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Successful Payroll Strategies among Diverse Global Workforces

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TMF GROUP

OVERVIEW

TMF Group is a leading global provider of high value professional services to clients operating and investing globally. We focus on providing highly specialised and business-critical financial, legal and human resource administrative services that help our clients to invest and operate in different geographic locations. Operating since 1988, TMF Group is one firm operating across the Americas, Asia Pacific, Europe and the Middle East.

Global reach. Local knowledge.

Global powerhouse

TMF Group has more than 120 offices in more than 80 jurisdictions across the Americas, Asia Pacific, Europe and the Middle East.

6,000+

Professionals consisting of locally qualified lawyers, accountants and administrators.

7

Service lines to help clients seamlessly cross borders on a country by country basis or through a consolidated service.

38,000

TMF Group serves more than 38,000 client entities

40%

TMF Group has a diverse client base, including more than 40% of current S&P 500 and Fortune 500 companies.



Payroll Trends

TRENDING TODAY... TOP 5 OUTSOURCED HR & PAYROLL ACTIVITIES

1

Payroll being the top activity outsourced

Evolving HR

The HR function is becoming less transactional and more strategic due to outsourcing of core activities such as payroll and administration.

2

Pension and Benefits rank no 2 & 3 on top activities outsourced

Compliance Concerns

The 2008 financial crisis triggered a flood of compliance measures to mitigate risk and improve transparency.

This is still impacting local markets today especially with operational activities such as payroll, pensions and benefits.

3

Administrative tasks rank no 4 on activities outsourced

Strategic Activities

A priority to drive the business. Administrative and Services tend to be transactional, they take time and money.

Outsourcing allows HR to spend more time focused on strategic objectives.

4

5

Training ranks no 5 on activities outsourced

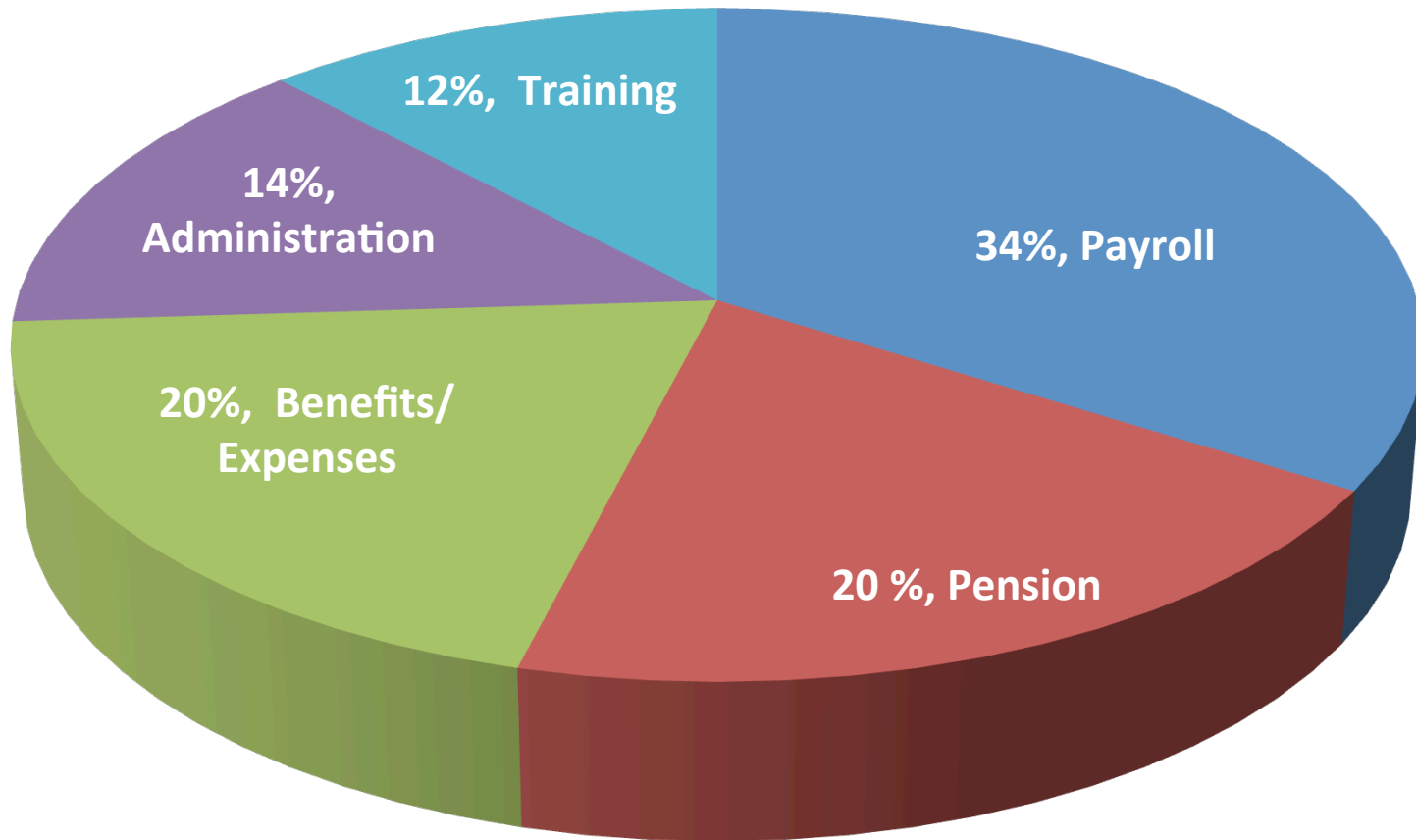
Learning and Development

A large percentage of companies rating this as a priority tripled since last year.

Employer-provided training has the same effect on job satisfaction as a 7% net wage increase (Harvard BR)

This shift has seen a dramatic increase in employee engagement and retention.


TOP 5 GLOBAL OUTSOURCED HR & PAYROLL ACTIVITIES %



TOP 4 APAC OUTSOURCED HR & PAYROLL ACTIVITIES




Outsourcing operations - **Payroll** and record maintenance



Benefits and Rewards recognition. **Hong Kong** is a hot bed for flexible benefits – catering to generation diversity



Compliance Concerns – priority driven by 2008 especially in **Hong Kong**



Resource Pool – experienced resources available on demand

2

Tips for Successful Payroll Strategies

TIPS FOR SUCCESSFUL PAYROLL STRATEGIES - SUMMARY

**Integrate payroll with
other systems**

**Customise pay delivery for
various employee segments**

**Understand your culture,
develop strategies for
employee buy-in**

**Consolidate payroll
processing & minimise pay
cycles – Saving \$\$\$**

**Outsource when
appropriate**

**Effective reporting and
analytics**

Benchmarking Basics

1. INTEGRATE PAYROLL WITH OTHER SYSTEMS

The most sophisticated and powerful software package in the world will not produce maximum ROI if it fails to link the various business processes that payroll comprises, typically:

- HRIS – Human Resources Information systems
- Accounting Packages comprising General Ledger
- Reporting



When an organisation ties all those systems together it can connect islands of automation and achieve significant performance gains.

2. CUSTOMISE PAY DELIVERY FOR VARIOUS EMPLOYEE SEGMENTS

- A quarter century ago, payroll was a fairly straightforward process. Companies calculated timesheets and issued cash for the entire employee base. Today, direct deposit is the accepted norm for paying employees.
- There are still some companies & industries that require different payment methods particularly workers in manufacturing, agriculture and services industries in underdeveloped countries or remote location. Organisations must customise pay delivery to cater for the 'local' market.
- Payroll debit cards are on the rise. The employer loads the card with the monetary value of the employees' wages. The employee accesses the money by using the card at any ATM machine. Gaining momentum & popularity in the US. A US company using payroll debit cards has saved the company approximately \$250,000 a year.



3. UNDERSTAND YOUR CULTURE AND DEVELOP STRATEGIES TO FUEL ADOPTION – EMPLOYEE BUY-IN

Cultures and conditions vary greatly from one company to another. Success doesn't revolve around one or two big things but a lot of little things to build the loyalty and confidence of a **diverse global workforce**

Driving success especially around change usually involves pursuing a variety of strategies. Some organisations create an 'Employee Taskforce' - that way, employees participate in the strategy to achieve buy-in throughout the organisation

Understanding the advantages of **global workforce diversity** helps you establish an organisation with a competitive edge

Top 2 outcomes from a Global Diverse Workforce - Increased **Productivity & Creativity**



4. CONSOLIDATE PAYROLL PROCESSING AND MINIMISE PAY CYCLES

- Nothing shreds a company's efficiency faster than duplicate processes in multiple locations. But the wave of mergers and acquisitions that reshaped the corporate landscape in the past decade left many organisations with multiple payroll processing centers and a seemingly endless array of pay cycles. In addition to those headaches, companies often struggle with legacy systems for tax, reporting and other payroll-related functions.
- Desirable alternatives are available - a shared-services model or outsourcing payroll
- Regardless of the system, centralised reporting is essential. Without it, a company loses visibility into costs and overall trends.
- Consolidating payroll cycles can slash costs dramatically, that move is the single largest factor in reducing payroll overhead. When an organisation migrates from biweekly to monthly or bimonthly pay periods, overall savings can be as much as 30-50% of processing costs. In addition to eliminating a number of costly payroll runs, the company may be able to reduce staffing or reassign employees to more strategic tasks.

5. OUTSOURCE WHEN APPROPRIATE

For many organisations, payroll is not a core competency. For most others, specialised tasks such as tax & statutory reporting can stretch expertise and resources to the limit, particularly when multi jurisdictions are part of the puzzle.

- Outsourcing is often a viable and desirable option, it allows companies to improve delivery and service both internally and externally especially to third parties and local regulatory agencies
- Organisation embracing an outsourcing model should ensure that they can easily import /export data for efficiency, control and automation
- The outsource model should be able to handle tax, pension and social security processing and filing.



6. EFFECTIVE REPORTING AND ANALYTICS FROM YOUR PAYROLL SYSTEM

- If you think payroll functions lack critical business importance, think again. The ability to slice and dice head count costs can help determine
 - Productivity
 - Turnover metrics
 - Analyse costs
- Organisations are now beginning to recognise that payroll is the end result of how an organisation leverages its human capital.
- By integrating and streamlining systems and achieving best practices, it's possible to become more efficient and strategic.



7. BENCHMARKING BASICS

Here's how:

- **Understand the process you want to improve.** Map out the current payroll process and understand its functionality and limitations. This information will serve as a baseline for your requirements
- **Research best practices.** Read about current industry trends and developments to understand what is best practice & what is available in the market.
- **Select vendors for detailed review.** Narrow your list to a small group - preferably three vendors - that you will study in detail. Arrange meetings and presentations with those vendors.
- **Collect data.** Develop a standard list of questions, based on your RFP, to structure the interview process and guide your discussions. Your goal is to identify a vendor to suit your requirements as per your RFP. Revise the list as needed after the first round interview.
- **Identify barriers to change.** Once you have identified the top 3 vendors, determine the practical, financial and cultural barriers to implementation within your organisation.
- **Drive change within your company.** Be prepared to present a variety of ideas about how to effect change and improvement. By creating flexibility, you increase the odds of adoption. It is recommended that you include the key stakeholders in each step to achieving the best results & don't forget to include your Payroll Manager/Team!



BENCHMARKING BASICS - SUMMARY

- Understand the process you want to improve
- Select the vendors for detailed review
- Identify internal barriers to change
- Research best practices in the market
- Collect data – RFP (Request for proposal)
- Drive change within your company



MARKET WATCH

Manufacturing, financial services, and retail/ consumer services continue as the largest purchasers of payroll

Standardisation
Compliance
Centralisation

Standardisation and consolidation of processes and technology, managed by one vendor, with

Highest growth forecasted to come from financial services, retail/ consumer services followed by the

Compliance - reduce risk by ensuring adherence to ever-changing tax laws & regulations, for both local & multi-country payroll

Go **GLOCAL**
Global with local reach

Multi-country payroll is the top driver of the large/Multinational corporation market

DRIVERS OF WHY CLIENTS CONTINUE TO OUTSOURCE

**Increase in M&A activity
leads to fragmented
payrolls and duplication**

**Compliance/risk
management**

**Global/multi-country
platform managed by
a single vendor**

**Lack of resources –
internal & external**

One GLOBAL contract

**Standardisation &
centralisation of processes
leading to increased efficiency
for multi-country payroll**

**Loss of payroll expertise;
preferable to outsource
rather than rehire**

3

PROFILE OF A SUCCESSFUL PAYROLL VENDOR

WHAT SHOULD YOU LOOK FOR IN A VENDOR - PROFILE

Business Attitude & Achievements

- Professionally managed organisation
- Proven Track Record
- Quality orientated
- Planned Growth Strategy
- Ability to offer services in multiple countries across multiple regions
- Responsive to change in tax and social security regulations

Infrastructure & Expertise

- Considerable payroll expertise both local and generic
- Experienced payroll staff
- Ability in local and English language
- Ability to handle complexities - present and future
- Global & regional coverage , geographic & industry sector
- Certification

Service

- Offers fully-managed payroll service ;
 - Data handling
 - Vetting & clarification
 - Trial pay runs
 - Calculation of gross to net pay
 - Creation & distribution of payslips in varies methods
 - Full reporting to client & authorities
 - Transfer of funds to individual accounts & authorities
- Full local compliance
- Consolidated reporting



DIVERSE GLOBAL WORKFORCES

DIVERSE GLOBAL WORKFORCES SUMMARY

**Globalisation – increased
competition in local &
international markets**

**Take into consideration
different cultural practices**

**Compete for best talent –
don't ignore your internal
talent!**

**Globalisation – employees
across regions**

**Virtual teams,
remote locations**



DIVERSE GLOBAL WORKFORCES

- **Globalisation** means that today every company, large and small, faces increased competition at home from foreign companies, at the same time as they confront the need to be competitive in the international market.
- In order to succeed, companies need to adopt new ways of doing business, with **sensitivity** toward the needs of different cultural practices.
- Companies must compete for the best talents they can find, and search for ways to get the best from the employees they now have
- More and more, these employees will be located in different countries as many organisations move to a **global** platform of doing business.
- Part of this trend is the increasing reliance on **virtual teams**, made possible by the advance of information technology

