Always Designing for People®

The **payroll data points** essential for international business expansion

How can payroll data help you succeed in overseas business expansion?

When expanding overseas, you'll want to ensure that your business growth is unhindered by the complexities of global payroll & HR. By unifying and automating your people processes, ADP helps you work smart and rapidly deliver value in new markets.

There are many reasons why companies opt for overseas expansion, including:

- save costs and boost revenue potential
- diversify products/services
- increase customer base and/or brand exposure
- access a wider talent pool
- take advantage of foreign business investment incentives

Whatever the motivations, business leaders need quality, reliable data in their hands to inform decisions when moving into new markets.

Organisational expansion shifts the perception of payroll from a back-office function to a driver of strategic value. Payroll data can give you a significant advantage in setting up your new workforce abroad.

There's a huge amount of valuable data housed in your payroll system and generated on each pay run: salaries, gross-to-net deductions, and how much you pay to statutory authorities.

ADP's *The potential of payroll* report finds that 98 percent of payroll leaders use payroll data to inform cost management strategies. This is no surprise when leaders also say the biggest challenge when moving into a new market is managing costs.[1]

How much will your workforce cost in the new location?

One of the great unknowns when it comes to expansion is compensation packages. It used to be that companies would move jobs from high-cost to low-cost countries, but that's no longer the case. According to The Economist Intelligence Unit, "Today it's all about access to markets and specialist skill sets, not simply lower costs."[3]

Even if your company is expanding in the search for lower labour costs, it doesn't mean that the wage bill will simply be X percent lower than employing a similar number of employees in an existing territory.

Labour regulations and tax laws vary so much from country to country — and even within national boundaries — that basic salaries are not the only consideration. You'll also need to factor in the cost of holiday entitlements, employment contracts and training and development. And will you need to send existing employees to the new location? That will mean factoring in expenses such as home-moving and relocation assistance, temporary accommodation and trips to view the new environment.

Despite all the potential variables, using reliable, up-to-date and shareable payroll data from existing locations will at least give HR and finance heads some idea of workforce costs for the new country.

Since 2020, decision makers have needed constantly updated workforce and cost information to deal with the rapidly changing economic and legislative environment. But they haven't always had that information.

87% of payroll leaders saw payroll information as a fundamental part of their commercial and growth strategies

yet

73% didn't have the payroll data to inform the strategic direction of their company during the pandemic.[2]

What can payroll data tell you about expansion costs?

Your wage bill is almost certainly your company's biggest expense. It usually accounts for around 50–60 percent of spend,[4] so it follows that it should also be the first cost you look at.

Salaries, benefits, withheld taxes, employee demographics, pay rates by function, amount of overtime worked. It's all there in your payroll data. Information from your existing geographies may not tell you how much the average salary is for, say, a pharmacist in Mumbai or a chemical engineer in Melbourne, but it will tell you enough about salaries in your own industry sector to enable your company to make predictions about staffing costs. Constantly adjusted payroll data will also help you control costs.

31%

of executives in expanding companies put planning pay and benefits in their top three HR challenges[3]

From head count to compensation packages

Your payroll data should contain enough information to help you determine required head count, model compensation packages, put together a recruiting strategy and share provisional budgets with other stakeholders. If you're expanding as a result of mergers and acquisitions (M&A) activity, payroll data is vital. Without it you won't be able to see which parts of your organisation cost more. Any M&A activity is an opportunity to rationalise your whole payroll structure, look for efficiencies and clean up your data.

If your payroll data is linked to time management data, you can help your company think beyond costs, to how you can influence productivity and churn. You will have information on benefits (such as healthcare, life insurance, company car and transport vouchers). HR may be able to pull in data to help structure compensation packages based on what's worked well in the past.

From payroll professional to data analyst?

A career in payroll can be both challenging and rewarding. In recent years, however, it has evolved considerably. It's no longer enough to ensure that employees are paid accurately and on time. Payroll professionals are now expected to be a go-to source for information. Other departments, particularly finance and HR, are looking to the payroll team for data that will help determine company strategy.

45%

say senior managers are asking more payroll data questions than before the pandemic[1]

Analysing that data and providing the kind of insights that smooth the road to successful expansion are only possible if you can access data from every location in which your organisation has employees and bring it all together. Getting data from multiple systems in various formats and poring over spreadsheets just won't work.

If you're looking for a global payroll partner, be sure to look for one that can give you the tools to consolidate and present data you can rely on.

Using data to prepare for expansion. And to succeed when you're there.

Payroll data can tell you about other costs you're likely to incur when you expand overseas (including those that you should act to reduce, if not avoid).

If you've had a high number of off-cycle payroll runs in your current locations, you've been fined for depositing tax payments late, or you've misclassified employees, this is unlikely to improve once you've set up in a new country. In fact, having to deal with new legislation and inputting new employee data that hasn't been through your systems before will only magnify any existing payroll problems.

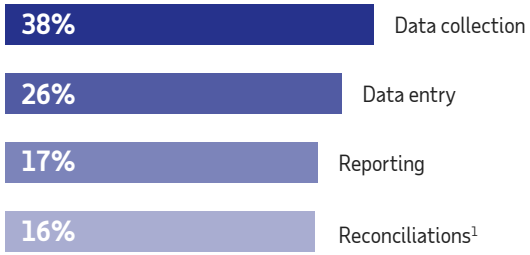
Get your multicountry payroll in order before you expand, and it will be easier to collect the workforce data you need for accurate payroll in the new country. You'll also be able to compare payroll and HR data from the new country with existing locations, allowing your organisation to control costs and analyse performance levels.

Make it easy to collect the data you need

At ADP, we know from experience that companies expanding globally often lack an easy way to access consolidated data that would give a view of payroll across all countries. The answer seems simple. One unified cloud-based global payroll platform gives you insights into all areas of your workforce, at any time.

Previous expansion and mergers may have left you with legacy systems that run payroll well enough in their countries but don't give you a view of what's happening globally. The more systems you have, the more difficult it will be to collect and compare data. You'll have isolated pockets of information that say nothing about your wider company.

Which activity takes up most payroll time?



A unified global payroll system, integrated with your global HR system, will not only make it easy to collect the organisation-wide data you need, but it will give you control of how that data is used and shared. (ADP Global Payroll uses multiple payroll technologies to deliver a unified reporting view across all your locations, whatever the size of your employee base).

Disparate systems take up valuable time

ADP's latest research finds that data now occupies the biggest part of payroll staff's time, with data collection and reporting taking up over half of working hours. It offers a goldmine of information assuming you don't have to waste time manually reconciling from different sources. The amount of time spent on data entry and reconciliation should fall as more organisations continue their digital transformation and integrate their pay and HR data.

22% of global payroll teams currently spend **31 hours pers week or more** on data reconciliation[1]

Technology makes data collection easier

Corporate expansion is an opportunity to make sure you have an accurate and efficient payroll system in place. Robotics and AI are being used more and more for data collection and entry at the beginning of the payroll process, freeing up staff time and reducing the risk of manual errors. The 38 percent of payroll leaders who say that data collection takes up most of their staff's time will be relieved to find that they have more time for higher-value tasks.

When COVID-19 arrived, **61%** of organisations were so busy dealing with payroll queries, resulting from poor-quality data and multiple systems, that payroll had little time to offer strategic support[2]

These more strategic tasks will include reporting and analysis. Technology ensures that data analysis is something your payroll staff can handle themselves. It's easier to bring data together to share with other departments via global dashboards.

Payroll professionals are increasingly seeing the value of data

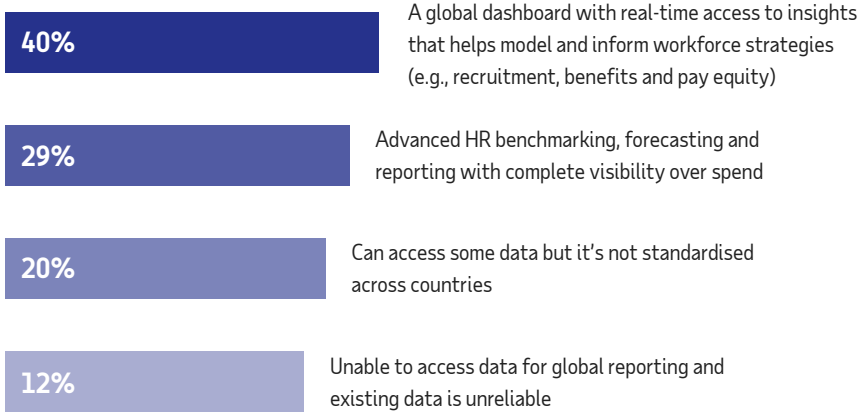
While in 2021 only 27 percent of financial leaders took payroll data into account for their commercial and growth strategies,[2] 97 percent would now use payroll data, with 42 percent stating it's a major consideration.[1]

The main reason for the change in thinking about data was triggered by the pandemic. When problems first occurred, organisations using cloud-based payroll technology could still access the information they needed to run payroll as normal and avoid noncompliance penalties. As EY said in 2021, "Put simply, the time has come for payroll to embrace digital transformation."[5]

How does your data sharing compare?

You need oversight of your entire organisation even before your company considers expansion. Yet our research suggests that almost a third of companies worldwide still can't share the kind of payroll data that's required for strategic decisions.

How do you share global payroll information with senior leaders?[1]



Sharing data shouldn't be difficult. That 40 percent of payroll leaders who already have a global dashboard will wonder how they ever succeeded in a new market without it.

Don't be overwhelmed by data. Keep it in context.

There's no doubting the power of data. Most of the world's biggest companies today are data companies but remember that data is there to serve you, and not the other way round. There are ads online promising to turn you into a data analyst in a matter of weeks but, even if that's possible, it shouldn't be necessary if you have the right tools.

The best global payroll dashboards will identify workforce patterns and trends using payroll metrics, and answer key workforce questions through a story-driven approach to analytics. It's all about making people data work for people.

With the right data analytics tools, you can provide information that helps your company to:

- Spot cost trends in all countries, and make predictions about new markets
- Stay compliant and see that your firm adheres to local regulations
- Gauge staffing levels against productivity
- Manage overtime costs across all markets
- Check that your company has equitable pay
- Identify potential duplication of roles during M&A activity

The latest analytics tools make it easy for you to drill down to country or even individual employee levels and make comparisons. And you can filter the metrics to focus on specific locations, departments, cost centres and more. This means you know exactly what's going on right across your organisation.

How ADP helps you uncover the critical payroll data you need for overseas expansion

Beyond expansion

Reliable and readily available payroll data can cut the time to market and help ensure the success of any overseas expansion. But its usefulness doesn't end there. Once you've set up in your new market, you'll need it to keep track of ongoing costs and monitor issues such as diversity, inclusion and gender pay, which are important to a happy and productive workforce.

And, integrated with other data, such as time and attendance, payroll data will give your HR team insights into:

- Where you need to hire more staff
- Whether it's better to hire more staff and reduce overtime
- Which employees are most productive, and which are most likely to leave

Payroll data is not only critical to global expansion, it's vital for any company competing in today's rapidly changing economic environment.

"We just acquired a very big company in Europe and we're now integrating those 5000 employees into all of our platforms and also our payrolls.

If we didn't have ADP in the countries where we need to onboard these 5000 employees, I have no idea how we could've dealt with it. What are the considerations we have to be aware of? What are the data and definitions and decisions we have to bring to the table? What is it that ADP brings to the table? What is it that we need to do internally? What is a feasible plan?

But having ADP as a partner meant it was very easy to start this conversation and be thinking about how to get this done very early on."

Volker Schrank,
Senior Director of Employee Experience & HR Technology, Mondelez

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