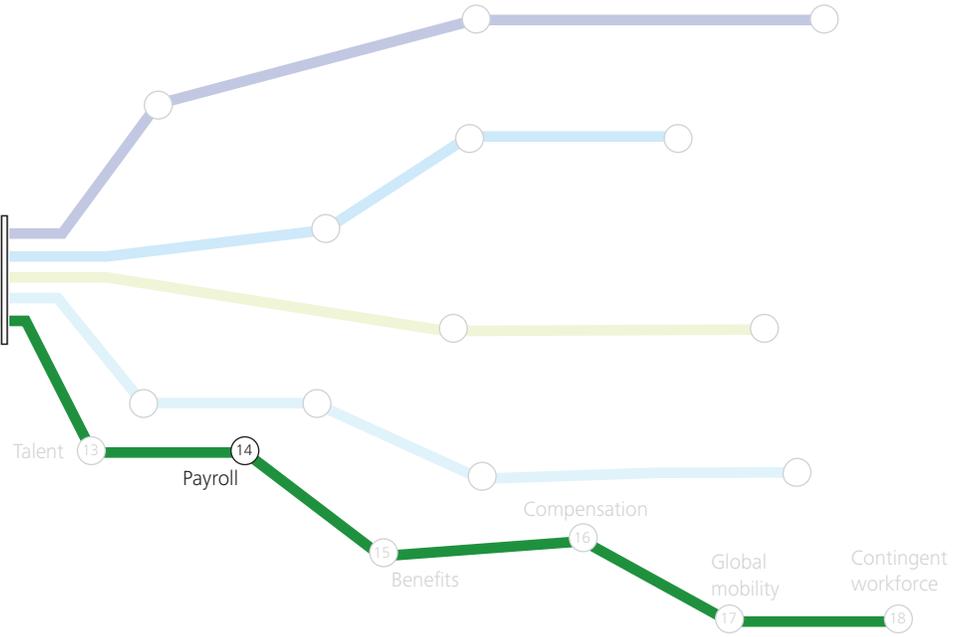


HR functional perspectives



14 Payroll

Is your organization concerned by how little is known about global payroll management, compliance, and operations? Would an inability to protect employee data and keep up with complex regulatory changes affect your brand in the marketplace? Many multinational organizations seek to improve their global payroll operations, but they are paralyzed by what they do not know:

- How many vendors are managing our operations globally?
- Do we have the appropriate contract and legal protections to promote business continuity and data security?
- Which countries should I consider in-scope? Do I have a problem?
- How much does global payroll cost? Is the benefit worth the effort?

Is the effort to answer these questions too large? Is the approach unmanageable? Many organizations have answered in the affirmative before. But now, many are reconsidering that position.

Defining global payroll and the delivery models

What is global payroll? Does it mean payroll is outsourced to one vendor globally or moved to one global payroll system? Potentially. Does it mean a global governance structure is put in place and that vendors are consolidated or managed by shared services regionally, either in-house or through outsourcing? More likely. Most organizations cannot take a “one-size-fits-all” approach.

Effective global payroll management evaluates the organization’s business needs and typically blends the following delivery models to cover the globe:

Country-specific servicing models:

- Operations are managed at the local level
- Systems can be in-house or outsourced
- Payroll is often the system of record for both HR and payroll data
- Global governance is rarely in place
- Processes and policies vary from country to country

Regional servicing models:

- Operations are managed at the regional level
- Organizations use in-house systems, outsourcing, or a hybrid approach, and reduce vendors by continent
- Regional governance, processes, and policies are in place
- HR and payroll system of record definitions are in place at a regional level
- The largest markets may be served regionally with small markets using country-specific solutions (due to cost of migration)
- The Asia Pacific region is typically preferred to standardize operations

Multicontinent or global delivery model:

- Operations are managed at the regional level with global oversight.
- Organizations use in-house systems, outsourcing, or a hybrid approach.
- Global governance, processes, and policies are in place.
- HR and payroll system of record definitions are in place at a global level.
- Organizations reduce vendors globally.
- Large multinational organizations rarely standardize 100 percent of employees onto a single platform or provider.
- The global delivery framework typically includes country-specific solutions for small markets.

Why consider global payroll?

In one word, globalization. Organizations are increasingly borderless, but they still have to pay employees, remit taxes, and complete tax reporting timely and correctly. Failing to do so can trigger multimillion dollar fines and penalties from taxing authorities. In this environment, a payroll service delivery model must be nimble enough to help a global organization achieve efficiency and effectiveness and address the potential cost of not getting it right. An effective global payroll service delivery model can provide enhanced compliance, including management of tax payments (to reduce penalties that could be assessed), accuracy of payroll processing (to reduce risk of litigation), and better control of financial resources.

Managing funds appropriately, or failing to pay talent and taxing authorities correctly, can carry large risks. An efficient global payroll service delivery model can allow for strong governance to understand enterprise risks and gives visibility to potential issues and liabilities. A regional or country-specific approach includes inherent liability without governance or oversight.

It is common for an organization to have invested millions of dollars to implement global HR systems and processes only to learn that its global workforce is not using the new solutions. These same organizations are using global payroll transformation investments as a means to firmly establish their global HR systems as the required/preferred system of record for employee data.

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How do I get started?

The first step in the payroll transformation journey is to define the critical components of the overall strategy. Most organizations are working to strengthen controls, compliance, and management capabilities while simultaneously eliminating redundant systems and processes. Organizations typically ask themselves the following questions to determine the dimensions of their strategy:

- **Holistic view.** Is the highly interdependent payroll function fully integrated with the HR and financial process and technology vision?
- **Flexibility and responsiveness.** Are the current global HR/payroll models and environments flexible and responsive to rapidly changing business conditions?
- **Stakeholder demands.** Are the demands for value and service increasing?
- **Governance.** Do the governance models and processes perpetuate business unit independence, survival instincts, and tribal knowledge?
- **Compliance.** How do you know the existing payroll applications are well controlled, monitored, and producing the desired results?
- **Stakeholder value.** Are you achieving value from existing providers? Are the demands for value and service increasing?
- **Provider return.** Are you achieving appropriate value from in-sourced or out-sourced providers?

What are the appropriate delivery models for my organization?

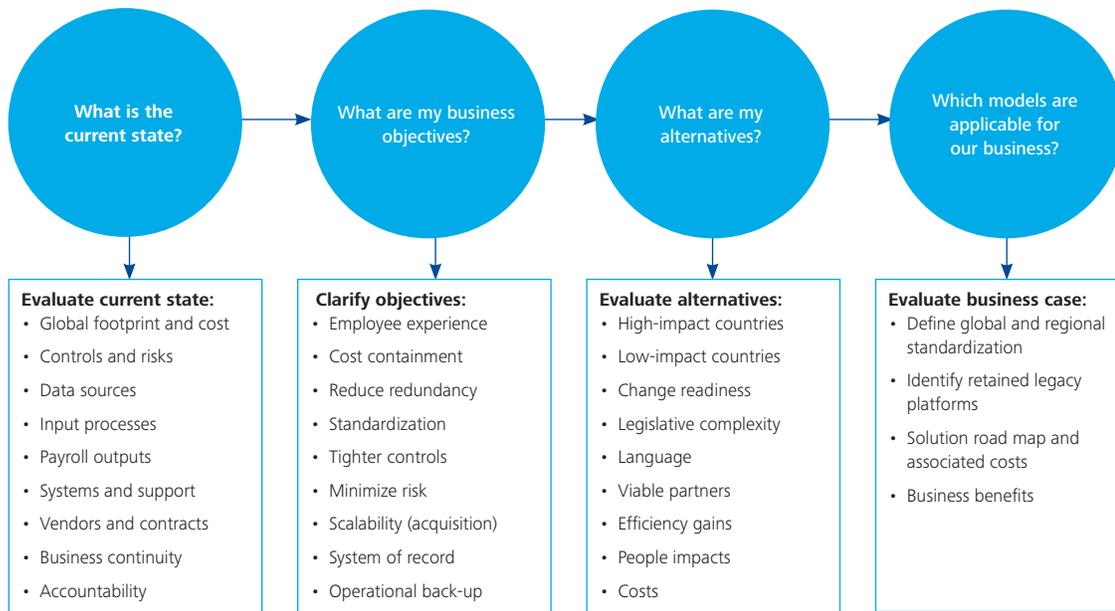
Developing a business case in conjunction with a payroll strategy helps to identify the preferred delivery model for an organization. Balancing costs against compliance, quality, and value objectives helps define the appropriate model for a given set of business needs.

What can I expect on the transformation journey?

A worthwhile road, but not an effortless one. When undertaking global payroll transformation projects, a number of challenges will likely arise, including:

- Inconsistent processes and business functions across legal entities, business units, and countries
- Complex legislative and data privacy requirements in continental Europe
- Exaggeration of legislative requirements to resist global standards
- Staffing shared service centers with resources that have both language capabilities and payroll experience
- Justifying the business case to remediate countries with a small number of employees
- Reconciling data differences between global HR systems and local payroll solutions

Answering the right questions will shape your delivery model



Source: Deloitte

These challenges can be mitigated by creating a common language that all affected parties can understand and follow:

Payroll policy. Establish the responsibilities for managing key inputs to the payroll processes and assign accountability and responsibilities between the lines of business, HR, benefits, tax, payroll, and finance.

Common terms. Create and define their system of record and key data definitions to smooth the overall global design and allow for the elimination of redundant and duplicate manual transactions.

Common standards. Develop a global framework that includes global processes and standards. The only acceptable deviations from global standards should be verified legislative requirements.

The goal line. Define your end-state service models.

Payroll

What is the key to transformation that works?

Change from the top and buy-in from everywhere else.

An effective global payroll model, whether standalone or as part of a broader HR shared service function, can yield significant benefits for the business as a whole, for the functions that offer those services, and for the business units. The functional leader, in many cases the CFO or CHRO, gains greater consistency and control over the quality and delivery of the capabilities being shared. The enterprise gains greater visibility to people-based and financial information across the enterprise, contributing to enhanced workforce analytics capabilities.

To achieve the end-state payroll model that benefits the organization in meaningful ways, it is necessary to win buy-in from the business units and to define a governance structure. A global payroll model can deliver the expected value only after a company builds a business case; makes a case for changing the status quo; defines an implementation path for systems, processes, and people; and commits to championing the change as a way to mitigate resistance from the business units over their perceived loss of control.