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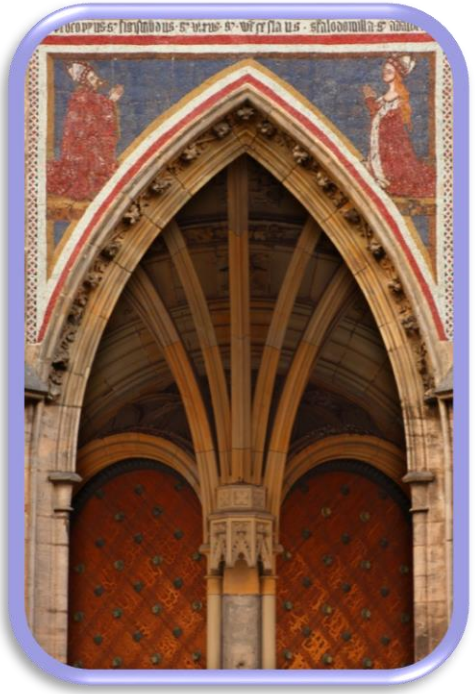
Opening doors around the world…

Global Payroll Benchmarking:

Achieving Efficiency & Innovation



Karen Beaman & Patrick Crane

The Conference Board
Human Capital Analytics Conference
New York, NY
29 October 2013

…solutions for global and local success!

Introductions – Karen Beaman

Karen Beaman

Strategic Global Advisor
Home Base: San Francisco
Karen.beaman@jeitosa.com
+1.415.690.5465 (global cell)

- Founder and CEO of Jeitosa, a global HR business and systems consultancy.
- Led the team that built the global strategy for Workday's new Human Capital Management offering.
- Previously responsible for ADP's professional services across the Americas, Europe, and Asia/Pacific.
- Co-founder and Editor-in-Chief of the *IHRIM Journal* and Program Chair for IHRIM's Global Technology Forum.
- Published extensively in fields of Linguistics, Humanities, Human Resources, and Information Technology
- Recipient of IHRIM's Summit Award in 2002, honoring her lifetime achievements in the field of HR and HRIT.
- B.A. from Old Dominion and an M.S. from Georgetown University; Ph.D. candidate in Sociolinguistics.
- Fluent in English, German, and French; conversational Spanish and Portuguese.

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Introductions – Patrick Crane

Patrick Crane

Strategic Global Advisor
Home Base: Philadelphia
pat.crane@jeitosa.com
+1.302.547.4158 (global cell)

- Regional Vice President for Jeitosa, a global HR business and systems deployment consultancy.
- Over 25 years of HR technology and HR operations as both a practitioner and consultant.
- Led the creation of global HR shared services organizations, enabled by the implementation of cloud-based, global HR technology solutions.
- Accomplished speaker, writer and global HR technology advisor with organizations such as IHRIM, Executive Networks, and The Conference Board.
- Core competency lies in establishing strategic direction for enterprise-wide global HR solutions, as well as their implementations and optimizations.
- MBA in Human Resources Management from the University of Connecticut and BA in Social Psychology from the University of Rochester.
- Project Management Professional (PMP).

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Agenda for This Session

- Background for this Research Effort
- Five Efficiency Measures
- Five Innovation Measures
- Efficiency-Innovation Model (EIM)
- Three Case Studies on Metrics for Global Payroll
- Summary Recommendations
- Questions & Answers

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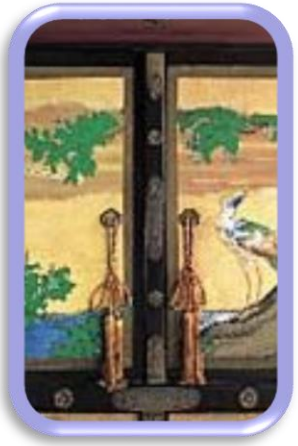
Industry Background



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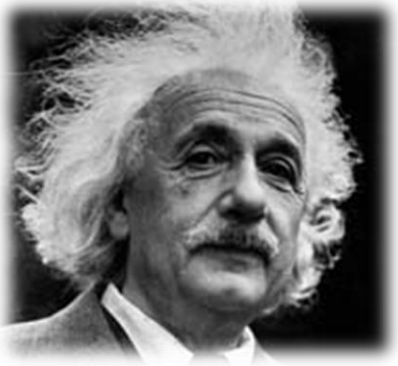
Industry Background

- Age-old paradox: how to do more with less
- Organizations are simultaneously trying to:
  - Seek *efficiencies* through lower costs and increased productivity
  - Pursue *innovations* and opportunities that promise better ways to get work done

"Everything should be made as simple as possible, but not simpler." –Albert Einstein



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Industry Background

Two overarching omnipresent global trends:

Drive for Efficiency	***Pursuit of Innovation***

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Industry Background

In Global HCM and Payroll, organizations are driving efficiencies and pursuing innovation through:

Drive for Efficiency	***Pursuit of Innovation***
1. Standardized global service delivery model	*1. Global process-driven, rather than tactical, localized approach*
2. Global governance model	*2. Metrics-driven, root cause analysis and predictive analytics*
3. Fewer vendors globally through rationalization and consolidation	*3. Formal quality methods for standardizing processes*
4. Standardized, globalized business processes	*4. Highly automated processes with workflow, self-service, mobile*
5. Integrated vendor portfolio with key interfaces automated	*5. Well-developed global mindset*

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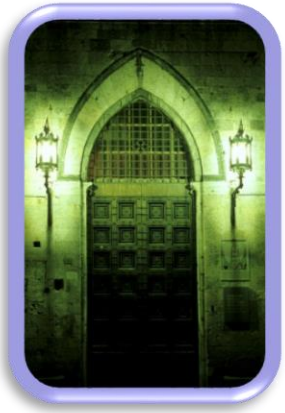
Research Background



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Research Background

- Initiated 18 months ago with the goal to be the premier global payroll benchmarking database in the industry.
- Co-funded by ADP Research Institute and Jeitosa with support by most of the major global payroll providers.
- Over 70 global companies currently participating with sizes ranging from 5,000 to over 200,000 employees.
- Benchmarks for both strategic issues, such as global organizational and service delivery models, as well as detailed staff and vendor licensing/processing costs, country by country.
- Deliverables include a customized global report and detailed country payroll reports – the fundamental principle is that payroll costs are only understandable within the organizational context.

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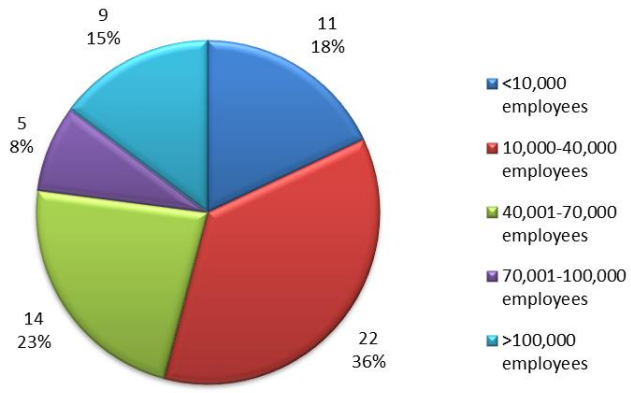
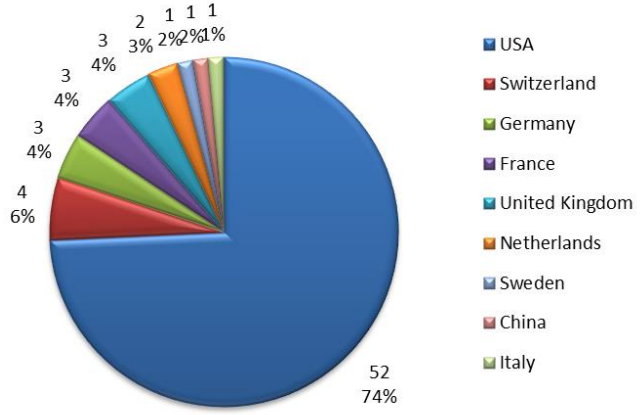
Research Study Demographics

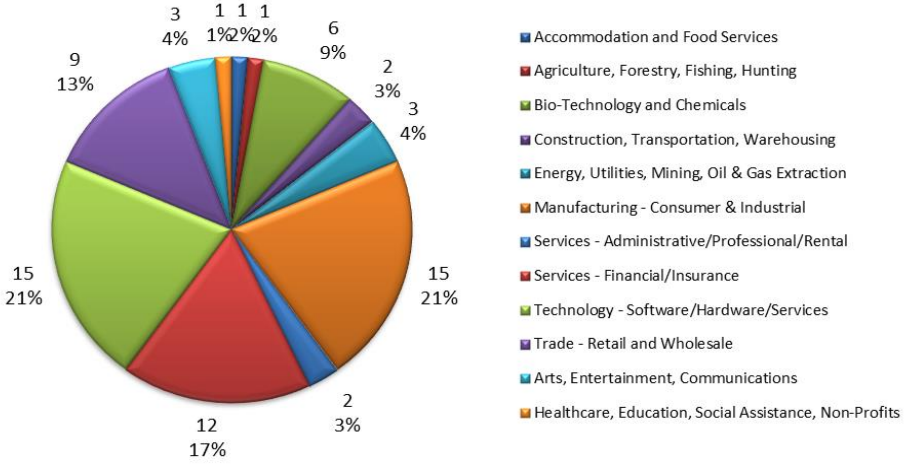
Employee Population Size



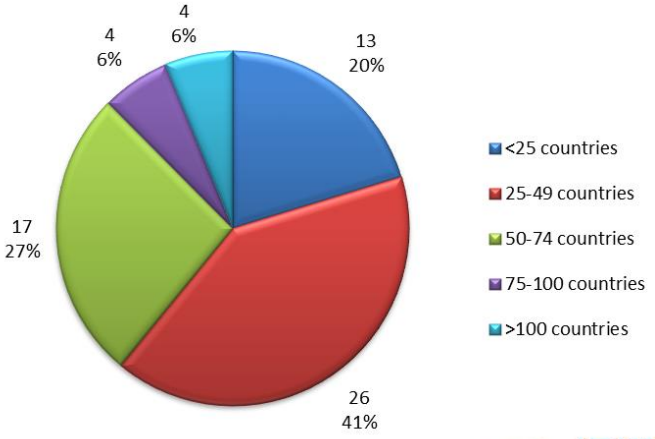
Headquarters Country Location



Industries Represented



Number of Countries



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Efficiency Measures

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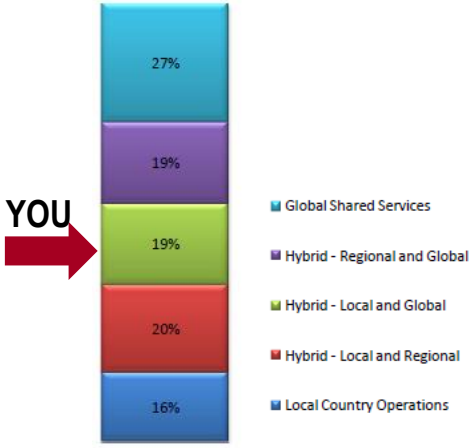
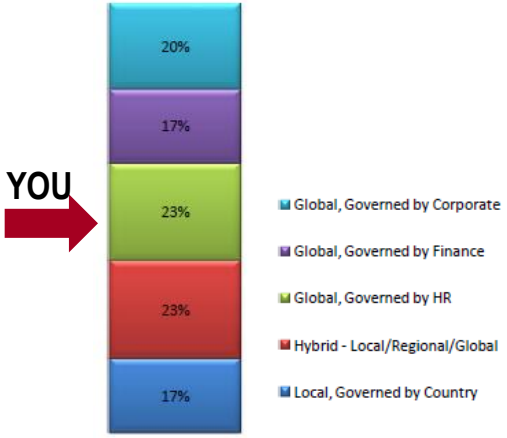
Five Efficiency Measures

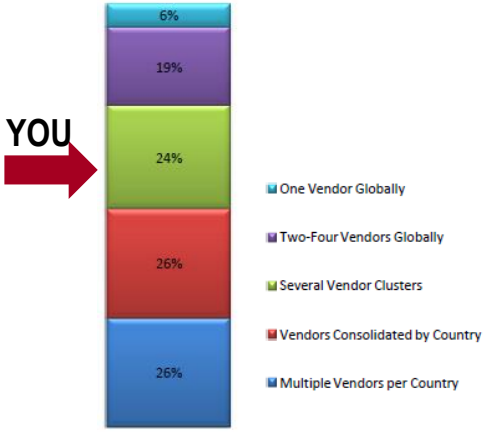
1. Service Delivery Model



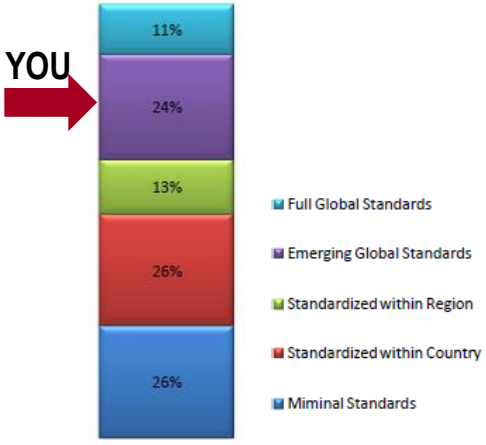
2. Governance Model



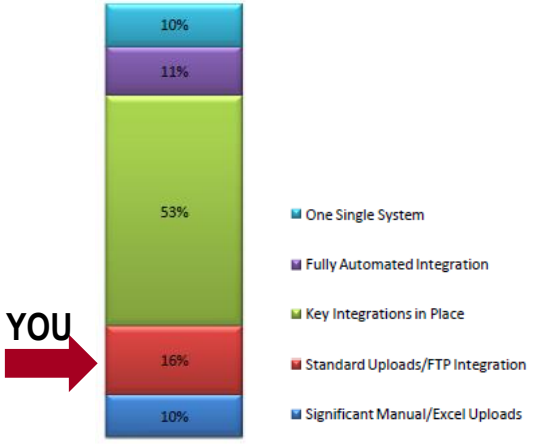
3. Vendor Portfolio



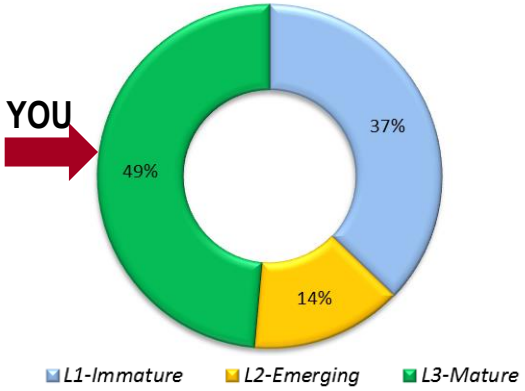
4. Process Standardization



5. Systems Integration



Efficiency Maturity



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Efficiency Measures of Top Performing Organizations

- More likely (20%) than other organizations to adopt a globally-managed payroll service delivery model.
- Significantly more likely (53%) than low-performing organizations to have implemented a new service delivery model within the last three years.
- More likely (8%) to leverage a hybrid sourcing strategy – balancing in-house functions with outsourcing – as opposed to embracing one single approach.
- Significantly more likely (42%) to be currently planning or in the process of reducing their number of payroll vendors to as few as possible across the globe.

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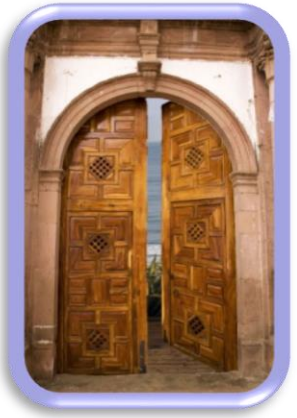
Innovation Measures



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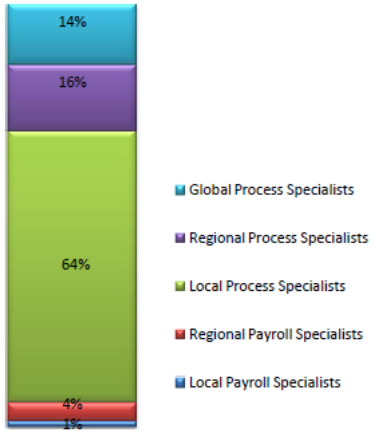
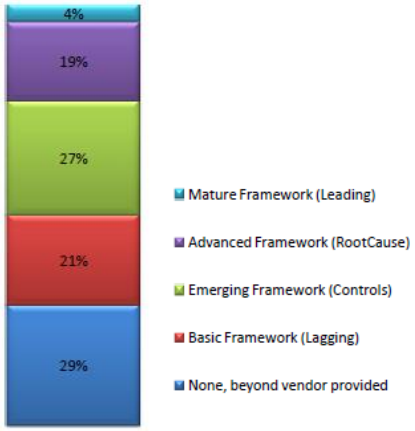
Five Innovation Measures

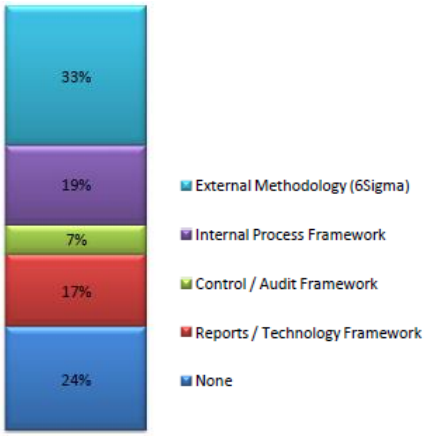
1. Key Accountabilities



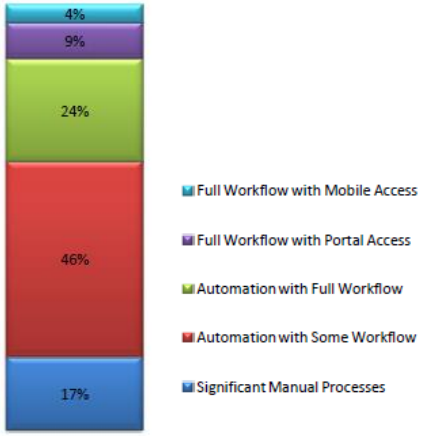
2. Metrics Framework



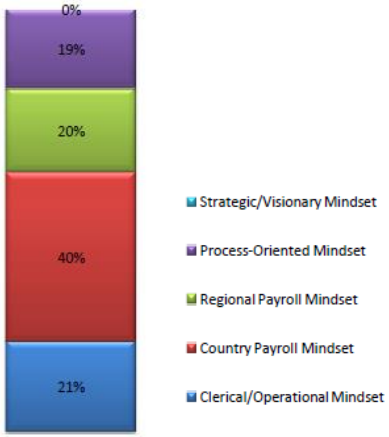
3. Quality Methods



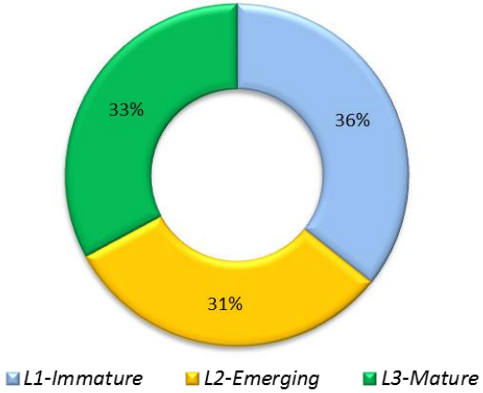
4. Process Automation



5. Global Mindset



Innovation Maturity



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Innovation Measures of Top Performing Organizations

- More likely (10%) to have global lines of authority for payroll, as opposed to autonomous in-country functions.
- Significantly less likely (43%) to report dramatic reductions or significant realignment of payroll staff roles when outsourcing their payroll function.
- More likely (23%) to employ advanced metrics to manage quality and make informed decisions about their global payroll operation.
- Significantly more likely (36%) to foster a broader global mindset across their payroll staff as compared to their lower performing counterparts.

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Efficiency-Innovation Model (EIM)

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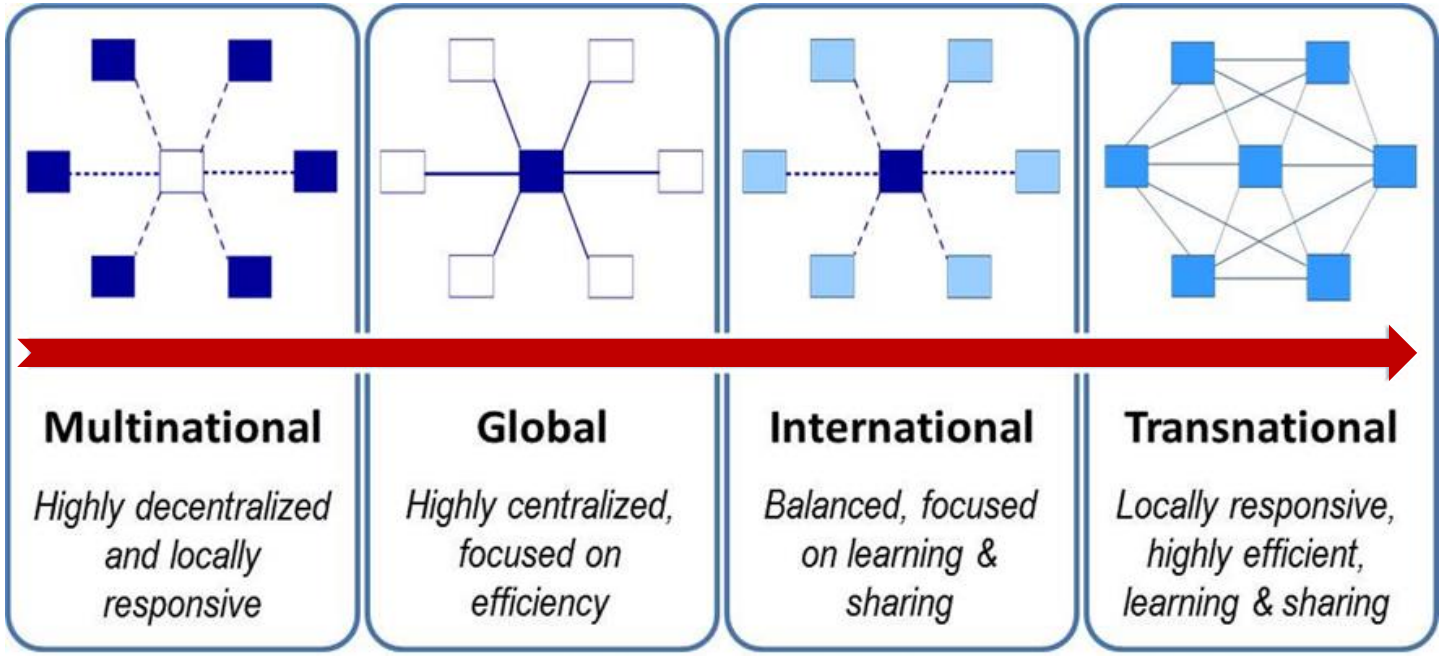
Four Global Organizational Models

Four models are typical among global companies, each with different strengths and weaknesses.



Source: Jeitosa Group International. Adapted from Bartlett & Ghoshal 1998

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Key Characteristics of Organizational Models

Internationals

- Strategy: Learning and sharing
- Organization: Decentralized and sharing
- People: Geocentric Mindset
- Processes: Hybrid localized and standardized
- Technology: Multi-local, optimized solutions

Transnationals

- Strategy: Networked and innovative
- Organization: Centralized and leveraged
- People: Global Mindset
- Processes: Hybrid standardized and localized
- Technology: Uniform and optimized solutions

Multinationals

- Strategy: Localization and adaptation
- Organization: Decentralized and independent
- People: Polycentric Mindset
- Processes: Highly localized
- Technology: Multi-local solutions

Globals

- Strategy: Efficiency and standardization
- Organization: Centralized and standardized
- People: Ethnocentric Mindset
- Processes: Highly standardized
- Technology: Uniform solutions

Source: Jeitosa Group International.

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Major Research Findings of Organizational Models

Characteristics of 'Multinationals' (Less Efficiency / Lower Innovation)	Characteristics of 'Globals' (Greater Efficiency / Lower Innovation)	Characteristics of 'Transnationals' (Greater Efficiency / Higher Innovation)
Financials: Report greater Income growth (68% more) and less Revenue growth (67% less) over last year.	Financials: Report greater Income growth (275% more) as well as Revenue growth (9% more) over last year.	Financials: Report more balanced business growth: Employee (55% more), Revenue (23% more), and Income (17% less) than other models.
Authority: Show considerably less global authority over the payroll process (37% less) than other models.	Authority: Show somewhat more global authority over the payroll process (11% more) than other models.	Authority: Show considerably more global authority over the payroll process (20% more) than other models.
Vendor Strategy: Less likely to have some form of outsourced payroll strategy (5% less) than other models.	Vendor Strategy: Most likely to have some form of outsourced payroll strategy (16% more) than other models.	Vendor Strategy: More likely to have some form of outsourced payroll strategy (12% more) than other models.
Payroll Visibility: Considerably less likely to have global visibility and control over the payroll process (64% less) than other models.	Payroll Visibility: More likely to have greater global visibility and control over the payroll process (10% more) than other models.	Payroll Visibility: Considerably more likely to have greater global visibility and control over the payroll process (20% more) than other models.
Payroll Standards: Exhibit the least amount of global payroll standardization (45% less) than other models.	Payroll Standards: Exhibit a high degree of global payroll standardization (16% more) than other models.	Payroll Standards: Exhibit the greatest degree of global payroll standardization (27% more) than other models.
Compliance: Considerably less likely to have global oversight over the payroll compliance process (74% less) than other models.	Compliance: More likely to have global oversight over the payroll compliance process (16% more) than other models.	Compliance: More likely to have global oversight over the payroll compliance process (20% more) than other models.
Self-Service: Have the least amount of employee self-service (11% less) and manager self-service (15% less) than other models.	Self-Service: Have less employee self-service (9% less) and manager self-service (20% less) than other models.	Self-Service: Have considerably more employee self-service (18% more) and manager self-service (18% more) than other models.
Cultural Competence: Show the lowest level of cross-cultural competence and global mindset (66% less) than other models.	Cultural Competence: Show an average level of cross-cultural competence and global mindset (+3% variance) than other models.	Cultural Competence: Show the greatest level of cross-cultural competence and global mindset (18% more) than other models.
Change: Report an average amount of change going on in their organizations (+1% variance) than other models.	Change: Report the most amount of change going on in their organizations (8% more) than other models.	Change: Report an average amount of change going on in their organizations (-1% variance) than other models.
Longevity: Show average longevity with their current payroll strategy (+2% variance) than other models.	Longevity: Show the shortest longevity with their current payroll strategy (13% less) than other models.	Longevity: Show average longevity with their current payroll strategy (0% variance) than other models.

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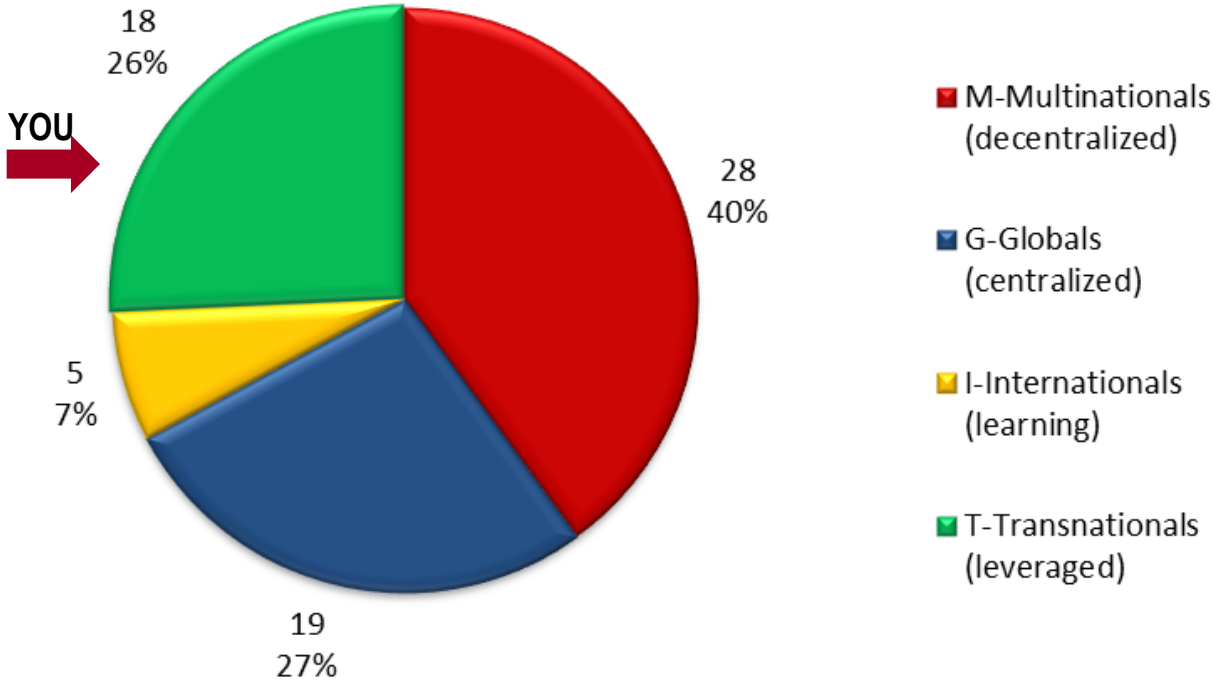
Four Global Organizational Models for Global Payroll

All four models are present, although the International model is much less common for Global Payroll organizations.



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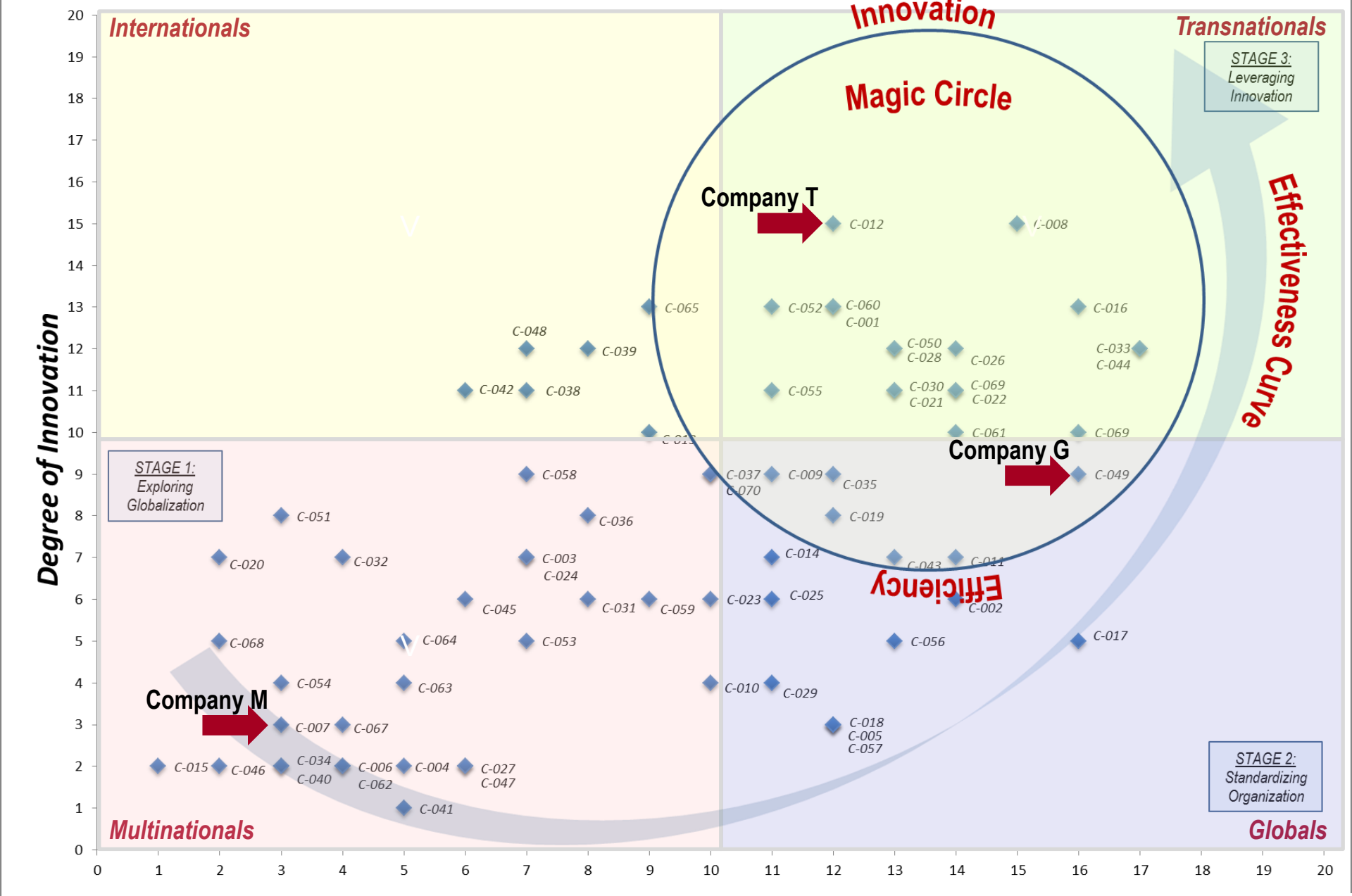

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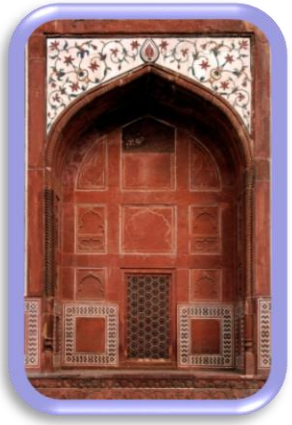
Three Case Studies



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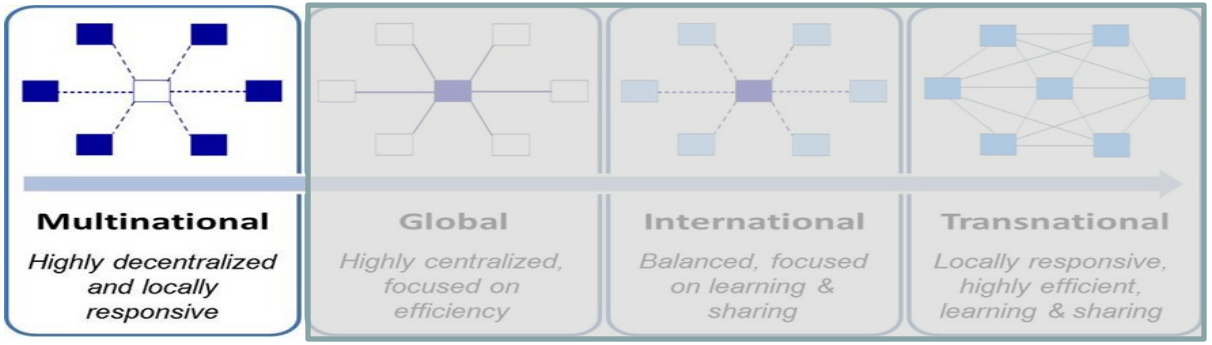
Roadmap to Efficiency & Innovation

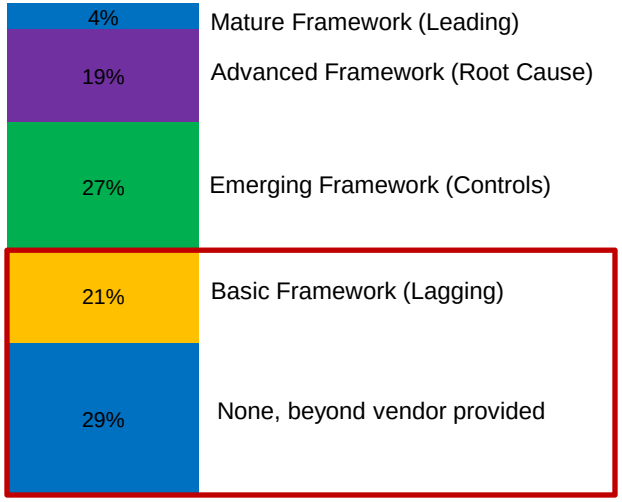
Multinationals

"highly decentralized model focused on providing maximum responsiveness to local business needs"



Attribute	Characteristic
Financials	Greater income growth, less revenue growth over last year
Authority	Considerable less global authority over payroll process
Vendor Strategy	Less likely to have outsourced payroll strategy
Payroll Visibility	Less likely to have global payroll visibility and global control
Payroll Standards	Least amount of global payroll standardization
Compliance	Less likely to have global oversight over payroll compliance
Self-Service	Least amount of manager and employee self-service
Cultural Competence	Lowest amount of cross-culture competence & global mindset
Change	Average amount of organizational change
Longevity	Average longevity with current payroll strategy

Global Metrics Framework



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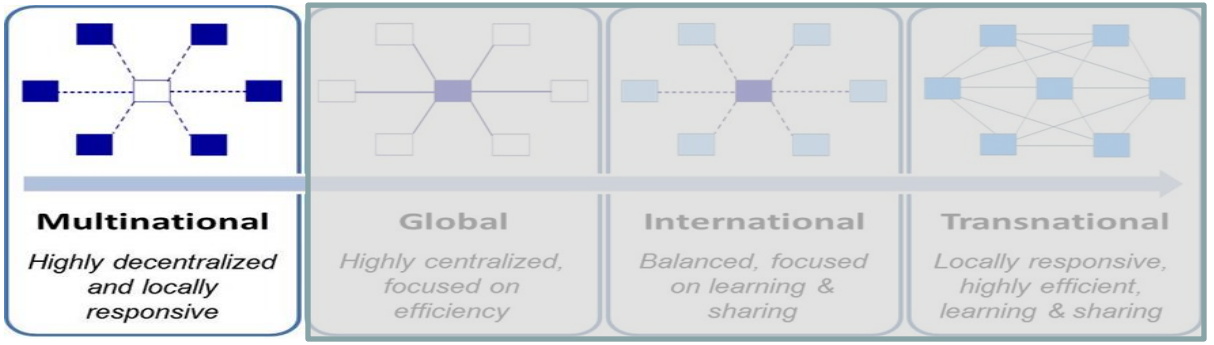
C-Suite Metrics for Efficiency & Innovation

Multinationals

"highly decentralized model focused on providing maximum responsiveness to local business needs"



Current State

- No independent metrics framework; reliance on standard, vendor-provided metrics
- Focused on evaluation of HR/Payroll output for accuracy and timeliness, e.g., SLA compliance
- Difficult to gain insights into controls and compliance of the global HR/Payroll function
- Difficult to evaluate the effectiveness of and hence optimize the global HR/Payroll function

Recommendations

- Begin with development of basic metrics framework for global HR/Payroll function
- Focus on measurements to track timeliness and quality across countries with payroll operations
- Some typical examples – focused on counts, errors, and penalties/fees:
  - Number of days to process payroll
  - Number of payroll re-runs, manual checks, inquiries received, etc.
  - Number / amount of penalties / late fees paid

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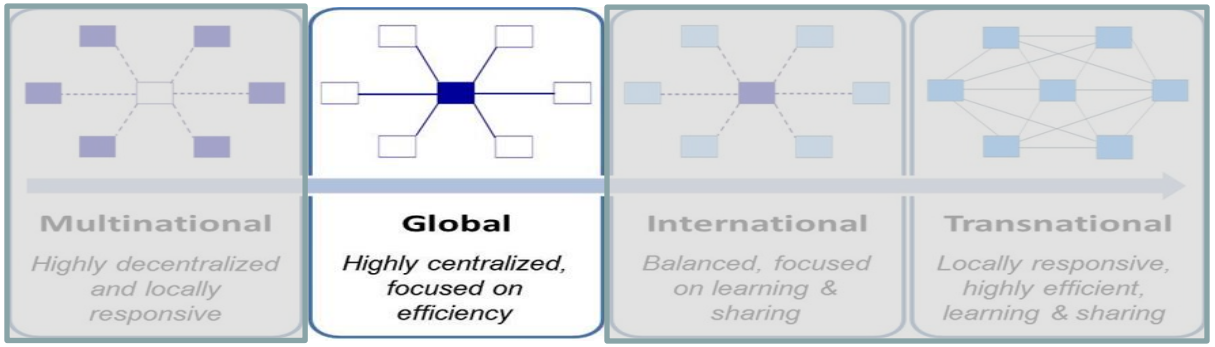
Roadmap to Efficiency & Innovation

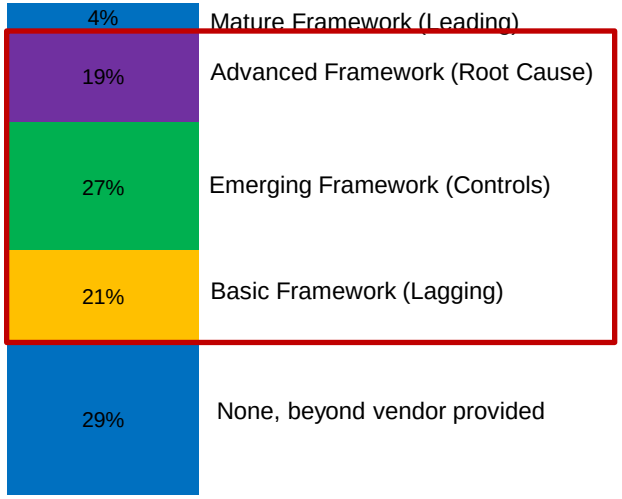
Globals

"highly centralized model focused on achieving global efficiencies and cost savings through standardization"



Attribute	Characteristic
Financials	Greater income growth and revenue growth over last year
Authority	Show some global authority over payroll process
Vendor Strategy	Most likely to have some form of outsourced payroll strategy
Payroll Visibility	More likely to have greater global payroll visibility and control
Payroll Standards	Exhibit high degree of global payroll standardization
Compliance	More likely to have global oversight over payroll compliance
Self-Service	Have less manager and employee self-service
Cultural Competence	Average level of cross-culture competence & global mindset
Change	Most amount of organizational change
Longevity	Shortest longevity with current payroll strategy

Global Metrics Framework



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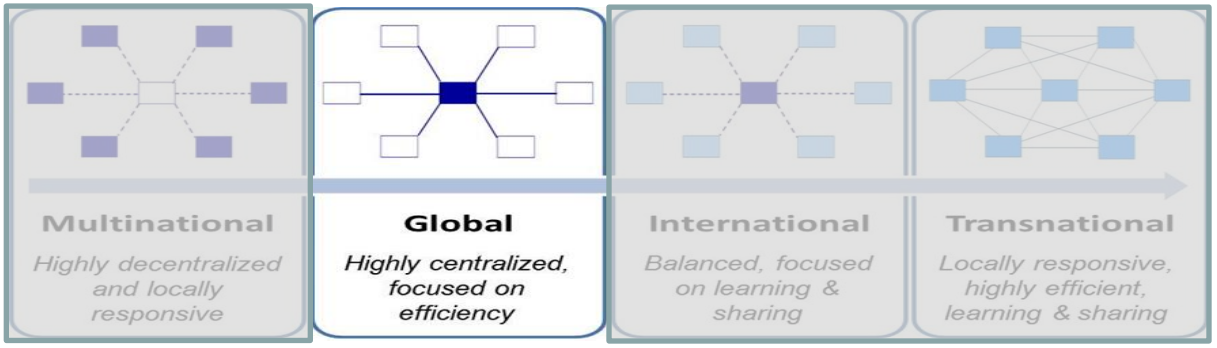
C-Suite Metrics for Efficiency & Innovation

Globals

"highly centralized model focused on achieving global efficiencies and cost savings through standardization"



Current State

- Basic framework for evaluation of HR/Payroll processes for accuracy, timeliness, and costs
- Focused on standards, controls and compliance and consistent processes and procedures
- Focused on total HR/Payroll global cost containment and reduction
- Lacks holistic view with actionable metrics for improving the effectiveness of the HR/Payroll function

Recommendations

- Leverage standard metrics currently in place, e.g. error rates, operational problems
- Explore more advanced metric models to establish standards and quality controls
- Some typical examples – focused on costs, controls and compliance:
  - Type and source of errors and inquiries (data entry, vendor service, calculations, etc.)
  - Adherence to established controls and meeting compliance requirements
  - Headcount ratios, service levels, staff and vendor costs per employee

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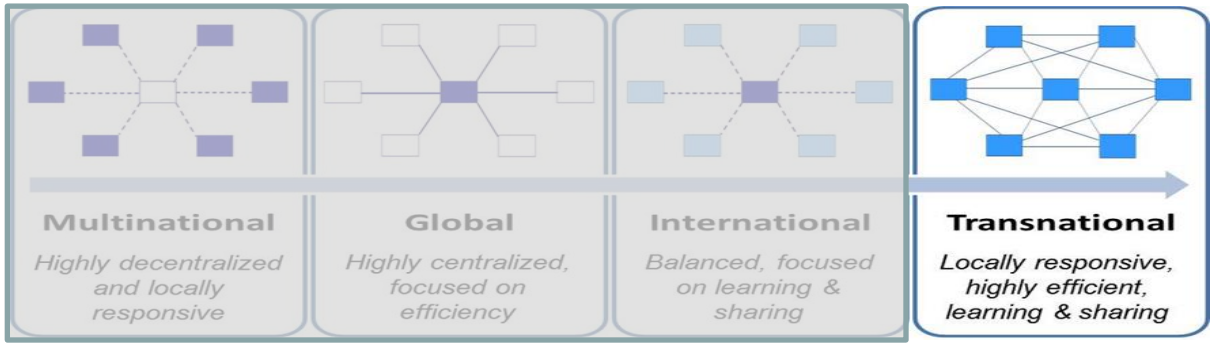
Roadmap to Efficiency & Innovation

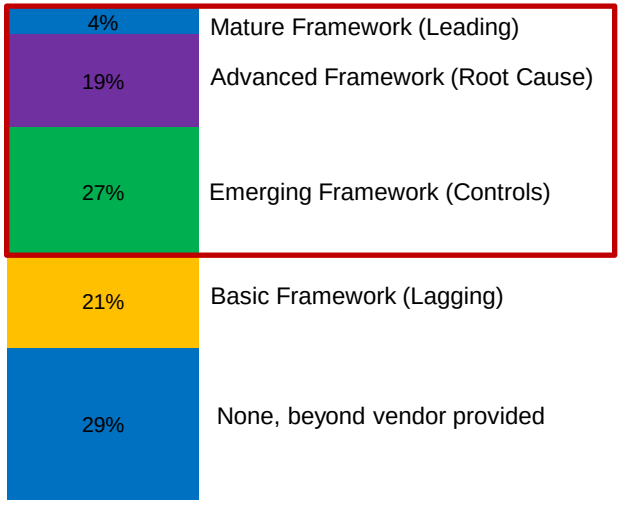
Transnationals

"federated or networked model that combines local responsiveness with global efficiency and worldwide learning, sharing & innovation"



Attribute	Characteristic
Financials	Balanced business growth between income, revenue & population
Authority	Considerably more global authority over payroll process
Vendor Strategy	More likely to have some form of outsourced payroll strategy
Payroll Visibility	Considerably more likely to have global payroll visibility and control
Payroll Standards	Exhibit highest degree of global payroll standardization
Compliance	More likely to have global oversight over payroll compliance
Self-Service	Considerably more manager and employee self-service
Cultural Competence	Greatest level of cross-culture competence & global mindset
Change	Average amount of organizational change
Longevity	Average longevity with current payroll strategy

Global Metrics Framework



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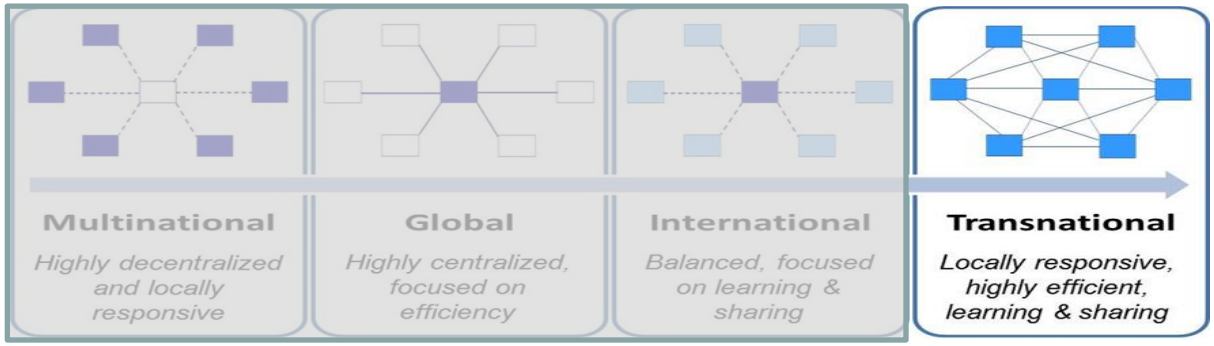
C-Suite Metrics for Efficiency & Innovation

Transnationals

"federated or networked model that combines local responsiveness with global efficiency and worldwide learning, sharing & innovation"



Current State

- Advanced and mature framework for global HR/Payroll metrics and analytics
- Focused on root cause in the analysis of the HR/Payroll process for accuracy, efficiency & timeliness
- Features dashboards with holistic view with predictive insight into the global HR/Payroll function
- Continually searching for opportunities for efficiency & effectiveness of the global HR/Payroll function

Recommendations

- Identify areas to optimize existing framework with leading and predictive analytics
- Focus on increasing efficiency, reducing costs, and implementing innovations to increase effectiveness
- Some typical examples – focused on leading indicators and predictive analytics:
  - Broad, global framework with quality, costs, efficiency and productivity metrics
  - Month-over-month comparisons, trends, across countries, regions, and globally
  - Correlations across staff/vendor/service costs, timeliness, quality and effectiveness

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Summary

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Summary Recommendations

1. ***Understand your organization model*** – If you don't know where you are, how can you know where you're going?

2. ***Determine your business drivers*** – What do you want to be? What's your culture? What are the risk factors?

3. ***Develop a roadmap to take you there*** – Without a plan, how will you know when you get there?

4. ***Benchmark your organization*** – How do you stack up? What metrics can support your goals with the C-suite?

Contact: benchmarking@jeitosa.com

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Thank You

gracias, merci, efcharisto, hvala, kiitos,

durdaladawhy, asante sana, bedankt, danke,

rekhmet, go raibh maith agat, salamot,

doh je, spasibo, Ευχαριστω, arigato, tack,

shukriya, tesekkür ederim, bayarlalaa, terimah,

mahalo, takk, kasih, mamnoon, dhannvaad,

धन्यवाद , dziêkujê, tapadh leat, grazie,

dakujem, khawp khun, ngiyabonga

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Questions?

jeitosa — [zhay-taw-za] (Brazilian Portuguese) adj. agile, skillful, adroit, clever, innovative, solution-oriented.

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