

ARTICLE | October 2020 | Vivian Reynecke

## Preparing for Your Next Compensation Cycle with SAP® SuccessFactors®

Whether you're implementing SuccessFactors Compensation for the first time or you're an existing customer, we've outlined proven strategies that will help you get the most out of your compensation solution and processes.

### CONTENTS

For New Customers .....	2
For Existing SuccessFactors Compensation Customers .....	14
Compensation Health Check .....	15
Lessons Learned .....	16
Resources .....	17

## FOR NEW CUSTOMERS

### What functionality is available?

#### 1. Workflows

- There are different hierarchies available to you:
  - Standard Hierarchy: This will go to the first-level manager of the employee.
  - Rollup Hierarchy: Enables you to roll up (or modify) planner responsibilities to managers higher up in the organisation. Identify a Compensation Planner with a flag in the User Data File (UDF) in the COMPENSATION\_PLANNER\_XX column (where XX represents the form template number).
  - Custom Hierarchy: Uses a Compensation-specific hierarchy defined in the SECOND\_MANAGER field on the user data file.
- It's important not to define too many levels in your workflow; instead use the Executive Review for additional levels.
- You can define different workflows for each template if required.

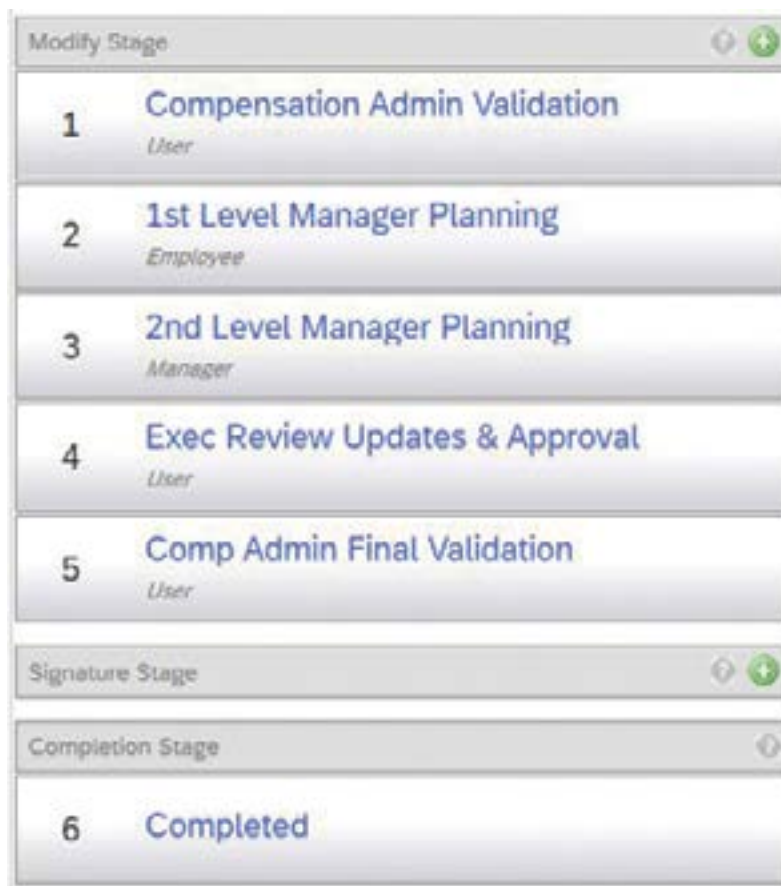


Figure 1: Route Map

## 2. Budgets

- Budgets are defined per component or group of components
  - For example: Merit and Lump Sum can be combined, but Promotion, Adjustment, and Bonus can have separate budgets.
- Types of budgets available:
  - Percent of Current Salary: Calculated as a percentage of the current salary for all employees.
  - Percent of Merit Target: Calculated as a percentage of the merit target.
  - Percent of LumpSum Target: Calculated as a percentage of the lump sum target.
  - Percent of LumpSum2 Target: Calculated as a percentage of the lump sum2 target.
  - Delta of Current Salary: Is the +/- increment of current salary.
  - Direct Amount (Cascading): Equal to the value entered in the Budget Value field.
  - Guideline: Calculated based on the default guideline for each employee.
  - Percent of Bonus Target: Calculated as a percentage of the bonus target.
  - Percent of Custom Files: Based on a percentage (typically 100%) of a custom field defined in the Compensation template.

Based on your requirements, your consultant will recommend the best option for you. Let them know if you would like information about other options.

The screenshot shows the 'Budget Types' dropdown menu in the SAP SuccessFactors Compensation interface. The menu is open, displaying a list of budget types. The 'DirectAmount' option is highlighted in blue. The list includes: PercentOfCurSal, PercentOfMeritTarget, PercentOfLumpsumTarget, PercentOfLumpsum2Target, DeltaOfCurSal, DirectAmount, Guideline, PercentOfBonusTarget, and PercentOfCustomField. The background shows the 'Components' section with various checkboxes for components like Promotion, Adjustment, Regulatory Amount, Lump Sum, Legal Entity, Department, Geo Zone, Supervisor, Job Classification, Gender, FTE Salary, External Survey Compa-Ratio, External Survey Range Penetration, External Pay Range (Min), External Pay Range (Max), Country, New Actual Fixed Salary, Full Time/Part Time, First Name, Last Name, Full Name, Merit Percent, Raise Percent, and Statement Suppress. The 'Update' and 'Cancel' buttons are visible at the bottom right.

Figure 2: Budget Types

- How do you want to see budgets grouped in the Budget box? Do you want to see them broken up by Region, Department, etc.?
  - All of the available options are shown in the diagram below.

Add Budget Grouping	
Group By Field 1	Select One
Group By Field 2(Optional)	Local Currency Code
Group By Label	Legal Entity
Show Total Budget	Department
	Geo Zone
	Job Classification
	Gender
	Country
	First Name
	Last Name

Save Cancel

Figure 3: Budget Groupings

- You do not have to define a budget for every component.

### 3. Guidelines

Below are a few questions about guidelines to ask yourself and discuss with your implementation consultant to set up your Compensation solution in a way that works for your organisation.

- What are guidelines?
  - Salary guideline matrices are used to calculate, communicate, and/or enforce salary increase/lump sum guidelines based on any combination of an employee's performance rating, ratio (compa-ratio or range penetration), job level, pay grade, and/or budget group (e.g., country).
- Are guidelines relevant to your template?
- If applicable, which components will have guidelines (e.g., merit, promotion, adjustments, lump sum, etc.)?
- Do you want to use a default guideline as a starting point for managers or have the recommendation default to zero to force the manager to enter recommendations?
- Will you allow managers to go outside of the guidelines?
- What are the factors that feed into the guidelines (e.g., Performance Rating and Country)?

**Change Rule Settings**

Rule Name:

Type:

Formula Criteria:

- ☒ Rating
- ☒ Benchmark
  - ☐ Current Compa-Ratio ☒ Current Position in Range
- ☐ Job Level
- ☐ Current Pay Grade
- ☐ Budget Group
- [+ Add Custom Field](#)
- Use Column Designer to create a new custom field.

Mode: ☐ Amount ☒ Percentage

Hard Limit: ☐ Yes ☒ No

Prorating: ☒ Yes ☐ No

Force Default On Rating Change: ☒ Yes ☐ No

Force Default On Custom Field Change: ☐ Yes ☒ No

High/Low Action: ☒ Warn ☐ Allow

Note:

**Save** **Cancel**

Figure 4: Guideline Criteria

- When factor is "Rating", where will ratings come from?

**Rating Sources**

Use For:

Rating Source: ☒ Performance Management Form

Form:

Completed Only: ☐ Yes ☒ No

Use Calculated Rating: ☐ Yes ☒ No

EC Field Mapping: EC Category:

Scale:

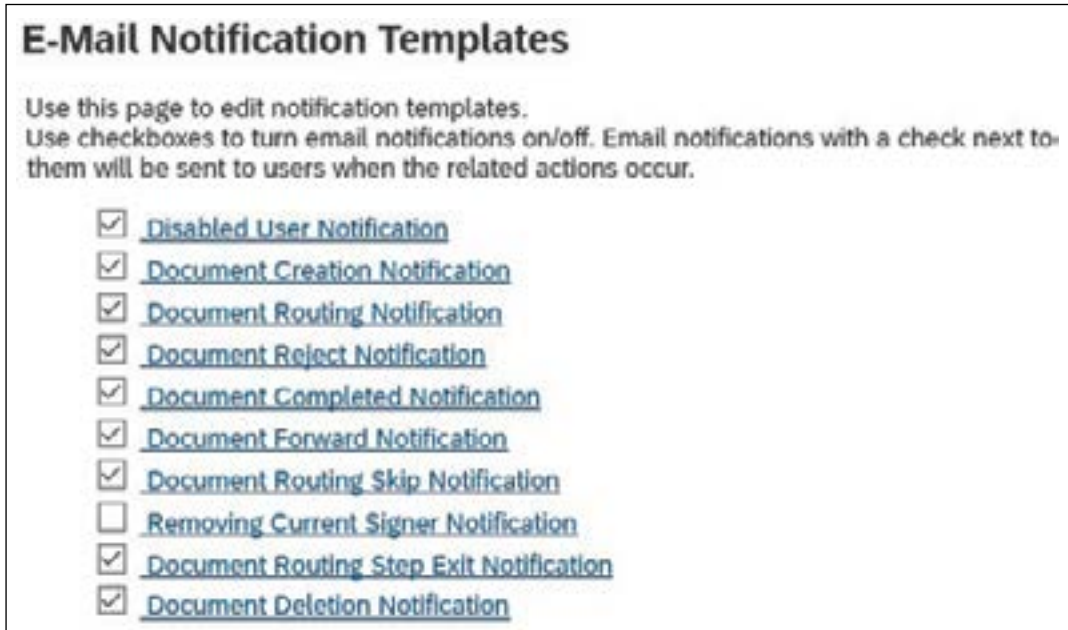
Rating Type:

Figure 5: Rating Source

#### 4. Notifications

In some cases, notifications can be customised for your organisation or even for a specific Compensation template. Below are a few questions to ask when you work with your consultant to set up your notification functionality.

- Which notifications are available for you to customise?



**E-Mail Notification Templates**

Use this page to edit notification templates.  
Use checkboxes to turn email notifications on/off. Email notifications with a check next to them will be sent to users when the related actions occur.

- ☒ [Disabled User Notification](#)
- ☒ [Document Creation Notification](#)
- ☒ [Document Routing Notification](#)
- ☒ [Document Reject Notification](#)
- ☒ [Document Completed Notification](#)
- ☒ [Document Forward Notification](#)
- ☒ [Document Routing Skip Notification](#)
- ☐ [Removing Current Signer Notification](#)
- ☒ [Document Routing Step Exit Notification](#)
- ☒ [Document Deletion Notification](#)

Figure 6: Available Notifications

- Can you have different wording for different templates?



Specify Different Template for Each Form ☐ [Update settings](#)

Figure 7: Customise Notification for Comp Plan

- Can you suppress notifications if needed?

#### 5. Statements

Ask yourself: How many and what type of statement(s) do I need?



**Personal Compensation Statement Templates**

- Personal Variable Pay Statement Template
- Combined Statement Template

Figure 8: Comp Statement Types

You may combine a Compensation and Variable Pay plan template, two or more Compensation plan templates, or two or more Variable Pay plan results into one combined statement.

- Can you suppress data (e.g., no increase) for an employee without creating a separate statement?

Employee 1: Gets an increase		Employee 2: Does not get an increase	
Performance Results		Performance Results	
Performance Rating	4.0	Performance Rating	4.0
Current Salary/Rate	\$5,220.00	Current Salary/Rate	€6,500.00
Merit	\$104.40	Final Salary Rate	€6,500.00
Extra	\$2.00		
Extra2	\$73.08		
Total Raise	\$179.48		
Total Raise %	3.44%		
Final Salary Rate	\$5,399.48		

Figure 9: Suppress data as needed

- Can you update the text based on certain criteria (e.g., Merit and Bonus statement will have different text than Merit, Bonus, and Equity)
- Can you add footnotes?

Thank you for your personal contributions, support and teamwork in 2016.  
I look forward to an exciting, challenging 2017 as we work together to build  
a highly competitive, customer-focused organization.

Sarah Davis  
Best Run

\* Bonus may be prorated based on hire date, bonus plan or bonus target changes, or entry date into a bonus eligible job.  
\*\*\* Award value will be converted to units in September.

Figure 10: Footnotes

- Do you need separate statements for different currencies and/or different languages?
- What fields do you want to display on the statements?
  - Make sure that you inform your consultant up front of any needed calculation so that it can be included in the appropriate templates—it is not impossible to add after the fact but it becomes more complicated and could cost more money to develop. Create a section only visible to Comp Admins for fields relevant to Statement or Reporting purposes.

Employee Information		Final Salary						Statement and Reporting Fields	
Employee		Final Salary	Total Rate	Total Increase	Final Compensation	Final Range Penetration	Total Pay (Including Lump Sum)	Final Salary Midpoint	Final Salary in Local Currency
Rhonda Brown		\$32,123.52	\$18.48 1.40%	\$443.52 1.40%	79.36%	5.80%	\$32,123.52	\$1,202.20 - \$2,080.00	\$32,123.52
Marty Goodman		\$58,536.00	\$189.00 8.40%	\$4,536.00 8.40%	95.79%	21.72%	\$58,536.00	\$2,153.67 - \$3,466.67	\$58,536.00
Jorge Gould		\$56,564.80	\$162.70 8.40%	\$4,564.80 8.40%	83.00%	12.54%	\$56,564.80	\$2,153.67 - \$3,466.67	\$56,564.80
Bryan A. Richard		\$49,795.20	\$124.80 6.40%	\$2,995.20 6.40%	60.42%	-53.52%	\$49,795.20	\$2,777.67 - \$4,090.67	\$49,795.20
Samuel Juan Rodriguez		\$67,032.00	\$168.00 6.40%	\$4,032.00 6.40%	111.82%	76.11%	\$67,032.00	\$1,972.63 - \$4,022.63	\$67,032.00
William Anthony Skinner		\$56,063.04	\$68.40 4.40%	\$2,363.04 4.40%	83.13%	13.88%	\$56,063.04	\$2,153.67 - \$3,466.67	\$56,063.04
Group Total:		\$325,134.56	\$18,754.56 6.22%	\$18,754.56 6.22%			\$325,134.56		

Figure 11: Statement and Reporting Fields

## 6. Promotions

Do you want to include promotions as part of the Compensation Cycle?

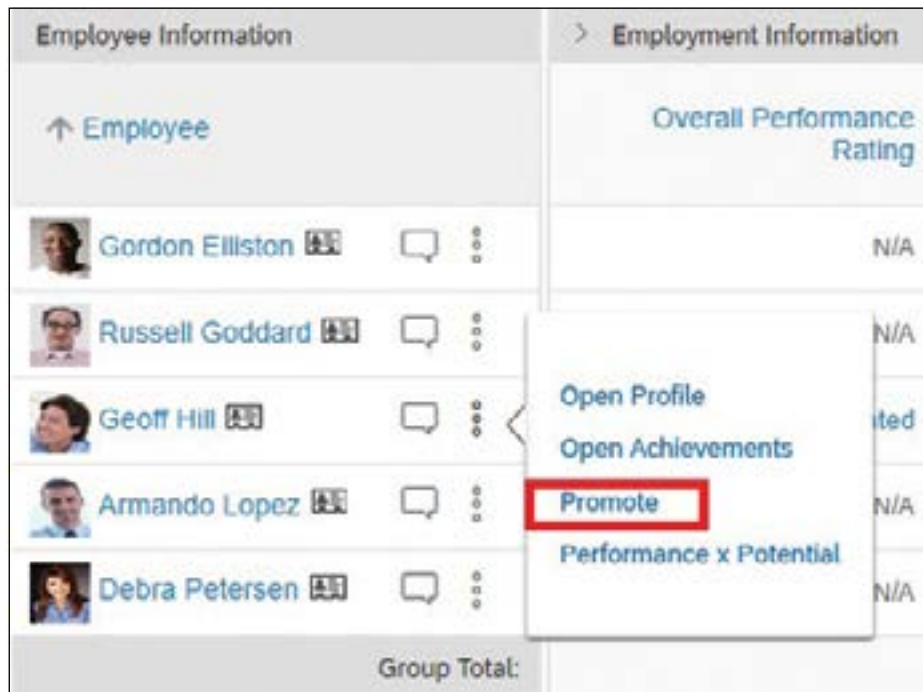


Figure 12: Promotions

## Understand how other SuccessFactors modules are configured

### 1. If Employee Central is in place:

- Will Compensation templates integrate with Employee Central?

The screenshot shows the 'Employee Central Settings' configuration page. The 'Plan Setup' tab is active, and the 'Manage Worksheets' section is visible. The 'Worksheet Settings' section includes 'Effective Date' (12/31/2018) and 'Hybrid Template' (unchecked). The 'Publish Settings' section includes 'Field to control user publish' (Select a field), 'Component Type' (Compensation), 'Component Code' (Merit Review Lump Sum(LUMPSUM)), 'Effective Date' (01/01/2019), and 'Event Reason' (Annual Salary Review (ANSALREV)). The 'One-Time Payments' section is also visible. The 'Save' and 'Cancel' buttons are at the bottom.

Figure 13: Employee Central Integration

- If yes, does the Employee Central configuration support Compensation?
- Will "Business Rules" be used to determine eligibility or will eligibility be determined from within the Compensation template?
- Does the pay matrix (salary structure) that is set up in Employee Central support the Compensation process?

Pay Range: USA Salary Range 05 - Metro (PR-US-ME-05)	
Effective as of 01/01/1900	
Blue indicates that the item changed on this date	
Pay Range ID	PR-US-ME-05
Name	USA Salary Range 05 - Metro
Description	
Status	Active
Currency	USD
Frequency	Annual (ANN)
Minimum Pay	44,200
Maximum Pay	67,184
Mid Point	55,692
Pay Grade	Salary Grade 05 (GR-05)
Geo Zone	USA Metro (USA_METRO)
Legal Entity	BestRun Company (1710)

Figure 14: Salary Structure

## 2. How will you handle movement within the company during the Compensation process?

- Do people move from one planner worksheet to another as changes occur in the company?
- What are your options within Compensation?
  - Manually move people
  - Run update programmes (for single worksheet or for all worksheets):
    - Will their budgets move with them?
  - Schedule job to run periodically to update all worksheets

**Update Worksheets**

From this section you can update worksheet data, add/move/delete employees, and update budgets and performance ratings.

Update all worksheets      Update a specific worksheet

**Employee Membership**

Add employees  
Move employees  
Delete employees

Figure 15: Update Worksheets

- Does everything stay static? Do you freeze movement during the Compensation process?

### 3. Where will the data come from for Performance Ratings used as an input for guidelines?

- Do you use performance management forms in SF?
  - Do you only use completed forms?
  - Do you use an overall rating?

**Rating Sources**

Save Cancel

Use For: all

Rating Source: ☒ Performance Management Form

Form: 2018 Performance Review

Completed Only: ☐ Yes ☒ No

Use Calculated Rating: ☐ Yes ☒ No

EC Field Mapping: EC Category: No Selection

Scale: [Dropdown Menu]

Rating Type: Default [Dropdown Menu]

Figure 16: Rating Options

- Do you let managers enter the rating on the worksheet?
- Do you use a lookup table to upload the rating (e.g., if it's stored in a system outside of SuccessFactors)?

## Identify gaps between existing processes and SuccessFactors functionality

The best way to identify gaps is to make sure the correct people, both internal resources and your implementation consultants, are in requirements sessions. Not everyone needs to be in all of the meetings but when you are discussing the relevant topics, make sure the correct people are in the “room,” whether this is an in-person or virtual meeting.

### 1. For Employee Central:

If integrating with Employee Central, include (at a minimum) the HRIS Representative responsible for configuring Employee Central (i.e., someone that understands the setup and workings).

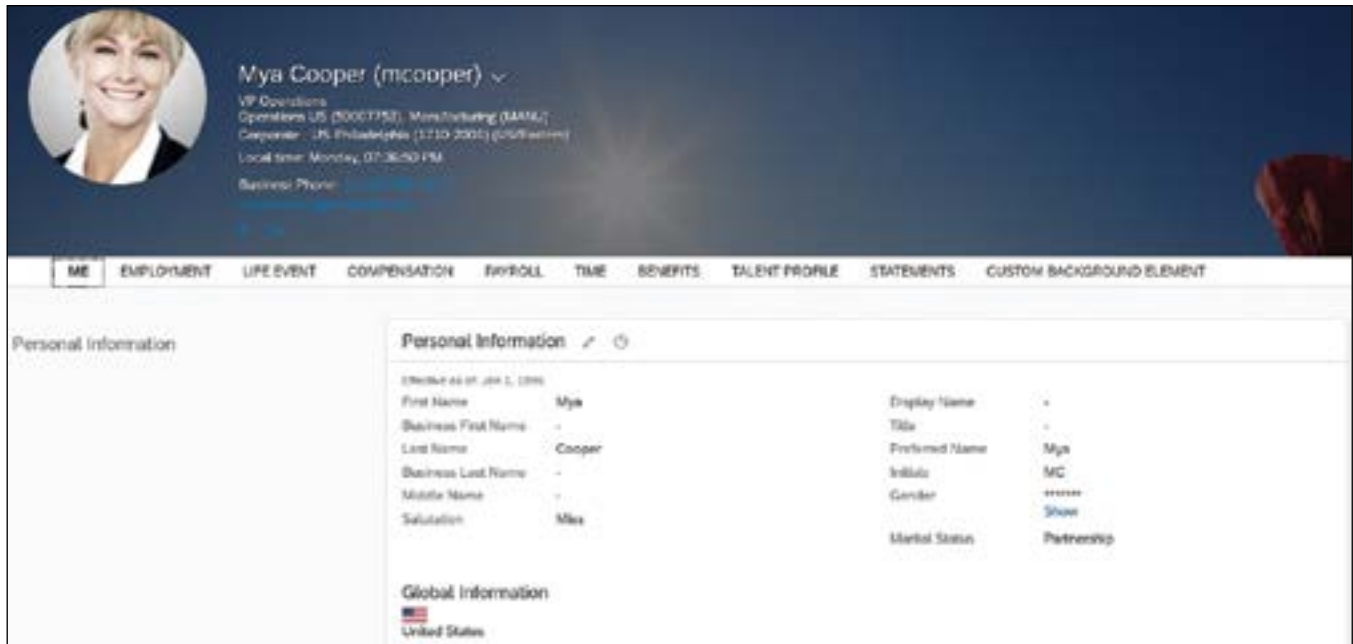


Figure 17: Employee Central

### 2. For Payroll:

If integrating with one or more payroll systems, include an expert that understands what the effects are on the integration. This may be more than one person.

- For one country, you could be replicating back to SAP on-premise
- For another, you could be integrating with ADP

Include experts that understand the requirements for payroll processing (e.g., payment of Bonuses and Equity, Merit changes, etc.).

### 3. For Change Management:

Whether this is a new implementation or updating existing processes, include an experienced Change Management expert to ensure there are no surprises to the end users—they need to know changes are coming early in the process.

## GP Strategies' Individual Change Journey



Figure 18: Change Management

**4. For your existing processes:**

Include the correct Compensation Analyst, someone that understands your existing processes. They should know which components will be included in the template(s), what calculations will be used, the types of budgets that will be required, whether guidelines are applicable and if so, what the criteria are for each guideline, etc.

There could be more than one person (e.g., one person for the Merit and Bonus process and one for Equity).

**5. For SuccessFactors Compensation:**

Utilise a certified compensation consultant that understands SuccessFactors Compensation holistically; someone who knows what is possible, is able to provide options, and can identify if the standard system functionality is not able to meet your requirements.

**System Limitations**

In the previous section, we identified the need for the correct people in the "room." Not only does that help you to identify gaps, it also helps you identify system limitations.

For example, if you have a unique way of calculating proration and it's not possible to replicate using standard proration rules in SuccessFactors Compensation, have your consultant provide options and recommendations and select the solution that best meet your needs.

- (i) You can choose to adjust the process and use standard functionality in SuccessFactors Compensation
- (ii) Or you can choose to create custom columns and keep the calculation the same
- (iii) Or you can consider other options provided by the consultant

The screenshot shows the 'Salary proration' configuration interface. It includes the following options and fields:

- Enable Salary Proration**: ☒
- Prorate based on**: ☒ Date ☐ Percentage
- Proration Date**:
  - Proration Start Date**: 01/01/2020
  - Proration End Date**: 12/31/2020
- Prorate salaries based on**: ☒ Hire Date ☐ Enter Prorating Start and End date from User file
- Enable Guideline Optimization**: ☒

Figure 19: Salary Proration

## FOR EXISTING SUCCESSFACTORS COMPENSATION CUSTOMERS

### Things to consider:

#### 1. Have there been any changes to your process since the last Compensation Cycle?

For example:

- Merits are no longer based on a fixed amount; they are now based on a percentage per country
- Automatically spill Merit into Lump Sum if you reach a compa-ratio of 120%
- Added a Team Goal to your Bonus Plan

#### 2. Were new functions implemented in SuccessFactors that can be used to eliminate custom columns in your existing templates?

For example: You implemented Performance Forms after your previous Compensation Cycle and ratings are now available in the Performance Management modules for use in guidelines. There is no longer a need for a lookup table.

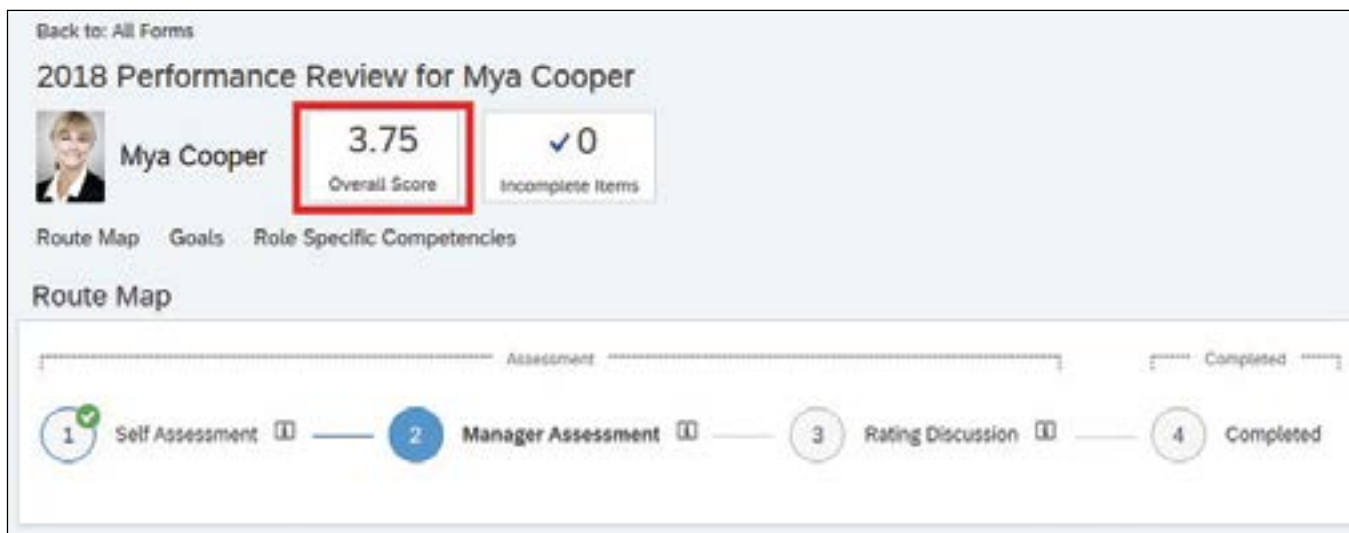


Figure 20: Performance Management

#### a. Is there new functionality in SuccessFactors that can streamline your current processes?

For example: The Total Compensation Template can be used to combine your Merit, Equity, and Bonus into one template.

#### b. Is there a need to implement additional functionality?

For example: Are you ready to implement Rewards and Recognitions (i.e., Spot Awards)?

## COMPENSATION HEALTH CHECK

GP Strategies® can perform a Health Check to help you identify next steps and answer some of the questions in section (2) above.

As part of the health check, we will look at existing templates, review custom columns and formulas, review budget and guideline setup, and review lookup tables (if the data is available in Employee Central (EC), we may be able to eliminate lookup tables or propose an option where we create a field in EC to eliminate lookup tables).

In this document, we are only referring to the Compensation portion of the health check; however, GP Strategies can do a health check on all of the SuccessFactors modules you have implemented.



Figure 21: Compensation Health Check

The health check will include:

- a) Analysis
  - High-level review of configuration
  - Determine who is best suited to address your concerns and evaluate your Compensation processes
- b) Deep Dive
  - Talk with team members about existing pain points
  - Review processes in detail—in and outside of the system—and determine if manual processes can be incorporated into the system
- c) Evaluation
  - Document findings and recommendations
  - Document next steps
- d) Follow-Up
  - Schedule a session to review findings with customer
  - If needed, kick off project to implement approved changes

## LESSONS LEARNED

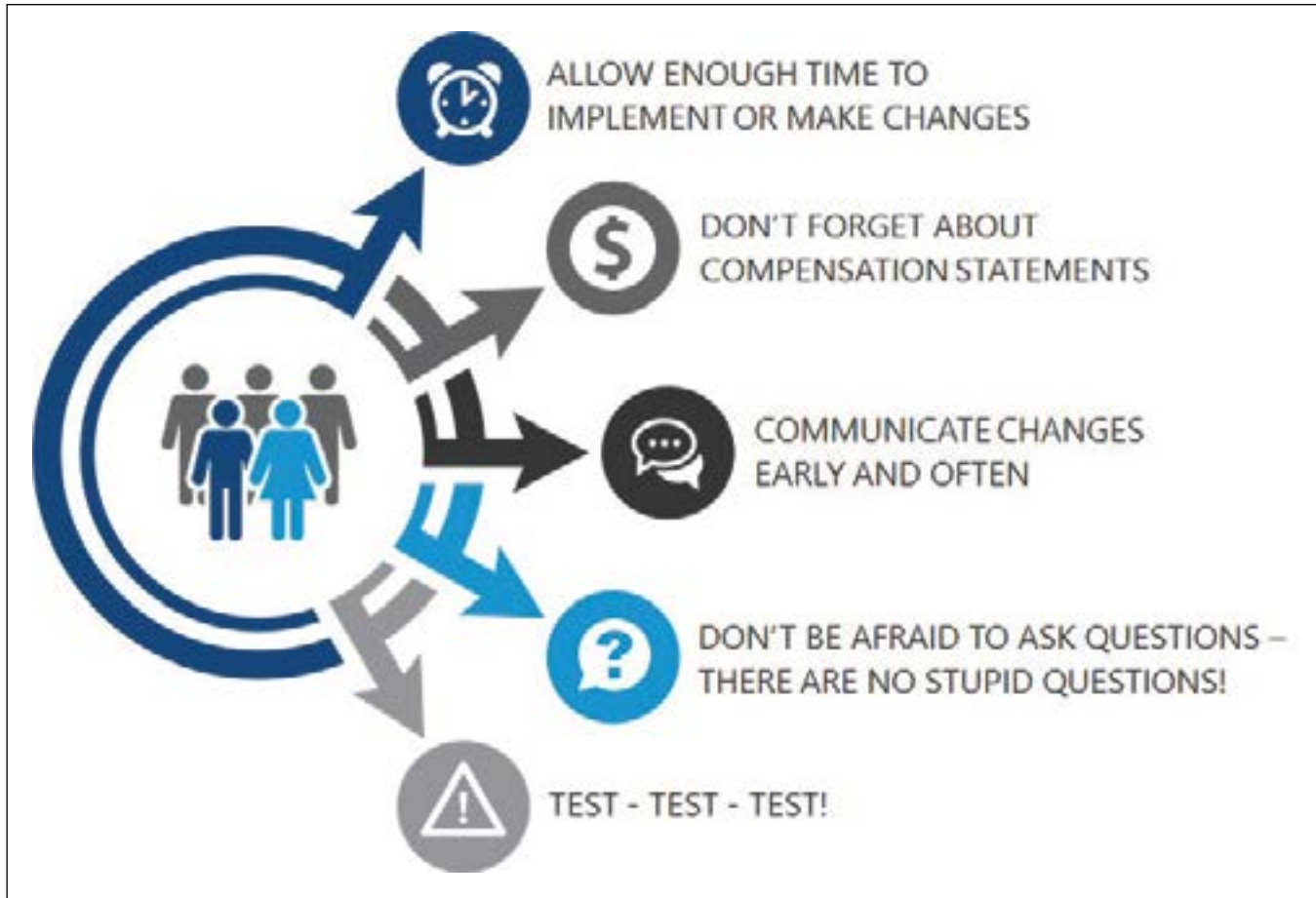


Figure 22: Lessons Learned

a) Time for Changes

Allow enough time to make all the changes and do complete end-to-end testing of all compensation templates. This becomes especially important if you would like to include a health check.

b) Compensation Statements

The fields you would like to use on the Compensation statements need to be included in the template (e.g., Merit increase %s—even though it's available for managers to select, it's not available as a field to select on the Compensation statement). For this, we recommend you create a custom calculated field (Hidden) in the template to display on the statements.

c) Communication is Key

It's never too early to communicate upcoming changes. Communicate early and often.

d) Ask Questions

Don't assume anything. Don't be afraid to ask questions—there are no stupid questions.

e) Testing

You cannot test enough. If you plan to run the updated programme, make sure to test for all scenarios before moving to PROD!

GP Strategies is a global SuccessFactors partner with over 15 years of experience implementing SAP SuccessFactors for organisations worldwide. Understanding not only Compensation, but also the other SuccessFactors modules is key to preparing your compensation cycle and integrating properly with supporting systems. With consultants across the globe, we bring knowledge of local and international requirements to ensure your processes are smooth and efficient.

Contact us at [info@gpstrategies.com](mailto:info@gpstrategies.com) for assistance as you prepare for your next compensation cycle.

---

Resources:

1.SAP Compensation Implementation Guide (requires an S-ID to access):

[https://help.sap.com/viewer/product/SAP\\_SUCCESSFACTORS\\_COMPENSATION/2005/en-US?task=implement\\_task](https://help.sap.com/viewer/product/SAP_SUCCESSFACTORS_COMPENSATION/2005/en-US?task=implement_task)

2.SAP Compensation Workbook (requires an S-ID to access):

[https://partneredge.sap.com/en/library/education/products/emp\\_mng/hcm/implement/conwb/tr\\_wb\\_config\\_comp.html](https://partneredge.sap.com/en/library/education/products/emp_mng/hcm/implement/conwb/tr_wb_config_comp.html)

3.SAP Demo Systems (for screen prints)

## About GP Strategies

GP Strategies is a leading workforce transformation partner—one of the few truly dedicated global providers in the marketplace providing custom solutions. We believe our transformation focus, when paired with deep listening, a customer-centric approach, and innovative expertise, enables our clients to routinely achieve superior business and operational results from our evidence-driven and technology agnostic recommendations.

Whether your business success requires a change in employee performance and mindsets, learning technologies, or critical processes, GP Strategies is the transformation partner you can trust.

1st Floor, 2660 Kings Court,  
The Crescent,  
Birmingham Business Park,  
Birmingham, B37 7YE



[gpstrategies.com/uk](https://gpstrategies.com/uk)  
+44 (0)8085 734734  
[info@gpstrategies.com](mailto:info@gpstrategies.com)

