ANALYST BRIEF

Sponsored by: SAP

Human resources application purchase decisions not only are based on how companies must meet both current internal business needs and employee expectations but are also about how employee performance must evolve to meet future needs and expectations.

AI-Powered Business Suite for Human Resources

May 2025

Written by: Simon Ellis, Group Vice President, Global Supply Chain, and Mickey North Rizza, Group Vice President, Enterprise Software

Introduction

The current business environment is a challenge for most companies, with various disruptions threatening to affect both revenue and profitability. Although the global COVID-19 pandemic has mostly receded into history, macroeconomics (inflationary pressures, fears for a global recession, tariffs, and energy cost) and talent/labor availability remain major concerns. In IDC's 2024 *Talent and Labor Management Survey,* over 42% of companies said that both high skill and temporary labor positions were understaffed, with manufacturing and operations most frequently cited as experiencing shortages. Most companies noted the lack of available talent and/or labor makes their business slower (extended delivery/manufacturing time) and less reliable (supply interruptions).

While better training and/or employee development programs are important to efforts to improve the talent/labor shortages, the use of better applications is just as critical. As one chief human resources officer (CHRO) noted to IDC, "If we cannot find the people we need to run the business, we had better improve the productivity of those we already have." As noted in Figure 1, companies overwhelmingly cite better tools as the way in which they are approaching talent and/or labor shortages.

AT A GLANCE

KEY STATS

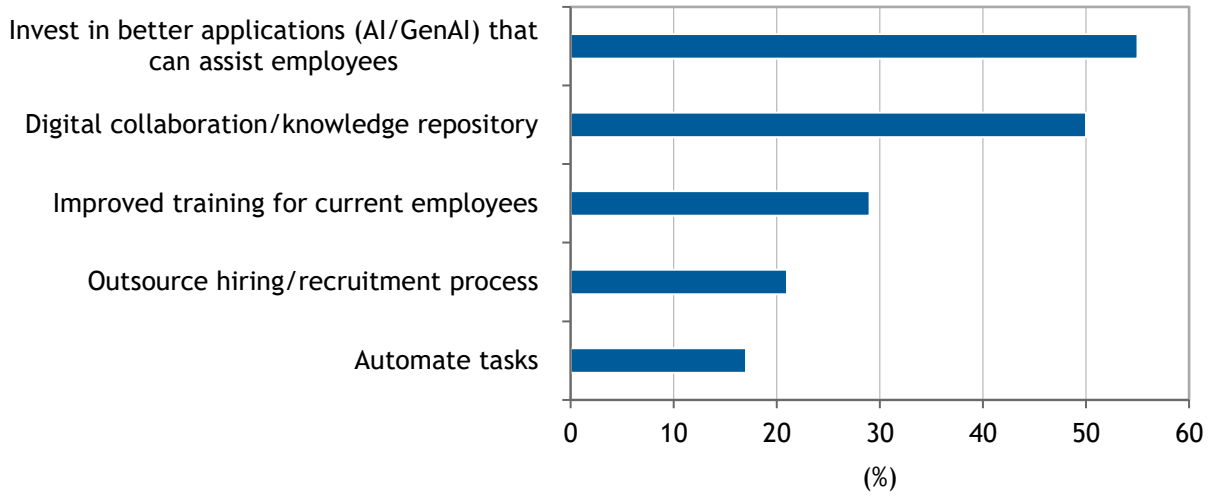
- 42% of human resources leaders say that their business is understaffed.
- 55% of companies say that they are looking to invest in AI tools that can elevate employee performance.
- 37% of companies saw over a 10% improvement in overall people productivity from AI-powered applications.

WHAT'S IMPORTANT

In an environment where employee resource decisions need to be made quickly, operating with older, poorly integrated tools increasingly hinders competitive performance.

FIGURE 1: ***Approach to Overcoming Talent/Labor Shortages***

Q ***Which of the following strategies has your organization implemented or plan to implement companywide to overcome talent/labor issues you may have?***



n = 512

Source: IDC's Talent and Labor Management Survey, 2024

Disruptions or talent/labor shortages rarely affect one "domain" in the business, whether operations, supply chain, finance, IT, or human resources, so tools that only focus on individual domains will not optimize the end-to-end business. The ability to connect enterprisewide business processes into a single technology platform that combines the power of AI, data, and applications is increasingly differentiating human resources performance. It is not hard to imagine a future where human resource management is defined within the intersection of applications, data, and AI, each leveraging the other two and driving the business forward. Specifically, organizations tell IDC that AI is the most important technology for managing human resources, in both the short and longer term. Traditional AI/machine learning remains important for productivity assessment and benchmarking, generative AI (GenAI) is increasingly being used to manage skills training and new employee onboarding, and agentic AI is emerging as a mechanism to drive both process and people productivity.

IDC fully expects that human resources applications will progress from being agent led at a task level to agents supporting applications to ultimately agents enabling entire functional areas. Think of each agent as a specialized AI service constantly communicating and learning in real time. These agents work as a coordinated network, each taking cues from the others. A sudden shift in demand might trigger the supply chain planning agent to recommend the reallocation of factory resources, the finance agent to update projections, and the workforce agent to identify a need for additional staffing. All of this happens simultaneously, connected by unified data and deep application functionality, and in concert with people.

The business impact is felt widely, across multiple functions. Whether it is the chief financial officer looking for ways to balance suitable growth with business profitability, the chief procurement officer looking to improve supplier performance and manage procurement risk, or the chief human resources officer looking to more dynamically manage

employee resources and people productivity. But no function is unaffected by operational disruptions and talent/labor shortages, and all will benefit from a collective set of tools that both align and prioritize speed and agility.

Companies have told IDC for some years now that their longer-term strategy is to move to an integrated suite of IT systems to better manage both external and internal workforce challenges. While short-term priorities would often get in the way, and frankly, the vendor tools were not always accommodating, that longer-term goal is now more a reality than aspiration.

Human Resources Priorities

Human resources application buying behaviors and needs have been gradually evolving for some time. Successive global/regional disruptions continue to reveal persistent employee resource shortages and accelerate the velocity at which change is occurring.

Application purchase decisions not only are based on how human resources must meet both current internal business needs and employee expectations but are also about how employee performance must evolve to meet future needs and expectations. The biggest barrier that the CHRO and their teams face is having the right data (depth and breadth) and insights to fully understand what is happening in their business in real time, what the correct reactive/proactive steps are, and how to best implement them quickly to ensure that workforce resources remain strong.

Solving human resources and workforce challenges is a high-priority initiative and investment for CHROs. Specifically:

- HR/workforce business processes and data silos that inhibit or prevent broad learnings and data usage
- Ability for operational staff to easily utilize the insights from data analytics in the timescales required
- Integrated solutions that can be easily and quickly implemented and operated by nontechnical resources that reside across the business, or at least outside of IT (At the same time, some users may require options for advanced functionality.)
- Products and solutions that dramatically improve productivity and value-added task capabilities for both white- and blue-collar employees and extract intelligent insights from operational data
- Ensuring best-in-class data security
- Costs/pricing that align with the value that is created by the solution that is purchased

Beyond these strategic objectives, the ability for more tactical or operational roles to do their jobs more efficiently and effectively is critical. Operational employees will have tactical or operational roles in specific areas and be very focused on the challenges and opportunities specific to their role. Human resources applications must enable employees to optimally perform in their roles and have the tools they need to be both efficient and effective.

Leveraging an AI-Powered Business Suite for Human Resources Efficiency and Resiliency

IDC defines a suite as a set of interconnected and integrated software applications that work as one across the full breadth of an organization. A suite allows companies to align and integrate data, leverage specific capabilities/applications, and optimize the power of artificial intelligence. The extent to which AI conveys competitive advantage will depend heavily on the degree to which process intelligence informs applications and the scope/scale of available data. Furthermore:

- **Comprehensive data:** As companies look to modernize their human resources capabilities, the ability to align and integrate data from the perspective of both capacity and quality is important. Speed to decision is critical, of course, but very often capability transformation is slowed by functional/process silos and disconnected systems and data.
- **Applications alignment and integration:** It has been the experience of IDC that application vendors can struggle to articulate the way in which AI will convey competitive advantage; yet the answer seems clear that best-in-class capabilities will be the foundation for differentiated performance. Applications that are aligned and integrated into a single suite with market-leading performance will allow companies to elevate their business performance by making human resources decisions more quickly and with data driven insight.
- **Powered with AI:** Over the next three to four years, generative and agentic AI advancements will help push applications to a state where the majority of offerings available will be significantly enhanced and augmented by agent-driven capabilities. This transition will be much more easily accomplished with an integrated suite. Indeed, in a recent IDC *AI Survey,* almost half of the respondents viewed the inclusion of GenAI capabilities as a significant driver of retention of their current human resources applications. In a recent IDC *Supply Chain Survey,* 37% of companies saw over a 10% improvement in overall people productivity from AI-powered applications.

Conclusion

As disruption continues to plague companies across all industries, operating with older, poorly integrated tools increasingly hinders competitive business performance. In an environment where employee resource decisions need to be made quickly, IT system drag is simply no longer tolerable.

Modern applications, leveraging data and rapidly evolving AI tools within a single platform, are increasingly best practice. IDC would recommend that companies across all industries, and of all sizes and scale, explore these platforms to see what they can do for their human resources capabilities — and the business. Ultimately, businesses are distinguished by the capabilities of their people.

About the Analysts



Simon Ellis, *Group Vice President, Global Supply Chain*

As group vice president, Simon Ellis currently leads the U.S. Manufacturing Insights, U.S. Energy Insights, and Global Supply Chain Strategies practices at IDC, specializing in advising clients on manufacturing/energy strategies, supply chain digital transformation, sustainability, cloud migration, network, and ecosystem design. Mr. Ellis works with end-user companies, supply chain organizations, and technology providers to develop best practices and strategies leveraging IDC quantitative and qualitative data sets. Within the Supply Chain practices, Mr. Ellis contributes extensively to the Supply Chain Planning and Multi-Enterprise Networks Strategies practice while overseeing the Supply Chain Execution practices.



Mickey North Rizza, *Group Vice President, Enterprise Software*

Mickey North Rizza is group vice president for IDC's Enterprise Software. She leads the Enterprise Applications and Strategies research service along with a team of analysts responsible for IDC's coverage of the next generation of enterprise applications including digital commerce, employee experience, enterprise asset management and smart facilities, ERP, financial applications, HCM and payroll applications, procurement, professional services automation and related project-based solutions software, supply chain automation, and talent acquisition and strategies.

MESSAGE FROM THE SPONSOR

The SAP Business Suite represents the future of enterprise management — a modular cloud-based solution that integrates mission-critical applications, real-time data, and advanced AI into one seamless system. With SAP Business Suite, your Cloud ERP and business applications generate rich, trusted data; the SAP Business Data Cloud harmonizes and contextualizes this data into action-ready insights; and SAP Business AI — with Joule, our AI agent orchestrator — uses these insights to automate operations, streamline cross-functional collaboration, and accelerate smarter decisions. This integrated approach, made possible by SAP Business Technology Platform, creates a continuous cycle of value, driving efficiency, fueling innovation, and enabling enterprise-wide agility. Powered by flexible cloud HCM solutions, SAP Business Suite bridges the gaps between HR and functions across the organization to drive end-to-end people processes, holistic workforce insights, and seamless AI-enabled experiences. Visit us online to learn more or sign up for a free 30-day trial of SAP SuccessFactors HCM.

Learn more at SAP Business Suite for HR Teams | SAP

IDC Custom Solutions

The content in this paper was adapted from existing IDC research published on www.idc.com.

IDC Research, Inc.
140 Kendrick Street
Building B
Needham, MA 02494, USA
T 508.872.8200
F 508.935.4015
blogs.idc.com
www.idc.com

IDC Custom Solutions produced this publication. The opinion, analysis, and research results presented herein are drawn from more detailed research and analysis that IDC independently conducted and published, unless specific vendor sponsorship is noted. IDC Custom Solutions makes IDC content available in a wide range of formats for distribution by various companies. This IDC material is licensed for external use, and in no way does the use or publication of IDC research indicate IDC's endorsement of the sponsor's or licensee's products or strategies.

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets. With more than 1,300 analysts worldwide, IDC offers global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries. IDC's analysis and insight helps IT professionals, business executives, and the investment community to make fact-based technology decisions and to achieve their key business objectives.

©2025 IDC. Reproduction is forbidden unless authorized. All rights reserved. CCPA