

When Global Expansion Rises, Payroll Challenges Intensify

BY ANDREW PEARSON

A number of variables drive global expansion for many organizations. The ability to prosper in post-recessionary times seems predicated on looking beyond borders to find the right talent, identify new market opportunities, and recognize competitive advantages. With this trend, operational logistics across a wide array of countries, cultures, languages, currencies, and business practices also need to be carefully considered.

Hand-in-hand with global expansion is managing the complexity of international payroll and HR. As any payroll professional can attest, running an accurate payroll in a single country requires careful management and execution, but operating in multiple jurisdictions further compounds the challenges. Not only do payroll professionals need to manage different pay rates, time and attendance rules, union laws, data privacy issues, and company-specific requirements, they also need to be familiar with local legislative requirements and ensure compliance, regardless of the numbers of countries they operate in.

Managing global payroll isn't for the faint of heart; however, there are tips and techniques to be considered to ensure success.

FIND THE RIGHT DANCE PARTNER

Earlier options for managing global payroll were expensive enterprise resource planning (ERP) systems or a loosely strung network of local in-country vendors. The former requires dedicated expert resources and a substantial budget;

Andrew Pearson is the CEO of Patersons Payroll and HR, a global payroll software and services business that can deliver solutions to clients in more than 160 countries. Go to www.patersons.net for more information.

the latter can be a compliance and logistical nightmare.

Fortunately, organizations have another viable option: outsourcing global payroll to a company that is focused in this discipline. Taking this approach to payroll eliminates the need to rely on different suppliers in different countries, improving service delivery, lessening administrative responsibilities, and lowering compliance risk.

SING FROM THE SAME PAGE

In contrast to ERP systems, outsourcing global payroll further reduces costs and increases visibility of payroll data across the entire organization through one cohesive system.

You should try to select an outsourcing vendor that can offer you a single technology platform that can be tailored to meet the needs of your organization. That way, regardless of whether growth is a result of establishing new operations or acquiring other businesses, adding employees in other regions won't necessitate unique workflows or exceptional administrative burdens. Having one platform into which all payroll professionals are "plugged in" eliminates data errors, supports better off-boarding practices, and reduces the possibility of budget overruns.

There's another inherent advantage to the single platform methodology. When payroll professionals can rely on their outsourcing partner to provide a robust, state-of-the-art technology platform, better global collaboration and visibility automatically ensue. For example, a multinational organization can gain enterprise-wide visibility and detailed reporting when business-critical payroll data is on one platform and in one single database.

When the platform is delivered via a software-as-a-service (SaaS) model, it also enables organizations to take advantage of the latest technology they might not be able to otherwise

afford since there are no additional hardware or support costs. Plus, when delivered via a SaaS platform, legislative changes in any one jurisdiction are made available in real-time to all users.

CHANGE IS INEVITABLE

When you're planning to outsource global payroll, a comprehensive communications plan is critical. If your business has 5,000 employees in the United States, 200 in the United Kingdom, 40 in Germany, and only 10 in Sri Lanka, you still need to communicate effectively across all regions to ensure adoption of the new global payroll processing model.

Taking into consideration local customs and the skill set of the respective talent in the region will also be critical to success. Failing to properly communicate the value of outsourcing global payroll might result in one-off practices that create risk and do not support the benefits of having one "real-time" view of payroll data.

Locally, some organizations might try to chant a mantra of "that's the way it has always been done" and attempt to stay with existing providers. Familiarity with the local provider—or possibly a sense of loyalty—may spur local resistance to change from within the multinational corporation. Another reason to balk at change might be the complexity of local regulations or the perception that it requires local expertise to interpret and navigate various rules and regulations.

THE RISKS ARE REAL

Companies that operate in multiple jurisdictions need to be cognizant of compliance issues and stay current with local legislative changes. Each country has its own payroll rules regarding pay frequency, deductions and declarations, pay and work rules, tax requirements, etc. And, what works in one country does not always work in another. As noted earlier, in some countries, payroll regulations go beyond the country level down to local jurisdictions.

Managing a global payroll is further complicated by different cultures, currencies, and languages. Organizations need to contend with issues such as ensuring employee paystubs are in the local language and currency. For example, employees in China cannot receive a payslip written in English with sums in British pounds; it must be in Chinese currency.



However, regardless of where a company operates or the number of employees in a country or region, payroll needs to be processed accurately and on time and in compliance with local laws and regulations.

While most people do not like change, managing payroll through multiple providers is a less than efficient approach. Remaining with a multiple-provider approach translates to additional vendor management, increased costs, missed cost containment opportunities, a lack of standardized processes, exposure to compliance risk, and limited visibility across the organization. Using multiple providers also creates challenges in combining data from disparate systems for reporting.

By moving to a centralized outsourced process and taking a global approach to payroll, organizations can overcome these hurdles, reduce the complexity of managing an accurate payroll process, enforce compliance, and improve operational efficiencies. ■