

How to cut global payroll costs long-term

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Like all overhead functions, global payroll departments are coming under continuing pressure to reduce costs. But once short-term, relatively easy savings have been made, such aims can be difficult to maintain. However, there are ways to plan ahead and cut expenditure without harming the quality of service to your global employees.

How this article will help

This article is a follow-on from last month's, which outlined a number of short-term methods to trim the costs of global payroll functions in multinational organisations. The aim is to provide some longer-term methods for cost reduction by focusing on lowering your in-house headcount and

your outsourcing bill, while also making operations more efficient.

In some cases, the benefits of this approach may be hard to quantify - and may not even result in immediate savings. But when taken together, you will find that these methods have cumulative benefits:



growing pressure to reduce costs these days. It has become increasingly difficult to achieve. Maintaining the quality of the payroll service offered

Standardising global processes and policies

Payroll is a highly process-driven area. Each month and year-on-year, global payroll teams and their outsourcing partners undertake very similar processes. But these processes often vary substantially on a country-by-country basis. For

example, certain countries may have different practices for processing salary increases.

Benefits

Standardising processes at a global level is not a short-term initiative, but it has many benefits. It enables staff from global headquarters (HQ) or from another region to provide cover when in-country employees leave or require short-term cover.

You will also find that your team at HQ spends less time dealing with regional or in-country operational issues because they become easier to tackle. This situation, in turn, generates savings for local teams and outsourcers as they have fewer queries from HQ to deal with.

Going down this route can likewise make your local or regional teams more efficient. Global payroll managers can identify best practice in one country and train all other countries to implement it. This scenario will help to raise standards as well as make savings.

Managers may also find their teams are spending time on tasks that can be handled in a different way. For example, they may be helping their local business partners with payroll knowledge that could be provided centrally.

Focus on policies

Many processes are driven by corporate policy. For example, if your organisation has different approval regimes across the world for mid-year salary increases or benefits, global payroll teams will have to adopt a number of different practices to implement them. This approach increases cost and inefficiency.

By highlighting the negative impact of these variations on global payroll, managers can

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influence their leaders and other business partners to standardise policies at a global level. This, in turn, will make it easier to implement consistent practices across the global payroll team.

Identify areas to target

Global payroll managers can identify which processes and policies to target by asking themselves and their teams several questions. These comprise of:

- Are there any processes that are not standardised across all countries?
- Do local countries or regions have weak spots or areas where they are performing less well?
- Do these areas routinely generate extra work for global payroll teams or outsourcers?
- Are there any countries where personnel policies are not followed?
- Are there any policies that vary locally and make it difficult to standardise processes across the global payroll function?

The answers will help you draw up a list of processes that will have the biggest impact on improving the efficiency of your team and your outsourcers.

Identify cost savings

Once managers have a list of processes to undergo change, they can set deadlines for implementing it plus introduce targets for how much time and money they expect to save. These savings can then be used to reduce budget costs.

As process change can be difficult to achieve, it makes sense to enlist help from other areas of the business such as project management. These specialists are used to handling complex initiatives and will help ensure that savings are delivered on time. Also ask your outsourcers to identify any cost savings that they could make as a result.

Improving data quality

Global payroll teams are usually very reliant on the data they receive from other sources such as HR or sales commission teams. If this data is of poor quality, it can cause severe delays and unnecessary effort for both the team itself and its outsourcing partners. As a result, improving data at source can bring about large cost savings.

Correct bad data

If your global payroll team routinely receives bad data from its business partners, chances are that they are unaware of just how much extra work they are causing you. Major improvements in data can be brought about simply by discussing your requirements with other departments and helping them improve their own processes.

Eliminate data reconciliations

Global payroll managers should review whether their staff routinely need to compare two different sets of data. For example, does the salary and

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benefits data in the payroll system need to be compared against the HR system? If the same data is held on different systems, reconciliation headaches and additional work for your team will ensue.

Any routine data-checking activities by your team can usually be got rid of in one of two ways:

- Create one data source so that the same data is not held in two different places
- Enable automatic data transfer from one system to another so that your team can be sure the data is correct.

Automate manual data entry

If global payroll teams need to manually input data, time spent on the task and the risk of error will inevitably increase. As they usually receive data from other parts of the organisation, it may be possible to develop interfaces for automatic transfer or electronic forms that can easily be uploaded.

Working on hard-to-understand areas

If you have time to plan ahead, it is worth identifying any areas of cost that you do not fully understand as they are likely to be the result of inefficiencies. A good example might be any repetitive expat calculations that are done for you by your outsourcer, but may be performed more efficiently in house.

Another example could be a local outsourcer that performs tasks of which you are unsure of the purpose. It is possible that they could be financial reporting activities, which should actually be included in the finance budget.

Top tip

The more difficult you find your outsourcer to communicate with, the more likely you are to find cost savings when you fully understand what it is they are doing.

Conclusion

Adopting this approach will enable you to plan ahead and build these activities into your own and your team's objectives for the year ahead. The aim is to help improve the efficiency and performance of your global payroll activities without having to make other cost savings that could be damaging. ■



John Galvin is CEO of award-winning *Galvin International*, which provides independent, cost-effective and compliant advice for clients setting up global payroll. John was awarded Global Consultant of the Year at the inaugural Global Payroll Awards. He and his team provide straightforward, fast advice and set-up support for a fixed price in over 70 countries. If you have any queries about the information in this article, or would like to know more, please contact John at john.galvin@galvininternational.com.