Future of Work powered by SAP

Trend Report

2023



Empowered for the **Future of Work**

We are navigating a world of constant and unpredictable change with new levels of complexity and speed, leading to radical shifts in how we live and work. The COVID-19 pandemic demanded immediate remote-work solutions that most employees want to preserve. Constant digitalization and an "always-on" world create concern for employee burnout and work-related stress. Skills shortages and bouncing between the "great resignation" and the "great regret" continue to dominate headlines. As the first digitally native and most diverse generation, Gen Z brings a new set of expectations to the workplace. These are a few of the disrupters changing our world of work and creating opportunity for all industries.

To remain successful in this new environment, retain the best staff, and attract new colleagues, SAP will continue to evolve towards greater agility, innovation, and resilience. **Our Future of Work initiative has started** and since accelerated, with

our recent focus on empowering our employees to transition to our new post-pandemic hybrid work model. Scouting for the newest trends and looking towards a "new normal," we believe the Future of Work goes beyond creating a new "where" of work. This is why we take a holistic and broad approach, delivering our agenda across three strategic dimensions: future of workforce, future of people practices, and future of HR. This will lay the foundation for SAP's continued attractiveness as an employer of choice.

In this report, explore the current **trends** we have identified along the three strategic dimensions. Learn how we are approaching them and see datadriven evidence of our efforts across SAP, all with the goal of driving a **cultural transformation** to make SAP even more agile and resilient. We aim to empower our people to thrive and contribute to the **sustainable success** of SAP's customers and partners.



"The Future of Work is flexible and fueled by a culture of innovation and trust. Leveraging the combination of great people and leading-edge technology will be the key for business success. Let's create an environment where teams can thrive and achieve great results together."

Christian Schmeichel, SVP & Chief Future of Work Officer, SAP

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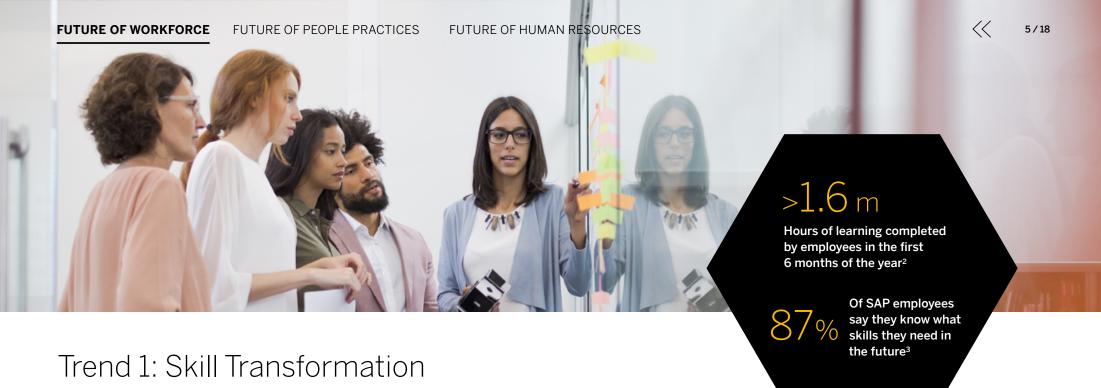


Future of Workforce

Accelerated digitalization and technology advances fuel the **need for skill transformations** across large portions of today's workforce. The shift of skills as well as demographic changes result in a shortage of available talent, emphasizing the necessity of a clear understanding of future workforce demands.

These challenges further shed light on opportunities for a **flexible and diverse workforce** – for example, through broad inclusion across generations and "gig workers" like freelancers, contractors, and other temporary staff.

Only through holistic strategic workforce management will it be possible to answer key questions around target skills and **optimal workforce composition**. This approach is essential to appropriately recruit and deploy the right talent with the right skills in the right places to secure sustainable business success.

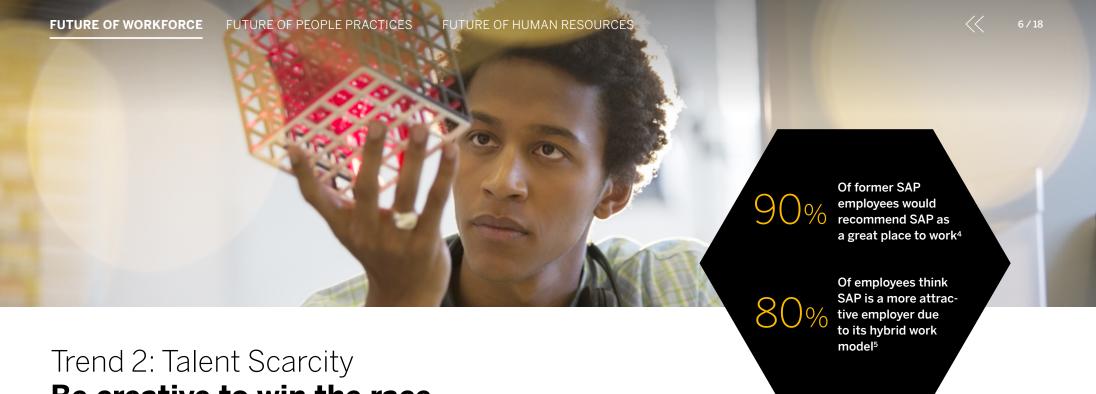


Don't stop learning.

With automation, digitalization, and recent global crises, including COVID-19 and multinational conflicts, it is **imperative to improve people's skills and make them future-ready** when considering ongoing skills transformation. According to the World Economic Forum, it is estimated that 1.1 billion jobs are likely to be radically transformed through technology in the next decade.¹

Many organizations are investing heavily in **re- and upskilling their workforce** and installing a mindset of lifelong learning to cover critical, yet continuously changing skills. SAP offers employees the resources and time to commit to learning and development opportunities (79% of employees agree) and encourages employees to innovate by coming up with better ways of working (87% of employees agree).

In response to talent shortages, organizations are shifting to a skills-over-degree approach to hiring. **Top in-demand digital skills** include application development, DevOps, cloud infrastructure capabilities, applied intelligence, and data and analytics. To build processes around talent and skills including hiring and project staffing, performance management, and even compensation, a **skills inventory** has become an imperative foundation.



Be creative to win the race.

For many organizations, attracting and retaining talent is increasingly challenging. A demographic shift as baby boomers gradually leave the workforce decreases the labor volume: this is exacerbated by the pandemic-prompted "great resignation." At the same time, managers are confronted with closing the skills gap in an ever-changing environment. Given dynamics in the talent and job market, employers should expect to face higher year-overyear turnover rates, and filling a role might take longer than they anticipate.

With a competitive talent market at hand, organizations need to be creative and innovative in attracting new talent and rethink their incentive landscape. For example, they can leverage alumni, including young talent who left the company early in their careers, as brand ambassadors and referral sources. They can add hybrid, remote, and

flexible work as options to traditional economic incentives. Organizations must continually re- and upskill their workforce. and it is more important than ever to focus on the retention, development, and mobility of internal talent. To this end, SAP uses statistical modelling to identify the main drivers in employee commitment based on open employee experience survey comments.



As the pace of change accelerates around them, organizations are bound to change, as well. This has led to operations work – running the organization – being overtaken by project work – changing the organization. With this shift, we anticipate significant demand for **project management skills** today and in the future.

This trend is especially apparent in the software industry. A fast-paced business with **project-based and agile ways of working** often requires specific skills for a limited time that might not always be available internally. This creates an environment advantageous for engaging **external workers** like freelancers or contractors.

While many of these "gig workers" sometimes wished for the greater stability and financial safety of a full-time job during the pandemic, they are likely to be in high demand for **short-term assignments** in the foreseeable future.

The increased flexibility and fluidity of the workforce demonstrates the importance of simplifying access to external workers and establishing a total workforce management strategy.



Massive demographic change brings opportunities as well as challenges for a **multi-generational work-force**. As baby boomers gradually leave the labor market, we see a decreasing – yet aging –

At the same time, a new generation is about to join the game. As **Gen Z'ers** (1997–2012) enter the labor market, many are seeking a job in software engineering or development. In the constant **race**

for young talent, it is important to identify and

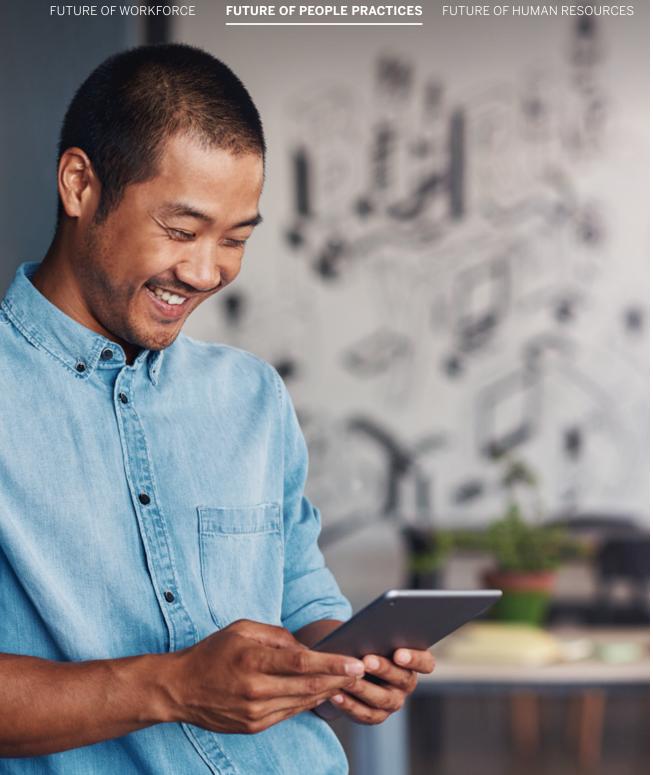
workforce.

respect their expectations: independence and flexibility, as well as careful selection of employers based on purpose and fit to their own values, to mention a few.

Yet the older generations still make up the largest portion of the workforce. In the age of talent shortage and "**silver society**," a mental shift is needed to value the experience and wisdom of tenured colleagues – and find the best ways to retain and attract them.

In the end, the right mix of generations can be an opportunity for organizations to build an age-inclusive workforce fueling a corporate knowledge culture and generational exchange. Mentoring programs can be invaluable in unleashing crossgenerational intelligence.



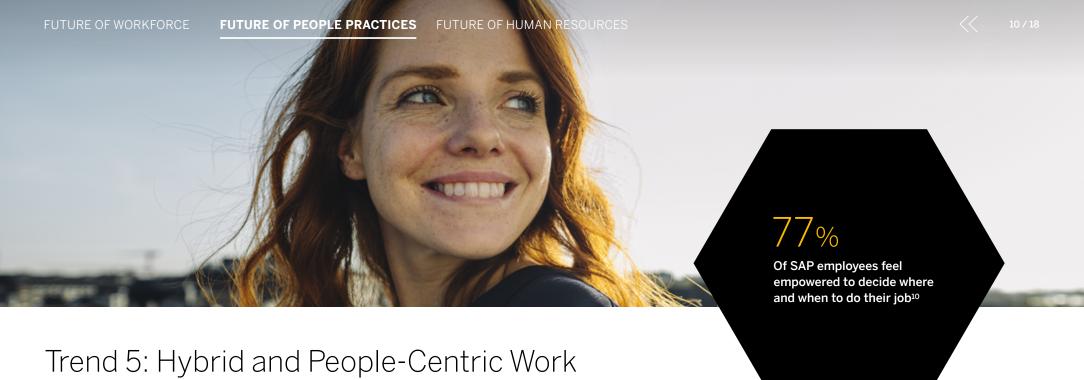


Future of **People Practices**

To meet ever-changing employee needs, we need to constantly challenge and evolve our people and workplace practices. Recent global disruptions have led to different challenges and opportunities.

On the one side, the safety, mental health, and well**being of employees** – the organization's most valuable asset – became a primary concern for many employers. This has made a lasting impact and call for change beyond crisis management. On the other side, the shift to **hybrid work models** proved beneficial to both employees and employers in terms of flexibility and productivity. Workers were prompted to reevaluate not just the role of work in their lives, but the selection of their employer, too.

The power balance shifted between employers and employees, with the latter emphatically claiming corporate commitments to diversity, inclusion, and environmental sustainability. It is more important than ever to put employees' needs and work experience front and center.



Put people at the center, not locations.

As the pandemic situation evolves, more employers have turned to a **hybrid model** with a mix of on-site and remote work – by now a well-accepted business practice that is widely expected to stay. A hybrid work model has shown to enable a better work-life balance along with the ability to **increase productivity** on an employee and team level, reduce costs, enable greater **individual flexibility** and broaden access to diverse talent pools.

With SAP's flexible work model, **Pledge-to-Flex**, our employees are fully empowered to decide when and where they work, in keeping with business requirements and local legislation. This provides a setup that fits every role and work style, while **keeping customer and business requirements** at the fore. In parallel, this approach aims to foster easy and smooth collaboration, regardless of where people are located.

A sustainable hybrid model **designs work around people rather than location**. This requires new approaches that expand work models beyond the flexibility of "where" and "when" to work, towards the "how" to work including greater autonomy and empathy.



The pandemic and the sudden disruption in work setups had a major impact on the health of employees, especially **mental health** – primarily increased burnout and feelings of isolation. Employees want to feel cared for by their employers and expect a broader and more personalized range of benefits to cater to their diverse needs. The topic for many organizations has evolved from a "nice to have" to a "must have" to **retain talent and stay attractive** as an employer.

Beyond safety measures taken across the globe over the course of the pandemic, SAP has further strengthened its pledge to employee health through mental health initiatives. These include a **Mental Health Day** as an additional day off, **destigmatization** (for example, "It's OK not to be OK" social campaign), and **prevention** such as mindfulness practices. An increase of SAP's Health and Well-Being Index shows that, despite the pandemic, these efforts are paying off.¹¹

Taking a **holistic approach** including programs to promote physical, mental, emotional, and financial well-being can increase employee health and engagement. Further, thinking holistically should encourage a health perspective in job and work design, rewards practices, and company culture (commitment to psychological safety and employee listening).

With the major disruptions and uncertainties of the past few years, more and more people are reevaluating the role that work plays in their lives. Employees are expecting and asking more from their employers. People are no longer interested in working in a power setting as old as the Industrial Revolution. Nowadays, employees want to be their true selves, work in line with their values, be treated fairly and equally, and be fully in charge of setting and achieving their own goals.

To be an employer of choice and attract and retain talent, organizations first have to respond with greater empathy and flexibility towards employee needs, such as family and health. At SAP, an analysis of more than 30,000 comments from a global employee survey revealed that career development and growth opportunities, as well as team culture and flex work, are among the top drivers of long-term commitment.

Secondly, the importance of a strong **employer value proposition** has never been higher. Top talents are now interviewing the organization

rather than the other way around. Employers need to be creative to strengthen their brand and talent pipeline – for example, through emotionally connected alumni as strategic brand ambassadors with rehire potential.

Overall, the **employee-employer dynamic** can be rebalanced by treating people with respect, encouraging their individuality and autonomy, and fostering a partnership with mutual trust.



Diversity, equity, and inclusion (DE&I) continues to be a top priority for many HR leaders, and we have seen an unmatched level of organizational commitment. Organizations benefit tremendously from the **diversification of their workforce** (gender, race, ethnicity, sexual orientation, disability, religion, age, and so on). However, employees are calling for more progress on DE&I efforts. Employers must

invest in a more inclusive, supportive culture free

from discrimination, harassment, or racism to retain talent and create a better workplace for all.

With hybrid work, an additional dimension of fairness comes into play: Do those working on site and more visible to managers have advantages over those working remotely? With women and employees from underrepresented groups more likely to leverage hybrid or flexible work, proximity bias becomes a risk for fair treatment in promotions and homogeneous leadership pipelines.

DE&I is most effective when it is fully **embedded into the culture and day-to-day work** across all people practices: inclusive hiring, building DE&I capabilities, fair rewards practices, and the use of accessible technology, for example. Organizations need to ensure that everyone has the same opportunities for success and focus on creating a supportive workplace where everyone can do their best work.



Future of **HR**

To architect the future of work, we need to take full advantage of the opportunities and **disruptive power of digitalization**. At SAP, our People & Operations organization leverages the combined power of our people, processes, and technology to holistically accelerate SAP's cloud transformation. Employing **state-of-the-art technology** and **digital-first HR services** enables scalability and further efficiency across leading-edge work experiences.

Beyond advances in automation and rising technologies like virtual and augmented reality, it is more important than ever for HR to retain the "human factor" at work and empower people to thrive. **Fostering new, agile ways of working** allows people to find greater meaning in their work, puts trust and a healthy culture at the center, and keeps a physically disconnected workforce together through a **shared purpose**.

In the end, the Future of HR is about complementing digital capabilities with the right skills and mindset to deliver outstanding employee experiences and support our business in sustaining productivity, innovation, and health.





Trend 9: Automation, AI, and Robots

Scale with digital-first services.

The pandemic dramatically accelerated the pace of digital transformation. With this continued disruption, digital technologies including AI, automation and cloud capabilities boost efficiency and productivity and enable new ways of working. With a shift to hybrid working models, the technology that enables the employee lifecycle journey needs to evolve, too. HR teams adopting digital-first services can increase the employee and customer experience and help support the organization in a scalable, efficient, and cost-conscious way.

At SAP, for instance, our Al-powered chatbot managed 42,000 HR requests in a 12-month time frame - with 24/7 availability and immediate support.

Automation is transforming today's work, freeing up employees from repetitive and time-consuming tasks to better support the business with highvalue services. According to the World Economic

Forum Future of Jobs report, humans and machines will spend almost an equal amount of time on tasks in the workplace in 2025.18 Despite new technologies impacting many jobs across industries, even more **new jobs will be created** – for example, addressing needs around data science and people analytics. With digitalization, we can scale learning support to better address required re- and up-skilling to take advantage of how work and the workforce transforms.

90%

checks19

Effort reduction by automating parts of background verification

> Faster processing time for new-hire offer packages due to process automation²⁰



New technology is disrupting the way we work. Navigating health and safety concerns in a post-pandemic work environment placed significant limitations on physical meetings and business travel. This experience led to greater demand for authentic and interactive virtual experiences.

Augmented reality, or AR (adding digital elements to a real-life experience) and virtual reality, or VR (creating a complete virtual world to interact with) are projected to become mainstream and widely adopted in business within the next couple of years. Further down the road is the metaverse, a network of shared virtual 3D worlds that are interactive, immersive, and collaborative. The concept is to allow people to do business and forge social connections through virtual avatars – thinking as far as Al-enabled digital twins for meetings.

The metaverse can potentially be used for team meetings or large employee events, simulated experiences for onboarding, or immersive learning and leadership development.

Essentially, every HR and talent-related program can be redesigned with immersive technologies, bringing employee (EX) and customer experience (CX) to new heights.



The pandemic brought renewed awareness of the need for **agility** and **resilience** at organizational, team, and individual levels. To quickly **adapt to changing business demands**, employees must be enabled as members of dynamic teams, able to flexibly work from any location at any time.

Beyond that, the idea of **new work** is touching a deeper understanding of how we live and work, striving for a more human way that allows people to find meaning in their work and unleash their full potential.

At SAP, we guide pioneering teams through their new-work journeys, fostering a **people-positive** and **complexity-conscious** mindset – believing and trusting in employees' goodwill, eagerness to grow, and sense of responsibility. With this mindset, we acknowledge that being part of a complex and unpredictable world requires a different approach. **Empowering employees** in a network of **self-organized teams** with distributed leadership and high levels of psychological safety not only impacts our employees' experience, but our customers' experience as well.

For HR, this requires a focus on a new set of capabilities to support the organization through **new ways of working**, including experience management, agile, digital, and data-driven HR.



Connect through a shared purpose.

"Culture erosion" is a phenomenon that has emerged through the recent disruptions in the way we work: away from on-site collaboration to more remote and hybrid work. It describes the process of a group or organization slowly losing its core values and goals.

Organizations need to watch for trouble before it is too late, as culture is a key factor for **organizational attractiveness and employee engagement**.

At the same time, people are leaving companies that are not genuinely purposeful and do not reflect their personal values. For example, employees desire to do meaningful work for organizations with robust **environmental**, **social**, **and governance** (**ESG**) **commitments** that have a positive impact on the world around them.

Job-seeking talent wants to fit in, be inspired and valued, feel cared for and connected to the company. A key element to connect people is a shared purpose. A **shared purpose** works as glue to stick a scattered workforce together – independent of their physical workplace. It needs a "whole of HR" approach to find new ways to foster employees' emotional proximity, feelings of belonging and connectedness, and to make it a core element of the company culture.





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