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Everest: Multi-Country Payroll Outsourcing an Increasing Trend for Large Multinational Companies

MCPO Leveraged To Manage International Payrolls and Achieve Significant Cost-Reduction

Press release

DALLAS and GURGAON, May 19, 2009 – Outsourcing of some or all payroll sub-processes in two or more countries is an increasing trend for large multinational companies seeking cost reductions in the current economy as well as other benefits, according to a new study by the [Everest Research Institute](#). The past year has seen a noticeable growth in interest in tackling global payroll challenges that historically plagued enterprises. Among the buyers of outsourced payroll solutions, 44 percent of buyers took a global approach during the 2007-2008 timeframe analyzed by the Institute as compared to just 35 percent from 2003 to 2006.

Buyers are achieving 10-20 percent direct cost savings and, in some cases, savings of more than 30 percent, according to the Institute's study, [HRO Market Update: Multi-Country Payroll Outsourcing \(MCPO\): A New Approach to an Old Problem](#). While manufacturing continues to remain the leading adopter of MCPO, the financial services sector remains the second leading adopter despite a slowdown in decision making processes due to the economic crisis.

"MCPO enables North America-headquartered companies a strategic option in managing non-North American payroll requirements," said [Katrina Menzigan](#), Vice President, Everest Research Institute. "Historically, multiple challenges restricted MCPO adoption, but adoption is rising due to increased maturity of suppliers, availability of innovative technology solutions and multiple delivery options."

The study analyzes MCPO across dimensions that include market overview and key business drivers, buyer adoption, solution and transaction characteristics and supplier landscape.

Other high-level insights from the in-depth analysis include:

- 66 percent of MCPO deals cover four or more buyer countries
- Companies find MCPO an especially attractive option for addressing issues of complexity in the Asia Pacific and EMEA regions
- Three dominant technology models prevail, with 76 percent of engagements leveraging an integrated hybrid technology solution
- Most buyers prefer variable pricing models and phased-in implementation in contracts
- Supplier co-opetition is prevalent throughout the market, with partnerships forming key components of solution strategies
- Only a few suppliers have the capability to cover a high number of countries in each region
- Since 2007, offshore suppliers that combine ERP capabilities with a global sourcing delivery have entered the market – and more suppliers are expected to emerge this year

"Suppliers must continue to offer MCPO solutions that leverage buyers' existing investments and can be implemented quickly to meet companies' needs to cut costs in the current economy," said [Rajesh Ranjan](#), Research Director, HRO. "Partnerships are important to suppliers that seek to strengthen and broaden their service offerings, which will be important as new suppliers enter the market and compete for market share."

Media contacts

The Point Group – America & Europe

Scott Tims

Office: +1-214-378-7970 x278

Mobile: +1-214-957-6785

stims@thepointgroup.com

Martha Cook

Office: +1-214-378-7970 x240

mcook@thepointgroup.com

R&PM: Edelman – Asia

Puneet Khunger

Office: +91-11-2332-0116

Mobile: +91-98101-91409

puneet.khunger@edelman.com

Priyangshu Dutta

Office: +91-11-2332-0116

Mobile: +91-981804-4248

priyangshu.dutta@edelman.com

To read an extract of the [HRO Market Update: Multi-Country Payroll Outsourcing: A New Approach to an Old Problem](#), purchase the report, or inquire about other research services, please visit www.everestresearchinstitute.com, email info@everestresearchinstitute.com, or call +1-214-451-3110.

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The Institute addresses both business process and information technology sourcing topics, providing the global outsourcing and offshoring community with information that empowers highly productive, sustainable sourcing strategies and relationships. The Institute's wealth of knowledge and experience provides unique perspectives into today's marketplace and the competitive edge required to take advantage of emerging opportunities.

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