



RESULTS-DRIVEN HUMAN RESOURCES IN TIMES OF CRISIS AND BEYOND

OPTIMIZING YOUR WORKFORCE FOR
ANY ECONOMY



Human resource (HR) leaders are continually being challenged to control and lower HR-related costs, adapt quickly to changing business priorities, and retain and develop the best talent – all while ensuring global compliance with a vast array of regulations. In this climate, companies need their HR services to be both efficient and laser-focused on the key people and processes that ensure their competitive differentiation. A company’s overall success depends on it. At the same time, near-term objectives in this economic environment (such as establishing a leaner organization) must be balanced with longer-term business requirements (for example, building a strong talent pool).

HR must meet these key challenges head-on. This *SAP Executive Insight* will consider the following questions:

- How do I ensure that my HR organization is as efficient and effective as possible?
- How can I support the “people aspect” of the high-velocity change demanded by business today?
- How can I build a workforce prepared for future challenges?

EXECUTIVE SUMMARY

AT A GLANCE

Ensure the Success of Your Human Resources

Every economy presents unique opportunities for those companies prepared to take advantage of them. Many executives recognize that now is the time to shore up their service capabilities and nurture the talent needed for enduring success. As a business leader in these challenging times, you must be prepared to:

- **Get your HR house in order.** Review your HR delivery model. For an HR organization to support a company's strategic needs, it must first optimize its own operating efficiency. Start with a self-assessment of your current HR delivery model to determine the efficiency and effectiveness of the services your organization provides to the business.
- **Support high-velocity change.** In unsettled times, companies need to adjust their key strategies quickly. HR must be able to rapidly analyze the likely impacts of such changes, both on the company and its employees. Ensure that your HR organization has the data, tools, and skills necessary to deliver insights on how to deploy resources for maximum impact.
- **Grow talent for the future.** Identify, develop, and retain your critical talent – the employees that make a difference competitively. When today's economy turns around, the skills and competencies associated with the roles necessary to meet your company's current strategic objectives will be needed to maintain a competitive edge.

Leadership Makes the Difference in Times of Crisis

One thing is for sure: with every economic crisis comes opportunity. Some companies will go from good to great, and others will just fade away, making room for more innovative competitors. To be among the winners, executives should strongly consider best practices that provide a balanced approach to moving forward by including both cost reductions and smart investments. SAP has developed a series of *Executive Insights* that highlight strategies your business can use immediately to run more efficiently and improve the customer experience by helping you:

- Optimize your human capital (this paper)
- Manage cash more systematically
- Run leaner operations
- Drive compliance activities
- Get closer to your best customers
- Protect and nurture your brand
- Build a best-run IT organization
- Gain deeper insight from your business information

Such practices can deliver a true competitive advantage – even in today's economy.

Benchmarking – The Facts of the Matter

The insights presented in this paper are based on decades of experience in helping our customers become best-run businesses. An important tool in these efforts is the understanding gained from measuring and comparing the actual performance of companies across a wide range of sizes and industries.

SAP conducts benchmarking and best-practice studies in many business areas including finance, supply chain, manufacturing, human capital management, shared services, sales and marketing, compliance, and IT. Analyzing the performance of industry leaders offers executives the metrics needed to assess their own company's past successes and guide today's crucial decisions.

For more information about the benchmarking and best-practices program at SAP, visit www.sap.com/usa/solutions/benchmarking or contact benchmarking@sap.com.

GET YOUR HOUSE IN ORDER

BUILD A STRONG FOUNDATION

Suggestions for Change

HR is a key enabler for all business functions. To provide optimal support, you must make sure you are operating as efficiently and effectively as possible.

In the recent past, companies have invited differentiation among business units through decentralized HR support, customized business processes, and a best-of-breed approach to technology. With the abrupt changes in the current marketplace, the cost of this differentiation becomes too high. Challenged by reduced headcount and lower IT budgets, many organizations are finding it difficult to deliver employee and manager services at required levels. Employees and managers are then unable to focus on their core business, which can result in a breakdown of critical customer-facing processes.

Suggestions for combating these situations include the following:

- Leverage tools such as benchmarking, standardized HR key performance indicators, and analytical dashboards to determine where there are opportunities for improvement within your organization. Tools are available today to help companies identify their weak spots and more easily set prescriptive initiatives to improve them.
- Analyze your end-to-end HR operations across business units for commonalities or overlap. Consider not only your HR business processes but also the data, key positions, organizational structures, and IT infrastructure that support them.

- Consolidate, standardize, and automate your key processes across geographies. This delivers more consistent information, faster time to value, and transparency of people's information.
- Consider a shared-services model for your standardized processes. HR shared-services models come in many forms, but they have one thing in common – they all help companies achieve operational excellence and enable gains in efficiency and effectiveness. A shared-services organization is an internal organization designed to deliver business services to other parts of the company at reduced cost and increased value. According to two SAP benchmarking studies, companies can reduce their transaction costs 20% to 50% by taking a shared-services approach, as well as many other benefits (see Figure 1).¹

With the continued focus on cost cutting, many organizations are seeing less of the traditional resistance to change, so this is a great time to implement ideas for improvement.

Transforming a highly complex business environment to one of standardization and continuous improvement sets the foundation for further cost control, risk mitigation, and service enrichment. The HR organization is now positioned to deliver high-quality services that add value across the enterprise.

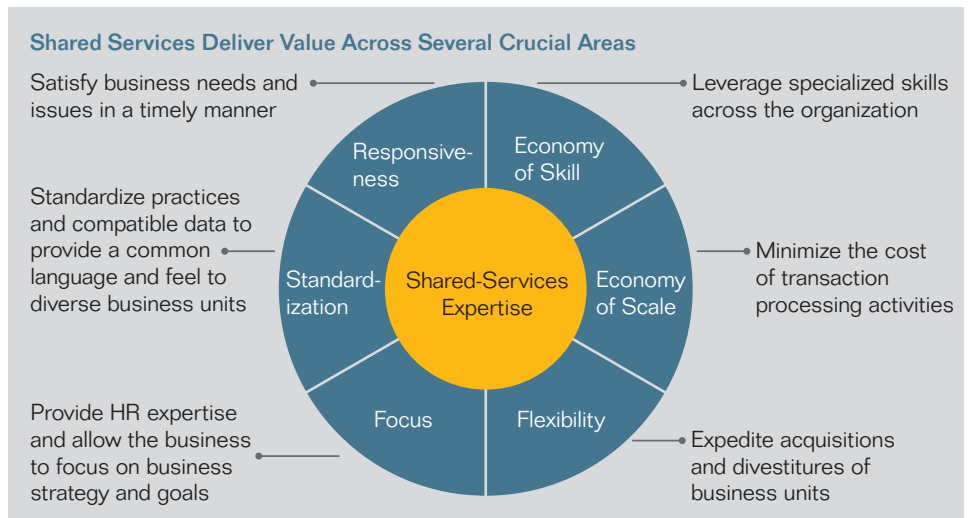


Figure 1: The Value of Shared Services

1. The specific percentage of savings gained has been directly correlated to the following factors: executive belief and sponsorship, the company's status within the shared-services maturity model, the leveraging of new technology, and the use of continuous improvement to sustain a competitive advantage.

SUPPORT HIGH-VELOCITY CHANGE

ENSURE SUCCESS OF CRITICAL BUSINESS INITIATIVES

Leverage Insight

While ensuring that your HR department is running smoothly, you must continue to meet the needs of the other departments that HR serves. With today's pressing need to preserve cash, many companies are concentrating on a few key initiatives considered vital to business continuity and success. **People** are critical to supporting any of these initiatives. As a result, HR is in a unique position to help sustain these important business strategies.

In an unsettled economic environment, speed is paramount when it comes to formulating, validating, and executing new strategies. And when things don't go as planned, it is crucial to course-correct as quickly as possible. To support high-velocity change, HR must:

- Enable easy access to both organizational data (such as business unit structures and job families) and people data (such as employee tenure and demographics) that is consolidated and segmented across multiple areas.
- Provide the right tools to analyze this data quickly. The cleanest way to do this is to use embedded analytic tools within supporting business processes to provide all relevant information in a consolidated, integrated, and actionable view. These tools can provide key metrics, system-initiated alerts when performance measurements are out of line with expectations, and drill-down capabilities into data about individuals and organizations. Such insights facilitate identification of the root causes of problems and enable HR to prescribe appropriate solutions

based on best practices.

- Ensure that your HR organization has the right skill set to interpret this information. This may require additional training to up-skill and retool your HR team's capabilities.

With high-quality information readily available and the right tools in place, HR leaders can analyze the potential impact of various strategies. This includes the impact not only on the company's success but also on the people the company employs. Company executives can then make fact-based decisions and limit exposure to risk by focusing people resources on projects that will have the greatest positive effect on the business. These leaders can also recommend additional employee support where needed, in the form of training or compensation, to facilitate smoother changes.

According to a recent SAP HR talent management benchmark, companies able to monitor the workforce against corporate strategies have, on average, 20% higher employee engagement. Higher employee engagement equates to a workforce that is more motivated to quickly attain company goals.

Flexibility in Action – A Recent Example

It is important for companies to be able to leverage business insight when necessary to rapidly realign human capital management (HCM) – from recruiting and training to compensation and organizational modeling – to support changing company objectives and strategies. SAP itself provides a good

example of this. In September 2008 the whole world felt the effects of the market crisis. Using financial analytics and HCM software, SAP reacted quickly to develop the appropriate response. Within days, SAP moved forward with a plan to carefully realign the organization to meet new revenue and margin targets – reducing the number of external consultants and contractors where possible and restricting certain training programs and travel. Then SAP launched its Value University program to develop the critical skills necessary to focus on delivering customer value and to expand the talent pool to accelerate business impact. With these plans in place, SAP purposefully shifted its talent to customer-facing projects.

Business flexibility is more important than ever with today's volatile market dynamics. An organization's success – and even survival – can depend on skilled talent and real-time information that enable a fast response to changing conditions.

“A highly effective HR organization has the agility to support evolving business strategies and the creativity to develop and retain the type of top talent critical to long-term success.”

Terry Laudal, Senior Vice President, Human Resources, Americas & Asia Pacific Japan, Global Field Operations, SAP AG

GROW TALENT FOR THE FUTURE

CREATE A COMPETITIVE ADVANTAGE

Establish a Strong Core

To create and maintain a competitive advantage, companies must have a solid foundation of talented employees with the right competencies, capabilities, and level of commitment.

Consider the results of a study by Accenture that examined the high-performing workforce (see Figure 2).² This study identified key factors in a company's ability to achieve strong financial performance. Three of the top five factors relate to talent management, including hiring and retaining the right people and developing leaders.

During tough business cycles, it becomes even more critical for organizations to base talent decisions – such as reductions in force, hiring freezes, and compensation changes – on strategies that strike a balance between the urgent needs of today and longer-term competitive considerations.

The objective is not only to survive the down times but to be poised to recover in a better position than competitors:

- Ensure you have a clear picture of the skills and competencies your company needs to be successful. These requirements will change over time, so they must be evaluated and managed continually. Leverage technology to facilitate the necessary tracking.
- Identify those employees who have the skills that help differentiate your business – especially employees you would hate to see working for your competitors. These employees represent strategic resources and most likely have unique skill sets that would

be difficult to replace. Again, tools exist to facilitate storing and accessing this information easily.

- Develop a plan to keep your people engaged and loyal. Consider communication and training initiatives, incentives, and opportunities for employees to make lateral movements to participate in strategic projects. This is especially critical in unsettled times. When fear enters the workforce, good employees with the most marketable skills will often start looking for opportunities elsewhere.
- Expand your talent pool. With many companies reducing their workforce, be ready to snap up exceptional talent from your rivals.

A Plan in Action – Comcast

Comcast Corporation, one of the world's leading communication compa-

nies, recognizes one of its most important assets in a highly competitive environment is its talent – the people who serve the customer. To differentiate the customer experience, Comcast began an iterative process to manage talent needs by:

- Identifying mission-critical talent needs to keep and recruit best talent
- Developing current and new sources of talent
- Growing talent capabilities with support for lateral movement
- Deploying talent at the right time and place

This approach allows Comcast to capitalize on the rapidly changing business environment, to challenge and grow its people, and to create a competitive edge. In doing so, Comcast is further strengthening its position as a leader in the global communications industry.

What Are C-Level Executives Saying?

Results from Accenture's High-Performing Workforce Study

Key Factors in Achieving Strong Financial Performance

Key Factors in Achieving Strong Financial Performance	% of respondents rating factor "very important"
Acquiring new customers and increasing market share	61%
Building strong customer loyalty	59%
Attracting and retaining skilled staff	45%
Having a performance-oriented mind-set in the workforce	41%
Finding and developing talented leaders	37%
Having a flexible organization that responds to changing market conditions	37%
Dealing with the regulatory environment	36%
Managing risk	35%
Generating superior business value from technology investments	25%
Infusing innovation across the organization	24%
Bringing new products or services to market quickly	24%

■ Customer Focus ■ Talent Management Focus ■ Organizational Focus

Figure 2: Key Factors in Achieving Strong Financial Performance

2. Accenture, *The High-Performance Workforce Study 2006*, www.accenture.com/NR/rdonlyres/1DC31175-15DF-40C2-9875-2A6B2FD398FD/0/hpwf_06_xs.pdf.

MOVE FROM GOOD TO GREAT

A ROAD MAP FOR OPTIMIZING YOUR HUMAN CAPITAL RESOURCES

Organizations everywhere talk about the importance of their employees. The best-run companies will take action now to optimize the value of this critical asset.

Get Your House in Order

Steps to do this include the following:

- Benchmark to determine areas of opportunity. The benchmarking and best-practices program at SAP encourages companies to track trends, share best practices, and measure value.
- Leverage technology to optimize HR service delivery. Use employee and manager self-services to automate manual processes and push transactions to the process owner. Implement an employee call center to streamline issue resolution.
- Consolidate decentralized consultative services into centers of expertise.

Ensure Support of Business Initiatives

Provide strong analytical capabilities. Allow HR managers to see clearly in two new dimensions: the impact of human capital on the company's success and the impact of the company's business decisions on human capital plans. With this knowledge, HR manag-

ers can plan and execute HR initiatives that contribute directly and measurably to the success of the company, while having a seat at the table as a strategic partner.

Grow Talent

Develop talent strategies that enable you to compete now and in the future:

- Identify roles critical to those strategies.
- Identify skills associated with those roles, paying particular attention to skills that are unique or difficult to obtain.
- Acquire, deploy, develop, and retain the people with those skills.
- Use traditional means such as training; but in the current climate, more cost-effective ideas such as mentoring programs can help as well.
- Be creative. Focus on talent-shifting or strategic projects that offer growth opportunities. This could include opportunities for employees to support international or global projects virtually.



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SUPPORT FROM SAP

ASSOCIATED PROCESSES AND SOLUTIONS

SAP supports end-to-end, integrated processes, with built-in industry best practices, including:

- **Automating global HR and payroll:** Manage essential workforce processes through standardization and consolidation of data on one platform. Ensure adherence to local regulations and laws.
- **Developing a high-performing organization:** Identify and develop critical skills and roles while grooming potential successors for key positions.
- **Driving efficient HR operations:** Achieve HR service excellence by providing access to standard processes through self-service and a centralized help desk. Generate sustainable business value through reduced risk while maximizing resources, lowering costs, and improving process quality.

These processes are supported by a variety of solutions, including the following:

- The **SAP® ERP Human Capital Management solution** is complete and integrated global software that gives organizations in all industries the tools needed to effectively manage their workforce. The comprehensive solution includes talent management, HCM service delivery, workforce process management, and workforce analytics.
- The **SAP Interactive Forms software by Adobe** helps bridge the paper-to-digital divide by enabling organizations to leverage the versatility, consistency, and accessibility of interactive electronic forms.
- **SAP BusinessObjects™ solutions** help organizations make informed decisions through interaction with sophisticated visual representations of processes and performance, as well as with what-if analysis.

Executive Insights from the Chief Value Office

SAP is committed to delivering value to our customers. With decades of experience working with thousands of CXOs worldwide, across all industries and lines of business, we have captured insights based on the best practices of top performers and the latest market trends. We have developed actionable, value-based recommendations to help companies chart their journey into the future. We are pleased to share our point of view in the *SAP Executive Insights* series.

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50 095 139 (09/06) Printed in USA.

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THE BEST-RUN BUSINESSES RUN SAP™

