changes on payroll
- Analyze labor costs across the business
- Increase the velocity of business processes
- Gain real-time insights to predict what's next

Resolution

- **SAP S/4HANA Finance**
- **SAP SuccessFactors**
- **SAP Digital Boardroom**



Achievements

Real-time steering

Based on one source of the truth for all HR and finance master data

100% compliance

For all HR and finance accrual processes

50%



In costs for accrual and payroll administration due to high automation and outsourcing to shared services

No administrative effort

Required for accrual and payroll handling

EMPLOYEE EXPERIENCE

Currently, 80% of our HR processes are in the cloud. Our HR digital transformation has provided end-to-end process integration and a holistic user experience for all of our HR processes. Our employees are truly at the heart of how we run.



90%

Of SAP managers view SAP SuccessFactors as a holistic HR workforce management solution

88%

Of SAP's employees rate SAP SuccessFactors solutions as easy to use

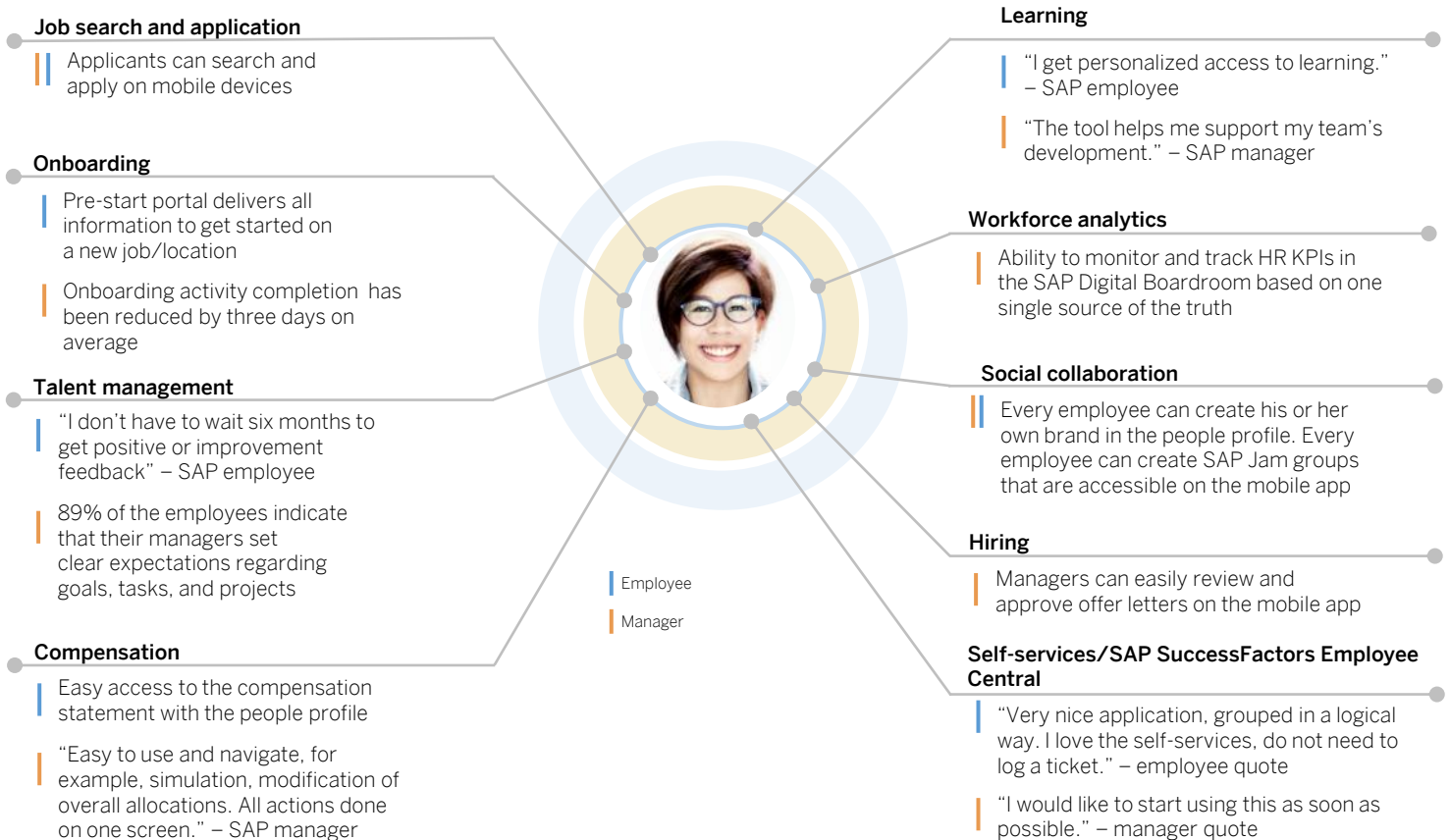
15%

In our HR customer satisfaction score since HR Goes Cloud launched

33%

In administrative tasks for employees and managers due to standardized HR best practices

SAP employee and manager personas



KEY LEARNINGS

Start where you can get the most value

Our road map for the transition to cloud was based on where we could get the most value. We took a phased approach, with the goal of one comprehensive solution in the cloud, following our employee lifecycle. We started with talent management and the integration of acquisitions.

Strategic initiatives drive culture change

As we embarked on our growth strategy, we invested heavily in strategic programs to prepare our people for current and future challenges and support the transformation. For example, our Leadership Excellence Acceleration Program (LEAP), ensures we develop a pipeline of women leaders and drive innovation.

Partner with the business

From the outset, we established that our HR transformation would be a business-driven process, not an IT-driven process. We started by understanding the respective business challenges that needed to be solved and the people-related business capabilities.

Don't delay – Move sooner rather than later

HR customer satisfaction from leaders and employees jumped in our first year of launching SAP SuccessFactors. These scores continue to rise the more we transform.

HR strategy must be in lock-step with corporate strategy

With the significant change in our business model and shift in our portfolio, HR was an essential partner – people drive strategy. Our HR Goes Cloud program directly aligns with SAP's strategy to become the most innovative cloud company and supports SAP's overall transformation.

Corporate structure and governance support the transformation

Our CHRO is on the executive board and drives the talent agenda and alignment between our corporate strategy, people strategy, and HR transformation. To drive our customer and employee-centric culture, we created new roles like Chief Design Officer and Chief Learning Officer.

Focus on "personas," not processes

It's all about people. Segmenting the workforce into different "personas" like *employee*, *manager*, and *executive*, and then designing "journeys" for each group are the starting points for the perfect employee and manager experience.

Communicate often

Our senior management team communicates often about SAP's transformation and its impact on people. Communication regarding our HR digital transformation is bidirectional – top down and bottom up. Quick wins are shared early to build momentum.

"For our HR Goes Cloud program, we have taken a phased approach with the clear goal of one comprehensive solution in the cloud."

Christian Schmeichel, Senior Vice President & Chief Operating Officer HR, SAP

RESULTS, PERFORMANCE, AND GLOBAL RECOGNITION

At SAP, we take employee feedback seriously, and we constantly track strategic KPIs on year-on-year basis. Some of the most strategic KPIs are measured from an HR perspective, focusing on our people. The following results from 2016 show where we stand.



84,183

Employees

We added 7,197 employee (full-time equivalents) in 2016

85%

Employee engagement index

In 2016, we saw a significant increase of the EEI by three percentage points to 85%

57%

Leadership trust rating

In 2016, leadership trust reached 57%, up from 52% in 2015

78%

Business health culture index

This encouraging result shows that a health-focused culture has impacted employees in a positive way.

93.7%

Employee retention

High retention is something we are aiming for as reflected in all our activities to drive high employee engagement

33%

Reduction in administrative tasks

For employees and managers, due to standardized HR best practices

External recognition

In 2016 and 2017, SAP received numerous awards for being a globally recognized employer of choice. Below are some examples:



SAP becomes the first multinational technology company to receive global gender equality certification.



Glassdoor Best Places to Work (4x) as well as Highest-Rated CEO (2x).

SAP Canada was named as one of Glassdoor's 2017 Best Places to Work in Canada.



SAP ranked as software sector lead for the 10th consecutive year by Dow Jones Sustainability Indexes.



SAP America was named to Fortune's 50 Best Workplaces for Diversity in 2017



SAP was named on Forbes' list of America's Best Large Employers of 2016.



SAP was designated by the Human Rights Campaign as a top workplace for LGBT.



SAP was named as a Top Employer for Europe and Middle East by Top Employer Institute, which recognizes leading employers around the world that provide excellent employee conditions and nurture and develop talent.



WHAT'S NEXT?

There is no HR transformation destiny; it is a journey to deliver world class experiences. HR has shifted from coordinating steps and transactional excellence to truly architecting transformation and leading end-to-end employee experiences. We continue to strive to make SAP a “Best Place” to excel and a best-run business.

The following is only a sampling of activities we are executing on.

1 

Complete our journey to the cloud

- Migrating all remaining HCM on-premise solutions to the cloud
- Completing the HR and finance experience
- Constantly leveraging the SAP SuccessFactors and SAP S/4HANA quarterly innovations
- Leveraging advanced SAP cloud analytics and the SAP Digital Boardroom to enable all SAP executives and managers to better support and lead their organizations

2 

Simplify and innovate every business process

- Leveraging artificial intelligence and machine learning through intelligent services to reduce shared services' needs and build next-generation conversational apps, where employees can get most of their work done using voice and bots
- Empowering managers with smart machine learning analytics so they can make smarter decisions in recruiting selection and eliminate bias
- Simplifying processes, such as annual performance reviews by moving to continuous reviews and performance assessments, and simplifying organizational design modelling – within a few clicks of a mouse – we can establish a new organization

3 

Win the war for talent

- Reimagining the end-to-end candidate experience, making it personalized and transparent
- Using employee profiles and prescriptive learning for intelligent career planning – all linked for the employee
- Offering rewards, such as restricted stock unit plans, to retain selected employees for their contributions
- Collaborating with 3,000 universities and investing in the SAP Academy program to recruit and train early talent
- Developing predictive people measures to forecast future skills, engagement behaviors, and business health

4 

Diversity and inclusion for “business beyond bias”

- Delivering innovations for customers for a modern workforce
- Encouraging open dialogue for our people
- Driving our diversity and inclusion goals to cultivate innovation culture
- Continuing our journey towards gender equality in the workplace



https://www.successfactors.com/en_us/about-successfactors/contact-us.html

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