
BENCHMARK REPORT

by Ogo Nwanyanwu June 2023

HCM AND SAP S/4HANA



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Insider Perspective

“We would benefit very much from a holistic enterprise approach when it comes to HR (and all other SAP modules). SAP simply does not perform well across our user experience. We developed on-premises solutions for our U.S. organizations that are not allowed to connect and integrate to the cloud, so we may be forced to stay on-premises in the existing HR technology if cloud is all that SAP is offering.”

— IT MANAGER, EMEA
AEROSPACE AND
DEFENSE

THE BUSINESS landscape has significantly transformed in the last few years, underscoring the need for a more human-centric approach to workforce management. Human Experience Management (HXM) systems, such as the SAP SuccessFactors HXM Suite, empower organizations to put the workforce at the center and are focused on enhancing the overall employee experience, boosting engagement, and driving productivity. For SAP organizations, HXM system adoption is often evaluated within the long-term scope of an enterprise transformation powered by SAP S/4HANA, which can improve operational efficiency, reduce costs, and enhance overall business performance. However, many organizations running SAP struggle to adopt these modern systems, despite the clear benefits of SAP S/4HANA, SAP SuccessFactors HXM Suite and Solution Extension partners.

The research investigates strategies progressive organizations use to navigate HXM adoption challenges. The data revealed that leaders with superior HXM business outcomes prioritized investments in robust time and attendance solutions. This valuable insight elevates SAP Time and Attendance Management by WorkForce Software, as a critical component of a successful HXM adoption strategy.

SAPinsider surveyed 114 community members from March to May 2023 to understand how the current HCM and SAP S/4HANA priorities may affect potential HXM adoption strategies. The top drivers pushing organizations toward adopting HXM strategies are the demands for visibility into HR processes and employee engagement (31% of survey respondents), and higher employee expectations for more tailored and user-friendly HR experiences (27%) (**Figure 1**). These factors correspond with the primary benefits SAPinsiders antici-

Figure 1: Key Drivers Shaping HCM and SAP S/4HANA Strategic Priorities in 2023



pate by moving to HXM systems — a better user experience for employees (63%) and increased employee satisfaction (45%). The transition to HXM allows organizations to reorient their HR strategies around enhancing the employee experience.

While HCM systems have successfully and efficiently managed HR operations, they often struggle to meet the needs of the modern, digitally empowered workforce. This struggle is particularly noticeable across workforce management of deskless workers (i.e., frontline or shift workers), who constitute approximately 80% of the global workforce today. However, transitioning from traditional Human Capital Management (HCM) systems to more modern, experience-centric HXM platforms is not without challenges. These challenges reflect in the survey findings as gaps between the respondent organizations' aspiration to enhance user experiences and the planned adoption of HXM systems. Only 12% of organizations intend to implement an HXM system by 2024. An additional 14% will target 2025, while other organizations have extended timeframes, with 11% planning to implement them by 2027 (**Figure 2**).

The survey indicated 37% of respondents have no HXM adoption plans, highlighting some key roadblocks in the path of HXM adoption. The cost was the biggest barrier highlighted by 38% of respondents, while 35% identified competing priorities as a barrier, and 25% held the complexity of transitioning from an existing HCM to an HXM system as a core concern (**Figure 3**).

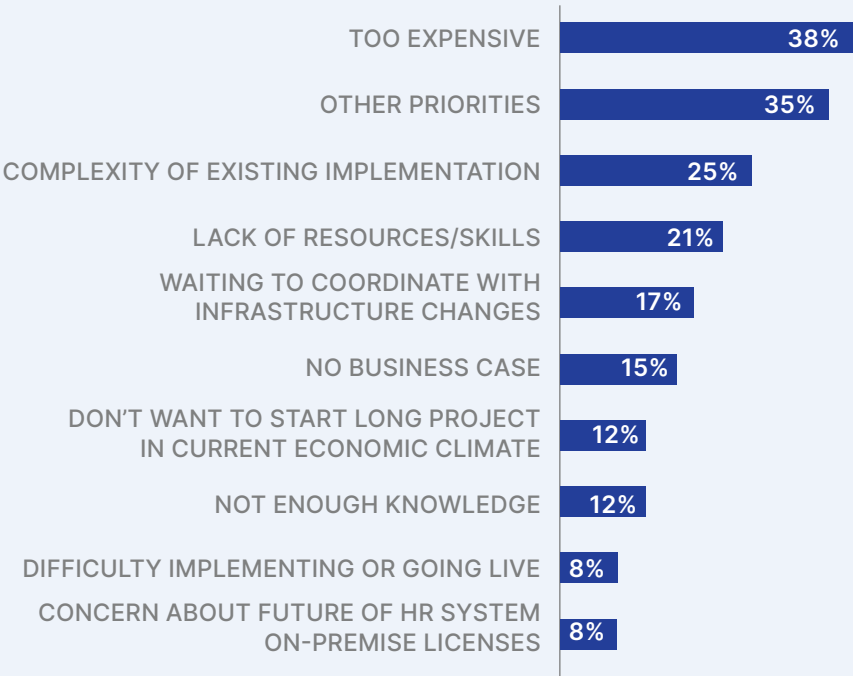
This insight underscores the importance of a robust business case that addresses such apprehensions and simplifies the transition toward HXM adoption. However, organizations are reluctant due to the perceived need for ROI from their existing HCM investments, with some stating, "We have invested a lot into our SuccessFactors instance; we do not think we will be looking to change systems anytime soon."

As the technology divide between the desked and deskless workers becomes more apparent, the challenge of promptly sourcing trained personnel during operational disruptions and supply chain issues has also emerged. This operational challenge, coupled with the persistent concerns regarding low engagement and retention, has steered progressive organizations to regard robust time and attendance functionalities as a fundamental aspect of their HXM strategy. This approach

Figure 2: HXM System Adoption Plans



Figure 3: Barriers to HXM System Adoption



enables organizations to overcome multiple HXM adoption barriers identified by SAPinsiders.

When building a business case for adopting HXM strategies, organizations using SAP solutions should focus on the potential return on investment (ROI) benefits that can be derived. SAPinsider's research indicates that implementing a cloud-based HXM system with a foundational HR solution like time and attendance management, leads to a positive ROI, as highlighted by 27% of the respondent organizations who reported their HXM and SAP S/4HANA strategies outperformed their peers, suggesting the potential of such an approach. These organizations demonstrate a much higher adoption rate of foundational HR technologies, most notably in time and attendance management (83%) **(Figure 4)**.

Time and attendance management is the only HR technology to attain over 80% adoption rate, demonstrating the critical role it plays in meeting the requirements of deskless workers, and offering streamlined experiences in line with today's workforce expectations. SAP Time and Attendance Management by WorkForce Software, an SAP Solution Extension, stands out in this regard. It offers modern workforce management solutions and a proven track record of delivering ROI. The Solution Extension can enhance native SAP applications, facilitating workforce visibility and promoting better employee experience and engagement, which respondents identified as the principal drivers of HXM system adoption among respondent organizations.

However, despite the availability of such solutions, 36% of respondent organizations identify themselves as 'laggards' who are assailed by budget constraints or competing priorities. When comparing technology adoption, leaders significantly outpaced laggards, especially in key foundational HR areas such as time and attendance management (83% vs. 43%), learning and development applications (78% vs. 38%), recruitment tools (72% vs. 38%), payroll solutions (72% vs. 58%), and core HR solutions (72% vs. 38%).

And while leading organizations aim to integrate more advanced HR technologies such as HR analytics, intelligent automation (including AI and RPA), and cloud-based development and extension platforms like SAP BTP, laggards are looking to catch up with an approach focused on implementing foundational HR technologies.

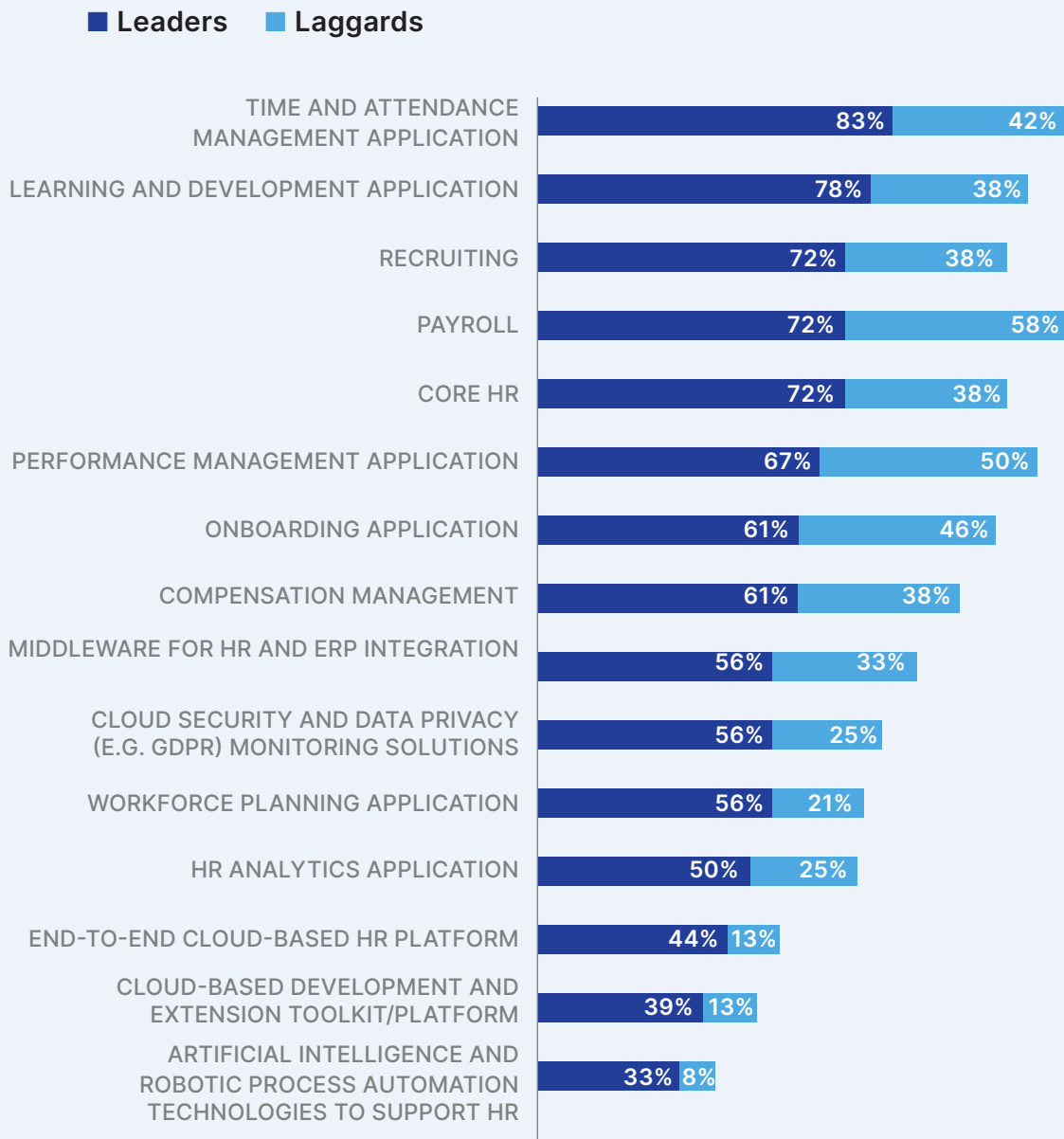
Regardless of current HR technology adoption maturity, organizations need a strategic roadmap aligned with core business objectives and employees' evolving needs. A move toward an interconnected and employee-centric model ap-

Insider Perspective

“No plans to adopt or evaluate HXM as we are uncertain about SuccessFactors HXM Suite available only in the cloud. In Aerospace, we use it tightly connected to our supply chain and other areas of our SAP implementation. We are not allowed (in these times of war, etc.) to connect a cloud-based solution to our ERP solution. Therefore, the integration won't be streamlined if we move to SuccessFactors locally (our global HR SuccessFactors is stand alone and therefore requires duplicate data entry currently).”

**– IT MANAGER, EMEA
AEROSPACE AND DEFENSE**

Figure 4: Technology Adoption — Leaders vs. Laggards



proach that pivots on a Human Experience Management (HXM) system defines the future of HR management.

The survey's findings also highlighted other significant observations. 84% of respondents emphasized the importance of keeping pace with compliance requirements for flexible scheduling, which emphasizes the significance of a robust time and attendance system, which is a crucial part of a successful HXM strategy.

Furthermore, leading organizations are 50% more likely to run SAP HXM SuccessFactors in the cloud. In contrast, lagging organizations are nearly 2.5 times more likely to run HR systems on-premises. SAPinsider's findings reveal a clear divide in HXM strategy performance between those embracing

the transformative potential of cloud-based HXM systems and those organizations clinging to on-premises HR solutions.

Additionally, the leading organizations are 33% more likely to implement SAP HXM SuccessFactors in the cloud, indicating a proactive approach toward HXM adoption. These organizations are also more likely to reap the benefits of HXM adoption, such as greater efficiency, improved employee satisfaction, and enhanced employee communication, representing the top business outcomes identified by leading organizations.

Whether leader or laggard, all organizations share a common goal — improved HR strategies, engaging work environment, and enhanced business performance. To achieve this, the transition from purely administrative HR processes to a more integrated, employee-centric approach as a foundational business strategy, is required. This is where HXM systems and modern ERP platform adoption become essential.

For SAP organizations navigating this journey, the survey findings are indicative of an important end goal — a cloud HR landscape that prioritizes human experiences supported by advanced technologies like SAP S/4HANA, SAP SuccessFactors HXM Suite, and SAP Time and Attendance Management by WorkForce Software.

Overall, the survey findings make a compelling case for organizations using on-premises HR solutions to reassess their stance. Leading organizations demonstrate that adopting HXM systems that offer modern and robust time and attendance functionality is essential for staying relevant and competitive. Meeting compliance requirements for flexible scheduling, coupled with the advantages of improved efficiency, heightened employee satisfaction, and better communication, form a compelling case for HXM systems adoption. By taking a strategic, future-focused approach to HR management, organizations can achieve success in a rapidly changing, predominantly deskless employee operating environment.

This year's survey also revealed several key findings regarding how SAPinsider organizations approach HXM and SAP S/4HANA strategic priorities. These are:

- SAP HCM systems hold a significant market share as 68% of respondents utilize SAP HCM systems, including SAP SuccessFactors. Workday HCM and Oracle Cloud HCM trail behind, adopted by 15% and 4% of participants, respectively.
- Change management is the most significant obstacle in managing the existing HCM environment, as identified by 36% of respondents. This reflects the difficulties in adapting

Insider Perspective

“Over the next one to two years our road map for HXM includes evaluating the SAP S/4 HANA system as well as exploring other options that may be available.

We have several competing project priorities from various business partners across the organization, but we have difficulty filling needed open positions to secure the right resources and skills.”

**– PRODUCT DEVELOPMENT
MANAGER, NORTH
AMERICAN SOFTWARE
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to new procedures, technologies, and strategies in the HCM domain. Customization also stands as a major hurdle, with 33% marking it as a top challenge, indicating the struggle of organizations in tailoring their HCM systems to fit unique business needs and requirements. Other issues include data management (22%), integration (21%), and both reporting and availability (each at 15%).

- The standout metric for gauging HXM strategy success is employee retention, used by nearly half (49%) of organizations, underscoring the importance placed on talent retention. Additionally, metrics around employee satisfaction (41%) and time to hire (44%), show that employee well-being and efficient recruitment are key HXM pillars. Metrics like cost per hire (33%) and expenses per employee (28%) indicate a cost-aware approach. Interestingly, metrics like labor turnover (20%), and turnover cost (23%) are less prioritized in the HXM performance evaluation.
- Regarding the mix of HR solutions employed across our HR community, most participants (32%) are running SAP HR on-premise solutions, suggesting a high reliance on traditional SAP infrastructures. However, cloud solutions are gaining ground, with 20% utilizing SAP SuccessFactors on the cloud. Hybrid environments are also evident, with 17% operating SAP on-premise and SAP SuccessFactors solutions. Fewer organizations rely solely on non-SAP solutions (8% for on-premise and 8% for cloud), with a small portion (6%) running a hybrid of all non-SAP solutions. This reflects the gradual transition towards cloud and hybrid environments in the HR technology space.

REQUIRED ACTIONS

Based on the survey responses, organizations should make the following plans around their HCM and SAP S/4HANA strategies:

- **Prioritize HR process modernization with a focus on employee experience.** Organizations can enhance the user experience by providing employees with self-service portals to manage everything from personal information to performance objectives from a single point of control. Simultaneously, this allows the HR team to utilize a central record system for employee data, minimizing effort duplication and reducing administrative work.
- **Create a unified overview of HR activities.** Consolidating disparate HR systems is pivotal for unified oversight and streamlined operations. Many organizations struggle with limited visibility and increased complexity with multiple vendor solutions. Transitioning to an integrated system like SAP SuccessFactors HXM Suite, alongside Solution Extension partners, can mitigate these challenges. Such consolidation offers managers clear insight into employee working hours, rest periods, and overtime, fostering compliance with labor requirements. Thus, it provides an opportunity for comprehensive and efficient HR management.
- **Enable a performance-driven culture with a cloud-based HXM system.** Consistent employee performance tracking, the use of systems like SAP SuccessFactors HXM Suite for calculating compensation based on performance ratings, and variable pay bonuses can build a performance-driven culture. This strategic prioritization can substantially uplift the employee experience, leading to higher engagement, productivity, and business performance, a chief concern among survey respondents across the board.



DRIVERS

- Demand for visibility into HR processes and employee engagement (31%)
- Higher employee expectations for more tailored and user-friendly HR experiences (27%)



ACTIONS

- Increase automation in HR processes to relieve pressure on HR employees (39%)
- Increase employee engagement, satisfaction, and retention through consistent and engaging experiences (37%)
- Invest in technology to improve worker productivity (36%)
- Ensure HR processes and technology support latest HR compliance regulations (34%)



REQUIREMENTS

- Consistent and integrated employee recruiting, onboarding, performance management, training and development strategies and processes (86%)
- Comprehensive HR reporting and analytics strategy (84%)
- Ability to keep pace with compliance requirements flexible scheduling (84%)
- Single point of truth of HR process-oriented and talent data (83%)



TECHNOLOGIES

- Payroll (64%)
- Core HR (59%)
- Time and attendance management application (56%)
- Learning and development application (54%)
- Performance management application (53%)
- Recruiting (52%)
- Onboarding application (50%)
- Middleware for HR and ERP integration (46%)
- Compensation management (46%)
- HR analytics application (38%)
- Cloud security and data privacy (e.g. GDPR) monitoring solutions (35%)
- End-to-end cloud-based HR platform (35%)

KEY TAKEAWAYS

SAPinsider's research reveals that SAP customers should apply the following key steps to ensure that their strategies for HCM and SAP S/4HANA have the foundation for success:

EVALUATE THE BENEFITS OF RISE WITH SAP FOR HXM WITHIN THE BROADER ENTERPRISE TRANSFORMATION STRATEGIES. With the end of mainstream maintenance for SAP ERP HCM in 2027 and the optional extension to 2030, organizations can no longer wait to finalize a plan. RISE with SAP for HXM presents an attractive solution, especially for those looking to move core HR to the cloud with Employee Central before the maintenance for their on-premise system ends. Align decision to move core HR to the cloud should with the organization's overall objectives, resource capabilities, and the evolving needs of its workforce.

EXPLORE SAP SUCCESSFACTORS HXM SUITE AND SOLUTION EXTENSION PARTNERS FOR EMPLOYEE EXPERIENCE ENHANCEMENT AND STRATEGIC HR EVOLUTION. The SAP SuccessFactors HXM Suite and Solution Extension partners can equip HR with the right tools and insights to play a more strategic role in the organization. With powerful analytics and reporting capabilities, HR teams can uncover critical workforce trends, make data-driven decisions, and align HR strategies with overall business objectives. Adopting the SAP SuccessFactors HXM Suite can therefore prove instrumental in accelerating digital transformation in HR, elevating employee experiences, and positioning HR as a crucial player in the organization's strategic agenda.

AIM FOR A UNIFIED EMPLOYEE DATA VIEW THAT FULLY INTEGRATES DESKED AND DESKLESS WORKERS. Organizations should strive for a more comprehensive view of employee data that spans various functions, locations, and both desked and deskless workers. This unified approach can offer a holistic understanding of the workforce, drive informed decision-making, foster a more inclusive culture, and improve engagement and productivity.

CONSIDER A MORE ROBUST TIME AND ATTENDANCE APPLICATION TO DRIVE ROI. Traditional systems are not designed with a focus on the employee experience. These systems may not offer personalized experiences, self-service capabilities, or mobile access, leading to frustration and reduced employee productivity. Organizations can improve accuracy and scalability by addressing these concerns with a more robust time and attendance application like SAP Time and Attendance Management, and generate significant ROI.

Appendix: The Dart™ Methodology

SAPinsider has rewritten the rules of research to provide actionable deliverables from its fact-based approach. The DART methodology serves as the very foundation on which SAPinsider educates end users to act, creates market awareness, drives demand, empowers sales forces, and validates return on investments. It is no wonder that organizations worldwide turn to SAPinsider for research with results.

THE DART METHODOLOGY PROVIDES PRACTICAL INSIGHTS, INCLUDING:

DRIVERS These are macro-level events that are affecting an organization. They can be both external and internal, and they require the implementation of strategic plans, people, processes, and systems.

ACTIONS These are strategies that companies can implement to address the effects of drivers on the business. These are the integration of people, processes, and technology. These should be business-based actions first, but they should fully leverage technology-enabled solutions to be relevant for our focus.

REQUIREMENTS These are business and process-level requirements that support the strategies. These tend to be end-to-end for a business process.

TECHNOLOGY These are technology and systems-related requirements that enable the business requirements and support the company's overall strategies. The requirements must consider the current technology architecture and provide for the adoption of new and innovative technology-enabled capabilities.

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