Combining Flexibility AND Standardisation in Your Global Payroll Strategy

By Max van der Klis-Busink, Head of Service Delivery, Payzaar

Max is a global payroll leader with nearly 20 years of experience in the field of global payroll. He is the first recipient of the [Global Vision Award](#) by PAYO in recognition of his passion for payroll and advancing the industry.

Abstract

The Global Payroll Paradigm: flexibility versus standardisation. Balancing both of these items in your global payroll strategy (and operations) is a long-standing challenge in global payroll management. With many payroll managers focusing on implementing global standards in 2024, there is a clear imperative to reassess traditional models, thinking patterns, and ways of working.

This whitepaper explores the nuances of in-house and outsourced service delivery models (SDMs) and different vendor landscapes, detailing the pros and cons of each based on your business needs. It also outlines how a hybrid approach can enable organisations to achieve optimal payroll operations without compromising flexibility or standardisation.

Global Payroll Priorities: Strategy

In a poll I ran earlier this year, 28% of global payroll managers indicated that implementing global standards is their **top priority for** 2024. This suggests a need for a modern approach which allows for both standardisation and flexibility.

To achieve this balance, you must ensure that your global payroll strategy is designed in an agile way, allowing you to choose the right service level for the needs of your business and country groups.

"Building agility into the strategy, such as adaptable SDMs for medium and small grouped countries, allows for targeted interventions over time."

Service levels

As part of your SDMsf, you also choose the service level that applies to each group of countries within the SDM. In general, your choice is two-fold per group within the SDM:

- Do you keep the payrolls of the SDM in-house, or will you outsource?
- What is the appropriate vendor strategy for the chosen service level?

The pros and cons of each are below so that you can answer these questions according to your needs.

In-house

Having processed in-house payrolls and managed teams processing them, I have found that payroll professionals often favour the in-house model. Retaining your talent and processing in-house means:

- A deeper understanding of your company's culture, ways of working, and overall business dynamics. This intimate knowledge can make a huge difference.
- A highly optimised payroll calendar due to fewer actors in the process. You own, manage, or license the payroll engine and set your own payroll calendar.
- When there are issues or policy changes, you will likely be able to respond more quickly to those changes.
- The total cost of ownership will likely be more favourable compared to outsourcing (if scaled).

However, you may find that:

- When multiple larger countries are entirely managed in-house, you will have more difficulty standardising your processes. Over time, local practice will inherently grow and become stuck in the ways of working.
- If staff attrition occurs, you must have robust succession planning in place to avoid knowledge leakage.

When we talk about service levels and vendor strategies for in-house payrolls, there are two service levels referred to as "processing service" or "technology service."

- License a best of breed single-country payroll engine and configure and maintain the engine yourself, or outsource this. You will look for local or domestic providers.
- License best of breed multi-country payroll engines and outsource the maintenance and configuration piece, but process and calculate payroll yourself. You will look for global or regional providers.

Outsourced

On the other end of the spectrum is outsourcing. There are some companies which, due to historical events or general risk averseness, outsource all their payrolls – regardless of size, complexity, or volumes. However, there are different levels within outsourcing:

- **Managed Services**—You license the (single or multi) payroll engine, and the provider calculates the inputs you submit. Once you approve payroll, you will receive payroll outputs such as payslips, reports, GL files, and filings.

- **Business Process Outsourcing (BPO Payroll)**—You get all the benefits of Managed Services, but the provider also accepts non-structured data inputs and provides additional compliance support. Employees may ask questions directly to the provider. However, you still do data entry (manual, uploads, integrations) yourself and approve the payroll results.

- **Business Process Outsourcing (BPO Payroll+)**—You get all the services from BPO Payroll, but the provider also performs data entry on your behalf, therefore also reviewing and approving the payroll. This is complete outsourcing.

- **Global Payroll Management Platform**—Allows for the flexibility to choose any in-house and outsourced level while still standardising, digitising, and harmonising your global payroll landscape. Often procured in addition to any of the above services or with outsourced arrangements with select providers.

Now that we've outlined the various outsourcing options, let's explore in more detail what flexibility and standardisation mean in global payroll.

Flexibility

If you look closely at any global payroll operations, you will likely see similarities between the footprint and population. You will be able to identify groups of countries to segment the footprint for further analysis, such as the below example:

1. **Primary and headquarters (HQ) countries**: approximately 10% of your countries, 75% of the population. You likely run these payrolls in-house.
2. **Secondary countries**: approximately 20% of your countries, 20% of the population. You likely have a mix of managed services and processing services.
3. **Long tail countries:** approximately 70% of your countries, 5% of the population. You likely have BPO services with additional advisory and perhaps one or two regional providers.

The segments have distinct requirements and, therefore, demand flexibility in how you design your operations.

- You want to recognise and support different local needs and service requirements while staying within budget.

- You want to be able to bring payrolls in-house or outsource them to meet requirements and switch those surgically without disruption.

- You want the choice to go regional, cluster, or local regarding your payroll provider strategy.

- You want the best local service providers with direct access, and to not make yourself too dependent on any single vendor.

- You want to respect and build around existing organisational structures, both locally and centrally.

- You want to stay agile and keep your options open to respond to future business needs without the need for large and costly transformations.

This need for flexibility is crucial for delivering the **best global payroll experience** to your workforce. However, if you don't consider standardisation, you cannot scale, automate, and digitise your operations. It will also be extremely difficult to adhere to internal and external financial and non-financial requirements in terms of **audit, risk, and control.**

Standardisation

This can be one of the more challenging yet rewarding parts of a global payroll manager role. *How can you deliver locally while applying rates of global standardisation at a minimum of 75%?*

Another of my recent polls on the standardisation of controls in global payroll showed that this continues to be a challenge for global payroll managers. **63% indicated to have standardisation below 75%.**

However, achieving, and even exceeding, this target is possible, provided you design your controls well enough and have a platform to support deployment. If you are looking to design and deploy global standards, you will likely look at:

- Harmonizing your core payroll processes: pre-payroll, run-payroll, and post-payroll in a digitised way so that they are scalable and rotatable within the team.

- Standardizing and automating your control framework (e.g., segregation of duties, variance control, input vs. output reconciliation and reviews, and approvals).

- Automate your data flows into payroll while allowing for the local nuances required for local payroll processing and being agnostic to any source file.

- Develop a clear playbook for portfolio changes, such as carving our countries, adding countries, population changes, and mergers and aquisitions.

- Developing a key performance indicator (KPI) framework to measure the performance of your operations, delivered payroll experience, and payroll providers.

- Reporting and general ledger standards across the entire footprint to report out to internal and external stakeholders in a consistent global data model.

Flexibility and Standardisation Without Trade-offs

As I mentioned earlier, the different country segments (Primary/HQ, Secondary, and Long tail) all have different needs and service levels. By adopting a hybrid approach, you can enable the implementation of a globally standardised payroll system.

In terms of the vendor landscape, you have a range of solutions:

- **Best of Breed, Local Solutions**—Given the local nature, you will benefit from choice and high flexibility, which is likely for primary countries. However, as those don't scale to other countries, this option doesn't allow global standardisation.

- **Regional and Cluster Providers**—These will provide services to groups of countries, but without choice of your service level (mainly only managed service) and local partner. Since this only covers a few countries, this option is a likely fit for secondary countries or long tail countries. By itself, however, this also doesn't allow for global standardisation.

- **Aggregators and Global Networks**—You will gain more standardisation as these will cover many countries and likely have a platform. The service levels are typically restricted to managed services without (or a limited) choice of local payroll provider and limited flexibility when service level changes are necessary. This option may work for some secondary or long tail countries where you don't need additional services.

- **Global Payroll Management Platform** —A technology platform that operates with in-house payrolls and outsourced payrolls, with or without vendor interaction. Flexible due to full choice of vendors in a standardised hybrid environment. But you will still need to find suitable vendors (e.g., global, regional, local, or hybrid).

Conclusions

Hybrid is the only one-size-fits-all approach. I have been saying this since 2010, and it still holds true, in fact, now more than ever. There's simply no one-size-fits-all solution in global payroll—except for hybrid. No payroll professional wants to keep sacrificing flexibility for standardisation or vice versa. Fortunately, with modern software as a service (SaaS) solutions and enough options to choose from in the market, it's possible to have both.

Whether managing payroll in-house or outsourcing, adopting a hybrid approach and leveraging a global payroll management platform empowers organisations to **standardise, digitise, and automate** processes, regardless of the chosen service delivery model. This unified approach fosters consistency while accommodating the necessary flexibility to **adapt to evolving requirements.**

By flipping the script on the traditional global payroll paradigm of flexibility versus standardisation, organisations can now enjoy both flexibility and standardisation by embracing hybridity and **choice.**