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# Achieve Truly Global Human Capital Management

## An Overview of the Global HR Capabilities Delivered with SAP ERP HCM



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Even in companies that have a long-standing international presence, it's only recently that their enterprise systems have fully spanned global borders. And it's not just in finance and supply chains that these companies – large and small – require multinational global processes. This globalization also has an immediate and pressing impact for HR.

I see many companies operating under the mistaken impression that doing business in 10 countries means that you'll need 10 different HR instances to support all the legal and payroll policies specific to each country. That's simply not the case: A single global instance can do the job, providing worldwide information where you need it (in evaluating your global talent pool to fill your next C-level position, for example) and separation where local specifications are required (when calculating country-specific tax deductions, for instance).

It's my strong recommendation that companies that already have a global presence – or that plan to expand their international reach within the next few years – consider rolling out a global HR instance, perhaps starting by consolidating two or three country instances into a central HR system. This allows you to incorporate additional countries over time. And if you already use SAP in multiple countries, the global

functionalities built into the system mean that converting to a central global instance won't require a lot of effort.

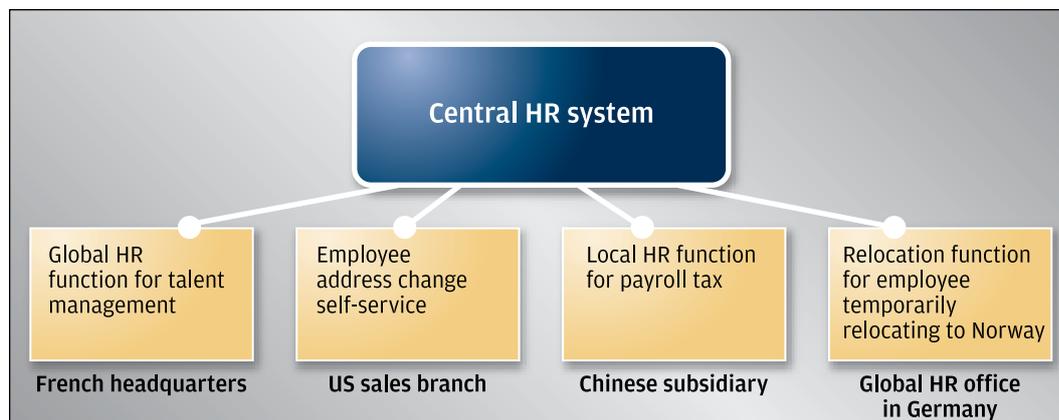
### SAP's Built-in Support for Global HCM

At SAP, we've worked long and hard to develop a robust human capital management (HCM) system that's flexible enough to grow with your business – no matter where in the world that growth takes you. I'd like to give you an overview of how you can best use the global capabilities of SAP ERP HCM to optimize your HR processes. I'll cover the following key global SAP technology considerations in detail:

- Language capabilities
- Country versions (which include both personnel administration and payroll functionalities)
- Employee self-service (ESS) capabilities
- Functionalities for global employees

With a firm understanding of how SAP can support global HCM, companies can move from having several local transactional HR systems to having one central system supporting their entire global enterprise (see **Figure 1**).

**FIGURE 1** ▶ A central HR system eliminates the need for one-off systems in each country; all HR functions can occur within the same central system



## First Steps for Going Global with HCM

All of the functionalities discussed within this article will work best when they are performed in one global HR system in one client. A split of systems is possible, but information must then be transferred from one system to another in a customized way. Here are some ways you can prepare for this move to a single HR system model:

- 1. Keep the communication lines open** between HR and IT. An HR team working globally may be having trouble with a certain process that IT already has a solution for. But if IT has no idea that HR is struggling, they'll take no action.
- 2. Smooth the transition now** by making sure that personnel numbers for employees don't overlap; these numbers should be different from country to country.
- 3. Strongly consider a move to Unicode** – if you haven't made the transition already – especially if your company uses double-byte, character-based languages like Arabic or Japanese.

### Language Capabilities

SAP delivers its SAP ERP HCM solution in 30 languages for all areas that customers use the solution globally. For local activities – including taxation, social security, and garnishments – the functionality is available in the local language, as well as English in most cases. This becomes especially important within a regional shared service center that is not restricted to one country.<sup>1</sup> Accordingly, one global HR system offers functionality for a wide variety of countries.

In addition to general language support, SAP also supports double-byte languages, including Chinese and Japanese, and there are no restrictions on the combination of languages used. How is this possible from a technical point of view? Through the use of the Unicode code page. SAP technology provides full support for Unicode starting from SAP Web Application Server 6.20; customers simply have to decide to use it.<sup>2</sup>

And for customers' configured objects (such as wage types), SAP also offers the possibility of translating the object and storing the translation in the system.

### Country Versions

An SAP country version contains all the HR functionality required for legal compliance within that country. This includes all necessary master data storage (for employee tax data, for example) plus payroll processing that takes the legal point of view into account (for things such as calculation of tax deductions), as well as best-practice payroll examples for a specific country (example wage types, for instance).

SAP ERP HCM contains several country versions: There are currently 36 standard and 11 add-on versions from SAP, and 26 solutions from partners (see **Figure 2** as well as the sidebar on page 30 to learn more about the differences among these country versions). To investigate the specific functionalities included within each country version or to view the latest list of county versions, please visit the SAP Service Marketplace at <http://service.sap.com/hrc>.

**FIGURE 2** ▼ The standard, add-on, and partner-provided country versions of SAP ERP HCM

SAP standard country versions (36)			
■ Argentina	■ France	■ Netherlands	■ Spain
■ Australia	■ Germany	■ New Zealand	■ Sweden
■ Austria	■ Hong Kong	■ Norway	■ Switzerland
■ Belgium	■ India	■ Philippines	■ Taiwan
■ Brazil	■ Indonesia	■ Portugal	■ Thailand
■ Canada	■ Ireland	■ Russia (SAP ERP 6.0)	■ United Kingdom
■ China	■ Italy	■ Singapore	■ United States
■ Denmark (Only Master Data)	■ Japan	■ South Africa	■ (including Puerto Rico)
■ Finland	■ Malaysia	■ South Korea	■ Venezuela
	■ Mexico		

SAP add-on country versions (11)	Country versions provided by partner solutions (26)
■ Colombia	■ Angola
■ Croatia	■ Bolivia
■ Czech Republic	■ Botswana
■ Greece	■ Cameroon
■ Hungary	■ Chad
■ Poland	■ Chile
■ Romania	■ Channel Islands
■ Slovakia	■ Cyprus
■ Slovenia	■ Denmark (Payroll)
■ Turkey	■ Ecuador
■ Ukraine	■ Iceland
	■ Kenya
	■ Luxembourg
	■ Morocco
	■ Mozambique
	■ Namibia
	■ Nigeria
	■ Peru
	■ Qatar
	■ Tanzania
	■ Rwanda
	■ Serbia
	■ Uganda
	■ United Arab Emirates
	■ Uruguay
	■ Zimbabwe

<sup>1</sup> Please see "Drive HR Efficiency with Shared Services: 5 Success Factors for Taking HR Services to the Next Level" by Heike Kolar in this April-June 2008 issue of *SAP Insider* ([www.SAPinsideronline.com](http://www.SAPinsideronline.com)).

<sup>2</sup> Most of customers' future software choices, in fact, will require Unicode – if they don't already. Please see Dr. Franz-Josef Fritz's Take Note! column "Unicode: Overhead or Necessity?" in the April-June 2006 issue of *SAP Insider* ([www.SAPinsideronline.com](http://www.SAPinsideronline.com)) to learn more.

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For companies evaluating these functionalities for global employees, start by implementing the person ID. Then, determine if and when you'd like to employ the other functionalities.

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### Employee Self-Services

Beyond the full country versions, SAP ERP HCM also offers several localized and country-specific ESS scenarios, which enable employees around the globe to efficiently complete routine HR tasks. For all standard country versions, international scenarios – including an address change, bank account change, or addition of dependents – are localized and supported. Each country version also includes country-specific functions, such as W4 tax form changes for the US. Across all versions, this adds up to more than 100 ESS scenarios.

### Special Functionalities for Global Employees

More and more employees are spending part of their working life in a different country – or countries. To support these “global employees,” SAP has offered robust standard HR functionality in SAP ERP HCM since the SAP R/3 Enterprise release. This functionality, called Global Employment, supports HR tasks in both the “home” and “host” countries to enable a smooth transition for employees working across borders, and it contains three main components:

**1. Person ID** – The person ID is a unique identifier that's always associated with an employee, no matter where in the world that employee is working. This ID allows you to combine all information related to an employee across different countries. The person ID is

stored as an infotype (0709) and allows you to use an alphanumeric 20-character key to securely and uniquely identify your employees.

My recommendation for companies evaluating these global employee functionalities is to start here, by implementing the person ID functionality. Then, determine if and when you'd like to employ the other functionalities. The person ID isn't a big-budget improvement, and you'll see a quick value-add and ROI within your organization, since global employees will no longer have to remember new personnel numbers from country to country. HR teams will no longer face confusion about whether this John W. Smith working in Germany is the same John W. Smith on the US payroll.

Keep in mind that the traditional personnel number remains the unique key inside one country for the contractual relationship between employee and employer, but that the person ID is the universal link between an employee's various personnel numbers; **Figure 3** shows the relationship between the person ID and the personnel number.

**2. Management of Global Employees** – The Management of Global Employees functionality supports companies trying to plan a global assignment. It allows you to store all assignment-related data, including the assignment type (whether it's long-term or short-term, for example), assignment

### Key Concept: The 3 Types of HCM Country Versions

- **Standard country versions** are included with standard SAP ERP delivery and can be used out of the box. Your system will come predelivered with various country versions – it's then your choice as to whether or not you need to use Russia, Indonesia, or any other of the 36 versions. All support for legal changes within these country versions is done via support packages (SPs), which are available in regular intervals to account for each country's cycle of legal changes. In most cases, these changes are effective at the start of a tax year – January 1 in Germany and the US, April 1 in the United Kingdom, July 1 in Australia, and so on. Country-specific tax and social security functionalities are also included as needed, along with required master data and legal reporting capabilities.
- **Add-on versions** are created by the SAP subsidiaries of the respective countries. The versions are delivered via add-on packages (they're not included with standard SAP ERP delivery). Legal changes are also updated via add-on packages, but they have to be added to the system separately. As of SAP ERP 2004, you can combine all standard versions and all add-on versions in one system.
- **Country versions provided by partner solutions** – In several countries, partners offer a payroll solution that's based on the SAP model of configuring and running payroll. Partners manage the delivery and legal support of these versions; there is no involvement by SAP. Some partners' solutions are specific only to one country, but there are also partners that deliver a broad range of country versions.

duration, and even information about any family members who are involved in relocation.

Consider an employee that will be sent abroad to work on a long-term project. A global HR department – often a separate team outside of the typical HR organization – starts planning the HR logistics associated with this assignment. This HR team can enter all the information about the assignment into the HCM system to calculate compensation.

The system will create a checklist of all tasks (say, applying for a visa) that must be completed. When the start date of the assignment arrives, HR can activate the assignment in the host country and make any changes necessary in the home country. As these actions include country-specific tasks, such as securing social security information, they will likely be done by various users responsible for both the home and host countries.

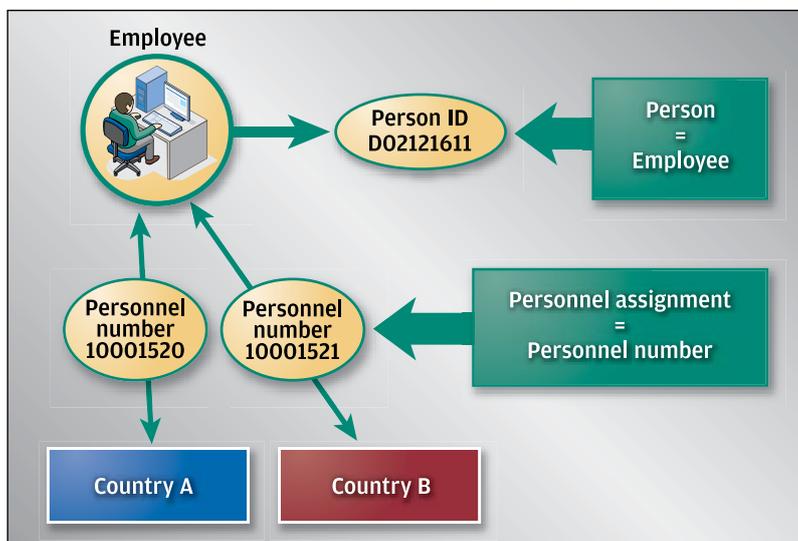
After relocation, the global HR team can complete all standard HR processes for the employee. In some cases – compensation planning, for instance – the company will have to decide if this is a home or host task. Regardless, all planning and activities can be completed within a single HR system.

**3. Payroll for Global Employees** – Since an employee has personnel numbers in both home and host countries, it is possible to run payroll for the employee simultaneously in more than one country. There are no dependencies between payrolls, so you could, for example, run a semi-monthly payroll in the US and a monthly payroll in Germany for the same employee. This way, an employee can get trailing payments from the home country at the same time the employee is already being paid by the host country.

The compensation calculation also allows splitting the compensation between home and host country. So it's also possible that an employee is paid from two payrolls simultaneously – to receive basic payment from home, and additional payments and housing from the host country. In some cases – when the employee stays enrolled in the social security of the home country, for example – it also supports any required exchange of information between payrolls.

### Summary and Outlook

I strongly encourage companies with a global business reach to consolidate all their HR functions on a central HR system. Having one-off systems for each country in which you operate is a thing of the past.



We at SAP are always working to enhance the global capabilities of our HCM solution. In enhancement package 3 for SAP ERP, for example, we enhanced SAP Employee Self-Service so that it will work with Global Employment with only one portal user. We also have released continuous enhancements for several country versions.

Going forward, we plan to improve the handling of support packages for global systems and to continue to check if there are needs for additional country versions – Russia, for example, recently went from an add-on to a standard solution in SAP ERP 6.0, and we are planning a Bulgaria version as well.

To learn more about the global capabilities of SAP ERP HCM, please visit <http://service.sap.com/hrc>. ■

**FIGURE 3** ▲ An employee can have only one person ID, which is then linked to that employee's personnel numbers for any countries in which that employee works

### Additional Resources...

...from **SAP** insider

- *Global SAP Systems – Design and Architecture* by Alexander Davidenkoff and Detlef Werner (SAP PRESS, [www.sap-press.com](http://www.sap-press.com))
- “6 Tips for Going Global with Extra Savoir-Faire” by Charles Eubanks (*HR Expert*, Volume 5, Number 3, [www.hrexpertonline.com](http://www.hrexpertonline.com))
- “Source Talent Globally While Supporting Local Regulations and Business Needs” by Mark Ingram and Mitch Burton (*HR Expert*, Volume 3, Number 7, [www.hrexpertonline.com](http://www.hrexpertonline.com))
- The **HR 2008** conference, for global HR best practices ([www.saphr2008.com](http://www.saphr2008.com))

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