



CHOOSING THE RIGHT PAYROLL PROVIDER FOR MANUFACTURERS

CHOOSING THE RIGHT PYROLL FOR MANUFACTURERS

For manufacturing businesses looking to scale and adapt to a dynamic market environment, modern automated solutions offer significant advantages over legacy systems in terms of flexibility, scalability, and integration potential.

Let's explore how these systems function and the benefits they offer to your business.

How does automated payroll work?

Automated payroll software significantly simplifies the payroll process by efficiently managing essential tasks including calculating wages based on hours worked or salaries and processing timely payments to employees. This technology plays a crucial role in modern business environments, where it is predominantly utilized by HR, Finance, and Payroll departments. The primary aim of this software is to reduce the burden of manual administrative tasks, decrease the likelihood of errors which can arise from human handling, and streamline operations to enhance overall efficiency. By automating repetitive tasks, it allows these departments to focus on more strategic aspects of business management, thereby improving productivity and operational effectiveness.

On-premises vs cloud-based solutions

There are primarily two distinct categories of payroll software commonly utilized in modern business environments:

On-premises solutions:

This traditional type of payroll system is likely already familiar to many organizations. It involves installing and running software directly on your company's local servers and computers. This setup ensures that all sensitive payroll data remains securely housed within your physical premises. While this might provide a

sense of security and control over your data, it also necessitates ongoing maintenance and updates to ensure the system remains compliant with current regulations and accurately performs its calculations.

Cloud-based solutions:

In contrast, cloud-based payroll systems are maintained on external servers and accessed via the Internet. This configuration allows for the management of payroll activities from virtually any location, provided there is an Internet connection. This flexibility is particularly beneficial for businesses with mobile workforces or those requiring remote access capabilities. While some may have concerns about data security on cloud platforms, these systems are designed with robust security measures. However, they require less hands-on maintenance compared to on-premises solutions, as the service provider generally handles updates and compliance issues.

While on-premises software is traditionally viewed as slightly more secure due to its localized nature, it often encompasses significant upkeep responsibilities to remain current with compliance demands and computational accuracy. On the other hand, cloud-based systems offer greater operational flexibility and lower maintenance burdens, highlighting the trade-offs between the two options.

What benefits can you expect?

Significantly Reduced Manual Administration:

Automating administrative tasks within your payroll processes can dramatically reduce the amount of time your teams need to spend managing payroll activities. By employing advanced solutions like those offered by Tesseon, it's typical to see reductions in time spent on payroll by up to 80%. This transformation in process efficiency frees up your team to focus on more strategic tasks that contribute to business growth.

Improved Accuracy and Error Reduction:

Utilizing automation software significantly alleviates the stress associated with maintaining compliance with regulatory requirements. Cloud-based payroll systems are particularly beneficial as they are designed to automatically update in compliance with the latest legislation, ensuring timely and accurate report submissions. This automation not only improves compliance but reduces the potential for costly errors.

Automatic Payments to Employees and Regulators:

Comprehensive payroll solutions streamline the entire payment process, ensuring timely automatic disbursements to both employees and tax authorities. This punctuality and reliability in payments enhance employee satisfaction and prevent the risk of penalties from late or incorrect tax submissions.

Scalability of Payroll Processes:

As your business expands, so does the complexity of your payroll demands. More employees mean more data and variables to manage each month. High-quality payroll software like those developed by Tesseon is engineered to handle increasing complexity effortlessly, ensuring that payroll scalability never becomes an impediment to your business's growth.

Streamlined Year-end Reporting:

Modern, automated payroll solutions play a crucial role in simplifying year-end financial tasks. These systems are adept at managing complex year-end documentation, such as the creation of P60s and filing annual returns, making these typically cumbersome tasks more manageable and less time intensive.

Seamless Integration with Existing Software:

Modern payroll systems are built to seamlessly integrate with other corporate systems you may already be utilizing, such as time attendance trackers or accounting software. This integration capability eliminates the need for repetitive data entry, enhancing data accuracy and saving valuable time.

By incorporating these advanced features into your business operations, payroll management transitions from a labor-intensive responsibility to a streamlined, highly efficient process. This not only cuts down on administrative overhead but also enhances overall workplace efficiency and compliance.

What should you keep in mind before making your decision?

Calculations: Which to automate? How complex are they?

Calculations are typically among the initial elements of the payroll process that businesses look to automate, especially if they haven't already implemented software solutions. Automating calculations can significantly streamline operations by quickly and accurately handling complex figures like tax deductions, automatic enrolment contributions, and holiday pay—a task that becomes increasingly complex with a larger and more diverse workforce.

When considering the automation of your payroll calculations, it's essential to conduct a thorough review of all the various types of calculations your organization requires.

Here are a few calculations you may need:

- Overtime pay.
- Shift differentials.
- Bonuses and other benefits.
- Sick pay + holiday pay

Do you need to support diverse worker types and working patterns?

Supporting Diverse Worker Types and Work Patterns:

Managing payroll for a variety of employees, from shift workers to part-time staff, and accommodating different payment schedules can be complex. It's crucial to select a payroll solution adept at handling diverse employee categories and payment frequencies to ensure efficiency and compliance.

The complexity of managing various types of employee contracts and differing payroll timings can significantly affect the efficiency of your HR operations. Ensure that your chosen payroll system can effectively support diverse workforce needs, promoting operational efficiency and employee satisfaction. Rigorously evaluate potential solutions to ensure they meet these requirements, prioritizing systems designed for versatility in handling multiple worker types and payment schedules.

How high is your employee turnover?

If your organization experiences frequent employee turnover, it often leads to a higher volume of new hires and exits each period. Consequently, this churn necessitates a flexible payroll system that can readily adapt to frequent changes, ensuring your processes remain efficient and deadline compliant. Additionally, assessing the labor intensiveness involved in onboarding and offboarding employees can help you understand the efficiencies gained from a more integrated payroll solution.

Is your business split across multiple countries?

For manufacturing operations that span multiple geographic locations, managing payroll can become especially complex. An Employer of Record (EOR) could serve as an effective solution, taking on the role of legal employer across varying jurisdictions and handling all country-specific legal and regulatory obligations. Utilizing an EOR can simplify HR operations significantly, allowing you to navigate the varied legal landscapes without establishing separate HR infrastructures.

Do you have software you need to integrate with?

If your systems for HR, time tracking, or accounting are already in place, selecting a payroll solution that seamlessly integrates with these existing systems is crucial. This integration helps avoid the tedious task of manual data transfer, ensuring accuracy and consistency across all facets of business management. Selecting a highly compatible payroll solution can significantly reduce your administrative burden and streamline workflows.

How advanced are your employee benefits?

Offering comprehensive benefits such as health insurance and retirement plans adds complexity to your payroll management. You'll need a payroll system robust enough to handle these intricate details without faltering. Especially for larger enterprises, managing enhanced benefits requires sophisticated solutions that can automate and keep track of these multifaceted components with precision.

Types of services available

In payroll management, you have several options to consider. It's important to note that certain solutions are more ideally tailored to meet the specific needs of the manufacturing industry compared to others.

Modern, cloud-based payroll software

These are sophisticated, automated systems (a specialty of Tesseon):

- ✓ Quick, automated procedures
- ✓ Reduced error risk compared to other options
- ✓ Compatible with various other tools
- ✗ Support levels may differ by provider
- ✗ An EOR may be required for highly dispersed teams

All-In-One systems

All-in-ones are primarily HRIS platforms, have begun incorporating fundamental payroll capabilities:

- ✓ Simplifies payroll management for smaller teams
- ✓ Usually more affordable
- ✓ Removes the necessity to find an independent payroll service
- ✗ Often lacks flexibility and adaptability
- ✗ Ideal for small groups with simple needs

- ✗ Provides minimal support or assistance

Employers of Record (EORs)

Employers of Record (EORs):

An Employer of Record is a third-party service provider that acts as the formal employer for your workforce, commonly utilized by businesses that operate across international borders:

- ✓ Eliminates the requirement for physical premises or legal entities in various countries
- ✓ Handles complex tax regulations, currency exchange, and payroll compliance issues
- ✓ Enables your business to quickly expand its operations internationally without the burden of establishing local subsidiaries
- ✗ May experience time constraints that delay payroll adjustments
- ✗ Reduces your control over payroll management
- ✗ Not immune to errors in processing

Legacy enterprise resource planning (ERPs)

ERPs consist of sizable, well-established systems that integrate both software and services:

- ✓ Known for reliability and stability
- ✓ Offers superior support relative to numerous other options
- ✓ Typically have lower upfront costs with a one-time acquisition fee
- ✗ Scaling challenges—modifications can be intricate and expensive
- ✗ Possesses limited advanced technology; primarily provides elementary features
- ✗ Frequently antiquated and equipped with a clunky user interface

Legacy Software: What problems should you be aware of?

Legacy ERP software was once the predominant choice for many manufacturing businesses seeking comprehensive management solutions. These systems, recognized for their robust structure and established reliability, traditionally offered a sense of security to businesses accustomed to a certain operational method.

Despite their established nature, many businesses have begun to transition towards more contemporary ERP solutions that provide enhanced flexibility, scalability, and integration capabilities. This shift is largely influenced by the evolving technological landscape and the increasing demands of dynamic business environments.

Outdated Technology

Legacy ERP systems are often built on older technological frameworks, which can result in cumbersome dashboards and a lack of integration with newer technologies. These outdated systems may not only

affect the efficiency of operations but also hinder the adoption of modern digital tools that could enhance productivity and decision-making processes.

Lack of Scalability

As manufacturing businesses expand, there is a critical need for systems that can effectively manage and adapt to increased operational complexity and data volume. Legacy ERP systems frequently struggle to meet these scaling requirements without significant reinvestment or complex customization, potentially leading to disrupted workflows and increased operational costs.

Limited Flexibility

In sectors such as manufacturing, where payroll and operational demands can be particularly complex, legacy ERPs often lack the necessary agility to adapt to changes swiftly. For instance, adjusting payroll calculations on short notice can be cumbersome or even impossible with older systems, which could affect employee satisfaction and compliance.

Manual Processes

Although legacy ERPs automate several aspects of business operations, they often require significant manual intervention for tasks such as data entry and the replication of data across different system components. This dependency on manual processes not only increases the risk of errors but also demands additional labor resources, detracting from overall efficiency.

Restricted Support

Support for legacy systems can become a significant challenge as manufacturers find that software vendors may phase out updates and support for older versions of their ERP systems. This diminishing support not only jeopardizes system security and functionality but also compels businesses to either seek alternative solutions or risk operational obsolescence.

While legacy ERP systems provide a foundation of stability and reliability, the limitations in technology, scalability, flexibility, and support present compelling reasons for businesses, particularly in manufacturing, to consider upgrading to more modern ERP solutions. These modern systems are designed to handle the complexities of contemporary business environments more effectively, making them a crucial tool for growth and adaptation.

The 'best' manufacturing payroll software will depend on your specific needs and growth plans. However, unless you're a small team with straightforward requirements we'd recommend steering clear of legacy ERPs in favor of a more modern solution that can scale alongside you.