

Hybrid Payroll Solution



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In talking with hundreds of mid-sized businesses over the last several years, I've discovered that one important aspect of management decision-making remains consistent. When it comes to business management applications, they want the power of choice.

What types of choices? Well, they want business management solutions that best meet their unique needs. And, sometimes, those needs can be best met through a blend of software and services.

It's true that mid-sized business executives increasingly are taking advantage of the burgeoning number of best-of-breed service offerings. The cost of services has become more attractive as the level of competition pursuing this market opportunity grows exponentially. For these reasons, and others, mid-sized businesses are implementing services at ever-increasing rates.

At the same time, a good number of these businesses continue to keep their business management components in-house. Basic payroll processes are just such an example. Businesses that prefer in-house payroll generally point to cost, flexibility and control as their primary reasons, with the ability to create custom reports also an important issue.

Due to the advanced nature of software authoring tools, the total cost of ownership for in-house payroll systems has declined. Features and functionality for in-house payroll applications have improved, while ease-of-use has greatly

achieve a non-strategic business priority. Outsourcing the function enables them to eliminate the operating cost and tap into established industry expertise to ensure they remain compliant, while they focus on more pressing business issues.

Today's mid-sized business are benefiting from a hybrid model. They keep basic payroll processes in-house, but contract with an outside service for payroll tax compliance.

A FEW EXAMPLES

Bistro Management, a family-owned restaurant holding company based in Cincinnati, employs approximately 4,000 people in four states and 40 locations. The company brought payroll in-house almost four years ago. Heather Simmons, payroll manager, believes Bistro can offer better payroll service to its employees by keeping the process in-house. "Cost is a big factor, too," she said.

As far as payroll tax compliance, Bistro files taxes in more than 20 localities. "We don't have the employees or the resources to handle the payroll taxes in-house at this time," Simmons said. "Managing that aspect of payroll processing on our own would require us to hire a full-time employee. Our vendor meets our needs by providing online access to view our tax liabilities and quality reports."

Employing people in six states, Medina, Ohio-based Root Candles migrated from outsourced to in-house payroll in 2001. "We wanted more control over processing, plus we often need to cut on-demand checks, and that's much easier to do with in-house payroll," said Charles Parsons, assistant treasurer.

Another in-house payroll advantage for Root is access to reports. "We have more control over reporting," Parsons said. "We can run reports at will, and information is always at our fingertips. For us, it's a lot more flexible this way."

Root once handled payroll tax compliance in-house, but moved it outside when they started outsourcing payroll. Although the company brought payroll processing back in-house, they wanted to keep outsourcing the tax-filing process. "Staying in compliance is trickier when it comes to tax filing," Parsons said. "There are so many different rules and regulations, and things change constantly. We'd rather let an experienced vendor take care of that."

It's an exciting time in the area of payroll. Mid-sized businesses that prefer in-house payroll can have the best of both worlds when they take advantage of a hybrid commercial-software-service provider model to meet their specialized business management needs. **B&S**

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improved. Plus, software and hardware costs have declined dramatically over the last five years, making in-house applications more attractive.

That said, payroll tax processing remains the single most difficult and expensive task associated with the payroll function, especially for mid-sized business operating in multiple states and localities. Payroll tax compliance requires labor for both preparation and research of ever-changing tax laws and filing requirements. Costs associated with these tasks are climbing, but without them, companies risk having to pay costly penalties.

In addition, when payroll tax filing is handled in-house, companies are forced to assign human capital resources to