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Global reach
Local knowledge

Ten myths of global payroll technology

"Global payroll technology" –
I hear a lot of promises being made in the industry for what is an illusory concept. It has significantly advanced in recent years, especially with the advances in Cloud-based technology and solutions. Ultimately, however, technology cannot do everything.

We're in a people business and technology relies to a significant degree on the ability of individuals to make considered, timely decisions and enter data accurately.

So, I've compiled my top ten myths of payroll technology – the misconceptions, inaccurate comments or wide-of-the-mark views I hear from our competitors, technology suppliers and, sometimes, even clients.

Myth 1: 'The cost of payroll is decreasing'

This is a big one right now. There are numerous claims that this must be the case. Artificial intelligence and robotic process automation must, surely, be driving down the direct cost of payroll processing?

But processing is just one part of a payroll service or solution.

A significant rise in compliance requirements arising from new legislation coming into force around the world is driving payroll costs up. International companies are having to invest in much greater control over areas such as payroll than ever before, improving management from a risk perspective.

One minute, technology advances get you ahead of the curve, the next, new rules and regulations put you behind it. Regulators tend to allow you time to adjust but it's a continuous process of adaptation – which means yet more budget.

Better technology means better data for companies and their suppliers. But it also means better data for regulators. This could mean the greater likelihood of fines or even legal action if payroll is not compliant. Cutting corners on payroll software that doesn't underpin compliance can be very costly.

The reality: the true cost of payroll is probably neither falling nor rising overall.

Myth 2: 'One service delivery model fits all'

There is a widely held view that standardising processes and procedures, combined with economies of scale, always drives down the cost of service delivery. Indeed, around a decade ago, shared service centres (SSCs) were all the rage.

Today, we can see how many of these SSC projects fail. Why? Because of the complexity of delivering global payroll. Companies don't have homogenous needs. Local language skills and specific knowledge of local jurisdictions are rarely, if ever, 'nice to haves'.

What works best for most global companies today is a blended model. This might combine SSCs for high-volume locations, with regional delivery centres (RDCs) and centres of excellence (CoEs) delivering more localised language skills and expertise in regions requiring a far higher touch than SSCs can provide.

The reality: there is no 'one size fits all' when it comes to payroll service delivery models.

Myth 3: 'Global HCM systems support payroll needs'

Many companies made big investments in moving their on-premise human capital management (HCM) systems to the Cloud. Increasingly, I hear claims that these platforms can meet global payroll needs.

Cloud-based solutions are good at capturing master data through employee and manager self-service systems. However, traditional on-premise systems tended to be highly configured and highly customised to local needs. They captured more local payroll data than today's Cloud-based solutions.

To get around this, global payroll service providers like TMF Group have created secure middleware technology to interface with local payroll solutions, providing the full data set, ready for local processing. Indeed, our solution is flexible enough for clients to continue with on-premise systems while they look for Cloud solutions.

The reality: global middleware is typically needed to enable sufficient control and visibility over local payroll services.

Myth 4: 'High levels of repeatable standards are the goal'

There's a widely-held view that standardisation can deliver consistency of approach across all countries. The promise is business efficiency and a repeatable business model that can be rolled out globally.

The big challenge with global payroll, however, is that local country variations and differences can be significant representing from as little as five per cent of overall payroll data, rising to 40 per cent.

The difficulty with catering for deviations from a 'standard' is that it results in extra work, with implications for automation, resulting in workarounds and manual intervention. One size rarely fit all.

To meet local requirements, global organisations are better served by implementing consistency of approach with local 'wiggle room' rather than standards. This includes ensuring that checklists at key milestones capture local country requirements.

The reality: one size does not fit all; look for consistency of approach rather than enforcing standards.

Myth 5: 'We should be able to have a single global payroll technology platform'

My usual response to this one is 'If only!'

There may be a handful of multinational organisations – with at least several thousand employees in every country they operate in – for which one global payroll technology can deliver standard, compliant payroll everywhere.

But the reality for most companies is that implementing, delivering and maintaining such a platform would be extremely expensive.

Even for larger organisations, a blended approach is more usual. They may handle payroll using a large Enterprise Resource Management (ERP) platform in some countries, complemented by smaller platforms from regional or local suppliers more suited to the needs of countries with lower headcounts.

This is the model dominating the market today.

The trick is to work with suppliers who take the time to fully understand the business needs of an organisation globally to formulate the most appropriate operating model. Conducting due diligence on potential providers is essential. It's worth seeing suppliers' demonstrations, talking to fellow global payroll association members – and, of course, your own staff.

The reality: 'one size fits all' technology is costly and very difficult to implement across a highly variable global footprint.

Myth 6: 'English is the global standard language in payroll'

It's convenient to assume that English is spoken fluently everywhere. However, local, English-speaking staff with the required local payroll expertise come at a premium. It is even more challenging to recruit a sufficient spread of language skills at SSCs and RDCs dealing with employees in multiple countries.

At TMF Group, we know that while English is the most common language at a global level, local languages are a must.

If you ever hold a payroll workshop in a country where English is not the dominant language, they will kick off and close in English but the majority of discussions are undertaken in local languages. This is often because payroll staff on the client side are not expected – or do not need – to speak English, while many suppliers won't invest in recruiting junior payroll staff who are multilingual.

The reality: for global communications, English may be the lingua franca of business but pragmatism is key. Payroll solutions must encompass local language capabilities.

Myth 7: 'Global reporting is easy'

With today's reporting tools, you might think the ability to deliver global reports that can be filtered down to country level would be straightforward. Again, my response is 'if only!'

The most obvious barrier to global reporting is that organisations' global solutions are underpinned by multiple technologies – multiple systems for ERP, HCM, payroll, time and attendance.

Extracting and collating data from these sources is a significant integration challenge. The capabilities of the differing technologies may restrict ease of extraction and the timeliness to produce meaningful reports. The reporting is very unlikely to be 'real-time' – it will be a snapshot of a certain point in time.

So again, it pays to be realistic about what can be achieved and to understand the effort involved in achieving the desired level of detail.

Companies should dedicate a team to deliver, maintain, monitor and keep abreast of data warehousing technologies to help drive improvements in global reporting – through visual electronic reports or dashboards.

The reality: global reporting requires significant integration work and a realistic view of what can be achieved.

Myth 8: 'Technology alone can deliver service'

Technology is vital in delivering accurate, timely payroll but there's always a 'but'. When an end-to-end process like payroll is fully automated, there is always the risk of inaccuracy. Payroll is primarily driven by multiple data points and the timing of their availability. Even a minor data entry error can throw payroll out significantly. That's why you need a combination of people using technology and reports to get the right results.

Given the sensitivity around payroll, no one fully automates the end-to-end process without the appropriate checks, controls and balances to ensure accuracy and compliance. And these require a degree of human intervention.

Manual intervention at key milestones is essential to mitigating the risks of automation. These include things like variance checks, four-eye reviews and audited controls to ensure compliance.

At TMF Group, we operate control checks to the ISAE3402 standard in every country where we provide payroll services.

The reality: we still need the human touch; using technology alone runs the risk of inaccuracies and non-compliance.

Myth 9: Software as a Service (SaaS) is a full service

SaaS has been instrumental in improving employee and manager self-service over the past few years. It certainly provides a fast and lower-cost way to enhance employee engagement.

Quite often, however, SaaS solutions don't deliver what was expected, constraints only emerging after implementation. For example, communication line bandwidth and network downtime can have a significant impact on performance and user-experience.

And there is still a people cost for delivering services. Self-service may enable your service teams to manage the quality of data at a lower cost. However, these operational teams still need personnel to validate and control processes at key intervals. Without human intervention, automating some of these through SaaS can be high risk, creating high error levels.

There may well be hidden costs too, resulting from accessibility restrictions, user limitations, data encryption in transit and at rest and maintenance and testing requirements.

Once again, companies really need to understand the business need, and carry out a full investigation of the SaaS provider's true capabilities. If they are satisfied, they need to do the one thing many organisations fail to do when rolling SaaS out: implement a formal communications plan so that employee engagement is not undermined.

The reality: SaaS requires a lot of effort to implement successfully and, even then, unanticipated limitations can arise.

Myth 10: Shared Service Centres, Regional Delivery Centres and Centres of Excellence are all the same, aren't they?

Last, but by no means least: SSCs, RDCs and CoEs. What are they? How do they differ? While, in principle, they are aiming to deliver the same outcome and business benefit, they fulfil very different needs. Again, it comes down to the reality that one size does not fit all.

So, how do you accommodate a client's cultural diversity within an efficient service model?

I see most companies today moving to a payroll delivery model that blends these approaches. Even when two companies look very similar on paper, their payroll requirements are often very different.

As part of this blended model, the front and back office is evolving. The client interaction is managed through a local or regional office structure to reflect cultural diversity at the front end, with transactional activity centralised or regionalised into a cost-effective location for the back end.

Again, the operational strategy always comes down to understanding an organisation's business model, and considering the strengths and weaknesses of each option in delivering it.

The reality: SSCs, RDCs and COEs should fulfil different roles. A blended approach to payroll service delivery is most likely to fit an organisation's individual needs.

Ultimately, when it comes to global payroll technology, it's all about data. Poor or missing data is the bane of any payroll service provider's life. Only high-quality data can deliver payroll accuracy, timeliness and compliance – a must for every organisation.

We also rely on data for insight. Poor data leads, ultimately, to poor decisions in every walk of business life. Payroll is no different.

Getting the balance right between payroll technology and intricate human intervention is the answer on all counts.

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