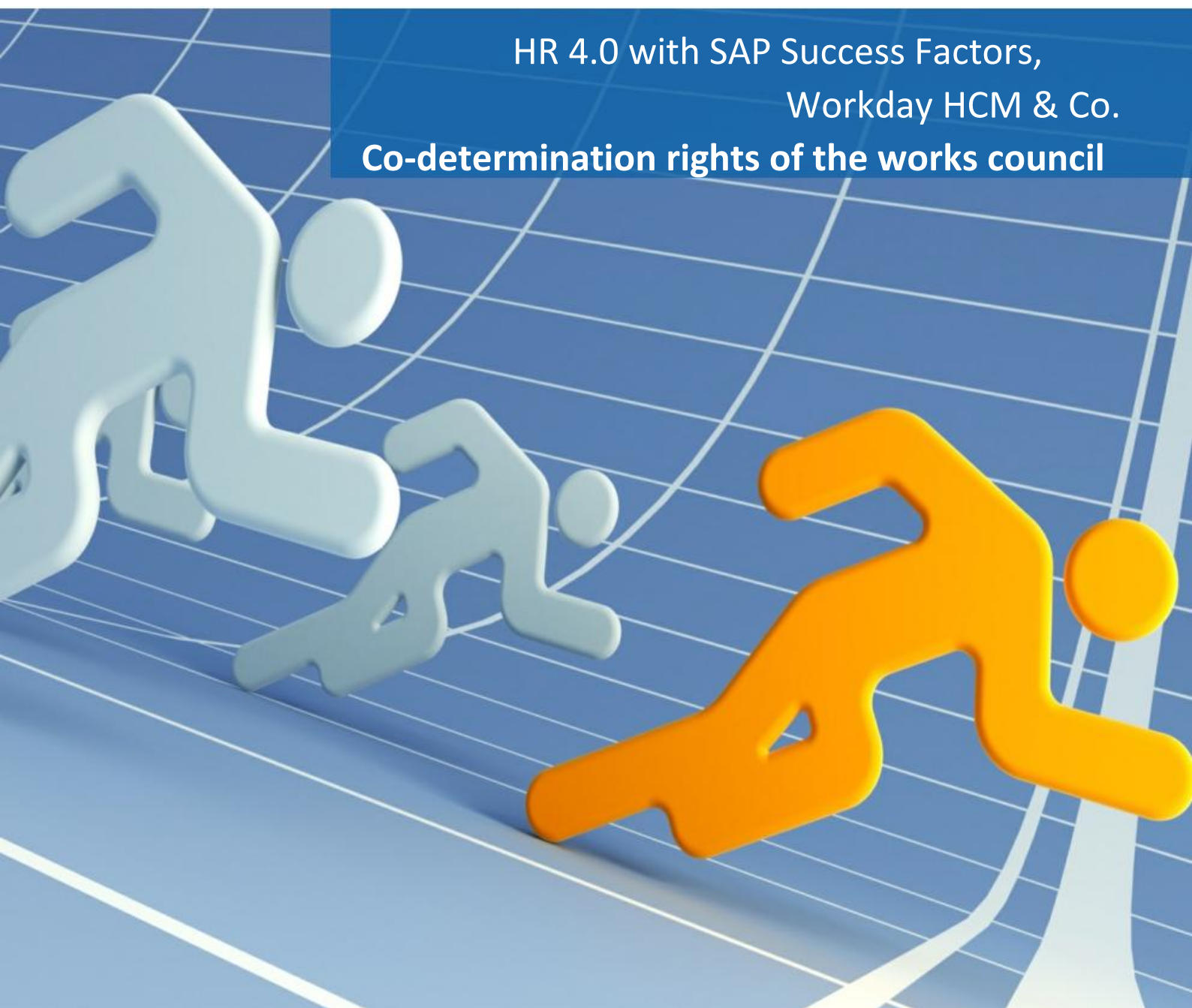


## HR 4.0 with SAP Success Factors, Workday HCM & Co. **Co-determination rights of the works council**



# Personal 4.0 with SAP SuccessFactors, Workday HCM & Co.

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## SAP SuccessFactors, Workday HCM & Co.: An important matter for interest groups

The landscape of human resource management systems is drastically changing. Up to now, human resources uses EDV systems with focus on personnel administration, payroll and time management. New software solutions now also depict the HR processes relevant for the employees, including target agreement and performance assessment, wage planning, recruiting, talent review, development and succession planning. Two of the most popular systems in Germany are the personnel and talent management systems SAP SuccessFactors and Worday HCM.

What at first glance looks like the introduction of another software, turns out to companies to be the introduction of a new HR planning and management philosophy. Which tasks and targets are assigned to every individual employee? How does the remuneration develop? What does the employer know about every individual? These and many other questions can now be answered with the IT systems “at the touch of a button”.

In addition, especially in the case of internationally operating companies, the HR processes are standardised across countries and merged at the parent company.

These are reasons enough for he works council to be eager to deal with the subject and to consistently exercise its co-determination rights. This white paper shows the core approaches.

# 1. What is new about SAP, SuccessFactors, Workday HCM & Co.

Previous IT-supported personnel systems have their focus on the traditional core functions of the personnel department, such as personnel database management, payroll accounting, time management and perhaps also recruiting. New HR systems such as SAP SuccessFactors, Workday HCM, Umantis, Cornerstone on Demand, i.a., on the other hand, provide new, far more extensive functionalities directly affecting the co-determination rights of the interest groups.

Moreover, in addition to the core functions of the human resources department mentioned above, they make it possible to record and evaluate a large amount of additional information about the employees, including much "soft" data such as subjective performance and potential assessments. The central data source for this is- up to now mostly- the annually meetings of managers and employees. The recorded information contain, in particular:

- the target agreement and performance assessment,
- a wage planning, which consistently link the remuneration components to the achieved performance assessment of the employee,
- individual qualification plans such as
- career and succession planning.

This results in something decisive: The collected data provides managers and management with extensive HR planning, management and analytic possibilities. This means that a variety of questions can be more or less answered "at the touch of a button":

- Who are the top performers? Who the sound workers and who the underperformers?
- Who has potential for more? Where do we need talents with such potentials?
- Who will get paid more next year and who will be left empty-handed?
- How are our HR costs developing? How can we lower them?
- Who needs which qualification? In whom do we invest and send them to the seminar?
- How are the individual company units positioned compared to the competition in Germany and abroad?
- Which unit has the lowest HR costs? Where should new orders be placed?

**This is why it is particularly important for the works council: For SAP SuccessFactors, Workday HCM & Co., the focus should not only be placed on matters of performance and behavioural control (§ 87 Abs. 1 Nr. 6 BetrVG) but also on data protection. The works council also has to discuss and develop assessment systems, remuneration principles and performance-based pay or career and succession planning displayed in the software together with the employer. That is because German legislature does not only provide for extensive**



co-determination rights of the works council in puncto IT implementation, but also with regards to the implementation and modification of HR processes- irrespective of whether or not these are It-based (§§ 99 - 99 BetrVG and §88 (1, no. 10 and 11). For example, the implementation of an assessment system requires the works council's approval, as does the implementation of performance-oriented remuneration components. And in the matter of HR development measures, the interest group has to get involved by the employer in an advisory and contributory capacity.

<p>What about co-determination?</p> <p>The legislature provides for extensive co-determination rights for software use as well as for the modification of HR processes.</p>		
<p>§ 80 (1) Compliance with laws, regulations and operational directives</p> <hr/> <p>§ 80 (2) General information requirement</p>		
Software introduction	<p>§ 90 Technical equipment/ organisation of work</p> <p>§87 (1) clause 6</p> <p>Technical monitoring system</p>	<p>§ 92 HR planning</p> <p>§ 93 Advertisement of job vacancies</p> <p>§ 94 Personnel questionnaire/ General assessment principles</p>
		<p>§ 95 Selection guidelines</p>
		<p>§96-98 Promotion and measures of vocational education, operational training measures</p> <p>§ 87(1) clause 10,11 Operational wage setting, performance-based pay</p> <p>§ 99 Individual measures</p>
		Modification of HR processes

## 2. Which creative options has the works council?

The creative options for the interest groups around the introduction of SAP SuccessFactors, Workday HCM & Co. are focused on- as stated above- on two fields of action:

- on the introduction of IT systems with subjects such as performance and behavioural control, data protection, qualification, key-user regulations, etc., as well as
- on the introduction and modification of existing HR processes such as assessment, remuneration and HR development systems.

Their actual design can only be defined on a company-specific level in line with the particular company requirements.

Nevertheless, a number of overarching demands and central questions are currently emerging in the companies which are relevant to all companies and which should absolutely be taken into account by the works council during the development of the HR systems.

These seven core demands of works councils for the implementation of SuccessFactors, Workday HCM & Co. can be found in the following box.

### The 7 core demands of works councils for the implementation of SAP SuccessFactors or Workday HCM

1

**No approval for SAP SuccessFactors or Workday HCM without an agreement on the functional HR processes!**

Often the introduction of SuccessFactors or Workday HCM is requested at very short notice to the works council, like this: “Can’t we just quickly establish an IT agreement? At best one with which we can also cover all modules we want to implement in the future?”. It is not uncommon for the request to be accompanied by the indication that- should the works council not react quickly - the company would otherwise lose another year.

The **works council** should not go along with that. After all, SAP SuccessFactors and Workday HCM are tools for implementing new or modified HR processes. Thus, diligence clearly comes before speed here. In addition, project planning on the employer's side has a longer lead time in which the works council could have been involved. A delay can therefore be attributed to the employer's side. It is important in the run-up to the system's implementation to define the HR processes with the employer, before the software is modulated. How should target agreement and performance evaluation work in future? How should internal job postings be handled? Which remuneration components shall be linked to performance? At this and many other questions- often driven by the headquarters abroad-

the interests of employer and works council differ significantly. While the employer wants to quickly announce completion at the implementation, the works council has an interest in exercising its rights concerning HR processes. Therefore: Only after an agreement has been reached on the functional HR processes, can the works council and the employer go ahead with the software agreement.

## 2 An absolutely transparent process is a must!

Way too often, HR planning and development still takes place in the exclusive circle at management level. In the management team, managers talk about the employees, determine who should take the next step in development, conjecture who is willing to develop or at risk of leaving, and make assessments on how "severe" the loss of an employee would be for the company. Maybe these subjective assessments are also saved in the software, in the fields provided there as standard? Is there "secret" data in the system which the employee does not know of?

The **works council** should contribute in making these processes transparent for the employees and that managers talk with the employees. Transparency means that employees know what managers think of them, that they can actively announce wishes and ideas and that there is no "secret" data about them in the system. This is already prohibited by the applicable data protection laws. Core questions for the layout could be: Does the employee know which potential the manager sees in them? Can they voice own ideas concerning subsequent career steps and statements for their willingness to move to another site?

## 3 The qualification of managers has not only be ensured for handling the new IT systems, but also and in particular with the employees!

A tool is always as bad or good as the person using it- this is also true for SAP SuccessFactors and Workday HCM. In many companies, managers' dealing with these systems is limited to their presentation or also frequently just to sending the guidelines "Where do I have to click in this IT system". Of course, this is too short-sighted.

**For the works council**, the introduction of SAP SuccessFactors or Workday HCM should be about a lively and cooperative dialogue between management and employees, about employee discussions on good or bad performances, about motivation and much more. Particularly in companies in which management development is rather neglected, the works council should demand an appropriate qualification concept. In addition to training, there is also the option of implementing a 360-degree feedback for managers - feedback from all sides, from employees, bosses, colleagues and (internal) customers - in order to educate managers on feedback processes and prepare them for their tasks as feedback providers. A process which can be displayed in SAP SuccessFactors!

#### 4 Shift EVERYONE'S focus to HR development !

SAP SuccessFactors and Workday HCM feature extensive functionalities for the so-called "talent management". However, this does not define whom the employer has in mind speaking of "talent". Does this only include the top performers, "high potentials" and (prospective) leaders, meaning 5 - 10% of the workforce. Or is it about discovering and supporting the talents of every individual- regardless of the existing qualification and on which hierarchy level they are?

From the get-go, the **works council** should insist on a common goal definition with the employers and shift the focus towards the numerous facets of HR development. The goal: To ensure HR development for all employees. This includes maintaining existing qualifications, adapt them to a changing workplace, or to refine them for another field of activity. Therefore, HR development does not only affect those who are on the brink of climbing to the next career level, but also those who are doing a good job on their current job and are expected to do so in the future, even with constantly changing requirements.

#### 5 Make SuccessFactors, Workday HCM & Co. also available for the works council!

The implementation of SAP SuccessFactors or Workday HCM affects- as mentioned above- a variety of co-determination rights (§§ 87, 92 - 99 Works Constitution Act (BetrVG). Why should the employer alone use the data available in the IT? Evaluations of conducted qualification measures, results of the evaluation rounds or the data on HR planning are also an important source of information for the works council and thus a basic requirement for being able to exercise its consultation and co-determination rights in a profound manner. With the implementation of new systems, the employer can no longer argue with simply not being able to provide certain information.

As part of the implementation process, the **works council** should agree with the employer which information they would like to receive from the system or which access rights the works council themselves would like to have in the system. A tip for this: Workday HCM already includes a so-called "works council role" as standard, with which the works council is directly integrated into the software and has access to important evaluations such as new employments or age and pay structures.

#### 6 Place the cooperation in HR development with the employer on new footing!

As soon as SAP SuccessFactors or Workday HCM is implemented, HR planning and development takes place in an annual timetable. At an annually fixed point in time, the assessment round starts with the evaluation meetings with the employees. Then, remuneration and development measure planning is pending.

Ultimately, at the end of the year, an evaluation of all personnel-relevant key figures and a new HR plan for the coming year are carried out. The following graphic shows an exemplary course of year

#### Breaking down of business objectives:

- the HR planning and management
- the targets for every individual employee



Graphic: Exemplary yearly HR planning and development

The **works council** can also use this schedule for its cooperation with the employer. The process clearly shows which information is available when and which decisions are made when. If not available, a collective HR development committee can be formed by representatives of the works council and the employer. This committee can come together and consult at important milestones- such as after assessment round to evaluate the results and to check the derived personnel development systems, or when talent pools need personnel, or also when workforce metrics are available and the new personnel planning is due.

## 7

### Ensure data protection!

Hardly any other business software collects as much personal data on every individual employee as SAP SuccessFactors and Workday HCM. This involves not only “hard facts” such as bank identification code

or address, but, in particular, also very subjective data concerning questions such as “which potential does my boss see in me?” or “how do we assess the risk of leaving for this employee?”. Additionally, the data is saved in the cloud and be made available to managers and HR employees on every site at home and abroad.

Therefore, the **works council** should make the compliance with all legal requirements of data protection (GDPR, the Federal Data Protection (BDSG new) a necessity to approve the application of HR software. In particular, the works council should ask for a data protection impact assessment to be carried out and should have the results presented and explained. The company's data protection officer is responsible for advising the employer in their role as data controller and for supervising the compliance with legal regulations. The works council should insist on the early involvement of the company's data protection officer and demand a mutual exchange.

### 3. Pay attention to “Best Practise Solutions”!

SAP SuccessFactors and Workday HCM offers companies so-called “Best Practice Solutions”. These are standardised procedures facilitating certain HR processes and are extremely popular in a great variety of companies. As the implementation of these procedures does not necessarily lie in the interest of the employees, the works council should also be watching closely and evaluate carefully the pros and cons- in particular for the three following “Best Practice solutions”.

#### Best Practice solutions:

Three core questions should be clarified by the works council prior to the system's implementation

#### 1 Overall assessment versus strength-weakness-profile

The new HR information systems have one thing in common: As part of the target agreement and performance evaluation modules, each employee is evaluated on both the achievement of individual targets and the evaluation of individual skills - such as "specialist knowledge", their "ability to work in a team and to deal with conflicts". A strength-weakness-profile is created for the individual employee providing a solid basis for discussions on qualification measures and development prospects. On the other hand, these systems also facilitate a so-called “overall rating” of the employees, a kind of “top score” on all individual assessments. How this score is created, be it as a mathematical average value or as a simple manager decision can be lodged in the system.

The image shows a screenshot of a performance evaluation form titled 'Leistungsbeurteilung'. It is divided into two main sections: 'Zielerreichung „WAS“' (Achievement 'WHAT') and 'Verhaltens-/Kompetenzbewertung „WIE“' (Behavior/Competence evaluation 'HOW').

**Zielerreichung „WAS“:** This section evaluates three goals (Ziel 1, Ziel 2, Ziel 3) on a scale of 1 to 5. Below the goals is a row for 'Ggf. Gesamtnote Zielerreichung' (Optional overall grade achievement) with a scale of 1 to 5.

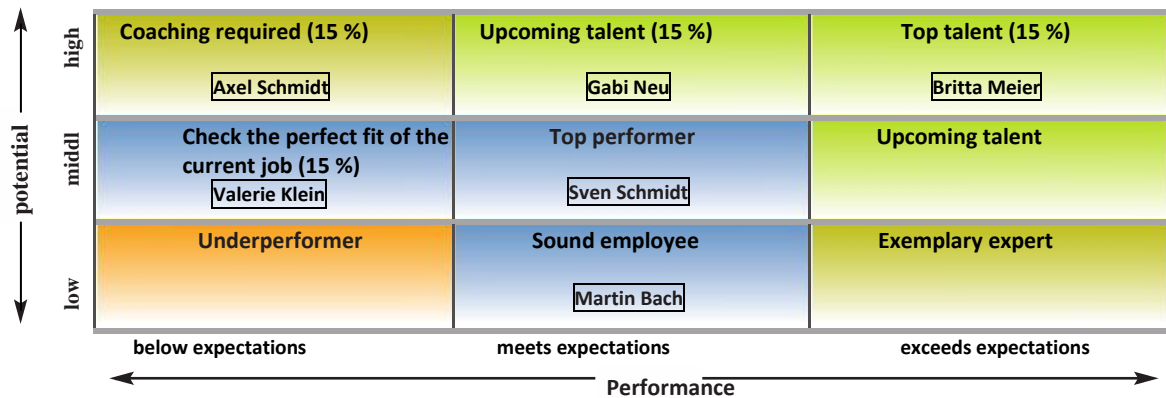
**Verhaltens-/Kompetenzbewertung „WIE“:** This section evaluates four competencies (Kundenorientierung, Innovativ, Teamorientierung, and a fourth unlabeled one) on a scale of 1 to 5. Below these is a row for 'Ggf. Gesamtnote Verhaltensbewertung' (Optional overall grade behavior evaluation) with a scale of 1 to 5.

**Gesamtnote Performance:** At the bottom, there is a row for 'Gesamtnote Performance' (Overall grade performance) with a scale of 1 to 5.

**Potenzialeinschätzung:** Below the performance grade is a row for 'Potenzialeinschätzung' (Potential estimation) with a scale of 1 to 5.

This overall score has extensive effects because it assigns employees "performance labels": Mr Meier's overall assessment is "above expectations", Ms Moeller's "below expectations". Similarly, the talent management module also classifies the potential of each employee. If the values of performance and potential are linked, an evaluation grid (performance potential matrix) is created that enables management to sort each employee into a category. Now certain logics are behind every "label!" What's the maximum pay raise someone can get from label x? What do we do with employees which are again “labelled” underperformer or low potential? And how do we support top performers with high potential?

Graphic: Exemplary demonstration of a performance and potential assessment for an employee with strength-weakness-profile and added overall score



Graphic: Typical performance- potential matrix for the categorisation of employees within an organisational unit

The works council should urge to have this evaluation grid disclosed. For examining these instruments, the council should keep in mind that a score can not display the various facets and abilities of a person. This is why they should urge to avoid such "overall scores" wherever possible.

They provide no more information, but flatten the profile of an employee. In case such assessments can not be prevented, the works council should determine in cooperation with the employer how they shall be interpreted, which measures are allowed to be derived and how they should be designed. Examples for that are, among others, adjustments in terms of remuneration, talent development and qualification.

## 2 Performance linked to remuneration?

An assessment discussion between employee and manager can proceed in many different ways depending on the setting. Are portions of the remuneration linked to the performance assessment,? And if so: Do employees know which effects every individual assessment has on their future remuneration? Are they encouraged to negotiate? Which guidelines are given to managers for awarding overall scores, especially if every excellent assessment also leads to financial obligations for the company? Or is it simply about the manager's feedback in a development-oriented discussion to jointly identify suitable development opportunities?

At an early stage, the works council should discuss with the employer if and to what extent such a link can and should exist. For it is on this decision that the further design of individual system components depends - for example, in the area of performance targets and evaluation, the precise way in which targets are to be designed for the individual employee. The following principle should be followed by the interest group: The more closely the salary level is linked to the performance assessment, the more specific, objective and measurable the performance goals must be.

### 3 Globally consistent or locally different?

In international or global companies, the group usually wants to design HR processes as standardised as possible. This is because the standardisation of processes provides the actual advantages, as for example can standardised HR processes be pooled at one site in Shared-Service-Centres. For example, the pan-European recruiting can be organised from England, the handling of seminar inquiries from Poland, etc. Moreover, standardisation of processes allows for a comparison of the individual countries, enabling the company's headquarters to manage the international or global group. How are personnel costs developing in the individual countries? In which countries should capacities be expanded? Where can activities be pooled in a Shared-Service-Centre? – these and many other questions can be answered with the help of the IT systems. And last but not least, a project team developing one common system for all sites via SAP SuccessFactors or Workday HCM can not cope with the complexities of locally different requirements. For this reason, it is not uncommon for employers to argue: "We are just a small cog in the international group. We do not have creative options. We must not be left behind by German co-determination."

The works council should not let themselves be awed by this argument; since there are mandatory statutory or legal characteristics, e.g. the Works Constitution Act, the German Federal Data Protection Act, the local collective agreements on pay and education and many more. In addition, there are local specifics of the individual sites. The interest group should closely examine where they can support global uniformity in line with the employees, and where local specifics have to be taken into account. In fact, these systems offer the possibility to implement local requirements. Moreover, certain aspects can also be implemented outside the system specific for the individual countries, such as questions of qualification, of performance assessment, and many more.

## 4. How can the TBS support the works council?

The TBS experts provide the works council with advice and practical support on all questions related to the implementation and operation of SAP SuccessFactors, Workday HCM & Co. Depending on the company-specific requirements, the TBS provides services in different forms:

- In the program developed in cooperation with the DGB Bildungswerk “by pros for pros”, the TBS provides **open seminars** regarding “HR 4.0 with SAP SuccessFactors or Workday HCM” (§ 37 (6) Works Constitution Act (BetrVG) -capable).
- Tailored to the individual company needs, the TBS develops **in-house seminars and workshops** hold on a company site. Members of the works council, of the IT committee, but also relevant representatives of the employer’s side, such as project managers, representatives of the HR and IT department and the data protection officer (§ 37 (6) Works Constitution Act (BetrVG) -capable).

In the context of a **consultation** (according to § 80 (3) Works Constitution Act (BetrVG)), TBS assesses together with the works council the chances and the risks of SAP SuccessFactors, Workday HCM and Co. for the employees, elaborates important points of regulation and design possibilities and, if desired, supports the negotiations with the employers.

### Contact to the TBS regional offices

In a non-binding telephone call, we can determine how TBS can best support you.

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