OVERVIEW

SAP SE is a global provider of enterprise business application software, with approximately 77,000 employees working in 120 countries and about 300,000 customers worldwide. While a long-time provider of on-premise HR solutions, SAP entered the human capital management (HCM) software-as-a-service (SaaS) arena with its acquisition of SuccessFactors in 2012. Concomitant with the company’s strategic move toward cloud computing for its external customers, its global HR organization sought to transform its own solutions and offerings for its internal clients.

The company’s HR leadership team undertook a vast transformation initiative with the goals of decreasing complexity, increasing effectiveness, and creating solutions for ultimate customer satisfaction. The transformation team consisted of a wide range of employees, including technology experts, business experts, HR leaders, and HR users. Significantly, however, the transformation team also included experts in change management to serve as key agents in facilitating the global adoption of the new solutions and practices.

In this case study, we:

- Examine SAP’s mission to transform its HR operations and solutions to cloud computing
- Explore how the company used design thinking for a feedback-intensive implementation model and how the transformation teams used it to facilitate ongoing change
- Reveal how SAP HR’s quality gates enable success and adoption of new tools and business practices across the global organization

This document is part of the Bersin Research Library. Our research is provided exclusively to organizational members of the Bersin by Deloitte Membership Program. Member organizations have access to an extensive library of research related to HR, learning, and talent management. In addition, members receive a variety of products and services to enable talent-related transformation within their organizations, including:

- **Research**—Market-leading, proprietary research including research reports, high-impact industry studies, videos, webcast replays, process models and frameworks, and case studies.

- **Bersin Blueprints**—Designed to provide actionable approaches to help talent leaders address their most pressing talent challenges. Blueprints offer convenient access to research, performance support materials, tools, and member advisory services to tackle key challenges.

- **Interactive Factbooks**—Covering a wide spectrum of HR and talent metrics, this platform allows members to filter by industry and company size and create custom benchmarks, analyze trends, and identify drivers of variance.

- **Maturity Diagnostics**—Research-based maturity assessments, integrated with business feedback, deliver actionable custom analysis, relevant research resources, and guidance from member advisors. These assessments help members develop a plan to progress in maturity.

- **Performance Support**—Practical materials in the form of illustrations, handouts, worksheets, templates, assessments, and recipes. Members can use these materials to help promote thinking, facilitate discussion, enable self-assessment, outline steps, direct processes, and aid decision-making.

- **Member Advisors**—Through virtual and in-person activities, our specialized member advisors help members understand our research, uncover deeper insights, prioritize human capital issues, and map solutions to some of their most pressing challenges.

- **Networking**—Member-only online Communities, working groups, and roundtables let you connect with peers and industry leaders to discuss and learn about the latest industry trends, emerging issues, and leading practices.

- **IMPACT Conference: The Business of Talent**—A research-based executive conference for HR, learning, and talent leaders and their teams, that brings together Bersin team members, senior-level practitioners, and industry thought leaders.

For more information about our membership program, please visit us at [www.bersin.com/membership](http://www.bersin.com/membership).
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company Overview</td>
<td>4</td>
</tr>
<tr>
<td>Business Challenges</td>
<td>4</td>
</tr>
<tr>
<td>HR at SAP</td>
<td>5</td>
</tr>
<tr>
<td>SAP Transforms HR</td>
<td>6</td>
</tr>
<tr>
<td>Kicking off the Transformation</td>
<td>7</td>
</tr>
<tr>
<td>Business Impact</td>
<td>12</td>
</tr>
<tr>
<td>Lessons Learned and Leading Practices</td>
<td>13</td>
</tr>
<tr>
<td>Lessons Learned</td>
<td>13</td>
</tr>
<tr>
<td>Leading Practices</td>
<td>13</td>
</tr>
<tr>
<td>Next Steps</td>
<td>14</td>
</tr>
<tr>
<td>Conclusion</td>
<td>14</td>
</tr>
<tr>
<td>Appendix I: Topics for Learning and Discussion</td>
<td>15</td>
</tr>
<tr>
<td>Appendix II: Table of Figures</td>
<td>16</td>
</tr>
<tr>
<td>About Us</td>
<td>17</td>
</tr>
</tbody>
</table>
Company Overview

For 44 years, SAP SE has been supplying enterprise application software (including databases, ERP solutions, and mobile business applications) to about 300,000 customers in 190 countries. The company is one of the fastest-growing, cloud-based solution providers on the market today with more than 30 unique SaaS solutions.²

SAP positions its solutions in the cloud, on mobile devices, and desktop computers to enable businesses to work more efficiently, collaborate globally, and gain insights into their respective marketplaces. The company’s customers include 87 percent of the FORTUNE Global 2000 list and 98 percent of the world’s top 100 most-valued brands.³

At the end of 2015, SAP had 76,986 employees⁴, including:

- 33,906 in Europe, the Middle East, and Africa
- 22,166 in the Americas
- 20,914 across the Asia-Pacific Japan region

Its HR department is also global in nature, working out of both headquarters and regional offices.

Figure 1: SAP at a Glance⁵

- Year Founded: 1972
- Revenue: €20.8 billion FY2015
- Employees: 76,986 at end of 2015
- Headquarters: Walldorf, Germany

Business Challenges

Over the years, the magnitude of the global size and operations of SAP has created significant challenges for the company. As part of SAP’s shift toward becoming a cloud company, three challenges have been recognized:

1. The ability to attract new employees to high-growth areas, such as cloud computing—areas in which competition for highly skilled candidates is especially intense

³ Ibid.
⁴ Ibid.
⁵ Ibid.
2. The ability to provide its existing employees with valuable ongoing training and to develop the company’s leaders to their fullest potential

3. HR must simplify its business for its employee-clients around the world.

The company’s previous HR systems, nearly all of which were on-premise, did not have the flexibility to manage a dynamic, global workforce that included part-time, virtual, and project-based employees. The company’s executives recognized the opportunity to upgrade HR’s systems, while implementing new approaches in recruiting, talent management, and career planning, as well as employee and leadership development as key examples.

**HR at SAP**

SAP’s HR organization is led by a chief human resources officer (CHRO).

The HR department’s chief operating officer (COO), the HR executive overseeing HR global service delivery and talent acquisition, as well as the leaders of three centers of excellence—People Sustainability, Learning, and Talent & Leadership—report directly to the CHRO. Additionally, a global HR business partner team provides support to the sales organization and CEO’s office, the products and innovation team, the support and consulting function, and to corporate functions such as HR and finance. While HR was in the midst of a broad transformation, the larger structure of HR personnel remained intact (see Figure 2).

---

6 “HR in the Cloud,” Personalmagazin / Christian Schmeichel, April 2015; translated from the original German.
7 As of April 2016, the CHRO is a member of the company’s executive board.
8 An “HR business partner” (HRBP) is a high-level, “trusted-counsel” role with a direct reporting relationship to senior executives in the lines of business. HRBPs have deep expertise in talent strategy, organizational effectiveness, talent data analysis, and business acumen. The HRBP is part of senior leadership—and delivers strategic talent initiatives, supports senior-level decision-making, coaches executives, and focuses on workforce and business strategies.
SAP Transforms HR

SAP’s HR organization manages, develops, and trains about 77,000 employees around the world and across several acquired organizations.

*Our HR strategy enables the organization to deal successfully with the digital transformation. We want our employees to learn and grow, leaders to engage and develop amazing talent, and organizations to be simple and agile. 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.*

—CHRO SAP

The HR leadership team members chose to anchor its new strategy in cloud solutions. They began to identify several specific objectives, including the ability to:

1. Enable global collaboration across HR
2. Provide efficient personnel planning and forecasting of future skills requirements based on data and key performance indicators
3. Build a global talent community
4. Identify and hire the right employees when qualified personnel are scarce
5. Develop a culture of learning across SAP
6. Create a central platform for learning and development (L&D) that employees could customize and adapt for their specific needs
7. Offer employees and managers tailored opportunities to continue learning
8. Reinforce the priority of leadership culture and behavior
9. Serve employees with the variety of backgrounds, expectations, and needs in a diverse workforce
10. Ensure compliance with the many various national labor provisions legislated in its different locales

Kicking off the Transformation

In 2012, a dedicated cross-functional core team was set up to drive SAP HR’s transformation, internally referred to as the “HR Goes Cloud” program. Thirteen capability areas, supported by SAP's cloud technology, were defined as subjects of the transformation:

1. Jam (collaboration platform)
2. People Profile (HR information system with more than 100,000 active profiles)
3. Recruiting Marketing (a global sourcing and recruiting platform)
4. Recruiting Management (a global applicant tracking system)
5. Goal and Performance Management (aligns employee objectives with corporate goals)
6. Compensation Management (enables managers to plan efficiently and give employees transparent access to total rewards)
7. Development Planning (enables employees to include any type of development, learning, and training to manage their career growth)
8. Succession Management (supports managers in mapping out their successors for key managerial and expert positions)
9. Learning (focused on blended-learning approaches, including e-books and e-learning modules)
10. 360-Degree Feedback (an anytime feedback mechanism giving employees access to detailed reports)
11. Workforce Analytics (enables the rapid response to data requests from business partners)
12. Onboarding (manages posthiring and day-one activities for all SAP hires)
13. Employee Central (SuccessFactors’ core HR solution)

Once the 13 capability areas were identified, HR leadership began forming an implementation team for each capability area from across the primary functions of HR:

- Functional HR leaders
- Representatives from related HR centers of excellence
- Members from HR IT
- SAP’s consulting group
• HR users
• Employee representatives

Business and technical architects formed a widespread group with responsibility for ensuring that the capability areas’ functional requirements were met, in addition to overseeing that the resulting proposed solutions would work together seamlessly once implemented. In addition, internal experts in change management served as change agents throughout the project.

A key tenet established early on was that this HR transformation would be a business-driven process, not an IT-driven process, applied across each of the 13 capability areas addressed. In practice, this meant each of the 13 teams started by understanding the respective business challenges that needed to be solved and the people-related business capabilities which should be built in. But, in contrast to traditional on-premise projects, the early solution design was consistently inspired and led by the process model in the cloud application, as well as by early user input and feedback. The subsequent implementation and rollout was a holistic effort comprised of process changes, system configuration, and enablement activities.

Leveraging Design Thinking and SAP Launch Methodology to Drive Change

Underlying SAP’s business-driven transformation ethos is the concept of design thinking. This process presents a ...

... New approach [that] is in large part a response to the increasing complexity of modern technology and modern business.

Central to design thinking is creating conceptual working prototypes that are tested, refined, tested again, refined again, and ultimately rolled out. Program designers from business and technology areas work collaboratively and regularly seek feedback from their colleagues across the company. Another critical component of the design thinking process is an acceptance that some solutions will initially fail; because it is an iterative process, the team returns to the drawing board and further refines the solution. With design thinking, there is no such thing as imposing a bad tool on users—a tenet that was essential to the company’s approach.

While design thinking serves as an approach to radically rethink possible solutions toward innovative conceptions, the so-called SAP internal process of “Launch Methodology” is to prepare and achieve a successive launch of new cloud solutions. (See Figure 3.) It consists of the following four phases:

1. Prepare
2. Realize

9 “Design thinking” is the focus on “user-centric” design, studying the behavior and working scenarios of our employees, and then designing solutions that fit into their work-lives, versus designing “processes” or “programs” that have to be “rolled out” to the workforce.

3. Verify
4. Launch

Usually, these four phases are completed in only a few weeks to months, while the implementation of traditional on-premise landscapes would take months to sometimes even years.

Similar to the process deployed in applying design thinking, SAP HR repeatedly sought feedback and agreement from its stakeholders throughout the project. At SAP, this step is called a “quality gate.” Feedback helps to ensure that all parties share in the development of an effective solution such that the project cannot advance forward through a required quality gate until all stakeholders are in agreement.

Within the SAP Launch Methodology, four quality gates (also called “q-gates”) are executed during the implementation in order to enable project success.

- The first q-gate, project verification, is designed to ensure that all stakeholders agree about the implementation project scope.
- At the end of the realize phase, the solution acceptance q-gate confirms agreement by all stakeholders that the demonstrated business processes meet the implementation project requirements and all configuration questions are addressed.
- The readiness acceptance q-gate demonstrates agreement by all stakeholders that the systems, data, and people are ready to execute a cutover [to the new process or system].
- Lastly, the go-live q-gate confirms with all stakeholders that the cutover is complete, and the organization is ready to use and support the new solution productively.

SAP Launch is a very prescriptive and predictable methodology that is LEAN11 and fast; at the same time, it incorporates an iterative and agile approach, where it makes sense, such as with configuration and testing. This allows SAP to implement leading practices, yet involve the customer in the configuration and testing cycles to ensure that the solution fits the business.

---

11 “LEAN” is a process improvement methodology that focuses on maximizing process velocity by reducing waste.
Phase 1: Prepare

Please Note: Since the company developed 13 separate transformation teams, for the purposes of this case study and simplification, any examples used will focus on the talent management transformation team only.

During the prepare phase of SAP’s HR transformation, each of the individual 13 transformation teams defined the scope of the project within each module (as it applied to the functional area within the company), and established business drivers and goals. In the same way as the HR leadership identified objectives for the overall transformation of the department, team members also identified objectives specific to their functional roles—for example, recruiting management—and the measures of success.

During the prepare phase, a formal project management component was initiated. Members for each specific transformation team identified a solution design and outlined the preparation for integration. A project schedule was then agreed upon and adopted, and an initial project workshop for stakeholders was convened.

For the talent management transformation team, for example, team members realized that the existing process was viewed as being tedious, employees and managers did not like it, and it created unnecessary redundancy. As part of the review of leading practices within SAP’s network of businesses and other outside organizations, the talent management transformation team, in collaboration with HR leadership, decided to use a newer cloud-based solution developed by the company’s SuccessFactors unit.

KEY POINT

During the prepare phase of SAP’s HR transformation, each transformation team defined the scope of the project within each module, and established business drivers and goals.
The quality gate at this juncture was to ensure that all stakeholders were in alignment with the project. In addition, talent management transformation team members sought out other stakeholders to test ideas and give feedback. This transformation team then built the feedback into the solution. As described in SAP’s launch methodology,

... All stakeholders agree to the scope to be delivered during the implementation of the SAP solution. When necessary, a change order is executed.\(^{12}\)

**Phase 2: Realize**

After incorporating the feedback from the first phase, a solution is then configured in the realize phase, with both business- and IT-side members working together. Internally, this is called “viral adoption,” with the goal of identifying what is and is not working with the pilot configuration. A secondary goal of this phase is to build interest and buzz around the new solution, and develop advocates outside of HR for the pilot. For example, the talent management module was piloted by a sales group in Ireland, which became strong internal advocates for the solution based on that successful pilot.

During the pilot component of the realize phase, individuals testing the new system evaluated functional and business requirements, and ascertained that the new system simplified processes and was easy to use. A second quality gate at the end of this realize phase required stakeholders (the pilot participants) to agree that the business scenarios used in the pilot were representative of their everyday work. At this point, the transformation team also ensured that any issues or questions from the pilot participants had been formally addressed.

The result of this phase was to establish what the future of performance management would look like at SAP. Success thus meant that not only did the transformation team understand the goals it was trying to achieve, but also how to achieve them.

**Phase 3: Verify**

The third phase prepared the entire global organization for the integration of new solutions. For the performance management solution, to continue with that example, this phase lasted four months and was completed less than a year after the talent management transformation process began. The verify phase continued the “learn-as-you-go” approach, with team members seeking feedback, making changes, and customizing the new solution as needed.

During this phase, data was migrated from legacy systems into the new solution, and pilot teams tested the possible business scenarios and uses with the migrated

---

data. At this point, all cloud-based forms worked, user-access issues had been addressed, and any customized extensions were working properly.

*All stakeholders agree that the systems, data, and people are ready to execute the cutover from the legacy systems to a new system.*

—Chief Operating Officer, Global Human Resources

**Phase 4: Launch**

The fourth and final phase of the transformation process is the actual *launch* of any new solution. At this point, the talent management transformation team addressed and reconciled any outstanding data migration or business issues. Transformation team members also prepared and executed a change management plan for the rollout of the new solution—including activities to train users, and a communication plan to encourage widespread and rapid adoption of the new solution.

After these goals were met, the talent management transformation team was able to pass the “go-live” quality gate for the *launch* phase. At this point, all stakeholders involved in the new solution had formally agreed that the solution was ready for rollout.

For the talent management project, the new solution went live in January 2013. At that stage, nearly all of the company’s approximately 64,000 managers and employees around the world were using the new system.

**Implementation Summary**

SAP repeated this same delivery process across all of its core functional areas, and is now adopting the process to continuously evolve the HR organization’s different functional areas. For example, in 2015, 25 distinct go-lives were realized as part of the HR Goes Cloud program.

**Business Impact**

SAP’s HR leadership team believes that a critical component of its transformation process is the continual, close monitoring of the progress and impact of its new solutions and processes. The company’s annual measurement of employee engagement and satisfaction with HR services has demonstrated very positive results since the transformation began. The leadership team is also examining a range of dimensions to assess the impact of HR’s transformation to the cloud, including:

- Potential increase in agility and innovation capabilities
- Comparative maintenance costs and efforts between on-premise computing environments and the new cloud implementation
- Customer satisfaction ratings during the rollout of new transformation initiatives

13 This number represents the approximate number of employees worldwide at this point in time in 2013.
• Time-savings for SAP HR and the business units as a result of new processes
• Lower and more predictable IT costs as a result of eliminating multiple on-premise systems

Lessons Learned and Leading Practices

Lessons Learned

The following are critical factors to consider when planning for a transformation.

• Ensure HR and business leadership buy-in. HR leadership support is key as the transformation requires timely HR decisions. By including IT and other stakeholders in the process, HR executives engaged a broad set of perspectives into the design process to enable a smooth transition to the cloud-based solutions.

• Create a comprehensive implementation timeline that includes change management processes. Beyond the broad outlines of SAP’s four-step model, this includes understanding changes that will be required to corporate policy, process changes, and negotiations with key stakeholders, both within and outside of HR.

• Set expectations with future users of any new solution. It is important to have a communication plan around what new processes and services will be enabled by the new cloud-based solutions. Be prepared for resistance among some employees and eager acceptance by others.

Leading Practices

• Socialize findings at each step of the way. Integral to the success of SAP’s transformation process is the ongoing use of feedback and input from a wide range of stakeholders and users.

• Create balanced transformation teams. SAP ensures that its transformation teams are balanced between HR experts, users, and change agents, as well as with technology and business experts—ensuring that solutions are not imposed upon users, but rather developed with users in mind.

• Include ongoing change management as part of any transformation process. Adoption of any new solution requires continual effort to inculcate the changes desired, in part to prevent backsliding to previous processes on the part of employees.
Next Steps

After tackling the core functions of HR with its recent transformation, SAP HR is now shifting to what it calls a “continuous innovation approach.” This includes a pilot for simplified goal-planning, and testing a model for promoting continuous dialogue between managers and employees without the company’s traditional performance ratings.

Following a successful reduction in compensation planning time from eight to three weeks, the company is rolling out new features to its compensation module.

After addressing the 13 HR capability areas, the company continues to transition all of its remaining on-premise activities to a complete cloud-based system architecture. At the end of 2015, 80 percent of SAP’s HR processes had already been moved to the cloud.

Conclusion

HR transformation is not trivial as it affects every employee in an organization. The goal of SAP’s HR leadership was to reduce the complexity around the functions for which HR is responsible, while increasing internal customer satisfaction. An important constraint to consider was the disparate on-premise deployment of HR functions, making it difficult to ensure continuity, to readily adapt to today’s changing business environment, and to deliver easy-to-use solutions for its nearly 77,000 managers and employees worldwide.

For a business-driven and cloud-based model to work effectively, SAP’s HR leadership team recognized that the first challenge would be to build skilled teams to identify problems. Essential to the success of this model was the creation of broad-based teams—not just teams of senior leaders—consisting of employees with different levels of experience across all of HR and the rest of the company. Critically, the teams needed to include employees who were recognized as change leaders to help to drive lasting adoption of the new solutions and processes.

Over the course of the program, SAP HR has substantially transformed how it does business across its core functions. The company now uses the same methodology to address a range of other HR challenges and to drive innovation building a platform for HR thought leadership.
Appendix I: Topics for Learning and Discussion

The following sections provide you with considerations for sharing and implementing the leading practices highlighted in this report.

Ideas for Action

Below is a list of actions to apply or implement the key practices highlighted in this report. These actions are designed to help you to plan and implement your own transformation initiatives.

1. **Identify specific objectives for your transformation initiative.** At SAP, the HR leadership team outlined several objectives, including identifying and hiring key talent, creating a central learning platform, reinforcing leadership culture, and enabling collaboration across the company’s global HR department.

2. **Look beyond HR, if necessary, to leverage colleagues with transformation and change management experience.** SAP HR’s department launched its initiative by bringing together a cross-functional team to organize, guide, and execute the change process, which was influential in its success.

3. **Enlist a team of experts from across HR and the entire business, with different experience levels.** This included functional HR leaders, representatives from related centers of excellence, members from HR IT, SAP’s consulting group, as well as executives with product and development experience.

4. **Leverage design thinking to drive change.** Critical to SAP’s success in transforming HR was creating working prototypes that are tested, refined, tested again, refined again, and ultimately rolled out. Program designers worked collaboratively, and regularly sought feedback from their counterparts in the field, to help to increase the likelihood of product success and employee adoption.

Questions to Consider

Below is a list of discussion questions to facilitate a transformation across HR.

1. **Given competing initiatives at your organization, will you be able to marshal the support of people from across the business, including IT, operations, finance, and HR executives?**

2. **Is there a clear and defined set of objectives and goals for your transformation initiative?**

3. **Have you identified a roster of colleagues with transformation and change management experience who can lead by example, influence colleagues, and communicate the key points behind any new initiative?**

4. **Do you have a formal framework in place for testing, seeking feedback, retesting, and then implementing new solutions?**
## Appendix II: Table of Figures

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 1</td>
<td>SAP at a Glance</td>
<td>4</td>
</tr>
<tr>
<td>Figure 2</td>
<td>SAP’s HR Organization</td>
<td>6</td>
</tr>
<tr>
<td>Figure 3</td>
<td>SAP Launch Methodology</td>
<td>10</td>
</tr>
</tbody>
</table>
Bersin by Deloitte delivers research-based people strategies designed to help leaders and their organizations deliver exceptional business performance. Bersin by Deloitte membership gives FORTUNE 1000 and Forbes Global 2000 HR professionals the information, action-focused tools, and performance support materials they need to prioritize, design, and implement leading practice solutions, as well as benchmark against others, develop their staff, and select and implement systems. A piece of Bersin by Deloitte research is downloaded on average approximately every minute during the business day. More than 5,000 organizations worldwide use our research and consulting to guide their HR, talent, and learning strategies.


This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the “Deloitte Network”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.

Copyright © 2016 Deloitte Development LLC. All rights reserved.

Member of Deloitte Touche Tohmatsu Limited.