

INFORMATION FILTRATION

Multinational companies have good reasons for giving extra attention to their payroll costs. Not only are they trying to get the best return on their staff costs but they have to make strategic choices about where to invest. The fundamental problem they face is that payroll is one of the most balkanised business functions thanks to a patchwork of national rules and regulations.

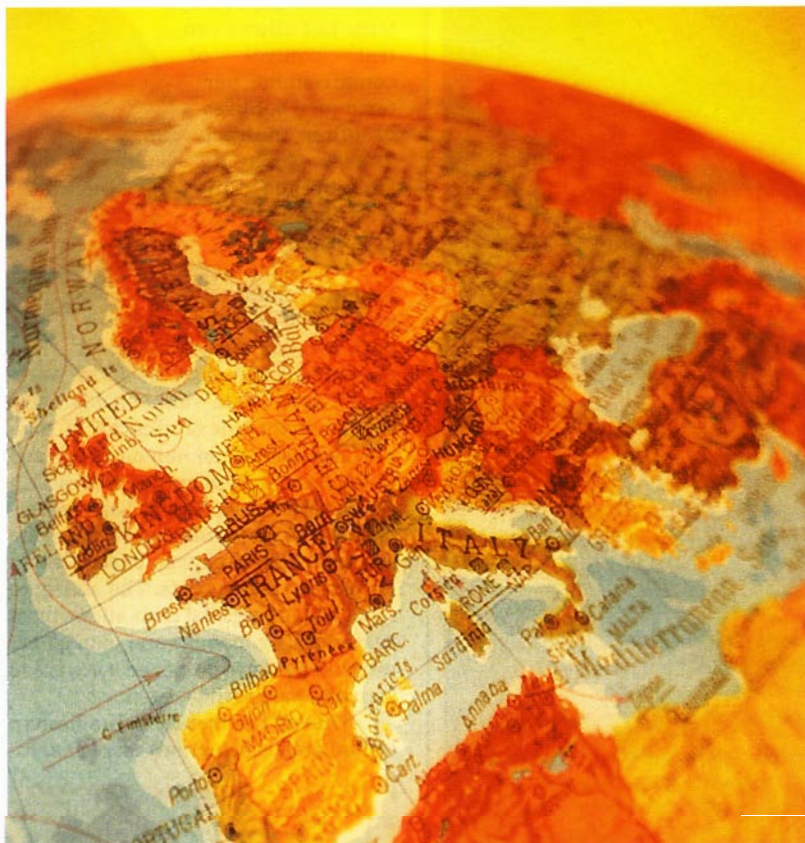
On a national level, they may well have sophisticated HR and payroll databases with comprehensive reporting capabilities; but a different system in each territory. Sap and PeopleSoft systems are commonplace. When it comes to getting a holistic view of pay data across the whole business things get much more difficult. Some still rely on ad hoc consolidation by hand using nothing smarter than an Excel spreadsheet. Others use baroque-sounding data warehousing techniques that extract data from regional databases, convert and pool them to produce a digital snapshot of the whole business.

A typical case is an unnamed company that approached Malcolm Aldis, managing director of Northgate, a firm that develops payroll software. It had 30,000 employees operating in 15 European countries. It has a Europe-wide agreement with a single software provider but there are country-specific implementations and interfaces.

It's very difficult to get the big picture and yet this is the Holy Grail for solution providers in the field. On a basic level, a single solution (with a single database and a single application) "will save time, money and effort," according to Grant Taylor, regional manager for the UK at PayGlobal, another software provider. Companies that have a different solution in each country necessarily multiply their contracting and support costs, don't get good economies of scale and struggle to get a company-wide view.

Firms such as Northgate and PayGlobal are working towards just such a system. Both have a background in payroll applications for specific territories and both are working towards a truly multinational system. Adding a new

A lot of HR organisations are not metric- or financial-centric, but are becoming so, and perhaps the biggest benefit of multinational pay reporting is its contribution to business strategy, says **Matthew Stibbe**



country to an existing system, however, is not straightforward. There are obvious language and regulatory problems to overcome. On top of this there are data protection issues and there is a big change management task when employers switch from one system to another.

Whether they consolidate manually, merge existing databases or have a totally integrated solution, there are clear benefits to having an overall view of the whole business. It helps multinationals implement common and consistent reward practices across their entire business and, once these practices are in place, it makes it easier to compare apples with apples when reviewing the cost and performance of different busi-

ness units. This can give managers a competitive edge because successful business units can share best practice with underperformers. It can also provide a baseline against which to judge future performance. Global payroll consolidation can bring economies of scale by allowing an employer to centralise the purchase of benefits or training.

Organisations also use global payroll data to help with modelling and forecasting. Where a pay budget is decided centrally but allocated on a local basis, these systems allow businesses to test different scenarios very quickly to review different pay recommendations. An interactive two- or three-stage process can be smarter. ➤

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They also make it easier for firms to focus on the top tier of management who, by their nature, operate in a global basis within the firm and sell themselves in a global jobs market. "Most companies start thinking in terms of the top 100 or top 1,000 employees – the senior management and high flyers just below them – with respect to monitoring the reward that goes to these individuals and trying to introduce a level of consistency across the globe," according to Bob Sperl, senior international consultant at Watson Wyatt.

According to Oliver Butler, partner program manager at Practique, even if a globally integrated payroll solution isn't practical, it is possible to have some of the benefits by using a multinational incentive management system that feeds into local payroll systems but allows central control of commissions, performance bonuses or other indirect awards such as stock options. Butler's Inca software does exactly that.

Perhaps the biggest benefit of multinational pay reporting is its contribution to business strategy. "It can manage and align the entire workforce," says David Vanheukelom, who rejoices in the title of 'director of solution management for human capital and financial management' at SSA, which competes with the likes of Sap and PeopleSoft. "It gives [managers] accurate and up-to-date company expenditures for people-related costs. The ability to report this on a global basis allows them to proactively manage and plan global workforce-related costs and compare to financial metrics like revenue."

"One of the trends in the human capital area is bringing a more analyti-

cal and financial perspective. CFOs want to know in more detail what they're spending on their people-related expenses. A lot of HR organisations are not metric- or financial-centric," but are becoming so, reckons Vanheukelom.

The sort of reports that are useful include summaries of new hires, transfers, promotions and terminations correlated against individual performance or pay; or, by binding HR with financial metrics, you can analyse staff turnover and correlate it against financial results.

To be useful the metrics used must be anchored in business strategy and not the other way round. "Don't let the technology dictate your reward strategy" just because it makes it easy to measure certain things, warns Doris Siedentopf, an associate director at Hay Group, a reward consultancy. In particular, when it comes to dealing with the leadership cadre, experts warn that the human touch is still required.

Two more worrying risks are control-freakery and information overload. Just because the centre can see the hourly wage of factory workers in Germany and Thailand Sperl warns that it shouldn't prevent proper management delegation. "You [must] filter out what's unimportant," he advises. In other words, to be useful, raw data must turn into useful information. More data, of itself, doesn't make us wiser. With people costs running to 40-50% of an organisations cost base, abstract concepts such as 'workforce analytics' and 'human capital management' represent pressing business concerns. Used properly the right payroll and HR information at the right time can be a powerful business tool.



Global sharing – not to be sniffed at

Allergan is a global healthcare company that makes specialist pharmaceutical products. It employs 5,200 people worldwide and nearly 1,500 in Europe. It uses an Sap HR system, located on a single database in the US and it worked with Arinso on the implementation.

The choice was strongly influenced by the decision to use Sap software in other areas of its business. Before implementing the system, its existing infrastructure did not allow HR information to be shared globally. Local offices had developed different systems for HR,

payroll, benefits and recruitment and consequently management information was limited. Pulling together management reports was done manually by contacting individual managers. Zohra Fellah, I.S. Director EAM Region at Allergan, says: "Our existing systems proved expensive and time consuming to maintain and often required the same data to be entered a number of times. This was inefficient." It has simplified reporting, speeded up reconciliation and offered better strategic information.

CASE STUDY