Making Informed Choices on the Road to Global Payroll Success

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The compliance landscape is shifting. Each year, approximately **20,000** global payroll compliance changes go into effect. Not only do multinational companies (MNCs) struggle to comply with the diverse payroll laws in each region where they operate; several large countries are in the process of making historic changes to tax and labor laws. It is a challenging environment.

Consider doing payroll in Russia. A new law requires companies based in the country to use Russian-based network servers. This means foreign businesses must either open new data centers or partner with a company that has data storage capabilities within Russia to continue operating there.

In South America, Brazil has enacted an **eSocial law**. This new legislation represents a record-keeping transformation, aimed at streamlining the transmission of employment-related data to various federal government institutions. As a result, companies operating in Brazil must build the capacity to transmit data to Brazil's internal revenue service, social security institute, the labor and employment ministry, and the government bank that manages the national employee savings fund system.

It's no surprise that HR executives who manage a global payroll often seek local expertise to help them address evolving local tax and labor laws and determine how those changes may impact their overall business. These partners can also support centralized workforce management decision-making by keeping pace with local and regional legislation and standardizing payroll processes organization-wide. This requires ongoing monitoring of payroll, governance, and control measures to ensure continued compliance with complex regulations.

Experience is an asset. HR vendors should be experienced in addressing compliance requirements throughout an organization by interpreting these changes and embedding the necessary fixes into payroll processes. An outsourcing decision can have adverse legal and financial consequences if an organization teams with the wrong partner.

According to **Ernst & Young®**, a strategic payroll partner should meet three important criteria:

1. Provide global capabilities
2. Deliver solutions on an advanced technology platform
3. Support clients' cost-containment initiatives

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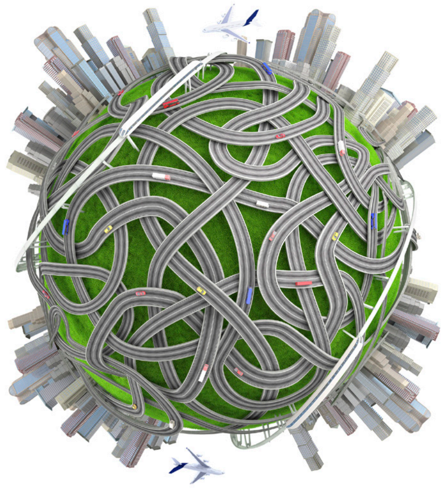

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A potential partner should exhibit knowledge and expertise in all localities where a company operates. It should be able to integrate and implement systems that extend across a global IT network. Lastly, and perhaps most important, by increasing payroll processing efficiency and accuracy, HR leaders should be able to better manage administrative costs and create more nimble teams focused on strategic HR initiatives and not just task-oriented activities.

Five Best Practices to Evaluate Potential Partners

Every business has its own specific requirements for an HR solution partner, but some standard best practices provide a guide during their search.

1. **Begin by defining challenges and success metrics**
   Key stakeholders should define the company's current HR/payroll challenges and metrics for success.
   Questions might include: Is there a need to cut costs or create efficiencies? Is it critical that the partner possess expertise in a specific set of countries or a specific region? Will the partner need integration experience with any legacy payroll systems? Leverage initial parameters to evaluate your current partners and define the search for future HR solutions.
2. **Thoroughly compare current and potential partners**
   What are the similarities and the differences between current partners and vendors on the selection short list?
   Questions might include: Will it be more cost-effective to transition to a new partner, or can HR leaders accomplish their goals with a current partner? Which partners may be suitable now and able to grow with your company in the future?
3. **Look past the shiny demo**
   Dig deep into each potential partner's reputation and references.
   Questions might include: Do they have a proven reputation for delivering timely and accurate payroll in relevant geographies? What is their reputation for the service and expertise they deliver? What other value-added services can they offer?
4. **Search for a partner, not a vendor**.
   Finding a long-term strategic partner as opposed to a short-term vendor requires HR leaders to probe into topics such as liability and long-term vision, among others.
   Questions might include: How does the partner guarantee quality of payroll processing? What audit and controls does it have in place? What actions will the partner take to protect company data and employee privacy? How will the partner transform the company's global payroll process if it's selected?
5. **Invest in the partnership**
   Once the final selection has been made, invest in that partnership so that it can grow and provide value long-term. While contracts typically run three to five years, multinational companies may want to take steps to nurture the partnership and ensure it remains mutually beneficial for both parties. This means creating roadmaps of the partner's current and planned future capabilities and discussing the potential for mutual growth as the organization expands into new markets or tackles emerging workforce management challenges.

Selecting a global payroll partner requires a high degree of due diligence–the wrong choice can lead to costly consequences. Of course, the worst-case scenario is being unable to pay employees on time, or in accordance with local tax and labor laws. This can erode employee trust and productivity, as well as potentially result in expensive fines and penalties that directly impact an organization's bottom line.

When engaging a global payroll partner, HR leaders at multinational firms must ensure their selection process reflects their organization's business strategy, culture, and long-term growth plans. Finding the right partner can empower global employers to reduce risk and administrative costs while focusing more resources on HR initiatives that support their company's strategic growth and employee engagement. ■

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