

Position Paper

A New SuccessFactors-Kronos Partnership

Redefining the HCM Landscape

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Executive Summary

As organizations today strive to create and implement the right business strategy, a number of outside variables — conditions beyond their control — force them to constantly adjust their strategies and communicate new requirements to employees. Yet these new requirements often prove to be too much for manual management efforts or disparate technologies, and the organization is hard-pressed to find a way to implement the changes and execute on the larger strategy.

A new relationship between SuccessFactors, the leading recruit-to-retire HR platform, and Kronos® Incorporated, the leading workforce management platform, has been created to increase the overall effectiveness and productivity of organizations today. In order to improve customers' return on investment, increase their global coverage, and reduce time-to-value, this partnership delivers its solution in the cloud and includes a maintained integration between the SuccessFactors and Kronos.

By bringing together two industry leaders, companies will benefit from a solution that will allow them to redefine end-to-end processes, link strategy to execution, and standardize their most important processes for managing a global workforce. As a result, these organizations are better able to execute their strategic vision and achieve better business results.

Developing the Right Strategy

When any organization develops its strategy, there always tends to be plenty of advice on what it should be. Yet creating a strategy is not a “once and done” exercise; regardless of the organization or industry, the strategy is inevitably revised. For executives, the reality is that their strategy is tied to an environment over which they have little control. Examples of these environmental variables include governmental forces such as physical infrastructure, tax policy, and financial, legal, and regulatory systems. Additional market conditions can include energy costs, supply networks, competitors, and market attractiveness.

There can also be internal changes within the organization that cause shifts in strategy, such as operational innovations or a new product or service offering. All of this adds up to create constant change in the business environment and forces any organization to regularly revisit its strategies.

However, what separates the good strategists from other organizations isn't the ideal of creating and maintaining a perfect strategy. Leadership's challenge — and opportunity for differentiation — is how to best communicate the newly revised strategy, track progress, and provide guidance on how to implement it.

Examples of **environmental variables** that executives have little control over include:

- Governmental forces such as physical infrastructure
- Tax policy
- Financial, legal, and regulatory systems



Three Keys to Successful Strategy Execution

Organizations that are successful tend to have good strategies and are able to translate them into their day-to-day decision-making processes. These organizations recognize and address the three areas that are key to successful execution.

- 1. Recognition:** First is recognizing that strategy and execution do not form a unilateral relationship. For example, a strategy that doesn't factor in the organization's capability is doomed to fail. In gathering input and creating the strategy, it is critical to understand the skills and capacity of the entire organization.
- 2. Execution:** The second step is to understand that not all departments and employees will execute on the strategy at the same pace or as effectively as others. Progress against strategy must be continually measured anywhere there will be impact. Only then will executives know where extra attention needs to be provided or organizational capabilities changed.
- 3. Mastering the art of change:** In this final step, the organization must be adept at handling the change that accompanies shifts in strategies. One of the best ways to achieve this is to set up repeatable processes with decision support to provide guidance to support corporate strategy. Organizations can become more responsive to change if their employees aren't bogged down by trying to understand what they need to do differently and can benefit from goals and metrics that guide decisions and support strategy.

The awareness of these areas as potential drags on organizational effectiveness and productivity is well-known and has been the subject of many articles and studies. In fact, it's one of the major goals of Human Capital Management (HCM) as both a profession and a technology sector.

One major reason the successful execution of strategy has not been mastered is that as strategies change and organizational capabilities expand, the new requirements often overwhelm disparate, manual systems that are in place. The organization spends much of its energy relearning how to operate in this new environment as different behaviors emerge as a reaction to the change in strategy as it propagates through the entire business.

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SuccessFactors and Kronos: A More Complete HCM Offering

The opportunity to increase the effectiveness of organizations was the genesis of a relationship formed between SuccessFactors (an SAP company) and Kronos Incorporated, the leading provider of workforce management solutions. Together, this relationship brings together two leaders of their respective categories of HCM and now reshapes HCM in three distinct ways:

1. Redefine end-to-end processes to provide improved decision-making capabilities and two-way communication
2. Link strategy to execution through improved decision making by employees
3. Standardize processes through an integrated solution for a global workforce

Each of these topics is discussed in full detail in the following sections.

Redefining End-to-End Processes

To improve key metrics and make better decisions, it is important to provide the right methods to measure and manage the business. When done correctly, processes become more responsive and efficient, interdependencies between functional areas become visible, and better outcomes are achieved.

For example, in the pharmaceutical industry, a primary strategic consideration is to ensure compliance with regulatory agencies. Yet if there is a regulatory change — for example, if the Food and Drug Administration modifies its policy for how an active ingredient must be handled — this affects the production operator.

In this example, the manufacturer may require employees to read a document on the safe handling of an active ingredient before they can begin work. The organization can use technology to produce the desired behavior; in this case, the pharmaceutical company can document this requirement in its learning management system (LMS). A supervisor would check at the beginning of the shift for any outstanding requirements for employees working on that shift. In this case, the employees affected would be stopped before they began and would have to read the document. If production was critical, replacement workers might have to be called in to avoid stopping production.

While this could be viewed as a current good manufacturing practice (cGMP) — a term that designates acceptable practices within manufacturing and is regulated by the FDA — there are still cost implications and gaps. As any manufacturer will tell you, it's preferable to know ahead of time when employees are going to be delayed from working. For example, finding out just as the shift starts that an employee can't work on the line is just as problematic as if a machine shuts down or if raw materials don't arrive on time.



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However, in this example, there is a complete dependence on the supervisor to check the LMS at the beginning of the shift to ensure compliance. Yet if the supervisor is asked to manage too many events at the shift change, it's still possible that they might not notify a particular employee that they must read the document.

This critical process can be reimagined through the partnership of SuccessFactors and Kronos. Instead of forcing supervisors or employees to check the LMS every day and determine whether there is a new requirement, the supervisor is alerted when there is an employee who is on a schedule that is out of compliance. Before the shift starts, the supervisor can then make the best choice as to whether or not they should schedule replacements, or, if the document is short, delay production for a few minutes.

Additionally, to address any last-minute changes to the LMS that may slip by the supervisor or that could occur after the supervisor checks the LMS but before the employee begins production, the employee can be required to clock into the line. Similarly, this process can be used to check for compliance (as defined by the requirements within the LMS) and provide an alert and instructions directly to the employee before he or she starts working. Savvy manufacturers use this new data not only to check for compliance but to analyze for opportunities to improve productivity.

Linking Strategy to Execution

When there isn't context to a metric, it becomes challenging to know if the data is something that supports the corporate strategy or if it could possibly hinder it. As a result, problems can go unresolved or suboptimal decisions are made, leading to lower productivity, higher costs, or reduced employee engagement.

Traditional HR systems and basic timekeeping systems often track only the labor side of the equation. These systems don't measure the output of employees, information that is often collected in the enterprise resource planning (ERP) system or even manually by supervisors.

If so, these organizations are missing a significant opportunity. By linking planning tools with data related to employee costs, schedules, and output, the organization can gain a more complete understanding of what "levers" influence desired behaviors.

A good example of this is compensation management. In traditional compensation analysis, turnover by compensation band can be determined (*see Figure 1: Turnover Percentage by Wage Band*). In this example, an unexpected pattern occurs. It would be expected that higher compensation for the same position would result in lower turnover, but this is not the case, and there is not enough context to understand why there is higher turnover. As a result, the problem might not get resolved, or worse — a compensation professional may draw the wrong conclusion from this data.

\$15.50 – 16.50	12%
\$16.51 – 17.50	6%
\$18.51 – 19.50	9%

FIGURE 1 Turnover Percentage by Wage Band



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By linking compensation strategy to individual employee data regarding how they work, a more complete picture comes to life. In this case, the data highlights the fact that the compensation strategy is working well and as expected. But by extending the data set with more information from HR, it becomes clear that the employees at the upper range are high performers, more senior, and more skilled. What also becomes apparent is that these are the employees who are regularly asked to cover for unplanned absences or increases in workload. While they earn seemingly attractive overtime rates, it also is too much of a burden for some of these employees, and they are choosing to leave.

It is often much easier to report on data that is easily available as opposed to reporting on the interdependent factors that drive behavior. While many organizations think it's difficult to bring that data together in a repeatable report for improved decision making, imagine how difficult it is for employees to make good decisions when they can't see it at all.

Standardize Processes with an Integrated Solution for a Global Workforce

Anemic economic growth in every country is forcing organizations of all sizes to expand internationally. While these new markets will buy their products, foreign governments are requiring that these organizations hire local employees to create jobs as part of the overall package.

Until now, human resources would typically standardize technology on larger populations, use local technology providers where there are unique labor requirements, and take advantage of small accounting and payroll firms. Economically speaking, these are the best decisions to consolidate redundancies and control costs, but such a fragmented approach doesn't support the tenets of high-performance execution.

SuccessFactors and Kronos provide organizations with an alternative approach. The cloud offering means that organizations can also deploy it cost-effectively — even to the smallest population of employees.

How This Solution Is Different

The legacy of this solution comes from organizations that have successfully helped customers navigate global HCM with a combined experience of over 85 years. The following describes the components of this solution.

SAP Payroll has a well-deserved reputation of serving global enterprise companies and has successfully generated payroll for over 7,000 organizations in 90 countries. Now known as Employee Central Payroll, this solution recently

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migrated to a cloud environment, enabling customers of all sizes to take advantage of dedicated, country-specific resources to take care of tax and legislative updates. For example, all updates are automatically incorporated, relieving the burden once placed on payroll managers.

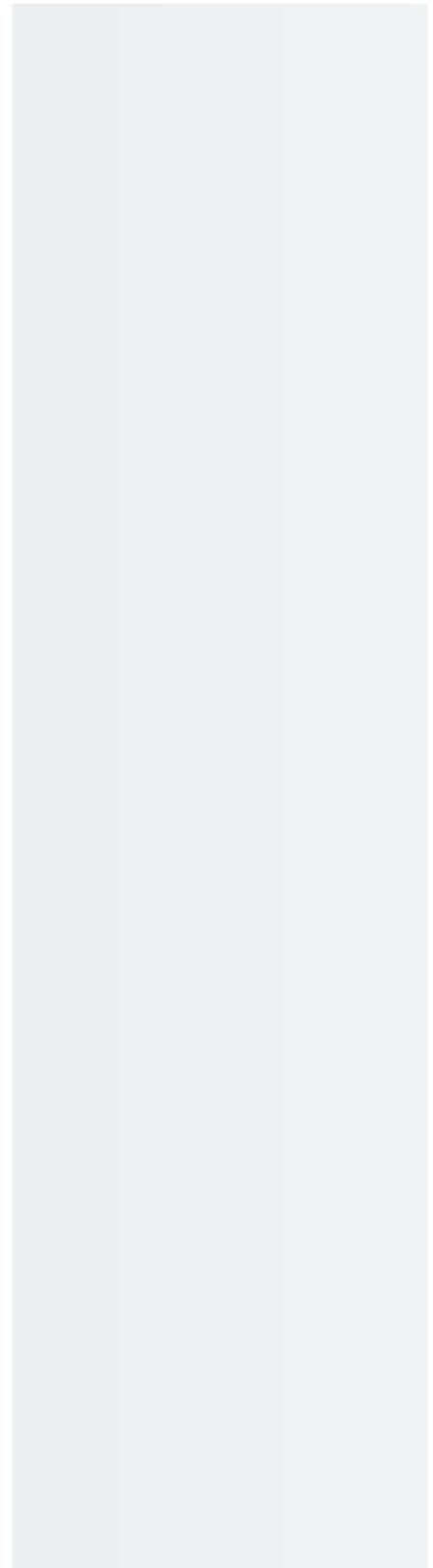
SuccessFactors was recently acquired by SAP and now serves as its cloud HCM offering. Its solutions include Employee Central as well as a complete talent management suite, which includes workforce planning, goal setting, performance management, compensation management, recruiting, learning management, succession planning, and a collaborative environment where employees can share information and communicate with each other.

SuccessFactors' unique combination of products and deep domain expertise has earned the company top reviews and accolades by industry analysts. Its products are now available in 35 languages and have been deployed in over 168 countries with over 20 million employees subscribed.

The Kronos Workforce Central® suite is the only workforce management solution that provides scheduling, timekeeping, absence management, labor tracking, decision guidance, and a complete data collection offering for a global workforce. Over 20 million employees use Workforce Central in more than 100 countries every day.

Of course, technology is only one part of the solution. Over the 85 years of combined experience, the ecosystem of professional services, system integrators, and even individual employees who are already familiar with these solutions is unmatched. There are communities of users within every industry including retail, manufacturing, services, healthcare, and the public sector who understand how the solution can be tailored to solve business challenges within each industry.

To learn more about the new SuccessFactors-Kronos relationship — and how it can help your company achieve greater success, call us today at +1 800 225 1561 or visit www.kronos.com today.



About SuccessFactors

SuccessFactors is the leading provider of cloud-based business execution software and delivers business alignment, team execution, people performance, and learning management solutions to organizations of all sizes across more than 60 industries. With approximately 20 million subscription seats globally, we strive to delight our customers by delivering innovative solutions, content and analytics, process expertise, and best practices insights from serving our broad and diverse customer base. Today, we have more than 3,600 customers in more than 168 countries using our application suite in 35 languages.

About Kronos

Kronos Incorporated is the global leader in delivering workforce management solutions. Tens of thousands of organizations in more than 100 countries — including more than half of the Fortune 1000® — use Kronos to control labor costs, minimize compliance risk, and improve workforce productivity. Learn more about Kronos industry-specific time and attendance, scheduling, absence management, HR and payroll, hiring, and labor analytics applications at www.kronos.com. **Kronos: Workforce Innovation That Works™**.

