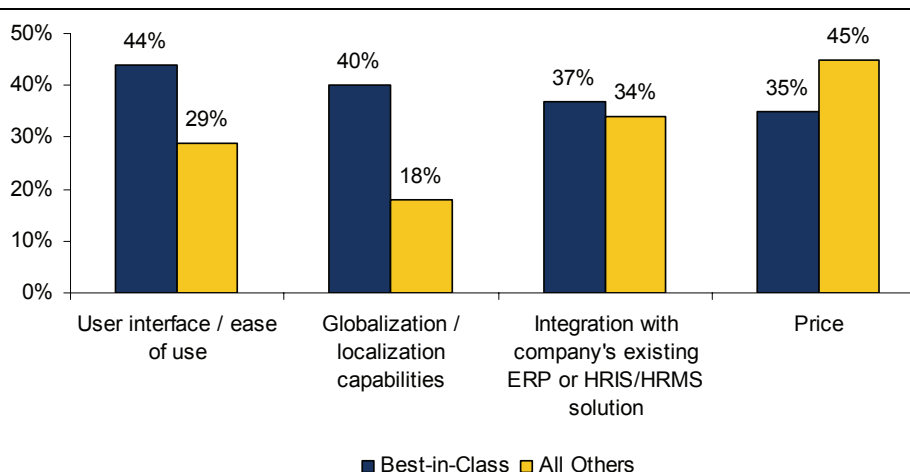


January, 2008

Study Findings Show Best-in-Class Organizations use Integrated HCM

In December 2007, Aberdeen Group surveyed 245 organizations around the world to determine Best-in-Class practices in Human Capital Management (HCM). A primary objective of the study was to determine whether Best-in-Class companies are more likely to use integrated HCM suites or best of breed HCM point solutions. Results from this study show that 56% of all organizations surveyed (including 64% of those that achieved Best-in-Class status) indicated they prefer a fully integrated solution for HCM. In addition to price and the ability to address global needs, the main criteria Best-in-Class organizations have prioritized when selecting HCM solutions are integration with existing ERP or HRIS / HRMS and user interface.

Figure 1: Top Criteria for Selecting an HCM Solution



Source: Aberdeen Group, December 2007

SAP Customers Excel

Survey data indicates that SAP's ERP HCM customers are outperforming non-SAP customers against key HCM performance criteria. SAP customers are more than twice as likely as non-SAP customers to attain Best-in-Class status. Figure 2 highlights the two group's performance according to the five metrics used to determine Best-in-Class companies.

Research Brief

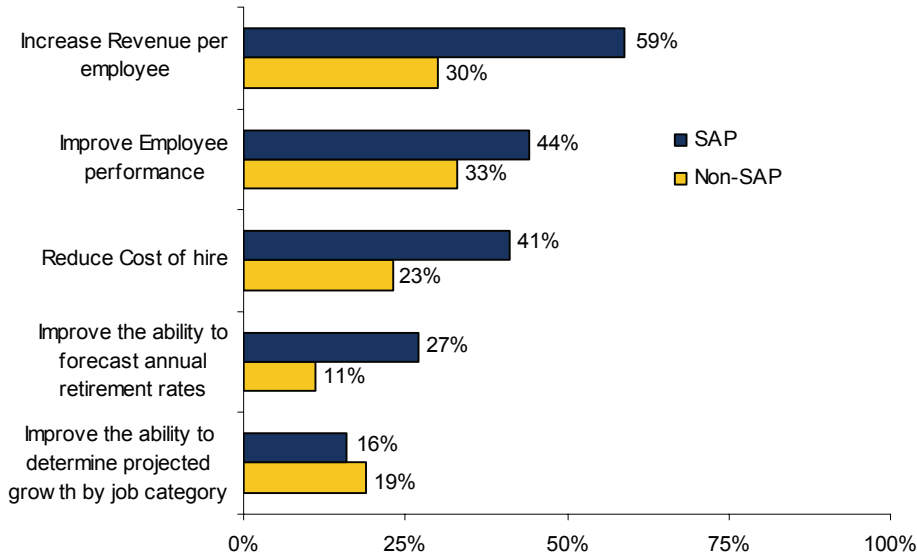
Aberdeen's Research Briefs provide a synopsis of the principal findings derived from primary research, including key performance indicators, Best-in-Class insight, and vendor insight

Best-in-Class Determination

The following five metrics were used to determine Best-in-Class performance for this study:

- ✓ Increase revenue per employee
- ✓ Improve employee performance
- ✓ Reduce cost of hire
- ✓ Improve the ability to forecast annual retirement rates
- ✓ Improve the ability to determine projected growth by job category

Figure 2: SAP Customers Outperform Others in Best-in-Class Metrics



Source: Aberdeen Group, December 2007

"Data management is easier with a single repository because it eliminates data duplication issues. In addition, we like the single HR database for all the companies within the corporation."

~ CIO, Large European Company, Revenue over US\$5 Billion

In addition to outperforming their counterparts in the Best-in-Class metrics, SAP customers achieve performance improvements across several other key performance criteria (Table I). This demonstrates how SAP customers are able to utilize their HCM system to efficiently perform workforce and talent management tasks such as on-boarding, employee performance management, payroll processing, incentive compensation management, and benefit management - while increasing their HR compliance scores.

Table I: Performance in Other HCM Metrics

Improved Metrics	SAP	Non-SAP
Employee engagement during on-boarding	59%	38%
New hire processing time	54%	34%
Accuracy of pay rate rules	52%	23%
Payroll processing error rates	50%	27%
Ability to measure wages per period	50%	25%
Admin time spent monitoring reward status	44%	12%
Accuracy of tardiness rate	44%	14%
Ability to determine vacation accrual rates	44%	22%
Compliance scores	42%	22%
Ability to benchmark pay scales	41%	24%
Completion rate of reviews	41%	30%

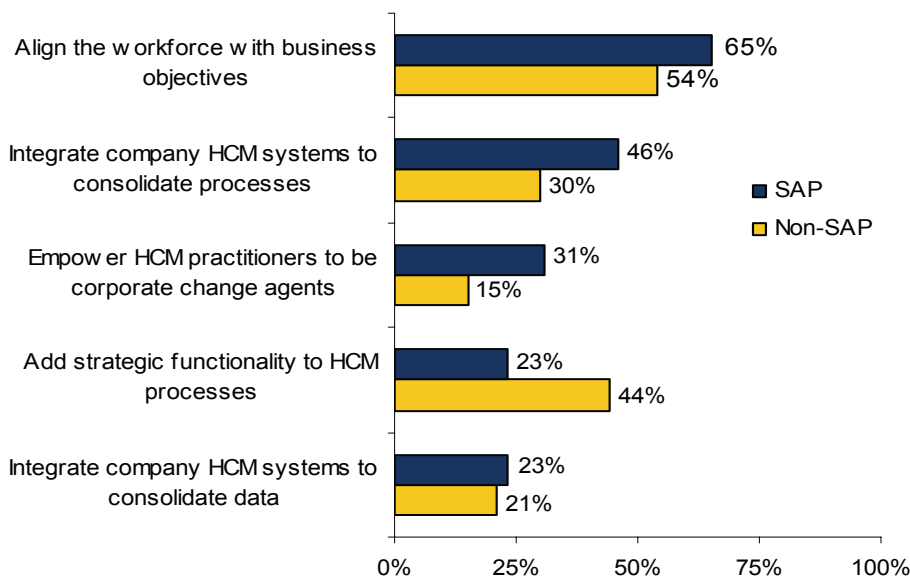
Source: Aberdeen Group, December 2007

Key Differentiators

Performance improvement is a lagging indicator of a company's ability to do things right. Eighty-nine percent (89%) of SAP customers ranked HCM as a high priority compared to 76% of non-SAP customers. Additionally, almost half of SAP customers have their core ERP fully integrated with the core HRIS that is also from SAP.

The actions that SAP HCM customers are carrying out to support their HCM pursuits highlight the importance these companies place on creating an internal organizational structure that can support this focus. For example, SAP HCM customers are more than twice as likely as non-SAP HCM customers to empower HCM practitioners to be corporate change agents, thus allowing them to make decisions regarding process improvements while fostering ideas and innovation. They are also over 50% more likely to focus HCM integration on the consolidation of HCM processes rather than just data alone. The latter cannot be emphasized enough, as data without a structure in place on how to use it would have little value for the company. Figure 3 shows the top strategic actions taken by both groups.

Figure 3: SAP versus Non-SAP Customer - Top Strategic Actions



Source: Aberdeen Group, December 2007

Moreover, SAP customers support their strategic actions by adopting certain capabilities and technologies that enable them to better capitalize on their HCM investments and further help them to differentiate themselves from their peers. To ensure that the workforce is aligned with business objectives, SAP users are 25% more likely than other companies to link workforce pay to performance. They are also 30% more likely to communicate the corporate HCM strategy to all stakeholders.

“Organizations that are already using SAP as their ERP should leverage SAP for HCM because they are able to focus their efforts on more critical efficiency areas such as process improvement rather than the technology aspects of the implementation. By going through the process of building the technology and supporting infrastructure for SAP ERP, these organizations already have established and put in place all the data points and staffing resources required to support it. This can mean shorter implementation time with greater effectiveness and efficiency gains.”

~ Steve Bradley, President
Learn2Perform, Inc. (SAP
Systems Integrator)

Additionally, to monitor the Return on Investment (ROI) from HCM initiatives, SAP customers are:

- 30% more likely than their peers to define anticipated outcomes of HCM projects
- 34% more likely than their peers to identify key HCM performance areas within the organization
- 39% more likely than their peers to verify the accuracy of HCM data and metrics
- 46% more likely than their peers to regularly report on HCM KPIs
- 90% more likely than their peers to measure efficacy of HCM initiatives

This data shows that SAP allows users to have more visibility into HCM data and at the same time enhances their ability to manage the performance of the initiatives while learning from, and continuously improving upon them. Thus, they are able to maximize the ROI and take advantage of their HCM systems. In terms of technology tools utilized, SAP customers overwhelmingly rely on automation to achieve Best-in-Class status. Table 2 compares SAP's HCM tool automation to non-SAP users.

Table 2: HCM Automation

	SAP	Non-SAP
Scheduling tools	74%	45%
Payroll	73%	64%
Benefits management	65%	51%
Employee performance management	56%	37%
Competency management tools	52%	26%
Workforce planning	50%	26%

Source: Aberdeen Group, December 2007

Not surprisingly, the data showed only a slight variance between the two groups regarding automating core HR functions such as payroll and benefits management. However, with respect to more strategic talent and workforce management practices, SAP users distance themselves from peer organizations in elements such as competency management, employee performance management, and workforce planning.

Overcoming a Best of Breed Hurdle

Aberdeen's research shows that user interface and feature functionality are the primary areas where best of breed solutions have the perceived advantage over the major ERP HCM vendors (such as SAP). In fact, Aberdeen has found that while customer satisfaction for SAP users is higher

than that of its peers (59% versus 40%), it lags Aberdeen's Best-in-Class organizations (72% satisfaction rate).

However, SAP is moving aggressively to overcome this perceived shortfall through a series of user interface improvements. And, through its delivery mechanism for functionality (known as SAP enhancement packages), software innovations such as user interface enhancements, can be delivered to SAP clients without the costs and disruption typically associated with an upgrade. In an area where HR and IT routinely butt heads, these moves also signify SAP's determination to help organizations fully utilize and leverage the integration of its solutions while not feeling short-changed by limited end user functionality.

For more information on this or other research topics, please visit www.aberdeen.com.

Related Research

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[Employee Performance Management and Talent Acquisition in Larger Companies](#) December 2007

[Mid-Sized Companies Lag Larger Counterparts in Succession Planning](#) January 2008

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