

Strategic Human Resource Management: A Case Study of SAP 1

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Strategic Human Resource Management: A Case Study of SAP

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Introduction

There has been an increased relevance of human resources in accomplishing an organisation's strategic goals. That has been evidenced by the emergence of the concept of strategic human resource management, which entails the integration of human resource (HR) practices with strategic management (Alkhazali and Halim, 2016). The growing emphasis on linking human resource management (HRM) to an organisation's strategy is based on the increased uptake of the resource-based perspective of an organisation's elements, including human resources. According to Cheng and Huang (2009), people and their skills, competencies, and capacity to leverage the skills to the well-being of their employing organisation, is a catalyst for the success of an organisation. That is in addition to being a source of unique competitive advantages. Consequently, strategic human resource management can be perceived as the vertical integration of human resource management practices with an organisation's business strategy. Furthermore, horizontally, it is the convergence of various procedures within HR practice. Adopting SHRM practices within an organisation means a high level of commitment from the leadership team, coupled with a sound implementation strategy. Considering that such a strategy may be ambiguous to arrive at for the majority, there is thus a need to undertake a case study of an organisation that has succeeded in implementing an effective SHRM framework to

act as a benchmark for other organisations (Castro et al., 2020). To that effect, the current study focuses on SAP, which is one of the global leaders in SHRM, which the company has leveraged as a key source of its competitiveness.

Background of SAP

SAP was founded in 1972 in Walldorf – Germany. It has grown to its current level, where it is a global leader in providing enterprise application systems, such as supply chain management, customer relationship management, and data management services. The company has a current workforce of over 400,000 employees, spread out in 180 countries worldwide. SAP has stood out among its peers, especially due to its extensive commitment to sustainability. Wherein 2020, the company was ranked as the most sustainable software company globally by the Dow Jones Sustainability Indices, which was the fourteenth consecutive time that SAP has won the award. Furthermore, the company is very successful in Germany, and the parent company SAP SE stewards 269 companies that are involved in the development, distribution, and provision of SAP's products and services to the company's customers. The company assesses success based on several financial and non-financial metrics such as growth, profitability, customer satisfaction, employee engagement, in addition to the carbon footprint. As illustrated in Table 1 below, SAP has consistently met and exceeded its performance outlook. For instance, in 2020, for a projected operating profit of €8.1 - €8.5 billion, the company achieved an operating profit of €8.5 billion. Considering that the trend is witnessed in other aspects, including revenue, customer net promoter score, and employee engagement, it indicates an organisation performing at a near-optimal level of operational efficiency.

Strategic Objective	KPI	2020 Outlook (non-IFRS, at constant currencies)	2020 Results (non-IFRS, at constant currencies)
Growth	Cloud revenue	€8.0 billion to €8.2 billion*	€8.24 billion
	Cloud and software revenue	€23.1 billion to €23.6 billion*	€23.72 billion
	Total revenue	€27.2 billion to €27.8 billion*	€27.90 billion
Profitability	Operating profit	€8.1 billion to €8.5 billion*	€8.50 billion
Customer Loyalty	Customer Net Promoter Score	+3 to +1	4
Employee Engagement	Employee Engagement Index	84% to 86%	86%
Carbon Impact	Net greenhouse gas emissions	150 kt**	135 kt

Table 1: SAP Outlook and Results for 2020 Financial Year (SAP, 2021)

Strategic Human Resource Management with SAP

SAP has witnessed extensive growth, especially over the past few decades, to its current level as one of the best companies globally in terms of financial performance and commitment to the well-being of its various stakeholders. One of the main catalysts for the company's success has been its extensive dedication to taking care of the welfare of its employees, using different strategies, including employee well-being programs (SAP, 2021.a). Crucially, when a business pursues the concept of employee well-being as its core business strategy as opposed to merely a means to reign in on turnover rates and healthcare costs, it has the potential to yield significant returns on investment on account of positive human resource indicators. These include high levels of employee engagement, significantly low turnover rates, in addition to a high level of productivity. For SAP, the enhancement of the quality of life of its employees serves as one of the main business enablers (Purcell, 2019). Interestingly, in contrast to most companies who leave the various aspects of employee management to human resource departments, for SAP, the top leadership view employee well-being as an important strategic priority.

To that effect, there are plans in place and tools of measurement and concrete endeavours aimed toward improving the way the company handles its employees since that is directly tied to its bottom line. Vitality, motivation stands out as a suitable tool with which an organisation can drive up the levels of employee engagement. Of importance among the different motivation theories is the expectancy theory, whereby one's motivation is hinged on their expectation. When one's expectations are not met, one will feel unfairly treated, resulting in dissatisfaction. Importantly, motivation is not merely a function of rewards; rather, for an employee to be motivated, there is a need for them to believe that they can perform well at their tasks and that a high level of performance from them will result in result in rewards that they value (Valentine et al., 2020). SAP embraces the concept of employee motivation. It puts the welfare of employees at the heart of its operations, which is reflected by the company's people strategy depicted in Figure 1 below.

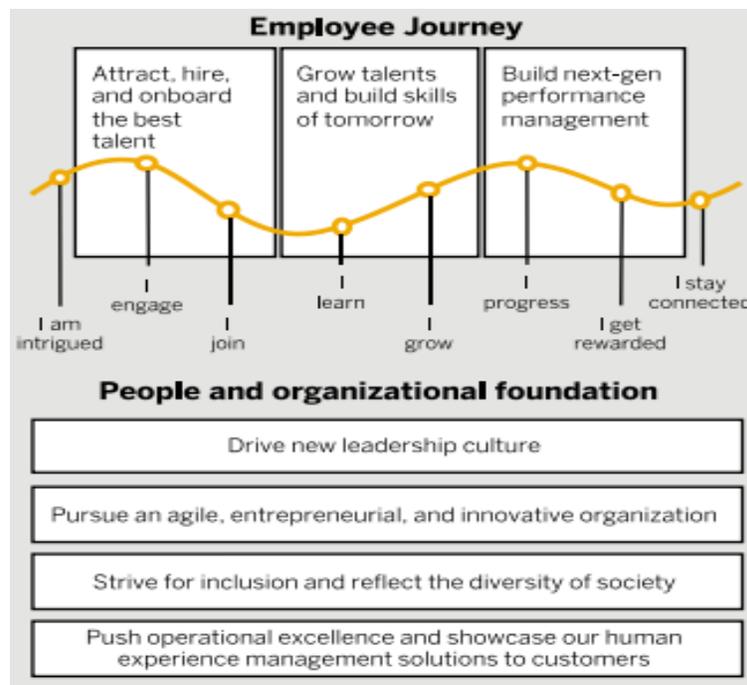


Figure 1: SAP's People Strategy (SAP, 2021)

SAP's people strategy in Figure 1 above is based on seven pillars. The employee-focused programmes that the company has invested in have increased the levels of engagement within its workforce. Vivaly, SAP's strategic and systematic approach to managing human resources has been a key contributor to the company's leadership position concerning employee well-being. The key distinguishing factor between SAP and other organisations is that its top leadership, including the CEO and Board of Directors, is actively enhancing employee well-being. It is a top priority for them within their strategic objectives (SAP, 2021). That level of commitment to the welfare of its employees has meant that the company has, over the past decade, won multiple employee awards, where in 2018, it won 175 such awards. Crucially, the company's competitive remuneration packages, coupled with SAP's holistic approach to enhancing the well-being of its workforce, ensure that its employees maintain a balanced lifestyle and flourish in all four areas of health and wellness, including physical and social, mental, and emotional.

Conclusion

The concept of strategic human resource management has gained traction over the past two decades as an effective way of aligning an organisation's human resource functions with its broader strategic goals. Importantly, there is an acknowledgement that SHRM is an effective tool for an organisation to increase its profitability by having a highly productive and engaged workforce. That is reflected by SAP as one of the pioneers in tying its people practices to its organisational strategies. As outlined by SAP's executives, when an organisation addresses the well-being of its employees as a core business strategy, it stands to benefit immensely from positive HR metrics, including higher levels of employee engagement, low turnover rates, and a high level of productivity. That perspective resonates with the extensive employee welfare

programmes that SAP has put in place for its workforce to lead a balanced life and flourish in all aspects of their health and well-being, including physical, mental, emotional, and social.

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