Case Study: Best Practices for Integrating SAP HCM with Success Factors Talent Management

Lawrence Ferguson and Jennifer Killer
## Session Agenda

<table>
<thead>
<tr>
<th>Agenda Topic</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>5 mins</td>
</tr>
<tr>
<td>• Corporate Overview</td>
<td></td>
</tr>
<tr>
<td>Seminar Objectives</td>
<td>5 mins</td>
</tr>
<tr>
<td>Baseline Architecture</td>
<td>10 mins</td>
</tr>
<tr>
<td>Key Integration Points</td>
<td>10 mins</td>
</tr>
<tr>
<td>Areas of Opportunity</td>
<td>10 mins</td>
</tr>
<tr>
<td>Scalability</td>
<td>5 mins</td>
</tr>
<tr>
<td>Question and Answer</td>
<td>15 mins</td>
</tr>
</tbody>
</table>
Seminar Objectives

Walk Through System Analysis Steps
• Identify system strengths and challenges

Perform Evaluation of the Architecture
• Determine source system of record(s)
  • Employee Master Data
  • Compensation Processing
  • Performance Processing

Highlight Key Areas of System Integration
• Interface Triggers
• Key Integration Points

Identify Areas of Opportunity & Challenges
Introduction

Presenters

• Jennifer Killer, Global HR Compensation Director
• Lawrence Ferguson, Global Applications IT Director

Corporate Profile
The AES Corporation is a Fortune 200 global power company, with our headquarters located in Arlington, VA. We provide affordable, sustainable energy to 27 countries through our diverse portfolio of distribution businesses as well as thermal and renewable generation facilities. Our workforce of 27,000 people is committed to operational excellence and meeting the world’s changing power needs. Our 2011 revenues were $17 billion and we own and manage $45 billion in total assets.

Objective
The objective of the Success Factors implementation was to leverage our existing ERP platform, with its shared data and architecture, and implement a user-friendly and functional HR tool that would allow for effective Talent Management.

Team
Cross-functional team made up of Global IT and Global HR people.
Introduction - Existing ERP Platform

Supports 79% AES’ revenue, 69% of EPS and over 10,000 users and ~27,000 people

- 27 Countries
- 110 Plants
- 10 Disco/Utilities
- 1,070 Legal Entities
- 3,500 CCS users
  - 2,500 Brazil
  - 1,000 Ukraine
- 5,457 ERP users
- ~27,000 people

SAP Deployed
- U.S.
- Mexico
- El Salvador
- Colombia
- Panama
- Brazil
- Chile
- Argentina
- Spain
- Jordan
- Ukraine
- Bulgaria
- Turkey
- Hungary
- Netherlands
- N. Ireland
- UK
- Colombia
- Dom. Rep
- Panama
- Nigeria
- Cameroon
- Sri Lanka
- Singapore
- Philippines
- China

Planned 2012

1 2012 Countries: Vietnam, Dominican Republic and Panama)
MAXIMIZING FUNCTIONALITY

Lawrence Ferguson and Jennifer Killer
SAP at AES

- Powerful, fully-integrated ERP system with comprehensive suite of applications for an organization’s entire enterprise
- Shared data tables across multiple functional areas
Success Factors at AES

- Talent Visualization system with enhanced usability and metrics for enabling effective talent management
Maximize Functionality

How do we leverage the strengths of each system in order to maximize the return on our investment (essentially gaining the best of both worlds)?

Employee Master Data
- Personal Info
- Organizational Structure
- Compensation Info
- Work Schedules
- Work Orders
- Human Resources

Organizational Management
- Line Manager
- Org Unit assignment
- Job assignment

Benefits Master Data
- Benefits Eligibility Status
- Benefits Groups

Payroll Master Data
- Tax Codes
- Exemptions
- Additional Allowances

Application Data Flow

Comp & Performance Processing

Employee Master Data

Reporting

BW Reporting Requirements
- Time/Labor Allocation
- Functional Cost Reporting
- Headcount reporting
EVALUATING THE ARCHITECTURE

Lawrence Ferguson and Jennifer Killer
Evaluating the Architecture

- Determine strengths/challenges of each system

- System functionality
- Scalability
- Integration capabilities
- End-user experience (usability)
- Reporting capabilities
Determine system of record for master data maintenance and respective business processes

- Method of data capture for employee master data
  - SAP Portal
  - SAP GUI
  - Smart forms/Input templates
  - Local legacy systems

- Source system of record for:
  - Demographic Data
  - Organizational Data
  - Payroll Data
  - Compensation Data
  - Benefits Eligibility

- Performance Processing
- Benefits Processing
- Compensation Processing
- Payroll Processing
- Learning Management

* Potential future state, under evaluation
HR Architecture / Landscape

Data Input

Data entry

- Countries who have not implemented SAP
- Simplified employee data record
- HR global template data record
- Way of displaying global attributes such as Job Functions, LTC target percentages
- Reinforces global HR data standards
- Accepts individual or collective employee data processing

Data Repository

SAP Portal

Direct entry into SAP GUI for employee updates

Real-time data synchronization
( Employee updates)

RPC

- Back-end data management system utilized by HR Super-Users (HR admins)
- Production SAP instance
  - Personnel Admin
  - Organizational Mgmt
  - Time Mgmt
  - Payroll
  - Personnel Development (local plans)
- Countries who have implemented the complete SAP global template for all applicable functions
- Full employee record with local variations for external reporting and payroll calculations
- HR global template data record
- SAP GUI is primary user-interface
- Upload programs for collective processing

Business Processing

Direct entry for performance reviews and development plans

Success Factors

- Global Compensation processing
- Global Performance Mgmt
- Global Learning Mgmt
- Global Personnel Development

EP0

11
Are we saying that SAP cannot perform annual performance and compensation processing? “NO”

Are we saying that Success Factors cannot be the system of record for your employee data? “NO”

This just means we’re the leveraging the strengths of each system in order to maximize our return (leveraging the architecture of ERP and enhancing the end-user experience with SF)
INTEGRATION POINTS

Lawrence Ferguson and Jennifer Killer
Interface Triggers

- Primary Key(s) for integration
  - Internally generated number within SAP which is specific for SF (custom number range in SAP)
  - Active Directory account (network ID)
  - System eligibility indicator

Leverage IT 0105 as the “interface library”

* Interface indicators determine which employees are exported over to SF. Not all employees are reflected in the SF system. Only those employees who participate in the “Global Compensation, Performance and Development” programs.
Why use custom number range instead of standard SAP Personnel number?

- Global mobility population within our organization creates multiple records with multiple personnel numbers in each respective country where the employee exists

- Needed to have flexibility to determine which version of the employee record (home vs. host country) feeds the SF system

- Central Person number (CP ID) within SAP is stored in data tables and is not a well-known value that is reported upon within the system

- Chose not to activate the Concurrent employment module within SAP
Interface Points

- Interface Specifications
  - Full employee database file
  - Full employee data string
  - Two files are generated
    - Demographics data file
    - Compensation data file
  - Bi-directional employee interface
    - Employee changes are exported from SAP to SF
    - Annual merit, bonus and LTC amounts are uploaded into SAP from SF

SAP Production

- Performance data is entered
- Compensation awards are calculated

Success Factors

Annual merit, bonus and LTC award amounts are uploaded into SAP
Key Integration Points

- Leverage the pay structure within SAP to derive “Grade Regions” within SF
  - Leverage the job to pay grade relationship within SAP to reinforce appropriate grade assignments within SF
  - Unique grade structure per country within SAP, with respective currencies
  - Important that grades and grade regions are kept in sync between the two systems
  - Unique compensation rules and target percentages are derived from the grade region of the employee within SF
Key Integration Points

- Organizational Assignment Attributes

  ✓ Work Locations represent legal entity assignments

  ✓ * Physical Building locations are the actual physical work address of the people

  ✓ * Business Unit assignments represent the operational business unit that the person works for (similar to work location, but can also be different)

  ✓ * Departmental assignments

* Field attributes also act as reporting filters for HR administrators and managers when viewing employee population.
AREAS OF OPPORTUNITY / CHALLENGES

Lawrence Ferguson and Jennifer Killer
Areas of Opportunity / Challenges

- Organizational Maintenance
  - Problematic when managers leave the organization and employees are not assigned a temporary manager
  - OM structure functionality is not available to entire people population (needed to derive alternative means for tracking line managers)
  - Businesses were having difficulty keeping the OM structure updated

- Pay structure synchronization
  - Maintenance of the pay structures must be done within each system respectively
    - Pay Scale areas to Grade Regions
    - Currencies and currency codes (custom currencies within SAP needed to be mapped)
    - Country grade ranges must be kept in sync
    - Utilize the salary range functionality within SAP to reinforce the min/max salaries per grade

- Currency exchange rates need to be accounted for
  - When reporting from SF, currency translations are as of a “fixed point in time”,
    - Used as the compensation planning exchange rate and for variable compensation payments
  - Currency exchange rates within SAP are updated daily via an interface with Bloomberg.
    - Used for reporting to show actual “people costs”
SCALABILITY

Lawrence Ferguson and Jennifer Killer
Scalability

- Once key integration points are established, additional HR processes can be added to the SF system.

- Important to ensure that all possible data values that are currently required and that may be required for the future, are exported in the interface to SF.
  - Need to have a comprehensive HR global template
  - Plan for the future

- SF can accommodate multiple languages, so integrates well with SAP, which also allows for multiple languages.

- Flexibility in how data is utilized for planning and reporting.
  - As requirements change, the system allows for modification to forms and templates to represent data in different formats.

- Additional licensing costs are required for additional employee records which will be added to the SF database.
Questions and Answers

- Class 1702 - Case Study: Best Practices for Integrating SAP HCM with Success Factors Talent Management