

A Forrester Consulting
Thought Leadership Spotlight
Commissioned By SAP

January 2021

Improve Employee Experience To Drive Business Outcomes

Technology's Key Role For Small And Medium-
Size Businesses





72% of HR decision-makers believe that EX will be one of the most critical aspects of HR work in the next two years

Introduction

Forrester has long maintained that a productive employee is an engaged employee, and an engaged employee is good for the business. To maintain happy, productive employees, organizations must create positive experiences by balancing the demands employees face in their daily work and the resources they need to meet them. For this reason, the practice of managing employee experience (EX) has become increasingly important to today's business leaders. Especially during times of monumental global change, organizations must pay attention to the ramifications of good — and bad — EX.

SAP commissioned Forrester Consulting to explore the concept of EX and its connection to creating long-term business value. Forrester conducted two online surveys with a total of 400 global respondents at small and medium-size businesses — one of HR decision-makers and one of employees. We found that managing positive employee experience is more important than ever in driving organizational success, and technology plays a significant role in creating effective EX.

KEY FINDINGS

- › **EX is an increasingly important driver of business success.** Employee experience is quickly increasing in importance to become a top HR priority. Within two years, EX initiatives will account for over 15% of overall HR budgets, more than doubling the proportion from two years ago (6.7%). This is for good reason: Organizations that create positive EX find their employees are more productive, more loyal, and more willing to recommend the company to others. EX also drives key business outcomes like increased revenue, improved customer experience (CX), and better brand reputation.
- › **The perception gap between HR leaders and employees is a major red flag for EX improvement.** While our survey found that the most employees and HR decision-makers understand the importance of EX, decision-makers and employees disagree on how good employee experiences actually are. Employees rate their organizations far lower than HR decision-makers do, and priorities are often completely misaligned. This inability to see eye-to-eye stems from HR's failure to adequately listen to and consider employee needs. Shockingly, when designing EX strategy, only 5% of small and medium-size business HR leaders rank employee needs as their top priority.
- › **Technology is key in creating effective EX.** Misalignment between employees is particularly apparent, and problematic, when it comes to technology. While employees are satisfied with some tools — especially around remote work — many employees do not believe their organizations have their best interests at heart when it comes to tech. This leads to significant gaps in perceived tech usability and accessibility. HR technology is particularly essential in creating employee satisfaction; those employees who are happy with their HR tech are far more likely to have a positive view of their organizations' EX overall.

EX Drives Revenue, Customer Satisfaction, And Profitability

As the global economy has moved into a period of unprecedented uncertainty and rapid change in the way people work, never has it been more crucial for companies to keep their employees happy. Creating positive employee experience, especially among small and medium-size businesses, is a critical driver of employee and business outcomes.



For the purposes of this study, we define employee experience (EX) as:

An employee’s perception of how well the organization’s environment, culture, tools, and support structures keep them satisfied and engaged in their work and enable them to achieve and exceed their goals.

In surveying 200 HR decision-makers and 200 employees at small and medium-size businesses, we found that:

- › **EX is growing in importance.** EX is rapidly becoming one of the most critical aspects of human resources work. Two years ago, only 39% of HR decision-makers considered EX to be very important to their organizations’ overall HR strategies. Today, that number has risen to 53%, and 72% believe it will be very important within the next two years. Budgets are matching this upward trend. Two years ago, EX initiatives represented only 6.7% of the overall HR budget. Today that number is at 10.9%, and decision-makers predict it will increase to 15.3% within two years.
- › **Positive EX is essential for fostering happy and productive employees.** HR and employees agree: Good EX improves productivity, quality, and a slew of other employee outcomes (see Figure 1). Those employees who are more satisfied overall are more likely to recommend the company, more likely to stay at their jobs for longer, and more willing to put in extra hours to help the company (see Figure 2).

Figure 1



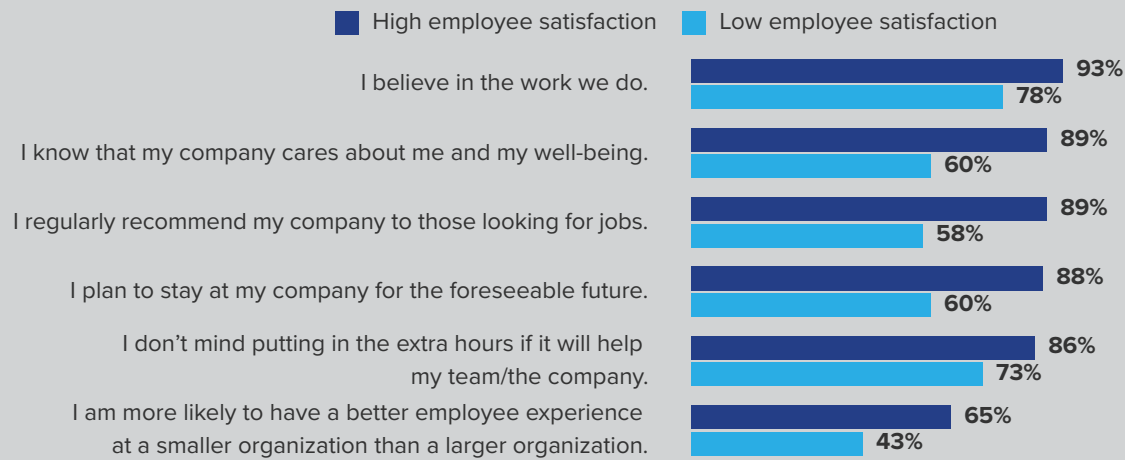
Base: 200 global HR decision-makers at companies with fewer than 1,000 employees; 200 global employees at companies with fewer than 1,000 employees

Source: A commissioned study conducted by Forrester Consulting on behalf of SAP, July 2020

› **EX also helps the bottom line.** EX benefits are not limited to happier employees; more productive and happy employees have a massive effect on the top and bottom lines. HR decision-makers report benefits in revenue (75%), customer satisfaction (75%), and profitability (65%), among others (see Figure 3). For this reason, 72% of HR leaders believe that EX will be one of the most important factors impacting their ability to deliver on key business objectives within two years.

Figure 2: Employees

“How much do you agree with the following statements?” (agree/strongly agree)



Base: 200 employees at global companies with fewer than 1,000 employees
 Source: A commissioned study conducted by Forrester Consulting on behalf of SAP, July 2020

Figure 3: HR Managers

“To what extent have your organization’s EX initiatives impacted the following business outcomes?”



74% of employees say their EX has improved their ability to provide a good customer experience.

Base: 200 global HR decision makers at companies with fewer than 1,000 employees; 200 global employees at companies with fewer than 1,000 employees

Source: A commissioned study conducted by Forrester Consulting on behalf of SAP, July 2020

HR LEADERS VS. EMPLOYEES: THE EX PERCEPTION GAP

Despite the clear importance of EX, a significant gap separates how much HR decision-makers believe they are improving and how much confidence employees have in HR to continually deliver better EX. Twenty-seven percent of HR decision-makers believe their EX will be excellent two years from today. Employees, however, are more skeptical: Only 12% believe their organizations' EX will be excellent in two years.

Much of this stems from a misalignment in priorities and drivers. The areas that HR considers to be most important to create positive EX are not the same as those that employees prioritize. For example, employees rate creating and sustaining a positive culture as their most important factor in creating good EX. HR decision-makers, on the other hand, rate creating and sustaining a positive culture as only their 12th most important aspect of driving positive EX (see Figure 4). This kind of misalignment often leads to unhappy employees. While 78% of employees consider a positive culture to be important in creating positive EX, only 54% are satisfied that their company has created such a culture. HR often puts other business factors ahead of employees' needs. In fact, HR decision-makers rate employee needs as their least important factor when making EX plans — far behind factors like business goals and brand reputation (see Figure 5).

While 78% of employees consider a positive culture to be important in creating positive EX, only 54% are satisfied that their company has created such a culture.

Figure 4

“How important are each of the following aspects to creating good EX?” (Very important/important)



Base: 200 global HR decision-makers at companies with fewer than 1,000 employees; 200 employees at global companies with fewer than 1,000 employees

Note: Not all responses shown

Source: A commissioned study conducted by Forrester Consulting on behalf of SAP, July 2020

Figure 5: HR Managers

“When making your organization’s EX plans, how do you prioritize between the following elements?”



Base: 199 global HR decision-makers at companies with fewer than 1,000 employees

Note: Percentages do not total 100 because of rounding.

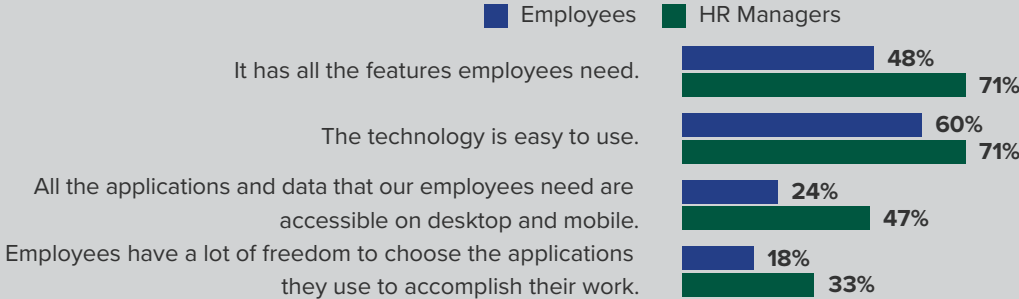
Source: A commissioned study conducted by Forrester Consulting on behalf of SAP, July 2020

Close The Technology Experience Gap To Improve EX

Technology is a particularly important component of this experience gap between HR and employees. Forrester’s EX Index reveals that technology-related factors are strong predictors of employee engagement, and a critical driver of that engagement is the ability to provide employees with technology that is designed for productivity.¹ Our findings in this study reinforce this: 90% of employees report that ensuring operational systems/tech is accessible and easy to use is at least somewhat important in creating positive overall EX. Unfortunately, current tech environments are not meeting employees’ standards. We found:

- › **The good.** HR decision-makers and employees agree that the digital tools provided to employees promote productivity and that leadership encourages collaboration, mobility, and remote work. Remote work has thus far seemed successful: 65% of employees report feeling connected to their team members despite working in virtual environments.
- › **The bad.** Though 77% of HR respondents say business, technology, and HR leaders collaborate to determine which technology, systems, and processes are the most critical for employees’ success in their work, 40% of employees believe that their leaders only choose technology based on lowest cost, not what’s best for employees. Employee success may be a deciding factor for HR when making tech decisions, but employee experience usually is not: Only 38% of HR decision makers say they consider the impact of EX when making technology decisions. Of those who do consider EX impact, 59% report good or excellent EX compared to just 36% of those who don’t consider EX when making tech decisions.
- › **And the ugly.** HR leaders gravely overestimate ease of use, availability of needed features, accessibility of provided tools, and freedom to choose technology. These decision-makers rate their technology far higher than employees do in each of these areas (see Figure 6). This is a major concern. Without the right, supportive technology, employees will become frustrated with wasted time, leading to lower levels of productivity and, ultimately, engagement.

Figure 6
“How strongly do you agree with the following statements regarding your organization’s technology?”



Base: 200 global HR decision-makers at companies with fewer than 1,000 employees; 200 global employees at companies with fewer than 1,000 employees
 Source: A commissioned study conducted by Forrester Consulting on behalf of SAP, July 2020

HR TECHNOLOGY PLAYS A VITAL ROLE

HR technology is important to creating positive EX. Only 8% of employees with low satisfaction in their organizations' HR technologies have high overall EX satisfaction — compared with 51% of employees with high HR tech satisfaction (see Figure 7).

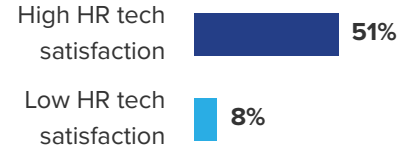
Training technology, in particular, is an important area where many HR departments fail. While 64% of HR managers think they are giving employees the coaching and training they need to grow, fewer than half of employees feel the same. Yet over two-thirds of these same employees say they can easily adapt to changes in the way they work and learn the skills they need. That means, despite this willingness to learn, HR is failing to meet employee development expectations.

The answer to this problem may lie in the use of learning software. Our study found that employees' satisfaction with learning software has the second highest correlation among any technology to overall employee satisfaction (see Figure 8). HR decision-makers, however, rate learning software second lowest among all technologies in terms of importance in enabling good EX — a glaring chasm in technology's perceived role in EX.

Figure 7: Employees

“Overall, how satisfied are you with your company’s overall employee experience?”

(High overall satisfaction)



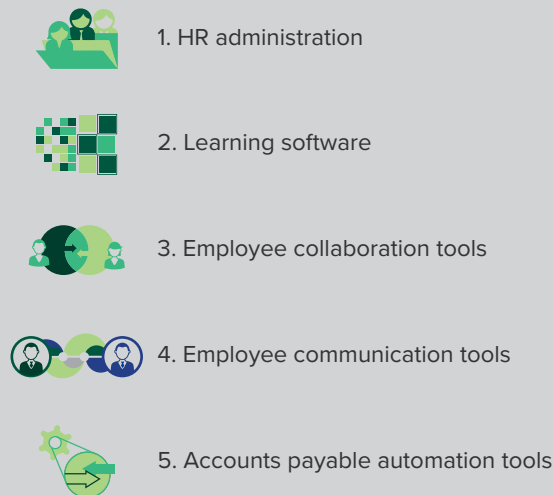
Base: 200 employees at global companies with fewer than 1,000 employees

Source: A commissioned study conducted by Forrester Consulting on behalf of SAP, July 2020

Employees who have high satisfaction with their company’s tech are 6x more likely to have high satisfaction with their company overall.

Figure 8: Employees

Technologies Most Correlated With Employee Satisfaction



Base: 200 employees at global companies with fewer than 1,000 employees

Source: A commissioned study conducted by Forrester Consulting on behalf of SAP, July 2020

Key Recommendations

Employee experience is more important today than it has ever been before and plays a key role in retaining employees, improving productivity, and creating positive financial, customer, and brand outcomes.

Forrester's in-depth survey of HR decision-makers and employees on EX yielded several important recommendations:



Set values that include empathy and human-centered design. Human-centered design is an expression of empathy, which is necessary to create the conditions where people are more likely to remain engaged in their work and succeed than to disengage and fail. This is particularly true when it comes to choosing employee technology; implementing tech solutions without keeping employees in mind will result in damage to employee's productivity, happiness, and the business overall. Ensure you have employee feedback mechanisms in place and utilize them to better understand what technology will best help your employees be productive and feel most engaged.



Ensure your EX technology investments are strong for the entire landscape of employee technology. Our study found that over the next 12 months, 7.9% of organizations' overall investments in technology will be dedicated to systems of employee work compared to 4.9% planned for systems of employee support. Systems of employee work — the technology employees use on a daily basis to do their job — are a major factor in employee experience overall. However, decision-makers can't overlook systems of employee support — the HR technology that our research shows plays almost as crucial of a role in EX.



Act based on feedback from your employees. Perhaps the most important element of your EX program is the improvements that flow from data collection and analysis. Leaders need to personalize actions to meet the needs of specific groups of employees. Having the right HR technology to collect the data needed to offer personalized actions will help managers and leaders understand how to best act on their data. A few examples of effective HR data programs include a research and insights function to gather data and feedback from employees about their experiences, culture-shaping expertise to foster a more employee-centric culture across the organization, and design expertise to generate ideas and test prototypes to deliver better EX.



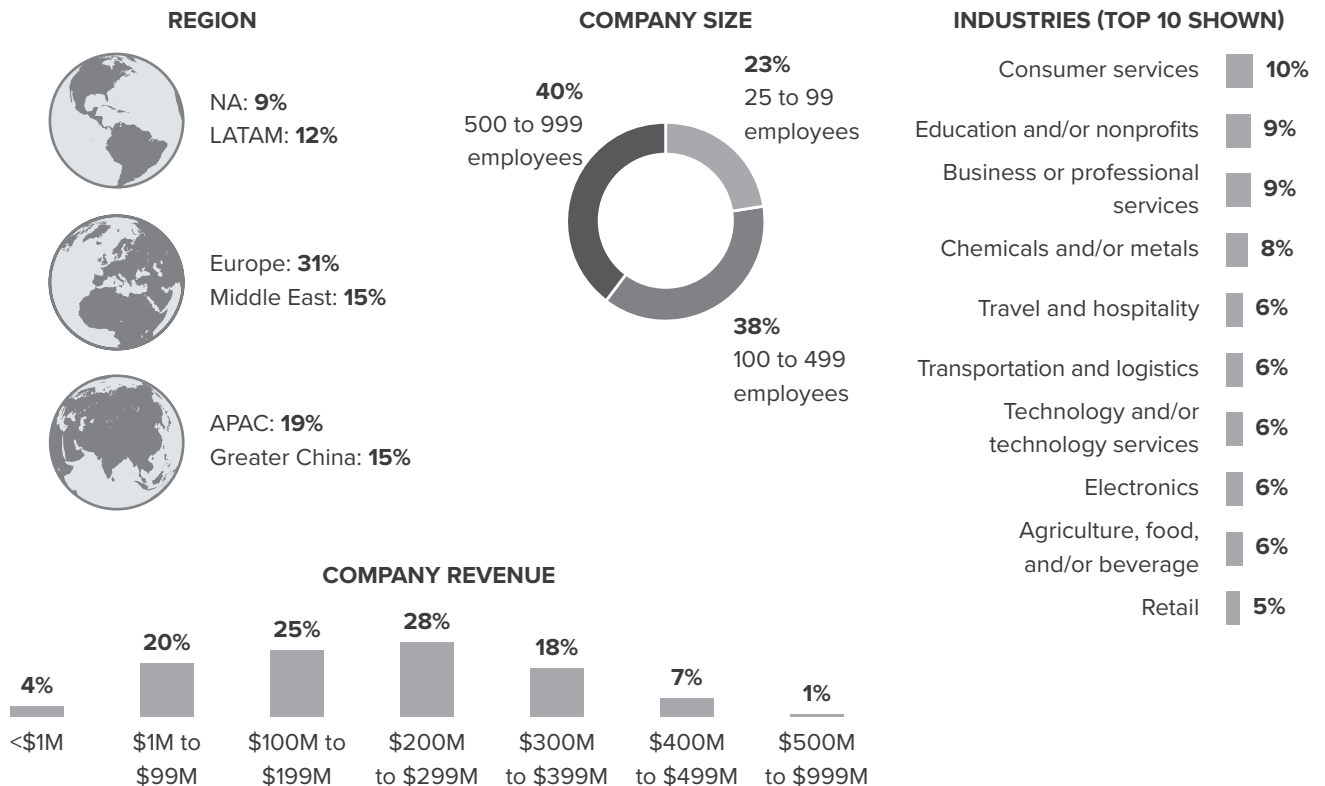
Be patient: Results take time, but the payoff is well worth it. Fundamentally changing your organizational culture to one driven by employee experience is not something that happens overnight. Culture takes time to build. However, investments in effective HR technology provide valuable data to drive meaningful change, leading to substantial benefits to the business, across both top and bottom lines.

Appendix A: Methodology

This spotlight is based a subsection of data from a larger Forrester study. In the larger study, Forrester conducted two online surveys, each with 900 global respondents (1800 total) - one survey of HR decision makers and one of employees. This spotlight focuses specifically on the findings of small and medium-sized businesses with fewer than 1,000 employees. This group consisted of 200 respondents per survey (400 total). For more generalized results, [read the paper focusing on the findings based on the complete survey data](#). Respondents were offered a small monetary incentive as a thank you for time spent on the survey. The study began and was completed in July 2020.

Appendix B: Demographics/Data (of the small and medium sized audience)

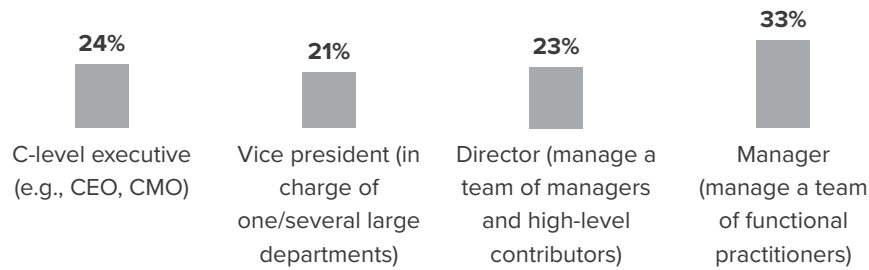
FIRMOGRAPHICS: HR MANAGER SURVEY



Base: 200 global HR decision-makers at companies with fewer than 1,000 employees
 Note: Percentages may not total 100 because of rounding.
 Source: A commissioned study conducted by Forrester Consulting on behalf of SAP, July 2020

RESPONDENT DEMOGRAPHICS: HR MANAGER SURVEY

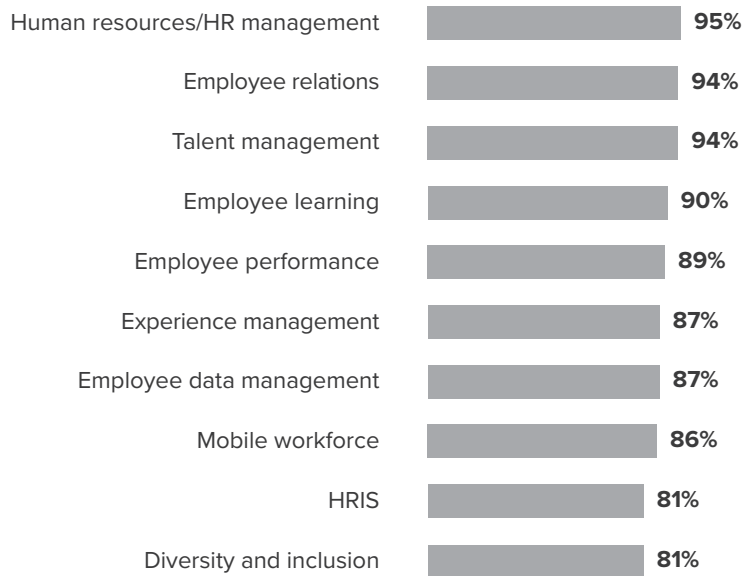
RESPONDENT LEVEL



OFFICE



AREAS OF INVOLVEMENT



PRIMARY FUNCTIONAL AREA

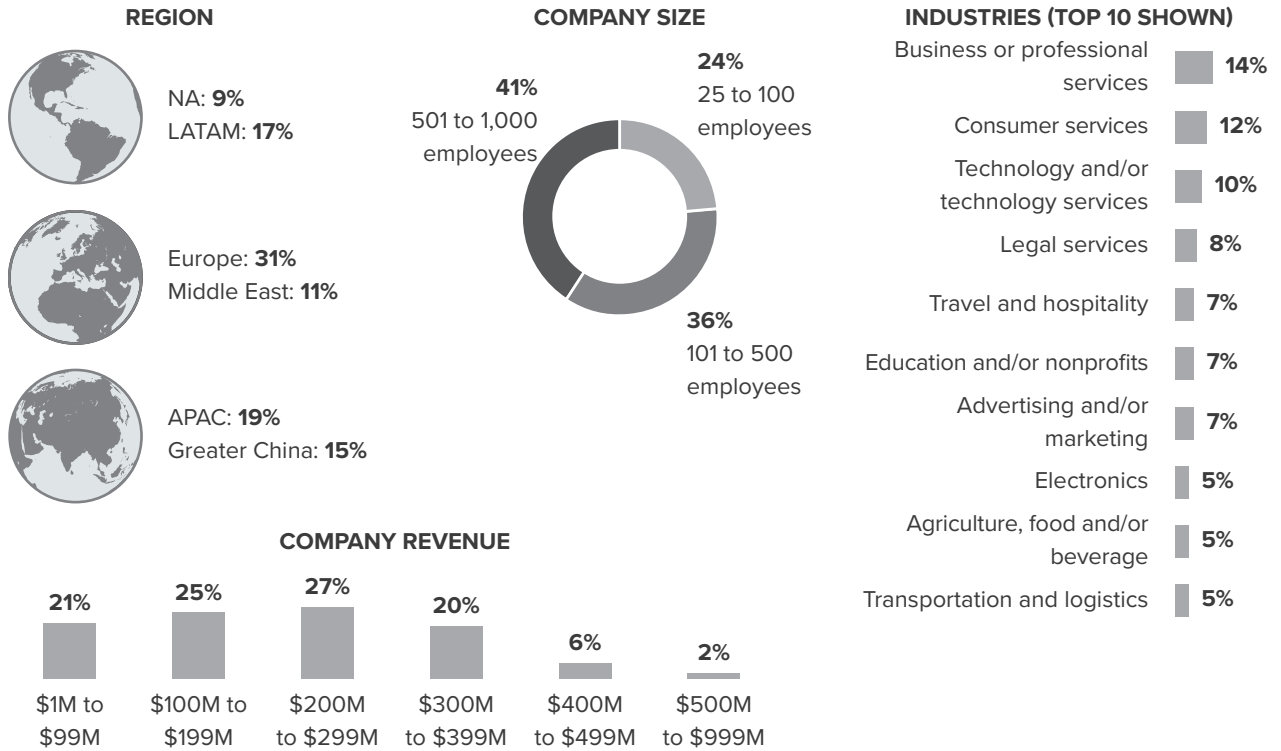


Base: 200 global HR decision-makers at companies with fewer than 1,000 employees

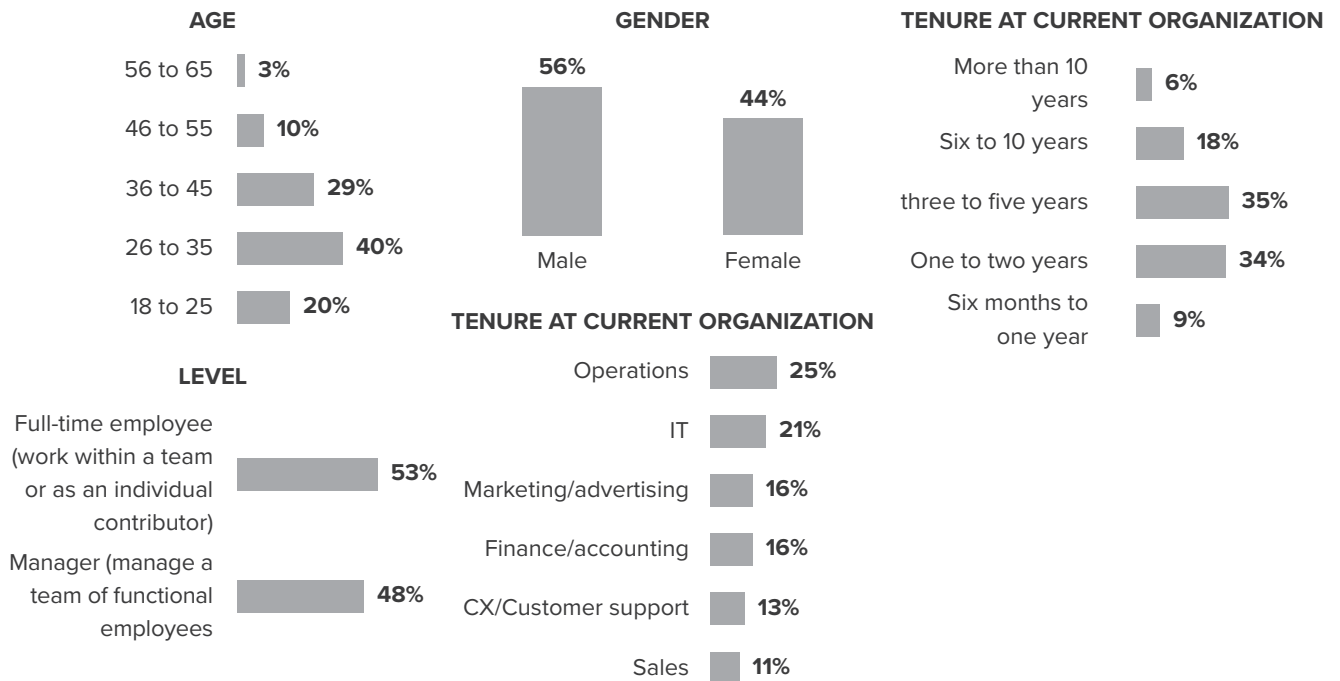
Note: Percentages may not total 100 because of rounding.

Source: A commissioned study conducted by Forrester Consulting on behalf of SAP, July 2020

FIRMOGRAPHICS: EMPLOYEE SURVEY



RESPONDENT DEMOGRAPHICS: EMPLOYEE SURVEY



Base: 200 global HR decision-makers at companies with fewer than 1,000 employees
 Note: Percentages may not total 100 because of rounding.
 Source: A commissioned study conducted by Forrester Consulting on behalf of SAP, July 2020

Appendix C: Endnotes

¹ Source: “The CIO’s Guide To Employee Experience,” Forrester Research, Inc., April 8, 2019.

To read the full results of this study, please refer to the Thought Leadership Paper commissioned by SAP titled “[Close The Employee Experience Gap](#)”

Project Director:

Josh Blackborow,
Market Impact Consultant

Contributing Research:

Forrester’s CIO Research Group

ABOUT FORRESTER CONSULTING

Forrester Consulting provides independent and objective research-based consulting to help leaders succeed in their organizations. Ranging in scope from a short strategy session to custom projects, Forrester’s Consulting services connect you directly with research analysts who apply expert insight to your specific business challenges. For more information, visit forrester.com/consulting.

© 2020, Forrester Research, Inc. All rights reserved. Unauthorized reproduction is strictly prohibited. Information is based on best available resources. Opinions reflect judgment at the time and are subject to change. Forrester®, Technographics®, Forrester Wave, RoleView, TechRadar, and Total Economic Impact are trademarks of Forrester Research, Inc. All other trademarks are the property of their respective companies. For additional information, go to forrester.com. [E-47125]