Explore the Possibilities

2013 HR Service Delivery Forum

Payroll: Global, Regional and Local Approaches
Agenda

- Why global payroll is different
- The marketplace
- Practical execution on strategy
Global payroll...an oddity

- Payroll is a “commodity”...but it isn’t cheap

<table>
<thead>
<tr>
<th>EE Size = 500</th>
<th>US</th>
<th>China</th>
<th>Switzerland</th>
<th>Brazil</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost per payslip</td>
<td>$8</td>
<td>$10</td>
<td>$40</td>
<td>$15</td>
</tr>
</tbody>
</table>

- Payroll isn’t just payroll ... there are other services to buy from a vendor

- Ownership hot potato

- Multiple delivery models within a single vendor framework
Payroll Vendor/System for Global/Multinational Organizations

Does Your Organization Primarily Use a Single Payroll Vendor/System

- Yes, it is part of our core HRMS: 35%
- Yes, but it is not part of our core HRMS: 13%
- No, but we are planning to consolidate globally: 7%
- No, but we have no plans to consolidate: 31%

(n = 571)

Significant Payroll Vendor/System Used Where Not Part of Core HRMS

- ADP Enterprise: 26%
- ADP Other: 25%
- Ceridian: 14%
- ADP Globalview/Streamline: 12%
- NorthgateArinso: 6%
- Talent2: 6%
- Aon-Hewitt: 5%
- PwC: 5%
- SAP: 5%
- BDO: 3%
- Other: 41%

(n = 289)

Responses of 2% or less:
- Activepayroll, Celergo, Frontier/CHRIS, GlobalPay, Grant Thornton, i-admin, Infosys, Intercorp Global Services, Meta4, Oracle/PeopleSoft, Paychex, SafeGuard World International, TMF and Ultimate/UltiPro

The most common responses in the Other category were in-house/custom solutions or local/regional solutions.

Source: 2013 TW HRSD Survey
Payroll Strategy

We allow each location to determine its payroll strategy (22%)

We make an effort to use a single system/vendor within a country (40%)

We make an effort to use a single system/vendor within a region (12%)

Identified a small number of systems/vendors and select the system/vendor based on number of employees in the location/region (4%)

Selected a global system/vendor and only use other systems/vendors on an exception basis (14%)

Other (7%)

(n = 969)

30% of all organizations are applying a regional/global strategy

Source: 2013 TW HRSD Survey
## Global payroll decision spectrum

### Cost Management Approach (Who “Owns” the Cost Model)
- Maximize country deal
- Maximize geography deal
- Maximize deal across organization

### Delivery Approach (Degree of Centralization)
- “High touch” administration desired
  - Volume and complexity warrant an in-country presence
- HR practices are regionally focused
  - Desire to minimize contact points
  - Aligns with HR and/or Finance shared services strategy

### Capacity for Vendor Management (Tolerance for Multiple Vendors/Contracts/SLAs)
- Tailored solutions are required
  - In-country relationship desired
- Minimize vendors by region
  - Regionalize practices
  - Streamline vendor management
  - Maximize standardization

### Reporting Requirements (Degree of Consolidation)
- Little need to compare pay-related items across countries
  - Other tools are already available (e.g., data warehouse)
- Regional approach to people management and analysis of pay
  - Global reporting capabilities desired by management
  - Database for ALL pay items

### Business Expansion (Anticipated Growth in New Countries)
- Focus on existing markets
  - Need for new vendors not anticipated
- Desire to leverage existing relationships
  - Accepting of provider's solution

### Local | Regional | Global
Overview of global payroll landscape — Five markets

<table>
<thead>
<tr>
<th>Provider Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BPO/HRO Solutions</strong></td>
<td>- Global payroll generally included as part of broader HR outsourcing solution, although payroll only solutions are possible</td>
</tr>
<tr>
<td><strong>Global Managed/Bureau Services</strong></td>
<td>- Multiple countries across the globe with a mix of employee population levels; generally includes consolidated reporting</td>
</tr>
<tr>
<td><strong>Regional Payroll Providers</strong></td>
<td>- Focus on countries in a region</td>
</tr>
<tr>
<td><strong>Exotic Payroll Providers</strong></td>
<td>- Providers in non-standard countries (e.g., Rwanda, Iraq, Barbados, Fiji) generally with small employee populations</td>
</tr>
<tr>
<td><strong>Expatriate Payroll Providers</strong></td>
<td>- Providers who provide expatriate or shadow payroll services</td>
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## Multiple delivery platforms

<table>
<thead>
<tr>
<th>ADP</th>
<th>GlobalPay</th>
<th>Single platform</th>
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<tbody>
<tr>
<td>NGA</td>
<td>TCS</td>
<td>SAP, PeopleSoft, Oracle</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SaaS</td>
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<table>
<thead>
<tr>
<th>ADP</th>
<th>activpayroll</th>
<th>Aggregator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Celero</td>
<td>Ceridian</td>
<td>Contract with In Country Providers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Provide secure workflow and reporting tool</td>
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<table>
<thead>
<tr>
<th>ADP</th>
<th>Acctg Firms</th>
<th>Corporate Network</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ceridian</td>
<td>TMF</td>
<td>Locally owned franchises or corporate offices</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Often provide other services (e.g., accounting)</td>
</tr>
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<table>
<thead>
<tr>
<th>ADP</th>
<th>CloudPay</th>
<th>Hybrid</th>
</tr>
</thead>
<tbody>
<tr>
<td>NGA</td>
<td>SGWI</td>
<td>Single platform for larger countries</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Aggregator for smaller countries</td>
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The reality...a combination of approaches can co-exist

- Global
  - Overarching framework
  - Standardized processes

- Regional
  - Shared services delivery model
  - Time zone arbitrage

- Local
  - Unique circumstances
  - Business case
Lessons learned

What we learned from supporting global companies implementing future payroll service model:

- There will be resistance to change…ensure senior leadership sponsorship and buy-in
- Develop detailed requirements prior to sending out the RFP to limit the “add-ons” during the contracting and implementation phases
- Run current cost analysis to baseline for cost impact projections and validation before committing to a solution
- Take a phased implementation approach — determine implementation order based on existing factors (e.g., if current system is no longer being supported, contract ending, etc.) — and revisit plan as circumstances change
- Define clear requirements, scope and ownership between client and provider (e.g., interfaces, sign-off each stage, hand-offs)
- Capture all demographics and compensation data at source (HRMS) and interface systematically to ensure data integrity — data clean-up projects almost always must be done in conjunction with the implementation
- Understand the provider’s solution and what tools and access you will have
- Ensure alignment with the global approach and implement a governance model for approving any regional or local deviations
- Don’t underestimate the complexity of country payrolls and local compliance
One Company’s Approach:
JPMorgan Chase
Background

- JPMorgan Chase has 250,000+ employees in 63 countries
  - Asia Pacific: 38k employees in 17 countries
  - EMEA: 18k employees in 35 countries
  - LATAM: 1.5k employees in 9 countries
  - NAMR: 202k employees in 2 countries (200k in the US)
- Our global payroll strategy
  - Fewest number of vendors possible without using aggregator model
  - Leverage our regional HR centers in Delaware, Bournemouth (UK) and Mumbai
  - In-source operations where practical to take advantage of internal capabilities
About JPMC

- Global financial institution — consumer, commercial and investment banking
- Millions of consumers, small businesses, large corporations, institutions and governments
- Full-year 2012 Record Net Income of $21.3 Billion
Long-term strategy

- Fewest number of vendors possible, without using aggregator model
- Insourcing operations where practical to take advantage of internal capabilities
- Leverage regional HR centers in US, UK and IN
## Work in progress

<table>
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<tr>
<th>Region</th>
<th>Current</th>
<th>Activity</th>
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</table>
| ASIA   | • ADP Globalview for IND, PHP, SGP, HKG, AUS and CHN  
• “Best of breed” local solutions for remaining 10 countries | • Status quo for now |
| EMEA   | • ADP Globalview for UK  
• “Best of breed” local solutions for remaining 35 countries | • Regional vendor for MENA  
• Regional vendor for part of EU |
| LATAM  | • “Best of breed” solution for all 9 countries | • Regional solution for at least 8 of the countries (Brazil TBD) |
| NAMR   | • PeopleSoft for 3 countries (USA, CAN, BHS) | • Maintain efficiency |
Today’s presenters

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