

Integrating Global Payroll Solutions With ERP

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International companies have been working with domestic Enterprise Resource Planning (ERP) solutions to meet their human resource needs for many years. But few ERP solutions have the capacity to support a total global solution. Instead, most offer an international solution and a U.S. solution.

For those few that offer global solutions, there are multiple integration points. Each potential solution has different challenges when dealing with domestic HR products, and each has different strategies for implementation. All, however, share a common imperative: test, test, and test.

FOUR OPTIONS

There are four principal approaches to the global challenge through traditional ERP solutions:

- Traditional ERP Solution
- Hybrid Global and Service Bureau Solution
- Global ASP/Service Bureau Provider Solution
- Third-Party Agent Solution

The first technique, using a traditional ERP model for a global solution, typically only works in highly developed countries with solid tax and payment structures. Under this scenario, the U.S. and Canadian modules are processed independently because of the complicated payment and tax structures in those two countries.

The main downfall to this approach is that it is limited to the countries that can be processed by the ERP software. It also requires a thorough understanding of the legislative requirements in each country supported by the software.

The major strength of this approach is that a total payroll solution will exist for organizations that do business in the countries supported by the software. It provides for the relatively seamless transfer of data supporting the employee life cycle and general ledger. This approach also ensures that the ERP is the ultimate system of record for employees.

A hybrid approach—where a traditional ERP solution is

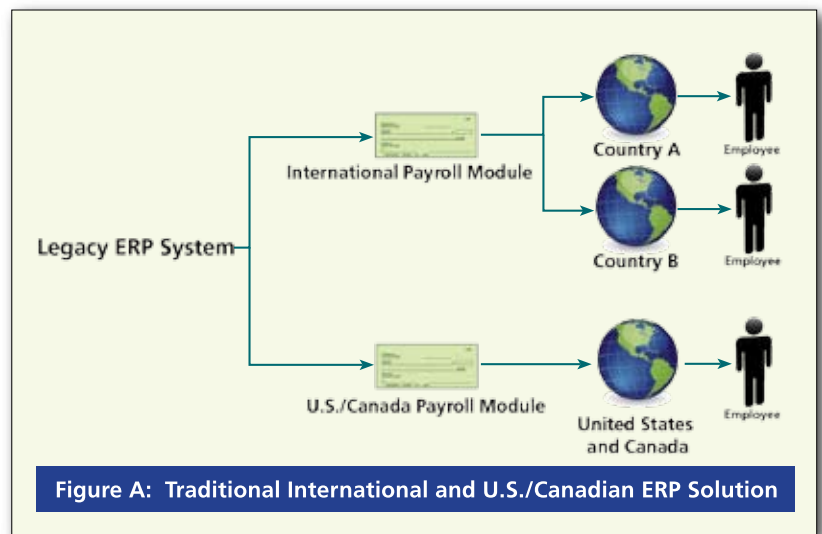


Figure A: Traditional International and U.S./Canadian ERP Solution

used in tandem with a local ASP or service bureau—is another option. With this approach, companies can work with their legacy ERP systems to provide payroll for employees in countries that are supported by the product. In countries not supported by the ERP, a local ASP or service bureau can provide payroll services. This may require specialized interface software development, installation of bureau-provided software, or manual interface in order to maintain data integrity between the two systems. It also eliminates the need for country-specific specialists in the bureau-serviced countries.

The secondary challenge to this solution is integration with the company's general ledger. It also leads to data integrity issues resulting in "multiple versions of truth" with regard to employee data.

The third approach is to work with ASPs or service bureaus in each country where the company does business. Many companies use this model, but it has the most integration points.

While it eliminates the need for specialists in individual countries, it does require multiple interfaces on both the front and back ends. These interfaces can be manual or automated, depending on the needs of the company. If manual, one of the major challenges is determining the company's system of record. The tendency will be to update the payroll system in

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order to support an employee, however, the update of the HR system may or may not occur because it will be deemed noncritical. The way to overcome this challenge is to not allow data entry in the payroll solution, but instead transfer the data from the ERP solution via an automated interface.

The fourth and emerging solution is the integration of a third-party agent to process payroll. This does not mean companies outsource the payroll operation. Instead, the third-party agent develops and maintains a seamless look and feel to the payroll process and interfaces with local providers when necessary. This type of service bureau will act as a middle agent between the company and various in-country payroll providers. Where the third-party agent has a presence in the country, it may or may not act as the payroll processor. Where it does not, it will typically contract with local payroll solutions.

Employers benefit from this arrangement because they are dealing with a single source with minimal integration points. The challenge then falls on the agent to negotiate with the various payroll providers to offer the global solution. Data is transferred from the company to the agent, typically via automated interface, thus ensuring a system of record. Data is returned to the company to feed the general ledger.

One big benefit of this model is the global roll-up of reporting. Since the process is the same around the world, the company does not need to employ global payroll specialists.

NEW SOLUTION SAFEGUARDS

No matter what ERP solution a company chooses, several steps should be followed:

- **Define a system of record and keep it up to date.** Without accurate data in your system of record, it is difficult to maintain adequate budgetary or forecast controls.
- **Perform the “three T’s” of integration: test, test, and test.** Don’t skimp on the testing. Ensure that your providers can produce thorough end-to-end testing.
- **Hold your providers accountable.** Ensure the exact responsibilities are well defined between the company and the provider, and ensure your confidential data is adequately protected.

DUE DILIGENCE LEADS TO SUCCESS

Going global is a challenge, but today there are many paths to success. Companies that understand their options and work closely with vendors to implement and maintain solutions will succeed. ■

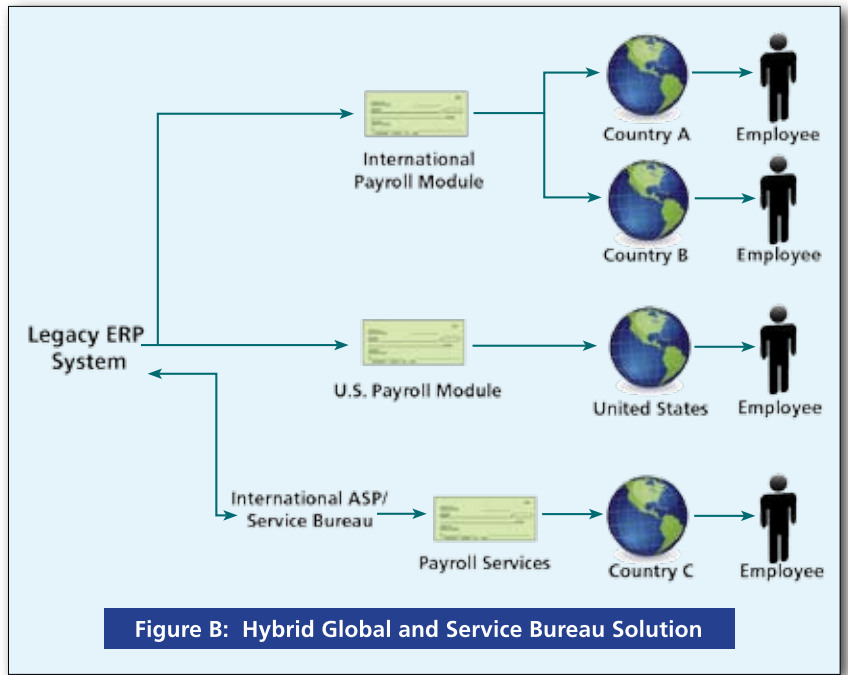


Figure B: Hybrid Global and Service Bureau Solution

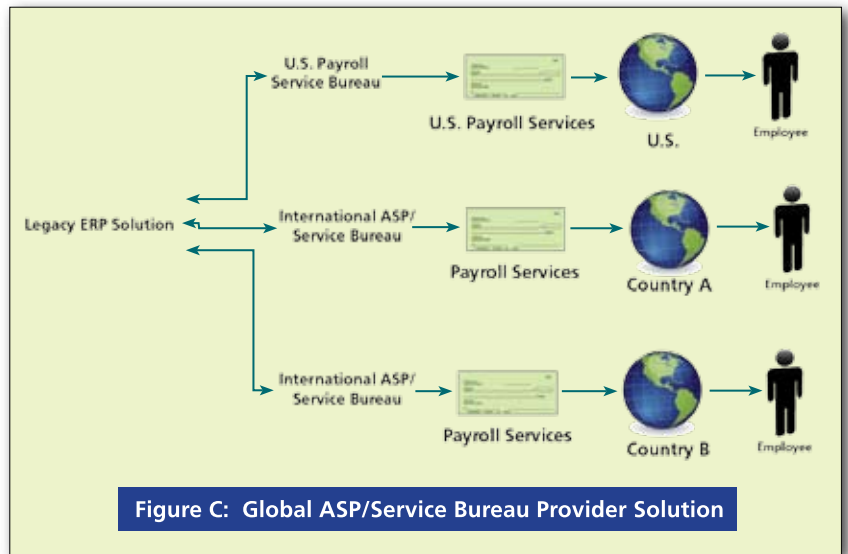


Figure C: Global ASP/Service Bureau Provider Solution

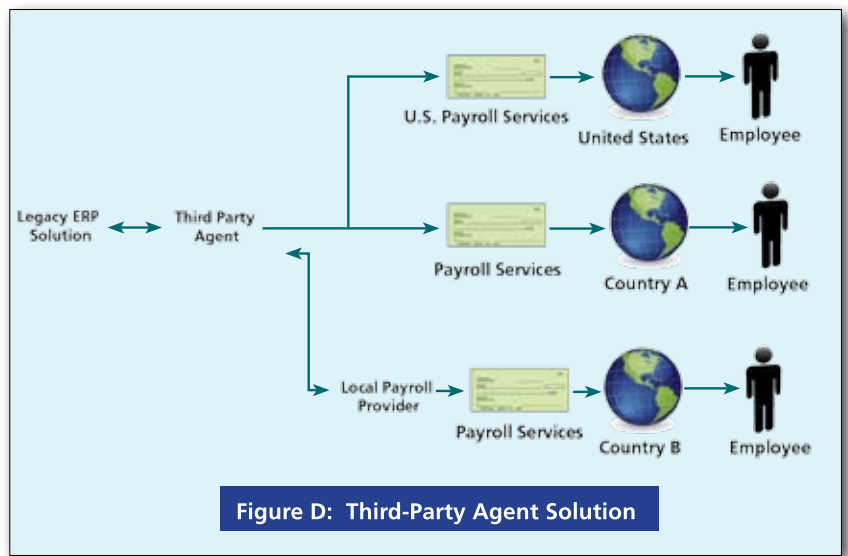


Figure D: Third-Party Agent Solution