

WHITE PAPER | JUNE 2017

Running a Successful Global Payroll Implementation



IPPEX GLOBAL

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MANAGEMENT SUMMARY

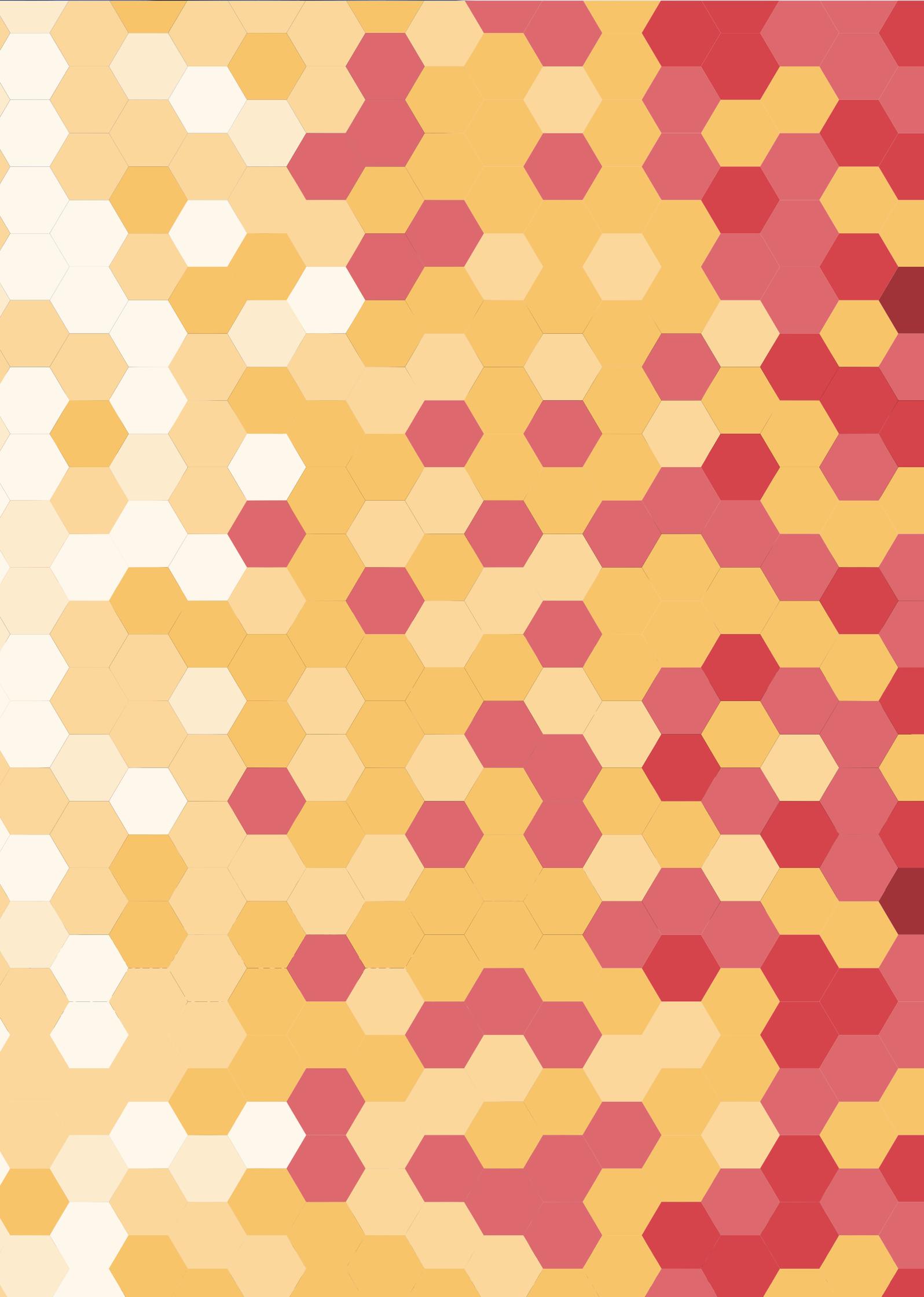
Having completed the selection process of a new payroll partner, your organisation will now be faced with the task of preparing to run a successful global payroll implementation. It is a common misconception that the new provider organisation will run and manage the entire process of payroll transition from the existing provision to the new service. IPPEX Global would like to take this opportunity to present our perspective on the best practices of implementations. This has been developed from our experience of managing large and varied global payroll projects.

The first step is to move from the procurement phase to the implementation process, ensuring that nothing is lost and that the foundations for the project have been clearly defined.

As with any project the preparation phase usually takes longer than anticipated. Building the right team, analysing the risks, dependencies and constraints is a team effort. Setting up the internal communications process and preparing the new provider relationship is vital, ensuring that all parties are aligned before a project commences.

Further groundwork is also required in the areas of project management and change management. Additionally, a security review should be conducted before any of the payroll transitions can begin. In each of the sections of this paper, the aim is to provide clarity on the responsibilities of the client and those of the provider. A key stage in running a successful global payroll implementation, is the roll out plan and phasing of the payroll transitions while considering the risks, constraints and dependencies.

Although each organisation will have their own unique style of delivering a project, the components will be similar. This guide should be used to ensure that all of the critical elements have been considered to construct and manager a successful global payroll implementation.



TRANSITION FROM PROCUREMENT TO IMPLEMENTATION

Initial actions are needed to close the procurement process and to set the foundations for the implementation. The team involved with the procurement stage of the project may well be different to the team responsible for the delivery and implementation. New members will be brought in to contribute to specific areas and others will leave as their contribution comes to an end. As a result, it is important to manage this change from procurement to implementation carefully. A critical first step is to assess and identify if there are any gaps in the draft contract, scope of work and commitment to the project by the leadership team.

- **What is in the contract?** – A review of the contract and any supporting schedules describing the service provision should be the starting point for the implementation process. It isn't unusual for the contracted payroll service to deviate from the provider's sales presentations given during the procurement process.
- **Establish a precise statement of work** – The service contract should include a detailed statement of work for each country. This may be as an appendix or a schedule in the contract. Whatever form it takes it should be a contractual commitment. A statement of work must define all of the benefits, payments and local statutory needs for that company and country's payroll to remain compliant. The boundaries of responsibility between the client and the provider should be clearly defined. If the SOW has not been specified to this level of detail then it will lead to an expectation and delivery gap later on and will add risk to the implementation process.
- **Knowing the common issues** – Some of the most common omissions we see are:
 - Missing the requirement for an off-cycle payroll
 - Failing to disclose complexities associated with foreign nationals within a payroll
 - Lack of definition regarding an employee or executive stock program
 - Incomplete planning and specification in respect to the payments process
 - Missing or late contract termination notification to the current payroll provider
- **Getting leadership buy-in** – Has all of the leadership team bought into the payroll project and have expectations been set correctly? Have all the parties agreed to the benefits and outcomes from this project? Has the budget been ring-fenced to adequately support and deliver the project and are there sufficient funds to deliver a successful project allowing for contingency?
- **New provider's hand-over process from sales to implementation** – Has the new provider communicated the commitments agreed during the sales process to their implementation contacts. It is a good idea to ask if there is a documented process detailing the handover between sales and implementation and to see a copy as part of the project supporting documentation.

PREPARATION

A successful implementation can only be achieved with diligent and detailed preparation. With the right components in place at the beginning, the process of implementing a payroll becomes significantly easier.

Achieving the project goals and ROI

Meeting the original goals of the project is crucial to the success of the implementation. Secondary to this is the need to deliver the project on time and to budget with minimum risk. All measures should be in place to demonstrate that the initial goals have been met whilst capturing what happens in the present and measuring the outcomes at the end of the project?

Building the best team

Building a great implementation team takes time and securing the commitment and availability of key resources is vitally important.

- Select the best people from your organisation or contract in specialist skills to fill any gaps.
- Define their roles and responsibilities, timing and level of involvement in the project.
- Secure their manager's commitment to guarantee that resource will be available to the project when needed.
- Share with the team members the plan and goals of the project to ensure common aims. This includes any travel or additional hours.

Identifying the risks

A risk is anything that could happen which can impact the delivery of the project. Risks come from a variety of sources, they all need to be considered and, where possible, have a mitigation plan agreed in the event of a risk becoming an issue. The following are examples of typical risks:

- A payroll specialist decides to leave mid-way through the project leaving you without the right skills or coverage.
- Another large corporate project running into difficulties which may take key resources from the payroll project.
- Lack of cooperation from the incumbent payroll provider resulting in a lack of data to support the payroll migration.

Defining the dependencies

A dependency is something that must be completed (or started) to avoid any impact on associated tasks. Dependencies will have an impact on the sequencing of project items. A project impact analysis should provide a thorough assessment of these tasks.

The following are examples of typical dependencies:

- Restructuring the payroll operations team, for example centralising the function into a shared service centre.
- Changing one or a number of systems which either feeds into the payroll process or receives information from the payroll. This includes human capital management, time and attendance or the general ledger.
- The development of software to convert data from the HCM system to the provider's payroll template.

Each dependency has to be monitored and managed, with contingencies in place where an item is impacting the project's critical path. New dependencies will surface during the project so reviewing and managing is a constant process.

Understanding the constraints

These are conditions which define boundaries of, and provide restrictions for the project. The following are examples of typical constraints:

- A limited amount of time in which to complete a phase of the project.
- A small resource pool from which the implementation team is selected.
- For some countries, the payroll provider can only be changed at a quarter end.

Establishing a low risk rollout plan

The rollout plan has to take into consideration a significant number of factors such as the complexity of the payroll, the dependencies, constraints and desired goal of the business. Ideally it is best to start with a small number of payrolls with the least complexity to establish a low risk process in the early stages of the project. It is important to resist pressure from the leadership team to accelerate payroll deployment or from the provider to have a shorter delivery plan as this brings recurring revenue for their business.

Providing constant and clear communications

A payroll project will impact on many aspects of a business. Change is harder for people who are outside of the immediate project team, so early, frequent and clear communication is necessary all parties impacted by the project.

Preparing the new provider

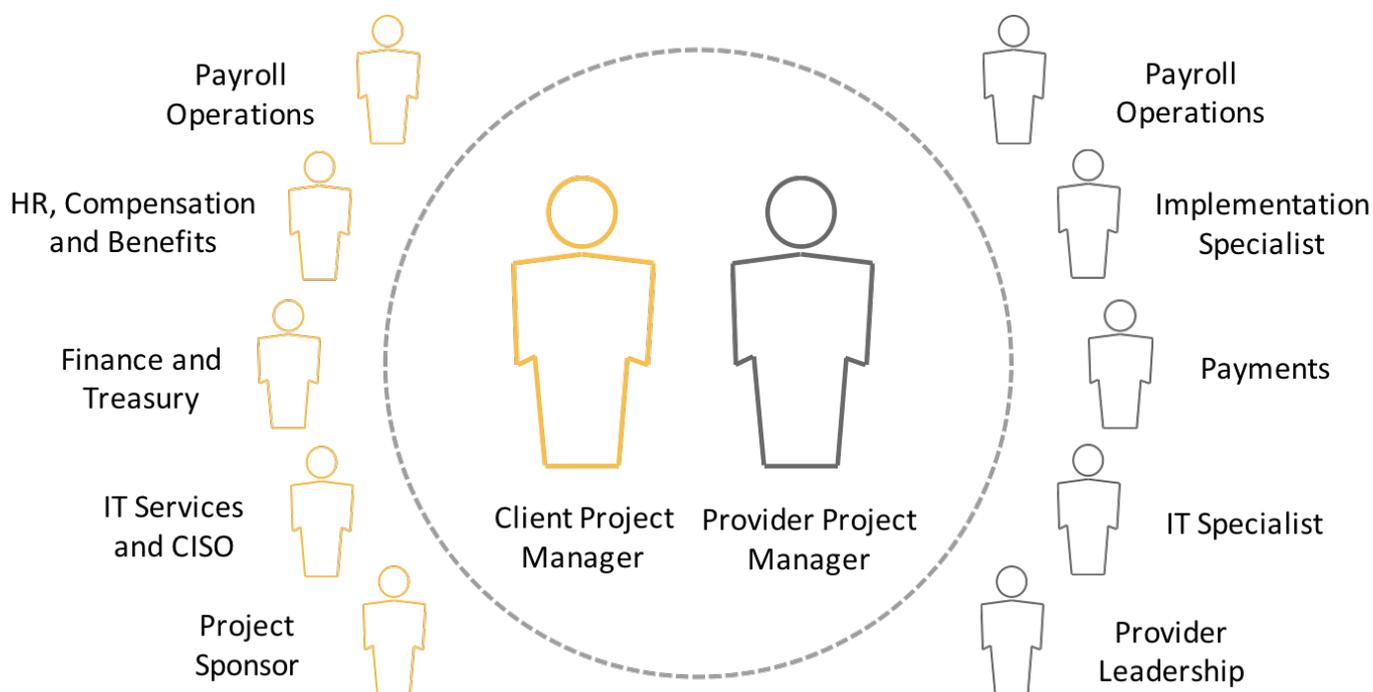
To enable the new provider to be successful they have to know about the client's team, risks, dependencies, constraints, culture and project management process.

PROJECT MANAGEMENT

Any project resulting in a change of process or systems has to be project managed. In this section we have defined the project management needs for both the client and the new provider.

Taking control

The success of the project always rests with the client. The new provider is in control of their resources in order to deliver on their components of the project. The client's project manager will work hand in hand with the provider's project manager, working to a common plan. The following diagram illustrates the dynamics of managing people within the two organisations.



Setting up a Project Management Office (PMO)

Some businesses will have a PMO (project management office) that engages in corporate projects. The PMO function is to drive the project plan, deliverables and communications. In small projects the project manager will cover the functions of a PMO, this includes the governance process and managing the RAID log.

Effective Governance

This is essentially a process of communications and control of the project deliverables which typically happens at two levels: the executive or project sponsor level and the project team level. Each payroll deployment will be controlled by an individual governance report, sometimes known as a highlight report. This should be readily available to all of the team and updated weekly. The key headings in the report would be as follows:

- **Project reference data** – Project status, previous week's status (what was achieved last week), go live date, next key milestone (what is expected to be achieved next week), current milestone status.
- **Products / Project deliverables** – These are the key milestones in the project plan, showing the start / end dates and the current forecast against the plan.
- **Project status** – Headlines detailing progress over the last week and planned activities for the forthcoming week.
- **RAID log** – A list of all the risks, assumptions, issues and decisions; along with any constraints and dependencies each having a description, next steps, owner and status.

Governance reporting to the executive team or project sponsor should be at an overall project level, focusing on the key deliverables from the previous week and key actions for the next week. However, it is not uncommon to see executive team reporting to be on an exception basis only, where reports are only highlighted to the executive team when something goes out of tolerance.

RAID Log

The project manager is responsible for maintaining and applying project control using a RAID log.

The RAID log will consist of the following:

Risks – Tracking and monitoring an event or situation that poses a risk to the project deliverables. Taking action where needed to minimise the impact of the risk to the project schedule.

Assumptions – Documenting any assumptions which have been made where there is lack of clarity. A documented assumption allows the delivery component owner to either correct or accept the assumption.

Issues – Managing and resolving issues which arise, ensuring they have an owner and due date for resolution.

Decisions – Recording key decisions that have been taken.

CHANGE MANAGEMENT

Changing payroll provider will result in changing many payroll processes. In this section we explain the impact that change has on resources and processes, and how this can be managed.

Impact on resources

Transitioning a payroll to a new provider will typically result in two parallel payroll processing periods (processing of a pay period with the incumbent provider and with the new provider). The client's payroll operations team will have double the work to perform in the pay period leading up to the parallel run to prepare the new providers payroll system, and this continues during the two parallel processing pay periods. In addition, they will be learning about the new processes, systems and environment with the new provider. As a result, the preparation and management of change is critically important to reduce the impact on the client's payroll team.

'Does your project include HCM to payroll automation'

Every organisation would like simplification and automation and this would be achievable if every country adhered to identical taxation systems and set of information requirements. A process can be automated if the manual process delivers consistently without variation or errors for multiple pay periods and all the data items can be control and managed through systems.



Process Change

The following outlines some of the key areas of change:

Data preparation – Process of collating payroll changes data for each payroll and pay period into the templates or data input systems.

Document and data exchange – Secure transfer of pay period data and employee PII (Personally Identifiable Information) between the client payroll function and the provider.

Style and format of reports – The structure and format of gross to net reports and other processing data outputs will vary by provider. Be sure to check that they contain all the information you need.

Login and access to systems – New log in process, IDs and passwords to the provider's systems. Setting up of single sign on for access to employee payslips.

Boundaries of responsibility – Task ownership with the new provider may vary to the incumbent provider.

Help, escalation and support process – Establishing a new communication process.

Payment process – Ownership and delivery of payment files, treasury management and payment execution.

Payroll confirmation and communications – The method for signing off payroll processing for a pay period.

Employee payslips – New process to access online payslips and continued access to historic payslips

Statutory reporting – The statutory reporting requirements should remain the same. The transition of provider may require a registration process with the authorities.

Payroll calendars – The payroll calendar will need to be adjustment to align with the new providers processing schedule.

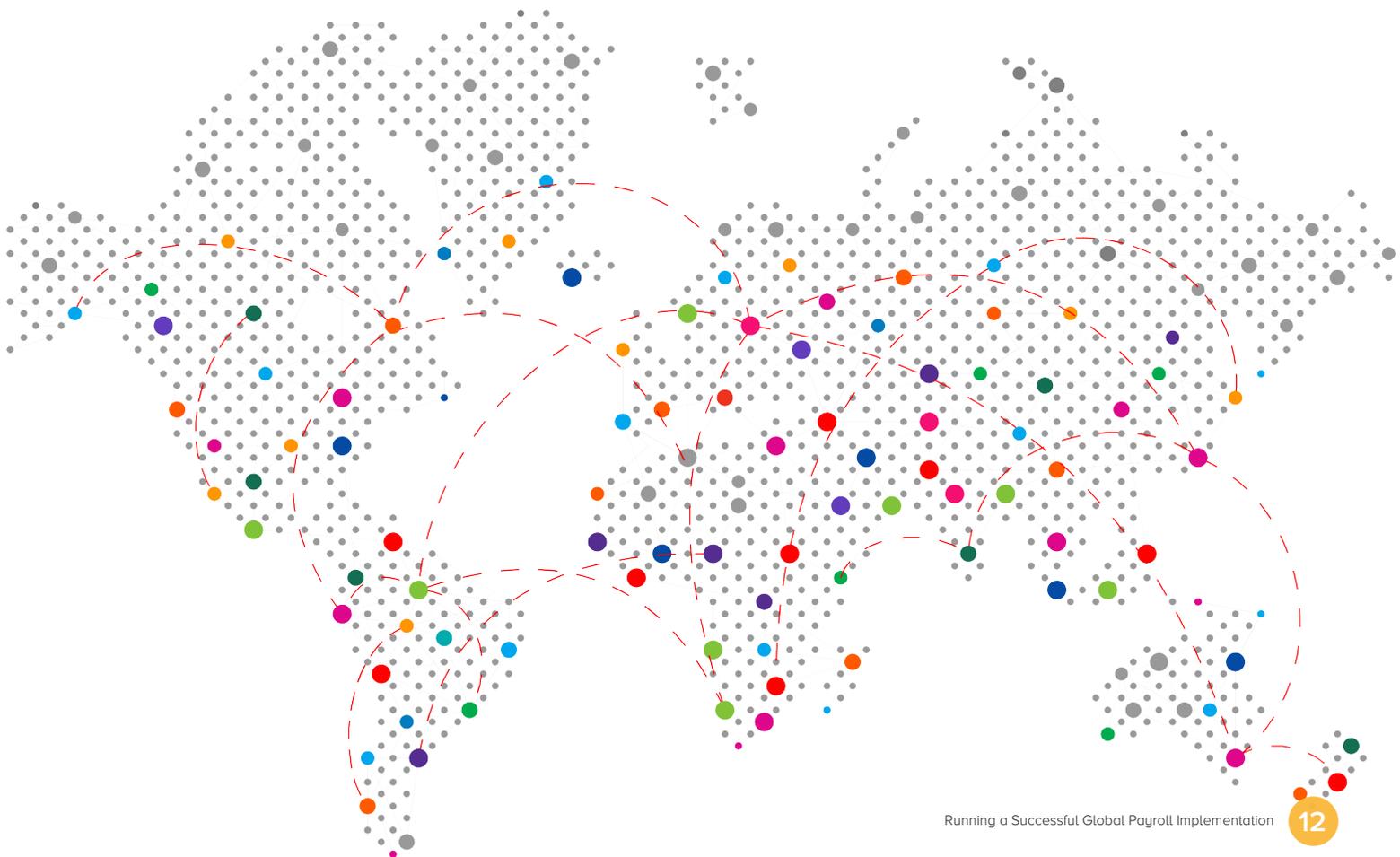
Compliance checkpoints – Ensure your provider is aware of these and understands your compliance protocols.

Process Mapping

The end to end payroll process should be mapped out detailing, at each stage the information requirements, actions, ownership, system touch points and outcomes. The mapping process will pinpoint where changes will occur when working with the new provider.

Communications and Training

An overall communication plan should to be created for the entire project. It is vital to consider the differences between the various business groups, their appetite for change and propensity to absorb information. This should be inclusive of all those affected in the organisation.



SECURITY MANAGEMENT

The majority of procurements will focus on the security processes and standards within the new provider organisation. This often details the theory, but the practice forms part of the implementation process. The client and provider become jointly responsible for safeguarding the employee's personal data. Increasingly legislation is being put in place to force businesses to better manage personal information about its employees. One such example is the upcoming EU's General Data Protection Regulation scheduled for May 2018. The following section outlines the preventative measures that can be taken.

- **Minimise the risks of data breaches** - Implement controls to limit users breaching data privacy or business users inadvertently compromising the security of the payroll systems. Add workflow controls, such as an audit trail of systems access and changes to data. Where possible implement role segregation, privileges and controlled access rights.
- **Data protection** - Eliminate or limit the transfer of data via email using spreadsheets and where email is used, ensure files are encrypted or at least password protected.
- **Minimise the duplication of data** - During the preparation of payroll changes data, multiple data sources may be merged together or re-keyed into another template. Too often a temporary copy of the file is stored locally on the hard drive of a user's computer, resulting in the duplication of personal information which is unmanaged and often forgotten about. Enforcing the use of a secure document store or file system is essential for minimising data duplication and poor practice.
- **Strong password protection** – Review the systems and policies around: individual user accounts, process for users leaving the business, enforcement of password complexity and frequency of password changes.
- **Data encryption** – Investigate within the client and provider's organisation the types of data encryption and different points where it should be implemented, this includes the transport layer, the web, email, data at rest encryption and multi-tenant databases.
- **Access control** - Limit the access and rights to specific functions and data within the system. All too often, users are given more rights than they need.
- **Cyber-attacks protection** – Work with the IT services organisations to ensure they have correctly implemented and patched firewalls, intrusion detection systems, intrusion prevention systems and security testing has been completed.

When contracting with a global or regional payroll provider who in turn sub-contracts their payroll processing to a third party, it is important to understand the level of security due diligence performed on the third party. The client should establish an on-going security audit process. It is not unreasonable to expect to audit your provider but also your provider's partners.

PAYROLL IMPLEMENTATION MILESTONES

A global payroll project is likely to have multiple delivery phases which may overlap, resulting in a variety of payroll deployments being at different implementation stages. Below is an outline of the key stages we would expect to see in a payroll implementation project:

Data gathering and requirements – Collating payroll processing information and delivering this to the provider to analyse. This enables them to prepare the configuration of their payroll processing system.

Client process set-up – Establishing the new payroll process and implementing new data templates for the collection of payroll information.

Provider payroll system and process configuration – The new provider will set up and configure their payroll processing system to meet the needs of the client's payroll environment.

Employee data take-on and year to date payroll figures – Uploading the current employee and year to date payroll figures for the pay period preceding the first parallel processing period.

First parallel processing period – Delivering the monthly changes file to the new provider, to process the payroll and to compare the results with the incumbent payroll provider's output. Analyse any issues and resolve processing variances.

Second parallel processing period – Second payroll period test, analyse results with incumbent payroll outputs. Validate that all issues have been resolved and that the process is ready for a live payroll.

Finalise all of the client and provider processes (payslips, treasury, payments, payroll calendar, changes data, templates, reporting etc.).

First live payroll period – On satisfactory completion of the parallel payroll processing, the payroll is formally transferred to the new provider to go live for the next pay period.

Adjustments and lessons learnt – Review the delivery of the first live payroll, make adjustments and review the lessons learnt from this deployment phase. Perform this action again until all issues are resolved.

TAKING THE LEAD

Project leadership ultimately resides with the client. The client's project manager holds the delivery relationship with the new provider, working hand in hand with the provider's PM. The rollout plan and detailed project plan will structure the resources and deliverables. The project plan is only a tool, the key to success will be the preparation, communication and the team chosen to deliver the project.

Commitment of resources is vitally important. Initiation meetings, project status meetings and any reviews associated with a deliverable must be attended by the right team members. The executive sponsor has to reinforce the importance of the project, empowering the project lead to secure the necessary resources to deliver successfully.

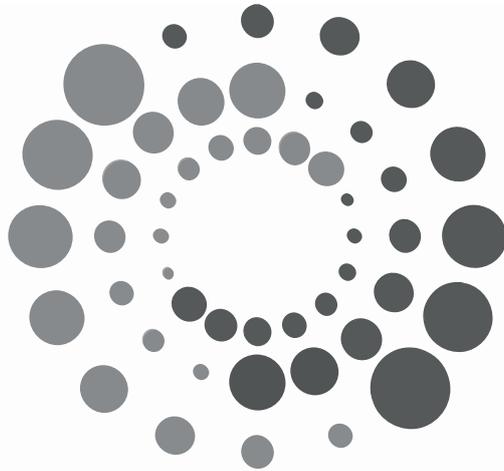
The project journey starts with the transition from procurement and contracting to the implementation phase, setting foundations for success. The emphasis of this white paper has been on project preparation, and with this established the delivery team will have all the ingredients to achieve its goals and for the project to come in on budget and on time.

IPPEX Global

IPPEX Global delivers independent consulting to businesses with global payroll portfolios, helping businesses to understand how to manage, own and deliver global payroll, utilising industry best practice and technology. IPPEX Global is formed of global practitioners who have operated in the provider environment serving Fortune 500 businesses.

Our services include pre-procurement and procurement consultancy, project management, payroll transitions, data security and GDPR readiness assessments and implementation. Using our extensive experience of delivering global payroll implementations we will guide your organisation's payroll project to a successful conclusion.

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