

SAP: HR Professionals as Transformation Managers

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Modern HR managers increasingly regard themselves as drivers and companions of change processes within their company — and some have been able to achieve this through leadership development. But strong HR departments also strategically pursue cultural and organizational developments and implement them operationally. German-based SAP, the world leader in enterprise applications in terms of software and software-related service revenue, stands as a shining example of how human resources can support organizational change.

Over the last few years, companies have carried out an average of almost three significant reorganizations a year, one of which is usually company-wide. More than 90% of top managers say they plan to restructure their organizations in the next two years, according to recent Mercer studies. As the driving development of our time, digitalization is fundamentally changing the economy and the world of work. In companies across all industries, leaders know that the future can be successfully shaped only through the intelligent use of technology along with modified, in some cases significantly different, business models.

Change History and Experience at SAP

Founded in 1972 in Walldorf, Baden-Württemberg, Germany, SAP has become the most valuable company in the German stock index (DAX) today. As the enterprise software market leader, SAP is now a true global player, with 95,000 employees serving 400,000 customers – and it's well versed in organizational change.

As the leading European IT company and a pioneer of digitalization, SAP helps companies of all sizes with their digital transformations. Because companies that want to maintain their market position must be able to react quickly to market de-

velopments, and also identify and seize competitive advantages at an early stage.

How did SAP achieve global success? Its company leaders have always focused on innovating, modernizing business software, and globalizing the organization and its acquisitions. Since 2012, SAP has transitioned from on-premise software to the Cloud – using SAP S/4HANA and C/4HANA as central components. At the heart of its strategy, SAP wants to help companies become intelligent enterprises; boosted by technological developments such as artificial intelligence and big data analytics.

Four Success Factors for Change

People charged with making large-scale organizational changes – whether they are entrepreneurs or managers – need to operate on multiple dimensions. Given this, they can achieve success through a mix of experience, patience, teamwork, and change processes, supported by top employees, modern tools, and most importantly a competent HR department. Studies on transformation and change programs usually mention four key success factors for organizational change, which we'll examine in detail: business and customer proximity, change culture, change leadership, and co-transformation management – all of which can be decisively influenced by HR managers.



Four Success Factors for Organizational Change

Success Factor	Description	Tools
Business and customer proximity	<ul style="list-style-type: none"> • HR needs a good understanding of the market, end customers, business model, value drivers, strategy • HR activities geared toward business strategy, as well as willingness and ability to change 	<ul style="list-style-type: none"> • People and HR strategy (company, per business area) • Departmental targets for setting objectives for HR employees • HR rotations to and from business areas
Change culture	<ul style="list-style-type: none"> • Promoting change-oriented attitude and appropriate behavior among employees 	<ul style="list-style-type: none"> • Purpose Statement • Behavioral guidelines: Definition of and integration into HR processes • Cultural fit assessments • Maintenance of high employee engagement through positive employee experience
Change Leadership	<ul style="list-style-type: none"> • Empowering managers for change management 	<ul style="list-style-type: none"> • Competency model • State-of-the-art portfolio of management qualifications (on/off the job) • Modern performance management
Co-Transformation Management	<ul style="list-style-type: none"> • Strong support of transformation projects by HR 	<ul style="list-style-type: none"> • Focused HR business partner role • Qualification of HR department for organizational design and development

Success Factor 1:**Business and customer proximity**

Most managers have come to expect good business sense – knowledge of and a flair for business – from their HR counterparts, in addition to strategic dialog and the ability to create and implement HR action plans. Studies show that the HR departments that best meet these expectations tend to:

- Display an in-depth understanding of customers, markets, key figures and the strategy change that takes place before many reorganizations
- Share responsibility for value creation in operational sectors
- Take actions aligned with the business strategy; supported by a strong communication plan

Human Resources Management at SAP

The HR strategy at SAP doesn't stand alone – in fact, it is an integral part of the business strategy, since employees are the ones who drive the digital transformation among SAP's customers. The HR strategy strives to provide attractive learning and development opportunities for the company's five generations of employees, across all stages of their careers.

In 2017, SAP invested around 185 million euros in learning and offered 1.3 million training sessions to employees. Intergenerational mentoring brings employees together, meaning that they make new contacts, exchange knowledge and learn from each other. Training sessions about diversity and inclusion convey the advantages of these attributes for the company. An intrapreneurship program nurtures particularly high-performing, business-minded employees. Design thinking methods, more than 200 collaboration spaces, and modern working technologies also create a working environment that aims to attract and retain the best talent in the market.

Providing Positive Experiences with "HR Punks"

SAP applies a "One HR" concept based on three principles for day-to-day HR activities: simplification, standardization, and customer satisfaction. Employees are seen as customers and consumers of HR services. HR work is aimed at providing a positive, holistic HR consumer experience – from the initial contact with the applicant, to their recruitment and onboarding, to their personal development. The aim is to provide employees with technology that matches what they use in their personal lives, such as mobile, intuitive applications that are fun to use. This experience begins with language that

is easy to understand (no HR jargon), then involves user-friendly intranet or self-service applications, followed by employee development, leadership, and culture.

On one hand, this HR work takes into account the flexibility and complexity of the digital work environment. On the other hand, it regards employee engagement as a prerequisite for innovation. Speaking of innovation: SAP uses the term and hashtag #HRPunks to raise the profile of internal initiatives and the HR profession overall.

Special Features of COO and End Customer Contact

A close connection between the cross-divisional functions of HR and the wider business rely on two specific features:

- 1 Each division of SAP's executive board has its own Chief Operating Officer (COO). This means that company-wide issues and topics can be taken up, discussed, and dealt with on the spot. The cross-functional COO team also makes it easier to plan and implement company-wide change projects. In particular, the COO for the executive board division responsible for HR takes on a central, guiding role in transformation programs.
- 2 As a developer of digital HR technology, SAP puts its own HR professionals in direct contact with end customers. Together with their sales, service, or development colleagues, HR employees

INSIGHT**#HR Punks**

***The idea:** driving change and innovation through creative concepts and cheeky communication.*

***How it began:** It got its start at a customer event in 2017 when SAP's CHRO Stefan Ries, dressed as a punk and performed "Should I Stay or Should I Go" by The Clash to creatively call for more self-confidence of the HR profession regarding its contribution to the business.*

***What happened so far:** The company uses #HRPunks to document and communicate various HR initiatives — especially relating to the topic of "HR Consumer Experience".*

work in the field based on subject area specialties or the customers within their remit. In addition, rotations between the HR department and the business areas promote understanding of the business areas and customers.

Success Factor 2:

Change Culture

Today, employees see themselves as the drivers of their own professional destiny. Topics such as respect, values, culture, and organizational change are more important than ever. Employees tend to ask, how can I find meaning in my work? Shall I stay at this company? Do I support the changes its going through? And why should I do my job and support this company?

If organizational changes are to be successful, all employees must be involved and engaged. This imperative is underpinned by a meaningful vision and a clear rationale behind it, making the company's purpose understandable to customers, employees, and society. This is important for answering questions as to the whys and wherefores, particularly during a period of change. Organizations that promote a positive attitude to change per se and have high levels of employee engagement are in a good position to succeed.

SAP's Culture: How We Run

SAP's vision is to "Help the world run better and improve people's lives." And it's working. In the "Fit for Purpose Index 2018," which assesses companies' commitments to their promises, SAP is ranked second in the technology sector and 12th among all industry sectors. Employee engagement, measured by surveys, has increased since 2013 to 85 percent.

In the employer rating portal Kununu – which assesses four company culture-defining criteria: working atmosphere, communication, work-life balance, and collective cohesion – SAP ranked first in the employee ratings for DAX 30 companies (as of June 2017). One reason for this is SAP's "How We Run" culture. Its five simple principles give purpose and help to achieve SAP's goals. They are: tell it like it is, stay curious, embrace differences, keep the promise, and build bridges – not silos. These principles are particularly effective for addressing difficulties or pitfalls openly and constructively and working together to develop solutions.

Success Factor 3:

Change Leadership

Today's managers should drive and lead change processes. They need to communicate the change, build confidence in the change, motivate employees

through the change, and embody the change. Along with professional aptitude, change experience and change competence are increasingly becoming the most sought-after skills for managers. Companies are also investing more heavily in developing these traits in managers. If these investments are to be effective, they must be strategy-based, planned, and holistic. Companies with a high degree of maturity in leadership development offer targeted coaching, mentoring, leadership training, and conferences, as well as assessments of potential, 360-degree feedback, collaboration with universities/business schools, succession planning, and mobile learning opportunities. Practical activities, such as assignments abroad and job rotation, complete this robust development portfolio.

Shaping the Transformation

Clearly, requirements for managers have changed over time. At SAP, managers are expected to demonstrate three unique leadership principles: develop amazing talent, ensure customer success, and drive simplicity. Driving simplicity refers to expectations for managing behavior during change processes at SAP, specifically:

- Translate the vision and strategy into objectives, responsibilities, and measurable results
- Engage in an open dialog at an early stage with the colleagues affected by the change
- Listen and respond to concerns about the change
- Stay agile during the change process and adapt the implementation as necessary

SAP has begun investing in consistent training to develop these competencies in all levels of management. In 2017, around 60% of SAP managers had completed the development program, and as a result "trust in leadership" scores have risen on employee surveys.

The performance management system, which had been crucial for operational and everyday management, was fundamentally revised. It had been based on a static evaluation approach involving year-end meetings, which no longer met fast-changing requirements and employee expectations. Through "SAP Talk", a continuous dialog between employees and managers, a system without "school grades" was introduced. This approach better supports current business dynamics, the associated changes, and the expectations of the workforce. The focal points of SAP Talk meetings are employee development, tasks, projects, objectives, and working conditions.

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Succuss Factor 4:

Co-Transformation Management

HR can play a powerful role in transformation projects, which involve aspects of HR work: personnel planning, incentive systems/remuneration, employee development, and organizational design and development. In organization design and development, the HR department may assume four distinct roles:

- **Initiator** – beginning the process and creating concepts, suggestions, and specifications
- **Consultant** – offering the HR perspective to support business decisions
- **Expert** – offering consultation on specific organizational matters (such as manager/ staff ratios)
- **Supporter** – acting on the instructions of decision-makers within the company.

However, most personnel departments play only a supporting role in organizational design and development. According to a 2017 Mercer study, HR serves as an initiator and gatekeeper in just 6% of all companies.

SAP is in this upper echelon. Its HR business partners for the executive board divisions serve as top management's first points of contact for change, organizational development, and transformation. HR business partners' task portfolios are deliberately narrow with respect to their area of responsibility, especially for those who work with top management.

Global HR business partners have complete end-to-end responsibility for four tasks: the HR strategy for the business area they support, workforce planning and insights, team and organizational development, and transformation management. This allows them to fully grasp and fulfill the co-transformation management role at SAP, which usually involves setting up, guiding, and implementing complex change programs. Across the whole range of these organization development activities, they must provide sound advice on structural issues, modern forms of organization, and management or employee engagement, as well as a forward-looking approach to change communication and stakeholder management. Last but not least, HR business partners are taking care of practical labor law issues which need to be classified and resolved.

Being a Role Model – a Fifth Success Factor?

While the SAP personnel department is a sort of Formula One test driver for the company's own HCM solutions, it also sees itself as an initiator and companion of change processes. HR wants to exemplify organizational change within its own department. In recent years, HR has tended to avoid large-scale, drastic change programs within its own area. Instead, it focused on strategy implementation, cultural work, employee engagement, leadership quality, transformation support, as well as the delivery of improved HR services and the HR consumer experience.

SAP embarked on a change journey committed to innovation, featuring the motto "HR Run Simple." It piloted the program in numerous countries, which resulted in positive results relevant to change monitoring and KPIs. The program recently culminated in a global rollout of the new HR operating model. It's another step on SAP's continuing change journey that proves the only constant is change. **c!**

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