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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

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.
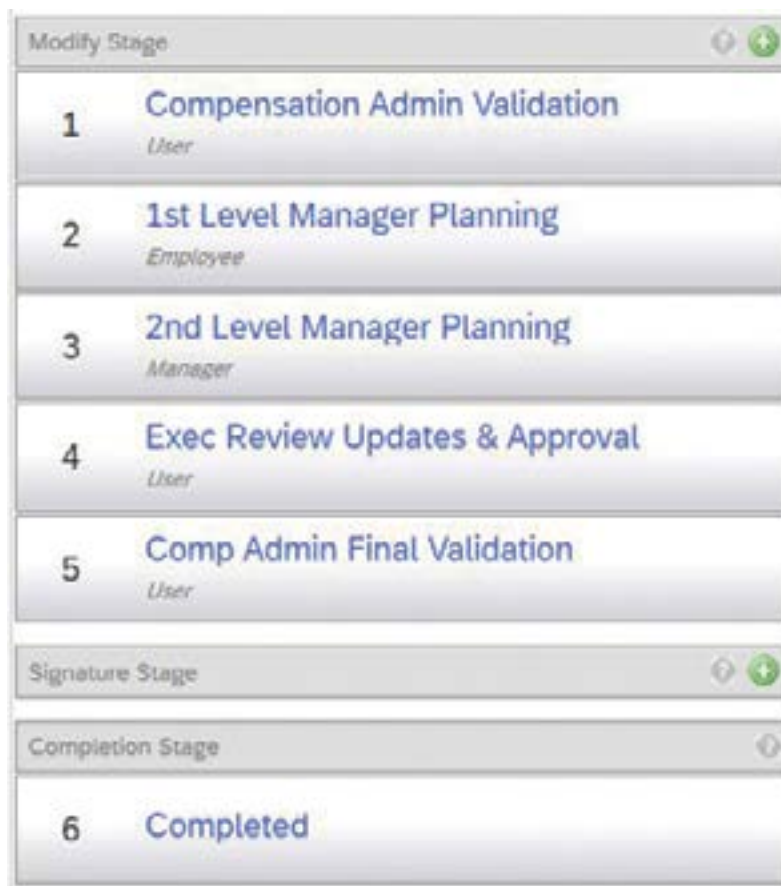- You can define different workflows for each template if required.

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.

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.

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)?

Figure 4: Guideline Criteria
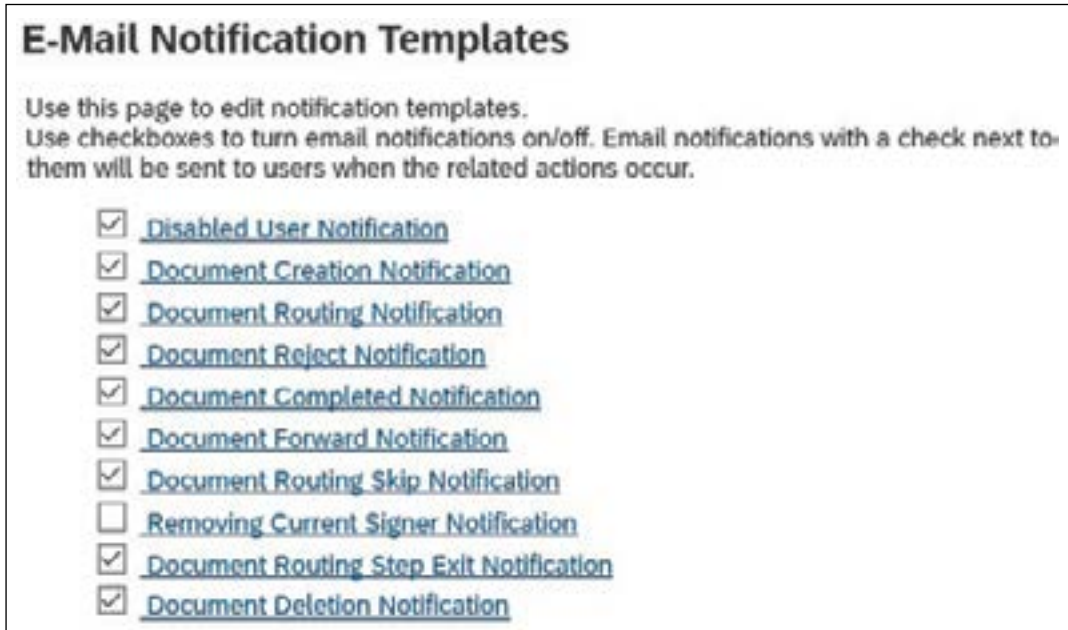
- When factor is "Rating", where will ratings come from?

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?

Figure 6: Available Notifications

- Can you have different wording for different templates?

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?

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?

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?

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.

Figure 11: Statement and Reporting Fields

6. Promotions

Do you want to include promotions as part of the Compensation Cycle?
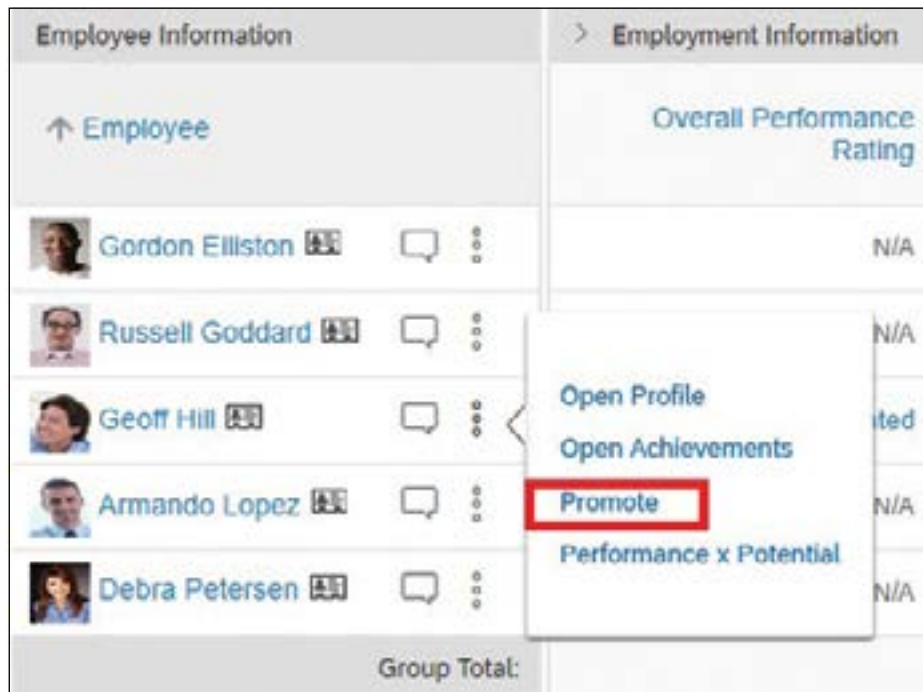
Figure 12: Promotions

Understand how other SuccessFactors modules are configured

1. If Employee Central is in place:

- Will Compensation templates integrate with Employee Central?

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?

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

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?

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).
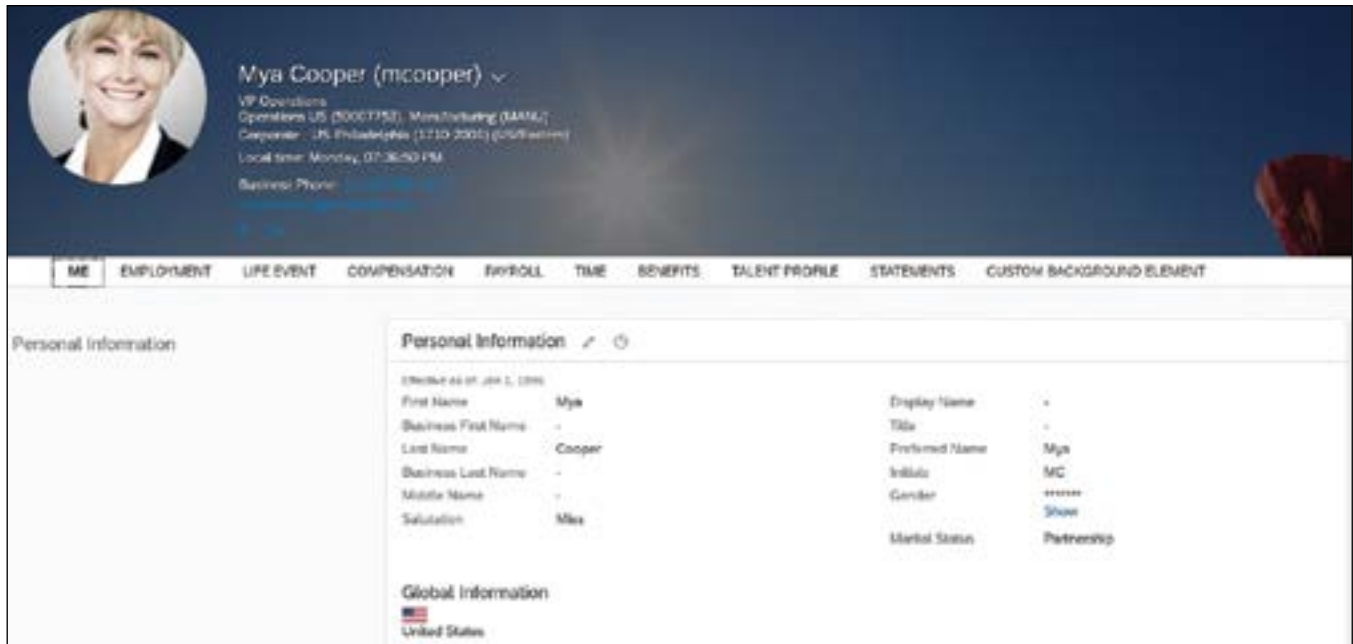
Figure 17: Employee Central

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

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.
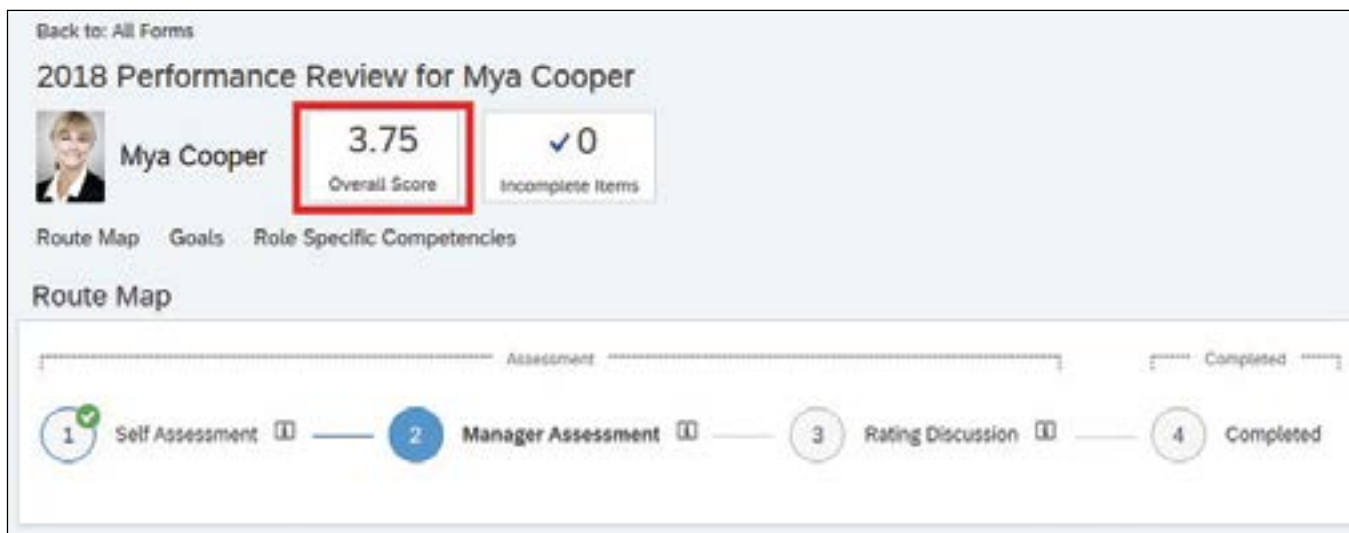

Figure 20: Performance Management

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
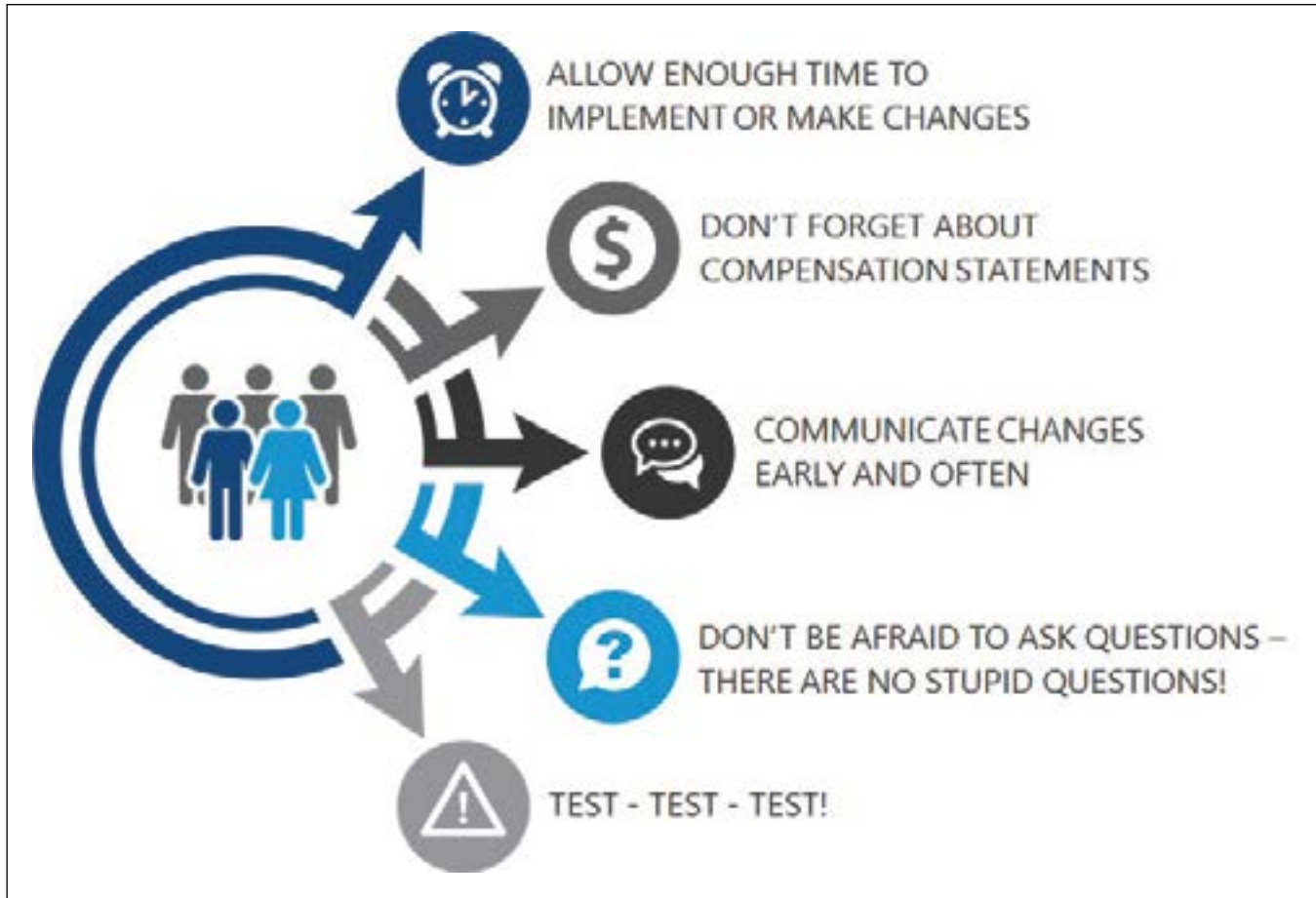 - If needed, kick off project to implement approved changes

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 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

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

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.

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