

Outsourcing makes sense for multinationals



Outsourcing, or the transfer of a business activity or function to a third-party service provider, is a solution gaining popularity throughout Africa. This leads to a more efficient allocation of roles and responsibilities, and an organisation that runs well, performs well.

According to Edmund Pohl, Head of Outsourcing at PaySpace, a leader in payroll and HR software, the benefits of outsourcing include increased efficiency, reduced risk associated with running costs and compliance, controlled costs, and access to world class capabilities that might not otherwise be affordable.

“At the end of the day, outsourcing should help make multinational organisations more flexible and agile, as well as future-proof, to meet the challenges of doing business in an increasingly competitive world.” He says this is particularly true of payroll, as its model is within certain confines, a repetitive task, and lends itself to a BPO environment. “It is not a bespoke activity nor does it have a lot of variables to it; there is a fair degree of consistency month to month.”

Another reason why a good payroll outsourcing partner is ideal for multinationals, is because of the simplified process for an organisation to venture into another region. All legislative practices, taxations and the unique intricacies involved in paying their staff is done correctly from the start. “A good payroll outsourcing partner knows all of this information already, and will take the headache away by offering the customer a gateway to knowledge that is extremely difficult to obtain without feet on the ground.” He adds that in terms of expense it makes sense for any organisation with a global footprint to outsource.

There are intrinsically lower rates associated with serving a multi-country environment with one price, rather than dealing with various providers in different regions.

"In addition, we have noticed that global organisations prefer to minimise the number of contracts they have. Managing a situation where they have a vendor or BPO partner that is a standalone company in each country is an onerous task, and contract maintenance is an immense process when spread across multiple vendors. Outsourcing eliminates a lot of the hassle involved in managing procurement activities, as it's easier to oversee a single contract."

In terms of compliance, Pohl says security and audits are a big deal for multi-nationals as they are under greater pressure to be compliant. "Larger entities are always under the microscope, particularly those involved with utilities, financial services, and healthcare, as they all face various degrees of government oversight. A good outsourcing partner will ensure the organisation is always in the know and that the vendor's compliance will be demonstrable to all auditors involved," he explains.

It is also problematic when dealing with certain governments, as there is a belief that multinationals have bottomless pockets, and are therefore penalised for even the smallest non-compliance. "We have had customers who get audited yearly in the countries in which they operate in the hope that a penalty can be imposed resulting in a hefty payout. They cannot afford not to be squeaky clean."

Similarly, he says, there is the advantage when it comes to the time zone differential between the regions in which you operate, and the location of your outsourcing provider. "Often the job gets done while your organisation is closed for the day or the night, and you can go to the office the next morning and the service has been delivered. This is a unique advantage that gives you the advantage of around-the-clock business operations."

Alongside this, an additional benefit of outsourcing is consolidated reporting. "All global organisations, at some point, have to add up their totals and it is a major exercise to consolidate the data, convert across currencies, and arrive at the end with a single report. Outsourcing does all this for you."

Pohl concludes by adding another benefit: the centralisation of a business activity with one hub servicing multiple countries. "Any multinational wanting to save money and remain compliant should be considering this. And, in times of stringency when cutting down is being demanded by shareholders and boards, outsourcing makes perfect sense. It's not about scaling down activity, but rather about ensuring that this fundamental business practice is undertaken correctly across the entire organisation."