

Mitigating the Risk of Rapid Company Growth on HR and Payroll

When an organization has the opportunity to greatly expand operations through rapid hiring or a strategic acquisition, senior management is likely more focused on “other things” than HR and Payroll. Yet, successfully onboarding and correctly paying those new employees is a critical factor in overall success.

As consultants, there are times when we are brought in to “fix messes” caused when an organization was unprepared or made poor choices at critical times. Here are our suggestions to help you prepare so you can avoid costly mistakes that can happen when decisions are made too quickly and while navigating new or uncertain territory.

Capacity

More employees generally mean more work for HR and Payroll. Proactively hiring and training for these positions reduces the stress and potential for burnout or errors from overstretching the current team. Outside assistance could handle some day-to-day tasks, adding capacity for your team to handle the more complex work. If significant upfront project work is anticipated (such as for an acquisition), consultants can bring added expertise and tools.

Knowledge

Expanded operations may mean entering into new geography. Within the U.S., each state and, potentially, locality, may have its own set of nuanced regulations. Anyone entering into business in California for the first time can share how eye-opening that experience turned out to be! And new regulations are regularly added. For instance, effective July 1, California has a mandatory sick leave law and Massachusetts is implementing a similar law on the same date. Surprisingly, many cities already have sick leave laws in place, which employers must honor. Look out if you are moving into East Orange, Irvington, or Jersey City, New Jersey!

Opening operations in another country likewise requires specific knowledge of the rules for mandatory registrations, pay calculations, awarding time off, pay slip details, and remitting taxes, just to name a few. In Canada, provincial differences exist around eligibility and pay for holidays, bereavement, compassionate care, jury duty, sick time, and maternity. In Mexico, if an employee is terminated without cause, they are entitled to severance of three months’ pay plus 20 days for each year of service.

Your company's payroll knowledge and understanding of state, local, and country requirements may prevent costly missteps.

Processes and Automation

Thoughtful review of each employee- or manager-centric process involved in expanding operations and adding employees will allow you to identify streamlining opportunities. Your HR/Payroll system is a critical component. Partner with your vendor or a knowledgeable consultant to take advantage of unused system features, or to learn how your company can benefit from additional configuration and system optimization. Taking the time for this review in anticipation of future growth allows planning for implementing and testing these changes.

Acquisition Considerations

Every acquisition with which we have been involved shared several common characteristics and critical decision points. By far, timing is the most critical factor and is generally completely out of HR and Payroll's control. Typically, a Transition Services Agreement (TSA) is in place to continue paying the transferring employees for a period of time— perhaps 60 to 90 days. That is not very much time for the acquiring organization to be ready to assume this responsibility.

Certain decisions made at this point critically impact how smoothly this transition occurs.

Because so many other changes are occurring, we see organizations want to “keep the employees whole” and decide to extend all current pay and time off policies, continue current benefit options, and match pay dates and pay periods even when nothing aligns with their current operation. While this may seem to be easier, it is actually much riskier than migrating employees to existing policies, plans, and pay cycles. The individuals have a new employer and this kind of change should not be unexpected, even in a union environment. HR becomes responsible for matching policies as much as possible, determining the change impact, and communicating to employees.

The data conversion and transformation efforts needed to map the acquired company's values to yours is fairly straightforward. And, all of the configuration, including carrier feeds and other interfaces are already in place. Modifying your system to handle a completely different set of requirements within the tight timeframe dictated by most acquisitions presents considerable risk and a significant unnecessary burden on resources.

Times of rapid growth are very exciting. They are also very stressful for everyone involved. Because retaining the new employees is crucial, HR and Payroll play a critical role in the overall success. Identifying strategies to mitigate risks and support a smooth operational transition can coexist with the overall organizational growth and profitability goals.

