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Speaker 1:

Welcome to PayTalk, the podcast for payroll professionals, with your host, Nina Talley. In the podcast, we explore the human side of payroll by speaking with global industry leaders who provide their unique insights to help listeners better understand the issues important to them and their careers.

Nina Talley:

Hey everyone, thanks for joining us for PayTalk, the podcast that brings you payroll's human side. I'm your host, Nina Talley.

And today we're joined by John Lestock, a global payroll accountant at Boeing. John acts as our unofficial global payroll specialist here at PayTalk. So if you'd like to go back and listen to our previous episodes featuring John, where we discuss how to make the career transition from national US payroll operations to global payroll operations, I'm going to go ahead and make sure that those are linked in the show notes, so check them out.

Today, we're going to take a little bit of a more detailed look at global payroll, focusing in on one of the most important questions facing global payroll professionals. Should I take this country's payroll operations in-house, or will outsourcing serve our needs more effectively? But before we get started, John, for our listeners who don't remember or could use a refresher, could you tell them a bit about your experience in the payroll industry and why you've joined us today to discuss global payroll?

John Lestock:

Sure, absolutely. I have been in the payroll industry, and I'm including both the US and global, gosh, probably since 2000, 2002, give or take. It's been primarily US payroll, with a smidgen of Canadian payroll. When I started at Boeing, oh gosh, more than five years ago, that was my first foray into the global payroll world. And when I applied for the job, it was just taking a bold step into trying something completely new and different, definitely outside of my comfort zone. Because, again, with US payroll I had experience with it. Lots of experience. And plus having taken formal courses with the American Payroll Association, now PayrollOrg, and having passed the CPP exam and FPC exam before that. So constantly having that formal training, continuing education to really buttress the experience that built on my US payroll expertise.

To go from that to working on payroll in countries I had never seen before, their payrolls, maybe certain countries I could maybe find on a map. It was just very, very different. But it was an opportunity to try something new, so I thought, why not? I'd be a fool not to take advantage of the opportunity, and that's exactly what I did. And five years later, I'm still saying the same thing.

Nina Talley:

I love that, and thank you for taking that moment to share a bit about that experience. And again, for our listeners who want to dive in a little bit deeper into John and his experience, you can go listen to those previous episodes and get an excellent primer. Let's dive in. I want to talk about expectations versus reality, and for both in-house global operations and outsourcing a team local to the country you're working in. I'm sure that both of those have unexpected drawbacks, especially at the type of scale that Boeing is operating at. Can you tell me a little bit about the reality of outsourcing versus in-house?

John Lestock:

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I can, I can. Outsourcing versus in-house, it's funny, and I'm going to constantly refer back to if we were to outsource here in the United States. The decision is typically, we outsource because we can do it more cost effectively, and I want to demean it by saying it's cheaper. But sometimes that becomes the main driver of, do we do it in-house, do we outsource it? Because it's not just the cost of people, it's the investment in IT resources, and development and expertise of your individuals and such.

Now, turn that around on a global payroll scale, those same considerations do come into play. Is it more cost-effective to outsource it? But I'm going to throw in one more variable, and that is expertise. Here in the US you can hire payroll professionals, someone with a CPP, somebody from PayrollOrg, someone who's worked in payroll and they have that expertise. So if you want to build that knowledge base in-house, you can do it. They're out there. It's very difficult to hire someone here in the United States who knows payroll in Belgium or Japan or Israel. You're going to have a very difficult time finding that expertise.

Really, if you're here in the US and your company is expanding in those countries, the first thing you're going to want to find is someone who knows how to do payroll in those countries. So expertise is the first consideration, and hand in hand with that would be cost savings, cost-effectiveness. I bring that up because it's not that expertise first and then cost-effectiveness takes a backseat, to me they're almost parallel. But man, if one of those two factors had to win, it has to be expertise, because you could expand in a country where you absolutely have no idea.

We have somebody in Azerbaijan. Where am I going to find someone who knows payroll in Azerbaijan? At that point, that automatically lends itself to, we need to outsource. Just because I can't find the expertise, so I need to find somebody who can do it. And that's no different, whether it's Kazakhstan or the UK, or Japan or Korea, maybe even Chile. What it comes down to is, do I have somebody who can do the payroll? Can they do the work? Are they trained on it? Do they have the expertise? If not, we're going to need to outsource. If you happen to have that expertise, maybe the next step is, all right, cost-effectiveness-wise, do we outsource it or we do it in-house? But at that point you've already crossed that threshold of, do we have the expertise to do the work, whether we have it or a third party service provider has it?

Nina Talley:

And I think that leans in with something that I think is really important, and that I know has a major impact on this decision. Which is, how do we measure the efficiency and accuracy of payroll operations to provide an evaluation that can influence this type of decision to either outsource or keep operations in-house? Do you have any tips on how to do that?

John Lestock:

Well, that's a hard question to answer, to be quite honest. Because even thinking internally, what would we do? And it's not a hard, fast... Well, every company's different, they're going to have their own internal factors to consider. Do we outsource? Do we keep it in-house? Our situation is, we outsource much of our non-US payroll to a third party provider. They're a business process outsourcing company. Basically, they operate like an aggregator, a one-stop shopping for everything. From our perspective, it's almost a go-to that if we expand into a new country, Austria, Oman, the first thing we're going to do is look to our provider and say, "We're opening up in a new country. We need to establish a payroll there." So right away we're just building onto an established service contract or service arrangement that's already been established, we're just adding new countries onto it.

If we didn't have that arrangement and we're starting from a completely different ... from scratch, the question would be, well, do we hire it in that country or do we outsource it? And even at that point we're probably going to need to reach out to some kind of a specialist or an HR consulting firm. An accounting firm that could at least give us some advice as far as, what do other companies do, our size, our complexity? How difficult is it to obtain that talent? If we decide to go the in-house route, how realistic is that? What are we going to need to do for a compliance standpoint? Is it just a matter of making sure the paychecks are correct and making the tax filings? Or do we have to have a physical person sitting in that country who physically has to file documents or tax forms with a government office, rather than doing it virtually through a cloud and through a website portal?

And sometimes those are big considerations. Well, God, I only have one employee in that country, so I'm going to need a presence there of someone who could actually physically go and do those filings or do the government interactions. And I'm thinking about Middle Eastern countries that I don't personally work on, but I hear the stories from my coworkers like a go see filing or something similar. And it comes down to, yeah, we need a physical person there. If there's somebody in HR, we're going to need them to go do this for us. Our third party maybe can do it, maybe not. But as far as, well, do we do it in-house or do we outsource it? Can we get the talent internally if we decide to go with the in-house route? Or alternatively, if we outsource it, is it a function that we can outsource?

Is it a responsibility a third party can do? Or are they going to come back and say, "That's outside of our scope. We don't typically do that."? Then by default, it falls back onto us. Now we don't have a choice. We either find somebody in-house, or we go out and find the specialist to do it for us. The decisions become muddier when you get on a global scale. Because it's not just the payroll, it's what specific responsibilities incorporated in that payroll can the third party provider handle? What specific aspects do I need a specialist firm, say someone that specializes in global mobility, a firm that specializes in equity compensation that has to interact with us and the payroll provider? Or alternatively, do we have that expertise built up in-house or can we develop it where we could take on those functions ourselves? And it's better to have one in-house versus three or four or five separate service providers and try to coordinate them. That's a hard decision to contemplate because there's so many different factors.

Nina Talley:

Sounds a little bit like herding regulatory cats, and figuring out which cat is appropriate for which space. And that is probably the crux of the problem that we're discussing is-

John Lestock:

Exactly.

Nina Talley:

... how do you sort those cats? How do you sort them? And you brought up a little bit about the complexity that can come into place in the case of a country that requires an actual body there to file and to interface with the local government. Are there any other complexities or maybe unknown hurdles that would impact the different choices that you would make in different countries when it comes to possibly outsourcing or taking operations in-house

John Lestock:

For global payroll, there's a couple things I am thinking about that I want to highlight. One, I'm bringing this up because I compare it to outsourcing here in the US. Just a real touch on the US payroll outsourcing, or if I'm in Canada and I'm outsourcing to a Canadian payroll provider locally. Thought is I either do it in-house at my company or we hire an ADP or Ceridian, for example, to do the payroll. We're one country and we're going to one provider to do everything or everything within their service scope, and then we cover the rest. Global payroll, you're doing that at multiple countries. So if I have a presence in 16 countries, ultimately we're going to have to have a relationship with 16 different providers. If I have a presence in 70 countries, I have to have a relationship with 70 different providers.

Think of it that way. It's almost like US outsourcing, but in each separate individual country. Now, just imagine, I mentioned the aggregator model where you have one-stop shopping. They're the ones that have to have the presence in 70 different countries. They may not have their own personal in-house presence in all 70 countries. It may not be, oh yeah, we have an office in London, we have an office in Toronto, we have an office in Brussels. But we don't have an office in Azerbaijan, we don't have one in Tel Aviv. They have to subcontract. So they're still responsible for the relationship. They're still responsible to deliver the service to us through the one point, but it does add a layer of complexity. Now it's not just, we don't interact with those different local providers in those 70 countries. We interact with one provider who in turn interacts with those 70 providers, whether it's their own or somebody subcontracted.

That's just the business model, so it's an additional layer. But it also highlights that it doesn't have to be an all or nothing. And I bring up US because it's all or nothing. We either do it in-house or we outsource it. And we keep in-house what we simply can't outsource. Global is like that, but the next step is you don't have to make this so binary. We outsource all 70 countries, or we do all 70 in-house. What about on a spectrum? Maybe we only outsource some, maybe we take in-house five or six countries, and because the head count is so high, it's so big that it lends itself to maybe economically it's better to have it in-house. Or just having that expertise in-house benefits us, not just for payroll, but for HR, for total rewards, for benefits, for other functions that we're going to share that expertise.

So why not just do it, and outsource those countries where maybe the headcount is smaller? It's harder to find specialized talent for that, so it lends itself to outsourcing. It doesn't have to be all or nothing, it could be some. Maybe we outsource to regional providers. I don't have a presence much in Asia, why not outsource to this one service provider? That's their niche, they know payroll in Singapore, Japan, mainland China, Hong Kong, all of those. Let's go to them. And then maybe we have another one for Europe. They specialize in Europe, that's what they know so well. And a third one in Middle East and a fourth one in central and South America. And then, if there's particular business locations that have a huge population, maybe we carve out those big ones, UK, India, Brazil, or it's just, it makes sense to do it in-house.

And the metric there is going to be headcount, but I say headcount hand in hand with complexity. And we're developing the talent in-house isn't so onerous because the cost of economy's spread amongst multiple departments. Because it's not just processing payroll, you've got other areas that need that expertise, they're going to tap into payroll for their advice. HR is looking to add a component to total compensation, but they need to understand the payroll implications. Be true for all those countries. But rather than having to turn around and say, "Well, let me ask the provider what they think, and get back to you on that." We already had that expertise built-in and developed in-house, so it's a much more efficient way to tap into that knowledge and make those decisions quicker.

I know it's a long-winded way of explaining how there's other factors to consider, but it is sort of a spectrum. And I guess if I were to look at this as a life cycle, you could think of it as hypothetically in one

country, your home country, and maybe you have a presence in just a handful of other countries, two or three. And you decide, oh, we'll go ahead and outsource. And then as the business grows, maybe those offices grow, and it's becoming a bit of a burden where it's tougher to manage this as an outsource relationship because it's becoming more cumbersome for them, it's cumbersome for us. Maybe it's time to consider, maybe we should do this in-house. And in the meantime, we've expanded it to another five or six other countries. And again, you consider outsourcing. And then for those, but then for the others that have grown so big, we bring those in-house. So it's a gradual process. What's true today may not be true tomorrow or five years from now.

And then the trick is going to be as we outsource, do we have a provider who's flexible like that? Do we automatically go to them to add on, or do we consider that this is a fluid relationship? Maybe it's a type of provider we outsource to, because there's different business models out there. The thing I've seen lately, and especially when I've gone to PayrollOrg's Congress the last couple years, go to the Payroll Expo, to the global payroll portion of it. The trend has been providers that... They offer a technology platform, so it's implied that you're going to go out and establish relationships with those local providers in those 15 or 16 different countries. But rather than you trying to manage everybody individually, you have them all on a common technology platform, kind of a cloud-based platform. So there's a commonality to all the data from your HR system goes to that one platform, and they desegregate the information to all the different providers.

It's a bit of a hybrid between an aggregator that does everything, and you still having that touch to those individual local payrolls. Is that best of both worlds source thing. Maybe that's a business model to consider as your company expands and grows. And another factor, what type of business model is best suited for your business? It's going to be not just where are you today? Where do you see yourself next year, three years, five years? What countries do you think you're going to have the biggest growth prospects? God, it's only a handful in Brazil, but three years from now it could easily be a couple hundred, maybe a thousand. All right, then based on that, what kind of an outsourcing relationship are you going to have? Or just say, "You know what, maybe I need to build this up to scale. Let's start in-house. And yeah, it seems clunky to do it for just a handful of employees, but we anticipate it's going to grow and we'll already have that infrastructure in place to accommodate it."

Nina Talley:

That's a really great point. And I think that one of the lessons that I've really taken from PayTalk, and from all of these conversations that I've had, is that in payroll nothing is set it and forget it. Nothing is set it and forget it. Do your informed best decision-making, and constantly check back in, and constantly check back in. Because your business is evolving, culture is evolving, payroll regulations are evolving, and all of this needs to be kept in mind.

And I really also wanted to go back and touch on something that you brought up where it's not a one size fits all. So if it's a specific country that it's a little bit easier, maybe somebody's already familiar with it, we can do it in-house. Taking multiple countries outsourced, working with partners that are working in specific regions. For a payroll professional, that's a lot of relationship management. Can you give our listeners some tips on how to successfully run that type of relationship management and make sure that everything is running smoothly without getting overwhelmed and bogged down in the day-to-day mechanics of it?

John Lestock:

I can explain it from my perspective. I'm one of many employees in our department, and a lot of the relationship management will happen at the payroll lead level. Or even at the manager level, so above me. But from my own personal experience, in our situation we outsource to an aggregator who is responsible for their relationship with all the local payrolls. Managing the relationship means being cognizant of how you communicate with them. And what I mean by that is, in-house, it's very easy to ask a question to the payroll department and get an answer. Yeah, there might be a system for submitting service tickets, it might be an IVR phone system. But if it's a small enough department, maybe you can go to somebody and ask a question. And it's pretty easy, pretty quick turnaround. Bigger companies might have a more formal process, but it's still a fairly quick turnaround.

It's harder on a global scale. And the relationship, the third party provider you outsource to, it's going to be a factor in terms of, well, how do I communicate? For example, if I have a question about a payroll in Israel, I can't contact the local provider in Tel Aviv directly, I have to work through my account contact. My account contact could be in either the UK, Mauritius, which is a country just east of Madagascar in the Indian Ocean, or South Africa. That's my contact. And they, in turn, will take my question, turn around and contact the local provider in Tel Aviv. Wait to hear back from the local provider, and then give back the response. I could probably build in about three to five business days to get a question answered on average.

Nina Talley:

Yes.

John Lestock:

Yeah. So it's not a quick turnaround. But again, talk about the advantages, disadvantages of outsourcing. One of the challenges is the expertise is with them, so you lose that sense of control. I'm depending on them as the experts to give you the answer. So managing the relationship is, how do I maintain those relationships? Being cognizant of the fact that I'm dealing with an intermediary to talk to the local provider. We both have to deal with time zones. The time zone in Tokyo is way different than the time zone in the UK, but I have to contact the UK to get my questions in Tokyo answered. And the responses, and then how I interact internally with my HR contacts in those different countries. Because they're getting an immediate response and they're expecting an immediate response, but I can't provide one. I can just manage the relationship. I have to reach out to the third party, talk to them, and I'm expecting to hear back from them soon.

So it's trying to manage those expectations. Keep good relationships. We're all on the same team. We're all trying to achieve the same goal. But just keeping in mind that there could be different individuals in different areas, different parts of the world, different time zones. And a lot of times your responses, your communication is going to be via email, because it's the most convenient for everyone. And the rare chance you can hop on a call, absolutely we'll do a call. But for me, yeah, I can do a call early in the morning for Europe, which is late in the day for them. Or in the evening for me, which is the next morning for Asia. I can make it work, but sometimes for Middle East it's just not practical. Or for Turkey payroll, I'm getting up at one o'clock in the morning.

Nina Talley:

Well, payroll waits for no one.

John Lestock:

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Exactly.

Nina Talley:

Or maybe if you sleep in, it waits for you. But you shouldn't sleep in. Get up at the one.

John Lestock:

That's right.

Nina Talley:

This ties in really nicely with something that I was very curious about. Which is, how do these cultural differences and work ethics and holidays and time zones, and all of that, how does that weigh into this type of decision-making?

John Lestock:

There are factors you just need to consider when you communicate and work with your service providers. Or when you work with your fellow coworkers if you're doing this in-house in the other countries. If I'm dealing with a coworker in Belgium, but I'm going to deal with a service provider in Belgium, I would expect the cultural nuances to be the same, I'm talking to the same country. On the other hand, if I'm going to talk to a contact in the UK, and we've got a good relationship, I understand culturally how to interact with UK. But we're both going to be interacting with someone in Japan, it's a whole different conversation. Our approach is going to be different. The way we ask the questions, who we ask the questions to, are going to be a little bit different. Maybe a bit more formal. So depending on the relationship, do you have a direct contact or you have an intermediary, you could be dealing with multiple cultural nuances.

I talked to a contact in South Africa to talk to someone in Tel Aviv. I'm going to make sure he understands what I'm saying and try to phrase my question in such a way that when he turns around and talks to Tel Aviv, I'm minimizing as much of it getting lost in translation as possible. So that he doesn't misunderstand what I just said, and he turns around and asks the question to them and they hear something entirely different, give an answer based on that. And the answer I get back just doesn't make any sense because it's completely inconsistent with what I just asked. Language differences, cultural differences. So just trying to be, if I have to just be more straightforward. And maybe, I hate to say simplify, that sounds demeaning. But to try to be as more direct in my communication as possible so that it's easier to translate going forward.

Nina Talley:

Concise and effective.

John Lestock:

Exactly. Exactly.

Nina Talley:

A big thing that I push is drop your adjectives. Drop your adjectives, you don't need those adjectives. You just don't need your descriptive words when you're not excellent at a language.

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John Lestock:

Exactly. I try to avoid contractions too when I can, because-

Nina Talley:

Yes.

John Lestock:

... to me, they seem natural, but I'll slip into it when I interact with Ireland or the UK because I think they're comfortable with it. Like, oh yeah, we've seen that. But I avoid that completely with Japan or even Belgium or Netherlands. I don't want to assume they know what I'm talking about. Let's just spell-

Nina Talley:

Exactly.

John Lestock:

Cannot instead of can't. Yeah.

Nina Talley:

Yes, cannot instead of can't is a big one.

John Lestock:

Exactly. And taking a step back earlier you mentioned, well, how do you manage those relationships? Well, I know that formally managing third parties, you're going to have service level agreements and you're going to have metrics that are identified early on in the contracting relationship. And then every month or every quarter, most likely every month, you're going to measure your service provider against those metrics to see, how do they perform? Formally, informally, maybe just a manager talking to the team to ask, "How are things going? What are some pain points?" If you ask questions, what kind of responses are you getting? Do you feel you're getting good service? Are there some confusing points? Are there some frustration? So a little bit of objective, a hard fast number. This is our metric, how do we measure you? Subjective. Okay, now tell me, based on your experience, what's happening, what do you think? Are there other issues, are there were concerns?

I think collectively those two together gives you a good handle on, how do you manage those relationships? To me, regardless of the formality of a service level agreement or metrics, the tone. How do you treat that provider? Are you treating them as a partner? Like, "Look, we're in this together. I'm not going to get all defensive about it. Let's just, if a mistake happened, it happened. Let's identify the root cause. Why did it happen? Let's see if we can collectively find a way to come to a solution. If it's a repeating problem, let's get to the root cause. There must be something going on. Is it bad data? Is it high turnover that you guys are dealing with, which we can empathize with that we've all dealt with it."

And do it in a way that's more positive, more conducive to collaboration. If it becomes a blame shifting and I'm going to beat him over the head with a contract, like a rolled up newspaper disciplining a dog. "Bad service provider. Bad, bad." It's going to be a terrible relationship. It's going to fall apart. It's like a marriage. How do you cultivate a good marriage? And it could go well or you could end up being separated, and you don't really want that.



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Nina Talley:

I think that having respect for each other goes a really long way. And with that, I think goes hand in hand for me with giving each other the grace to be humans. That nobody is going to be perfect and that nobody can be as fast as you want them to be. And a big life lesson is always that my emergency is no one else's emergency. And giving a little grace there will keep the relationship so much healthier.

John Lestock:

Absolutely. Absolutely. Mistakes do happen, and they're going to happen. Especially if it's related to an area that is highly specialized that the payroll provider generally would never have dealt with before, and don't deal with on a regular basis. That's information, that's not a red flag. That's feedback of, oh, I think we need to bring somebody in here who specializes in this to give us some advice. A consultant.

Nina Talley:

I love that. It's not a red flag, it's feedback.

John Lestock:

It's feedback. It's feedback. A great example would be, I say equity compensation. Our company gave out restricted stock units, and that's something that payroll provider, they generally understood what that was, but not in every country. It did not translate well. The issue is, how do you convey instructions or information to the payroll providers in each country to handle that? It was tough. Especially tax laws, because there were tax laws that just simply don't address that, or don't accommodate an exotic form of equity compensation. That's when you need to bring a specialist in.

In our case, I threw out Fidelity because they were the stock plan administrator, but there's only so many countries Fidelity can advise on. There may be countries they just had no idea. In that case, bring in a specialty firm to help everyone, because we're all looking for answers too. That's just an example of something that's not a failure of the service provider, that's information. Because the truth is, none of us know how to do this, so let's find someone who does, and give us some advice so we can establish processes going forward.

Nina Talley:

Yes. And we've spent some time talking about the real human to human connection on it, but I think the other part of this that is incredibly important when making the decision to take something and outsource it or bring it in-house is risk profiles. And risk profiles in different countries, risk profiles in different regions. And just in general, the risk profile of outsourced versus in-house. Can you talk a little bit about what these different risks might be and how a payroll professional could maybe mitigate them?

John Lestock:

If I were to measure or come up with risk profiles for a particular country, without even considering in-house or outsource, my first thought is, what's the local legislation? What's the local labor law? What's the local tax law? How complicated is it? How complex is it? Because that's going to be a driver of, how difficult is it going to be to stay in compliance? What do we need to do? When we pay our employees, what rules do we need to, at a bare minimum, follow? Now, you layer on top of that a company's pay practices for HR and total compensation, what they're developing to attract and retain

talent, that is going to go above and beyond what the legislation's going to require. That bare minimum. Collectively, how you add those together, that adds more layers, more complexity.

So based on that, what's the risk of falling out of compliance? What's the risk of this up and having a lot of issues. And somebody could say, "Well, the factor is though it's only a handful of employees. When we have five or six employees, the risk factor is small." I'm not sure that's necessarily true. It could be a country that it's very complicated to be in compliance with all the local laws. Even if it's a handful of employees, it's just a lot of work. But that's still exposure. Those five employees complain to a tax authority or to a ministry of labor. Is that going to give us some problems? Is that going to put our business license at risk where now all of a sudden we can't do business there? Even if it's just a handful of employees, it only takes one to cause a lot of issues. Risk profile would be, how hard is it to be in compliance with that?

Based on that, who do we have in-house who understands this, who could do that? And they're comfortable and confident that they consistently process or do the payroll and be in compliance. If we don't have that expertise in-house, the decision to outsource becomes a bit clear if we need to outsource it. Now, how does that impact a risk profile? Well, the risk profile is, when you have it in-house, you have control. You have the final say. You are responsible for everything, but you have control over everything. When you outsource, you lose control. You're depending on that third party to do it. I'm holding you guys accountable to it. And it doesn't matter if they met the metrics or not. It doesn't matter if they met the service level agreement or not. If you're out of compliance, you, employer, you're responsible. You could outsource it.

And the one hand is you reduce your risk because they're the experts, or you're doing this because they're the experts in that country to process compliant payroll, meeting the labor requirements. You're doing all the terminations properly, the tax compliance, tax reporting, the whole nine yards. On the other hand, you lose that control. So if something goes wrong, you're ultimately responsible for it. Does that add more risk to it? It's expertise reduces the risk profile, but that loss of control increases it. So it's kind of subjective. You don't know how do you measure that exactly, but it is something to consider.

If they have a country with a big headcount, it's a large headcount or a couple thousand employees, the risk profile is greater only because you have more opportunities to make mistakes, versus a country of just five employees. It's not necessarily just the local laws or local tax requirements, it's the volume of data, the volume of people that we have a greater opportunity to mess this up. That also adds to the risk profile as well too. Then if I'm going to outsource that, well, okay, we lose control over that. Does that make it more risky or does it make it less so because they're a firm that's been a proven expert in payroll in that country and they can handle a volume of employees of our size? Considering those factors, maybe the risk profile is less, and yeah, I'm more comfortable proceeding with that arrangement.

Nina Talley:

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Don't forget at the end of this month to help celebrate the hard-working global payroll professionals in your organization by participating in Global Payroll Week, happening the week of April 29th.

Happy Global Payroll Week from PayrollOrg!

Now I want to take a quick peek into the future, and get your thoughts on if there are any emerging trends or any innovations that are on the bleeding edge in global payroll operations that you think are going to have a major influence on these types of decision-making thought processes in the future. And what can a payroll professional today do to make sure that they're prepared and ready to capitalize on those changes?

John Lestock:

I think the biggest thing, and I alluded to this earlier in our conversation, the specific business model or service offering that the third party providers are bringing to the marketplace. And I've only been in global payroll for a little over five years, but I've seen it change significantly. I think in the past, before I worked in global payroll, I think the common business model was the aggregator approach. The one size fits all. You go to them, they do all the countries, you only have to deal with one contract, one provider. There's still a place for that. There's still a need for that. That model serves the needs of many different companies that are out there. On the other hand, the trend I'm seeing, and I was first exposed to this going to PayrollOrg Congress.

The business model where it's a technology platform. And the assumption is you, as a company, you have individual payroll providers in say 15, 16 different countries. You have separate contracts and individual relationship with each one of those, but you're going to put them on this technology platform, and you're going to manage this as if it were an aggregator type model. So instead of you having to send from HR all your data files, so these 15, 16 separate providers, you send it to this platform that in turn disseminates that information and they manage that data flow for you.

And you have a single platform where you can, on a dashboard or a control center type arrangement in the clouds, you can see all the different payrolls in all the different countries and see what's completed, what's outstanding, what were some issues, what are some variances. And maybe there's a functionality for sending messages back and forth or sending files. Especially in an environment where there's a lot of local laws that deal with data privacy and you have to keep data within a specific country, you can't have a lot of cross border movement of information, those platforms really become key.

But I see that as a growing trend. I see more and more companies following that similar business model. And I'm probably not doing it justice by the way I describe it. I could talk to my friends that like a Payzaar or a Payslip or Papaya who could probably correct a lot of what I said and clarify what they do. But I see that trend, and I see more of those types of businesses popping up. And that may be the way to go, where the business says, "We're not going to try to be the all in one-stop shopping and do payroll in all your countries, but if you have all those different arrangements, we want to help you manage all of those for you and put it on a single location." I think that's going to be the future. I feel like that's the trend where it's going.

Nina Talley:

I would definitely agree, especially given our conversation. Everything, I feel like that wrapped so much of what we have been discussing is that this seems like where the trend is going, and that the most important thing is for the payroll professional to remain flexible.

John Lestock:

Remain flexible, and try to keep an eye on developments that are happening in the global payroll world and the ecosystem, and the publications with PayrollOrg or updates on the website. It's a great way just keep an eye on that. E-newsletters that are, as a member, you see those. Take the time to take a look at those and read those and keep up with those trends. And if you do enter into a country that's brand new and you're not quite sure where to start, I'll again pitch PayrollOrg's website again. There may be a certain country where they have a quick profile of a particular country to give you a primer of, oh, this is what they do in Israel. Great. That's a starting point.

Now I can ask questions whether we do it in-house or I talk to a provider. I go to a provider, I can ask more intelligent questions. "Hey, I understand we're supposed to do this. What's your thoughts? Or what should we do to help you with that? Or What can you do to help us with the social security or with the income tax, or with paying recuperation pay in July or August? Or what is that exactly?"

Definitely try to keep abreast of events, tap into those resources that are available. And of course, if you're a member of PayrollOrg, you've got access to some great material. And don't be afraid to go out there. And if you do work with a service provider, a third party, they're the experts. Hit them up, ask them for material, for newsletters, for updates, whatever they can share. Even if it's little bits and pieces of information, just hold onto that. Keep that. Just try to look at that and keep up with it as much as you possibly can. It's not going to be, you're going to have encyclopedic knowledge of every single country. That's impossible. You can't find one provider who can do payroll in every single country on the planet, that's just, doesn't exist.

What you can do is have a mindset of professional development, professional growth, professional learning. And that mindset means you constantly try to keep up with things, keep abreast of development. Reach out to providers for information. You look at a newsletter, you look at a magazine. You do your research, you'll Google a particular question as a starting point, but then you may go to a trusted resource to get more clarity. It's just like doing your own research if you're writing a paper, you don't depend on one source, you go to multiple sources. And the whole idea is, it's teaching you to go out there and gather that information, to build your foundational knowledge. And as you work with these payrolls, even if you're just reviewing them, every single iteration, every single time you learn more and more and you pick up those nuances. And eventually, over time, you develop that expertise.

Really, not much different than US payroll. If you think about it, it's just different. You build your foundational knowledge, you apply your experience against it, you build your experience. Your formal knowledge supplements and buttresses that, and you just continually build and grow. And even your relationship with your providers, lean on them, ask them questions, trust their expertise, get their advice. Whatever information they could share, get your hands on it. That way you could have a more intelligent conversation, ask more intelligent questions, build a good more intelligent relationship because you both are working from a common body of knowledge, a common foundation. Yeah, they may know more nuanced stuff than you do, and I hope so, because that's why we hired them. But if I can at least get the basics down, I can more intelligently provide instruction or provide feedback, or collaborate with them to address those problems that do come up.

Nina Talley:

Now is the time in our podcast for something that we like to call Payroll Nightmares, where we share stories of payroll peril. And John, do you have another global payroll nightmare to share with us today?

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John Lestock:

Oh, boy, do I. I will put this under the heading of having good relationship with your payroll provider.

Nina Talley:

Yes.

John Lestock:

The issue was, and I mentioned equity compensation on purpose. Three years ago our company gave out, as a one-time grant, restricted stock units. And in case your listeners don't know what that is, it's not shares of stock of the company, per se. It's units that are tied to or based on the value of stock. So you get them on a certain day, your grant date. And if you meet requirements, say a lapse of time, they vest, you own them free and clear. It's a type of bonus. And how you're given your bonus could either be in cash or it can be in shares of company stock. And now, of course in our situation, it's going to depend on which country are you talking about? It may be impractical to give somebody shares of Boeing stock in a certain country. Where in lieu of that you give them the cash equivalent based on the stock price that day, or whatever the vesting date was.

Okay, long-winded description. They gave these out in late 2020. They vested in 2023 in December. What's so significant about December? It's the last monthly payroll of the year. For many countries, that's the end of their tax year. Not all of them, the UK is a little different. So is Australia, so is Hong Kong. But for many of them, this is the last one. This is it. Also, our company, they'll have what they call winter break from Christmas to New Years, where basically the company shuts down. So rather than having federal holidays off here and there throughout the year, they just accumulate them all, at the end of the year you take time off. So we're going to be out of the office from Christmas to New Years. Our payroll provider, they staff their offices based on that. So now here we are, we're well past... Because the vesting date was, I want to say December 15th. I'll have to go back and look.

What's so significant about that date? Well, generally our processes are we initiate payroll the first week, we review and approve it that second or third week. So by the 15th, you're pretty much just done. We're done for the holidays, we're done with December, we're going to go. But these things vested right at that key time. So we have to rerun all of these payrolls to include these restricted stock units for all these different countries. We couldn't do it earlier because no one was vested. It had to be on that date to get information. And now we're coordinating with all these... We're coordinating with Fidelity, we're coordinating with our third party provider for payroll. We're coordinating with HR. And we have to rerun and review all of these payrolls for something, a component of earnings that is different and new and strange to a lot of the different countries.

It's not just get the output back, review and we're done for Christmas. It could be, okay, there's some errors, we need to go back and do some corrections. And this is all happening right around the time we're supposed to be out of the office. So the horror story was having to do reruns and wait for the output back and trying to get it corrected. And boy, talk about pushing the patience of our staff and our payroll provider. Because we're depending on them, we're pushing on them. And they're frustrated because our staff is going to be out of the office because you guys are supposed to be out of the office. So it was a lot of coordinating, a lot of coaxing. Our payroll lead was busy, our manager was busy, everyone was busy trying to get these things done. And ultimately, the payrolls were rerun, they were reviewed, they were approved.

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We would get December finished. It wasn't pretty, but it was done. So you're going to have issues where we've had to finalize payroll for country A in the middle of the month. We have to rerun it again, and there's a brand new revised one, so everyone has to get different payslips. But we've already sent the bank file in, because that was from the last run. So now we've got to figure out, how are we going to accommodate for these changes that may have affected net pay? Well, we're going to have to capture that on the next payroll. But everything has to be included on the December because of all the tax reporting that goes on. So a lot of coordination, a lot of mess. And it happened at the worst time, which was the month that everyone's supposed to take off after the 15th or 16th, right before Christmas. And here we are still waiting for output.

Nina Talley:

I can feel my heart rate rising as I'm listening to you. It's just like -

John Lestock:

It was crazy. And we were still cleaning stuff up into January.

Nina Talley:

Well shout out to you and your team. Oh, my goodness, that's just a headache.

John Lestock:

I will give the payroll lead a lot of credit, because she brought order to chaos. She really did. And I'll give a whole lot of credit to our service provider, because they had to move heaven and earth to get these things done. And their staff wanted to take time off, and they're trying to get people in and get this stuff done in all hours of the night. And they did it. They pulled it off. It wasn't pretty, but we got it done.

Nina Talley:

Done is better than pretty, I will always say that done

John Lestock:

Done is better than pretty. And I'll tell you, having that strong relationship with them was key. If we didn't have that, this could have just imploded. And between a strong leader on our side and a dedicated provider on their side, we came together as a team. I still look back and think, I don't know how we did it. It looked hopeless from my perspective. But my God, we pulled it off.

Nina Talley:

That's always such a good feeling. You hate to find yourself there, but then when you and your team have achieved something that seemed impossible, it really is such an incredible feeling. And then you get to go into your holiday vacation with a huge sigh of relief.

John Lestock:

Absolutely. Absolutely. In fact, we even work through the vacation, so it trashed the holiday in a way, but-

Nina Talley:

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Just a little.

John Lestock:

Just a little. But the plus side was, once it's done in January it's like, "I'm taking vacation." That's exactly what I did.

Nina Talley:

Right. Everybody earned it.

John Lestock:

Exactly.

Nina Talley:

How would you have handled this payroll nightmare? Send an email to [podcasts@payroll.org](mailto:podcasts@payroll.org), or leave us a comment on PayrollOrg's Facebook page to get involved in the conversation. And John, you know that we don't like to leave things on a little bit of a negative note here at PayTalk with our nightmares, so my last question is always a positive one. And I have a sneaking suspicion I know what you're going to say. But what is the best piece of advice you have ever been given? Or, what is the piece of advice that you wish someone had given you when getting into payroll?

John Lestock:

Getting into payroll, my God. I would say, be flexible, be open-minded. Meaning, be receptive to concepts, situations, practices that are different from what you know. What you think you know, what you are trained on. Be flexible, be open-minded. And without sounding cliché, be willing to roll with the punches. Sometimes payroll is a runaway train, and it's just knowing when to jump on and jump off, jump on and jump off. We're starting payroll for April. Jump on for all the data initiation instructions to the provider. Jump off, put out some fires. We got the output back, jump on again. It's a lot of managing chaos, and it will test your patience, it will test your nerves. And take a lot of little breaks if you need to. Don't let your personal mental health or emotional health suffer, take those breaks, but you need to be flexible and roll with it.

And if you have a good, well-established relationship with your service provider, or your internal team if it's internal, cultivate that. Maintain that. Don't be afraid to send a, "Hey, how are you? Just checking in," type email.

Nina Talley:

Yes.

John Lestock:

Even if it's a third party provider, it doesn't matter. We're people, we're supposed to be partnering. Just check in, make sure everything's okay. And cultivate those. Because just like with any relationship, and I always say a marriage, it's easy to be happy in the good times. But it's, how do you hold it together when things are bad? And when you have those crises that come up, you're going to depend on those strong relationships to hold it together, to shoulder through it to get this stuff done. Be flexible, be open-minded, roll with it, and cultivate those relationships.

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As far as the day-to-day. Of course, that's all on top of trying to develop yourself and keep up with things and all that. But it's to survive day to day, week to week, month to month. Those are the things I recommend. And don't be afraid that you don't know everything, you're not going to know everything. You can't. It's just, where do you find that knowledge? How do you build on that? And develop from that point forward. It's okay. It's brand new to everyone. Just don't be afraid to at least stick your toe in the water, at least try.

Nina Talley:

Yes. And don't be afraid to bend so that you don't break. I think that's also an important thing to keep in mind. And really ties in with the flexibility that you need to keep with yourself and with your relationships, just so that you can successfully shift your energies into the space that is needed, but that also helps you maintain your ability to serve without burning out.

John Lestock:

Exactly. Exactly. And not just the provider, with your coworkers too, because they're probably having the same challenges and issues too. Reach out to them. If you guys need to have a vent session just to get it out of your system, do that. It's funny, you think, well, that doesn't seem constructive. It actually is.

Nina Talley:

It's so constructive.

John Lestock:

Because you're sharing.

Nina Talley:

Yes.

John Lestock:

You're sharing. It's not just you, we are too. If it's a problem that needs to be addressed and resolved, great, then we can talk about it together and we can present it to the manager. If we just need to vent to get out of our system, because it's just the situation, fine. It's a shared experience. You don't feel like you're alone, you don't feel isolated. Especially in a virtual work environment. You're all in this together.

Nina Talley:

I love that. John, it is always such a pleasure to chat with you. Thank you for coming back and joining us once again and sharing your time and expertise with us. And I hope that we can have you back again sometime soon.

John Lestock:

Thank you. Thank you. Thank you very much. I really enjoyed this. And absolutely, I would love to do this. I really enjoy this.

Nina Talley:



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And I also want to take a moment to thank all of our loyal listeners out there. Without you, PayTalk would not be possible, so please do not forget to rate, review, and subscribe on your preferred podcast streaming service. That is really the best way to support this podcast and ensure that we can continue bringing you the human stories that make payroll so personal. Until next time, folks, this has been your host, Nina Talley, with PayTalk.

Speaker 1:

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