

Outsourcing payroll can help SMEs save time and resources

When entrepreneurs set out to change the world, payroll and human capital management are rarely the first things on their mind. The quickest way to erode culture and confidence, however, is to pay employees late or not acknowledge their concerns.



Payroll and HR outsourcing can free up business resources. Source: Amy Hirschi/Unsplash

Other risks include legislative missteps, or late or incorrect tax processing that can result in serious financial penalties. Payrolls and human resources are also resource intensive, often stuck with manual processes, and can exhaust the time and capacity.

Under most other circumstances, these elements would lead to one answer: outsourcing. Yet many organisations still worry they will lose control. Others see payroll outsourcing as too expensive, something only suited to large enterprises.

We can put those concerns to bed. A software revolution elevates payroll management to new levels, lower costs, and a different outsourcing relationship. The combination of cloud software and focused payroll providers deliver a managed service approach to payroll management. It offers ease and consistency to every type of organisation, from startup to massive.



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"From the outside, managed payroll services can look like a typical customer-vendor relationship," says Edmund Pohl, head of outsourcing at PaySpace. "But it's very different. We intrinsically become part of the organisation, making sure that we synchronise appropriately, give them the value and assurances they expect, and do what we do best."

The evolution of outsourcing

Cloud computing revolutionised software as a service (SaaS) and enabled payroll management to switch from an intensive,

siloes function to becoming an externally managed value creator. It's like when email transitioned from installed software that needed a physical server, today logging onto a web portal where you access your emails from anywhere — without fretting over backups or software updates.

Cloud platforms deliver comparable results across different software types, including payroll and HR. Companies can access and customise portals and extend payroll functions to different stakeholders for continual input. Cloud software integrates more readily with other business systems, carting data safely where and when it is most beneficial.

Payroll providers leverage these cloud-native advantages to scale their efforts, remove manual and routine effort, provide ad-hoc and bespoke reporting, and place their customers on a road of future improvements without the costs of owning the software.

"Instead of a customer having an engine room within the organisation that has to operate software, be trained on legislation, take care of confidentiality and governance, and make sure all that is applied within the business, we take over a lot of that," says Pohl.

Scalable solutions

Larger organisations are more comfortable with outsourcing their payroll, though many still don't see the value they expect. Smaller companies often disregard the concept, believing it's too expensive. But the combination of cloud payroll and a managed payroll service addresses those concerns.



Edmund Pohl, PaySpace head of outsourcing. Source: Supplied

"For a smaller company, it's much simpler and more cost-effective to use modern payroll outsourcing. Larger companies benefit from simplicity and modernising payroll to keep in step with the rest of their operations," continues Pohl.

"In both cases, the economies of scale inherent to cloud-native business models means they pay a lot less and can plan according to flexible operational budgets and timelines."

But this advice comes with a caveat. Not all payroll outsourcing or managed service providers are alike. Unfortunately, many stick to a standard model and force it on their customers. Pohl is very against this practice.

He doesn't believe in a one-size-fits-all approach, fearing that it will lead to payroll that is insular and comfortable that becomes ineffective and resource-demanding over time.

"The whole point of a cloud platform is that the provider can deliver a boutique service, a bespoke answer to each customer's payroll needs without blowing up their budget," he says. "If you're evaluating a payroll provider, the combination of price and flexibility should be your first criteria."

A winning outsourcing solution

Cloud payroll platforms create substantial value, including easy reporting, self-service features, and transparent oversight. They connect the client business with the provider's payroll professionals and systems without bloating costs or losing oversight and transparency.

Every business can consider payroll outsourcing. Whether they have 20 employees, 2,000 or more, payroll outsourcing reduces costs, generates value, and uses the substantial experience of seasoned and focused payroll experts.

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