



| Future readiness report

How prepared is your business for the future of global payroll?

Uncover what it takes to be payroll-ready in a changing world, and find tailored insights backed by industry research and expert knowledge.

For midsize businesses



Contents



Introduction	3
Our research and methodology	4
Payroll modernization: a midsize business readiness snapshot	5
Section 1: Technology adoption readiness	8
Section 2: Cybersecurity readiness	13
Section 3: Compliance readiness	17
Conclusion: from perceived readiness to proven readiness	20



Introduction

It's a changing world out there - and payroll is no exception.

Payroll is undergoing its biggest modernization in a generation, with automation, artificial intelligence, and APIs all becoming established as core payroll technologies that deliver key advantages to savvy adopters. So much so, that the question is no longer whether you should modernize payroll operations or not - it's whether you're ready to do so.

We've conducted detailed research engaging 200 finance, payroll and HR leaders from around the world, and uncovered a startling truth: confidence in future payroll readiness doesn't match up to the size of the practical challenge of achieving it. And while midsize organizations are suffering in particular, enterprises are also finding it difficult to follow up on their aspirations to modernize.

There's no time to lose in addressing this confidence gap. Cybersecurity threats are

evolving and strengthening. Regulatory demands are accelerating. Cost pressures are mounting. And all this means that margins for error are shrinking all the time, and potentially leaving vulnerabilities that businesses like yours may not spot until it's too late.

At CloudPay, we believe the best way forward for future readiness is strength across three key pillars: technology adoption, cybersecurity, and compliance. All should be addressed together, as weakness in any of them will compromise the strength of your core operations.

In this guide, we'll establish the size of the confidence gap, explore the areas where the vulnerabilities lie for those at the biggest risk, and give you practical, actionable advice on how you can move from perceived readiness to proven readiness.



Our research and methodology

To capture a snapshot of technology adoption, expertise, and future readiness in global payroll, CloudPay conducted comprehensive research with 200 senior decision-makers at multi-national midsize and enterprise organizations. All respondents submitted their views between September 8-24 2025.



Our respondents in numbers

200 respondents worldwide,
all at organizations operating
in at least 2 territories

83 from midsize organizations
(headcount of 150-999)

117 from enterprise organizations
(headcount of 1000+)



Our respondents by job profile

32% from HR

32% from payroll

36% from finance



Our respondents by location

32% North America

25.5% Europe

23% Asia-Pacific

19.5% United Kingdom

We asked these respondents a variety of quantitative questions on a range of key payroll issues, measuring responses on scales of importance, confidence, and satisfaction. Equipped with the results, our experienced specialists in product, engineering, compliance, and security have analyzed the findings to establish data-driven insights on the current state of play.

From these insights, we've been able to deliver practical advice and expertise on where and how organizations like yours can improve their readiness.



Payroll modernization: a midsize business readiness snapshot

Many payroll leaders feel that their organizations are largely ready for the future, whether that's in technology adoption, cybersecurity resilience, or compliance adaptability. And they recognize that payroll modernization can deliver value, with only 3% expressing ROI concerns around modernization, and only 7% satisfied with their current costs and processes.

However, while enterprises have been more able to follow up on their confidence and positivity by taking the right steps towards readiness, midsize organizations are struggling to deliver on those same aspirations.

3%

Expressing ROI concerns
around modernization

7%

Satisfied with their current
costs and processes



Automation, AI, and APIs: the uneven path to payroll modernization

The headline figures around modern payroll technology adoption readiness look good for midsize organizations. Those who are “very ready” or “somewhat ready” number between 84% and 94% across all the key technologies that make up the ‘three As’: automation, AI, and APIs. But deeper analysis tells the true story.

There’s a significant gap between midsize and enterprise companies in being “very ready” with automation and AI. On the other hand, midsize businesses are actually ahead of enterprises on API readiness, which suggests greater levels of flexibility and openness to integrations. This is in no small part down to their comparatively smaller (and therefore less complicated) IT estates, allied to a generally more agile mindset and structure, where it’s faster and easier to get the green light to make changes.

However, this confidence doesn’t reflect the actions and priorities we uncovered among midsize organizations:

- Only 30% are actively investing in payroll modernization for cost efficiency
- 24% still rely on manual or limited approaches to cost forecasting
- 35% say budget limitations are holding their modernization plans back

It’s likely that many of those growing firms that are only “somewhat ready” are struggling to turn vision into reality, and as a result, they risk being left behind in an increasingly automated landscape.

Proportion of businesses that are “very ready” to adopt key payroll technologies

Automation: enterprise 60%, midsize 55%

AI: enterprise 56%, midsize 43%

APIs: enterprise 36%, midsize 42%



Cybersecurity: surface confidence hides deeper concerns

The picture around cybersecurity is similar to that of technology adoption. While 89% of midsize firms have expressed at least some confidence around protecting payroll data, only 37% went as far as saying that they're "very confident". This is despite the fact that data security and cyber threats are the biggest payroll tech concern for businesses of all sizes (31% of midsize, 36% of enterprise).

As Tim Grieveson, CloudPay's Chief Security & Risk Officer, notes: "The biggest threats to payroll specifically are cyber threats, insider fraud and human error. Threat actors are obviously interested in payroll data because it leads them to identity and financial theft."

The combination of feeling confident and recognizing security vulnerability indicates that, for many midsize firms, there may be scope to strengthen security resilience and increase cybersecurity standards.

Compliance: midsize businesses show greater uncertainty

Only 34% of midsize firms feel "very confident" in adapting to regulatory changes, while as many as 16% say they are "not very confident".

For enterprises, these figures come in at 45% and 10% respectively, underlining greater uncertainty for smaller organizations.

Businesses have access to compliance information and support from multiple sources, and the spread of sources used by midsize organizations is sizable. However, given they have smaller teams, it could be argued that this spread is too wide, as fragmented information can make it harder for resource-strapped teams to effectively coordinate a compliance strategy.

What does this mean for midsize organizations?

It's clear that enterprises are more assured in their capabilities, but often move and adopt more slowly. The opposite is true for growing businesses: they're better able to embrace agility and openness, but face greater uncertainty around security and compliance, especially when they lack the in-house capacity and expertise to deliver on their modernization goals.

In the next three chapters, we'll explore how to bridge the gaps between perceived readiness and proven readiness across technology adoption, cybersecurity, and compliance.

Did you know?

Only 2% of midsize organizations expressed concerns around the ROI of payroll tech modernization, and yet only 30% are actively investing. This gap between vision and action is a challenge for midsize businesses - but also an opportunity.

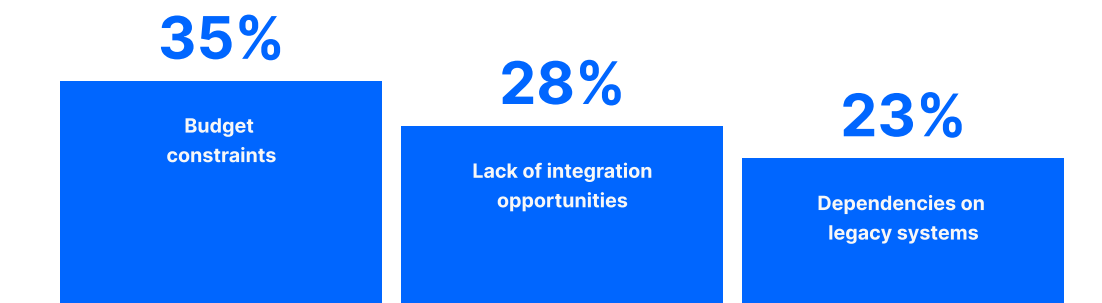


Section 1: Technology adoption readiness

As we explored in the previous section, midsize firms have several reasons for struggling with technology adoption. Some 35% cite budget constraints, 28% a lack of integration opportunities, and 23% dependencies on legacy systems.

We also found that midsize organizations are much more confident with automation – where 55% say they’re “very ready” for adoption – than they are for AI (43%) or APIs (42%).

In this chapter, we’ll establish what true readiness should look like for midsize organizations across all three of these cornerstone technologies.



Automation: the foundation



The challenge

For growing organizations, the challenge of automation lies in scale and governance. Smaller teams risk over-automating without strong exception handling, which can lead to mistakes being exacerbated. When 95% of tasks are automated, the 5% of exceptions need careful human oversight. As Sammy Molinaro, CloudPay's Director of Solutions Consulting, explains: "Automation is powerful, but mid-sized businesses must be strategic – each new option brings both opportunity and potential risk."



The opportunity

Some 55% of midsize firms say automation is their biggest opportunity for cost reduction, which can be achieved through shorter payroll cycles, reduced manual input, and resources redirected from operational overheads to strategic initiatives. The CloudPay approach of automating high-volume, repetitive processes first before expanding to more complex workflows can help deliver quick value for growing firms on tight budgets.

What true automation readiness requires

1. Clear process mapping pre-deployment
2. Strong exception handling protocols
3. Staff training on automated system management and intervention
4. Phased implementation that proves value incrementally

"These feel like micro-gains when we're discussing them, but they add up very quickly in the complex web of system architecture that supports global payroll."

Sammy Molinaro,
Director of Solutions Consulting, CloudPay



AI: augmenting human expertise



The challenge

A lack of in-house AI expertise or careful planning can hinder the reliable deployment of and create understandable fear surrounding AI tools. This is perhaps why more midsize organizations are concerned about over-reliance on AI (19%) than about AI replacing human expertise (8%): they value the human skills needed to manage situations when systems fail.



The opportunity

AI can shift teams from repetitive tasks to strategic roles that reinforce employees' value to an organization. This is because AI can reduce manual effort in data conversion, highlight anomalies, and move payroll teams away from processing and towards analysis.

What true AI readiness requires

1. Starting with lower-risk pilots in back-office tasks like data validation
2. Keeping humans firmly in the loop for all critical decisions
3. Using proprietary, secured AI models rather than public tools to protect sensitive payroll data
4. Training teams to understand and validate AI outputs

We recommend deploying AI strategically across four areas:

1. **Efficiency and accuracy:** OCR and AI models that scan and split complex documents, in conjunction with human oversight, to reduce error rates from one in 1000 to near-zero
2. **Predictive analytics:** analysis of historical salary data, turnover patterns, and seasonal fluctuations to forecast future payroll costs and enable proactive workforce planning
3. **Instant answers:** an AI-powered knowledge base that aggregates common payroll questions and answers, enabling automated responses to employee queries and freeing payroll teams from repetitive support tasks
4. **Security and compliance:** real-time analysis to detect fraud through unusual patterns, duplicate payments, and abnormal salary changes

APIs: integration as a competitive advantage



The challenge

With only 42% of midsize organizations “very ready” for APIs, and 28% citing a lack of integration skills as an obstacle to modernization, organizational maturity is the core challenge here. Many growing organizations adopt new systems faster than they can be integrated, leaving data in silos.

“There’s a plethora of solutions that are out there in the market, all with different protocols... You need to start by adopting a set of standards.”

Pedro Bravo, CloudPay’s
Senior Director of
Engineering, CloudPay



The opportunity

APIs can be especially beneficial for midsize agility, thanks to real-time connections between payroll, HR and finance that remove the time lag of traditional file-based transfers and ensure a single source of truth for payroll data. This aligns well with midsize organizations’ capability to leapfrog enterprise inertia and embed new technology quickly, thanks to closer relationships between systems and departments.

For example, CloudPay’s five-star certification with the Workday HCM includes standardized, secure API connections that are easy to implement, and facilitate:

- Seamless, bi-directional data exchange
- Real-time payroll status and cost visibility
- Automated workflows that trigger across systems
- Reduced manual data entry, and therefore reduced error rates

What true API readiness requires

1. Auditing the current tech stack for integration gaps
2. Adopting REST API standards rather than maintaining legacy file-based transfers
3. Selecting payroll providers with robust, diverse, and secure API offerings
4. Partnering with vendors who provide “high-touch” implementation support that bridges the integration skills gap



The financial case for the ‘three As’

Where these technologies can drive the biggest financial benefit is when they’re viewed as an integrated ecosystem rather than in isolation. As Sivan Golov, CloudPay’s AI Strategist and VP of Product, highlights, these technologies work together in layers: “Automation reduces manual work and human error, APIs standardize how data moves between systems, and AI sits on top to provide the intelligence.”



Investing in digital skills

for payroll leaders, so they can evaluate and guide technology decisions



Proving value through controlled pilots

before gradually expanding towards a wider transformation



Partnering with vendors

who can provide the integration expertise and implementation support that leaner teams often lack

“Together, the three As create a closed-loop system that is scalable, data-driven, and continuously improving.”

Pedro Bravo,
CloudPay’s Senior Director of Engineering, CloudPay

In which areas do midsize organizations expect to generate cost savings through payroll technology modernization?

55% Automation

42% Process simplification

40% Workforce reallocation

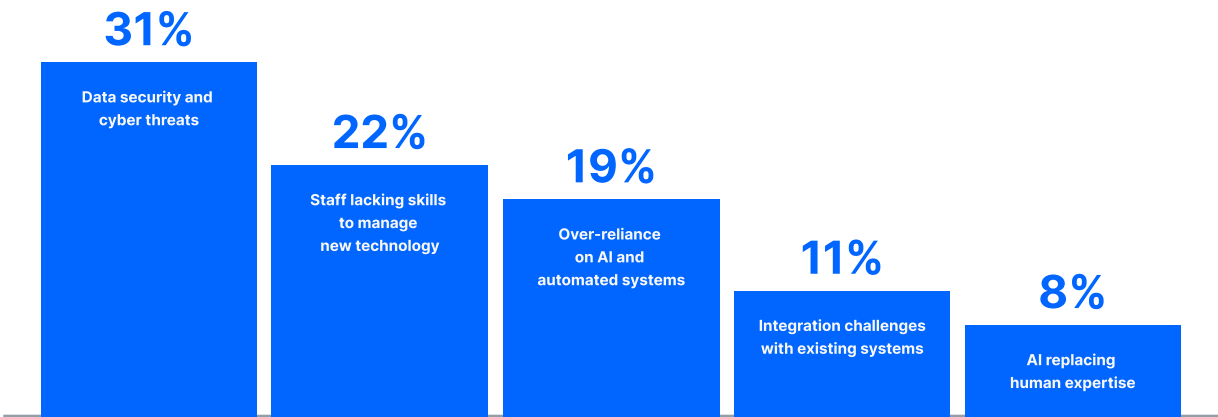
36% Cross-system integration

NB: multiple responses were permitted



Section 2: Cybersecurity readiness

Midsized organizations recognize that data security and cyber threats are their biggest risk: 31% of them cited it as their biggest concern, more than any other. But only 37% of them say they are very confident in their ability to protect payroll data, which is concerning, given the risk of both internal and external threats causing breaches and major financial loss.



Exacerbating the issue is the constant increase in the number, scale, and sophistication of attacks. Not only must lean teams defend against known threats like phishing, ransomware, and malware, but they will also need to cover emerging threats such as:



Deepfake-driven fraud

Voice, video, or text impersonation of executives or employees to authorize fraudulent payments



API abuse

Poorly-secured API endpoints used by attackers as entry points



Supply chain attacks

Targeting vulnerabilities in third-party vendors and payroll integrations



Social engineering

Phishing attempts that leverage realistic-looking AI-generated content

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Quantum decryption

An emerging threat using advanced technology that could, within three to five years, break current encryption standards

“We’re at risk of our data being accessed now, and very soon we’ll be at risk of the current encryption standards that have protected that data being broken very easily.”

Sammy Molinaro,
Director of Solutions
Consulting, CloudPay



The challenge

Many of the high-profile cybersecurity breaches worldwide in 2025, such as Jaguar Land Rover's, which led to prolonged factory shutdowns in the UK and Europe, underline how security failures can lead to major operational crises.

Mid-market teams tend to be leaner than enterprise equivalents. This means they often lack resources to keep pace with emerging threats.

Resources required for dealing with cyber threats:

- Dedicated cybersecurity specialists focused on payroll systems
- Resources for continuous threat monitoring and assessment
- Capacity to rapidly respond to and recover from incidents
- Expertise to evaluate vendor security standards



The opportunity

Modern, cloud-native payroll systems are the most efficient way for midsize organizations to bolster their security. That's because they often come with enterprise-grade protections: the best providers will offer encryption, tokenization, anomaly detection, and zero-trust access controls as standard.

Security-focused providers will also be able to deliver:

- A security-aware culture that embeds best practices throughout an organization, and with clients
- Proactive threat monitoring that constantly assesses and addresses vulnerabilities
- Rigorous due diligence on the security of service providers and across the supply chain
- Regular simulated drills and clear incident response protocols



However, technology is only one part of the story. People and processes are just as important in maintaining a secure culture, especially with younger payroll professionals who may lack the experience with traditional payroll mechanics to spot anomalies or validate automated outputs. And in any case, formal cybersecurity training for payroll professionals in midsize businesses is relatively rare.

For this reason, any security technology should be dovetailed with foundational payroll security knowledge for all staff; digital skills training across APIs, automation, and their risk profiles; and wider security awareness encompassing phishing, social engineering, and unusual activity.

What true cybersecurity readiness requires

1. A partner with embedded protections and security built into the core payroll platform
2. Support and planning for emerging threats, such as quantum decryption
3. Regular security training so that teams can spot anomalies and potential fraud
4. Continuous monitoring, stress-test processes, and rapid incident response
5. Service partners that meet robust security certifications like ISO 27001 and SOC 2 Type II

“It’s about making sure that security is not just a compliance tickbox, but that it enables the business to do the business that customers expect, in a safe and secure manner.”

**Tim Grieveson, Chief
Security & Risk Officer, CloudPay**



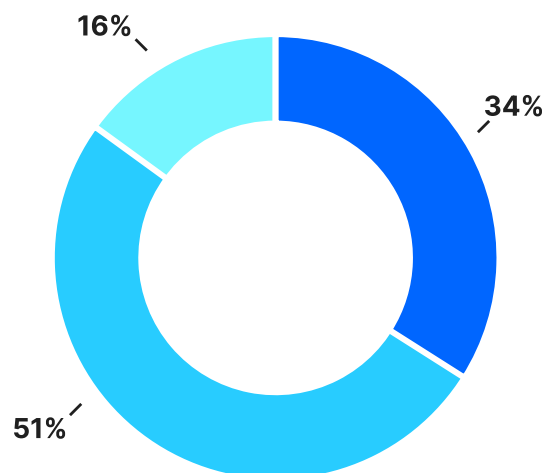
Section 3: Compliance readiness

Amid an international landscape of increasingly intricate and swift regulatory shifts, midsize organizations don't share the same confidence of enterprise firms in adapting to compliance change. Only 34% say they are "very confident" they can adapt (against 45% of enterprises), while 16% say they are "not very confident" (compared to only 10% enterprises).

This lack of confidence is important, due to the severe consequences of compliance failures: fines, operational disruption, reputational damage, and even the inability to pay employees in full and on time.

Midsize business confidence in adapting to regulatory change

- Very confident
- Somewhat confident
- Not very confident





The challenge

The key challenges for midsize organizations here lie in volume, velocity, and fragmentation. The first two of these can be considered together: there are a huge number of payroll regulations in different territories to comply with, and many of them are subject to change on a very regular basis. Given that 35% of our midsize business respondents operate

“Having that level of compliance expertise within a business is quite difficult. Unless there’s dedication to having it internally, it’s very difficult to establish that level of knowledge without having been in the payroll industry for a long time.”

Emma Hunter,
Director of Compliance
& Group MLRO, CloudPay

in six territories or more, managing a broad international footprint with a relatively lean team can quickly become a major burden.

Recent examples of significant regulations include (and are by no means limited to) the EU directive on gender pay gap reporting, including different implementations in different member states; real-time information reporting in the United Kingdom; emerging data protection requirements in Brazil; and a vast array of state-specific regulations in the United States.

Additionally, many of these new compliance requirements take effect on short notice. As Emma Hunter, CloudPay’s Director of Compliance & Group MLRO, explains: “In the UK, for example, the authorities expect all companies that do payroll to align to a change within three months, which is a very short time to align the technology.”

Making this job even harder is that, while 57% of enterprises rely on payroll providers to keep them updated with compliance changes, midsize organizations take a more fragmented approach across many different sources. These can be highly variable in quality, format,

Which sources of compliance information are used by midsize organizations?

45% Payroll provider updates and alerts

42% Government websites and official publications

36% Legal and compliance advisors and consultants

34% Industry publications and events

28% Professional associations and industry bodies

NB: multiple responses were permitted



The opportunity

The best way forward for midsize organizations that are limited in resources is a combination of technology that automates compliance monitoring and up-to-date human expertise, delivered by a trusted service provider.

Together, they will be able to deliver:

- **Centralized compliance infrastructure:** covering all operating markets and tracking all changes from a single platform
- **Coordinated, in-country expertise:** where service partners in each region provide their own global insights to a central team, which turns that into actionable, centralized guidance
- **Proactive change management:** identifying trends and updating systems globally, by following an agreed protocol, rather than reacting to individual regulatory changes
- **Centralized, auditable data:** a single source of truth for payroll data that can be made immediately available for audits or when rapid incident response is needed

Beyond regulatory compliance

Modern compliance isn't just about meeting the requirements of today - it's about having the tools and support in place to adapt to the unexpected demands of tomorrow.

This covers three key areas:

- **Operational resilience:** alternative card rails that keep payments running if banking infrastructure fails; business continuity planning and backup systems; and incident response readiness with clear notification procedures
- **Data privacy:** meeting a range of frameworks such as GDPR, CCPA, and emerging frameworks in Brazil and other markets, utilizing certified processes for data minimization, purpose limitation, encryption, security, access controls, audit trails, and breach notification
- **AI compliance:** the EU AI Act and similar frameworks are increasing requirements around transparency, human oversight, safeguards against bias, and clear accountability when AI tools make errors

What true automation readiness requires

1. Centralized compliance oversight
2. Automated audit trails for every payroll action
3. Providers embedded as strategic partners in compliance management
4. Access to in-country expertise and legal interpretation skills
5. Proactive testing of operational resilience
6. Systems that can deliver compliance data on demand
7. Technical change management to update systems and processes

Conclusion: from perceived readiness to proven readiness



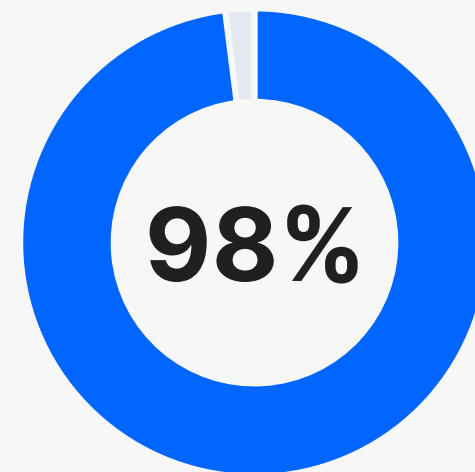
Our research highlighted clear gaps between the perception of future payroll readiness and proven capability for midsize firms. But that isn't to say that organizations like yours don't have advantages they can exploit over enterprise competitors.

Midsize businesses like yours can make faster implementation decisions thanks to fewer layers of approval; aren't held back by legacy systems and processes; and have a greater motivation to optimize, modernize and integrate, supported by a higher readiness for APIs.

We've also established that midsize firms recognize the potential of payroll modernization: only 2% are in any doubt that the ROI is there. The key is to address the practical barriers of budget constraints, skills gaps, and complex compliance challenges.

"I think midsize businesses will likely actually come out ahead and will be the trailblazers. They can move today."

Sammy Molinaro,
Director of Solutions Consulting, CloudPay



of midsize firms already know the ROI is there

CloudPay's approach: the 'three A's, combined with expertise

A strategic payroll partner like CloudPay can deliver the perfect blend of expertise, infrastructure, and support. Our cost-effective approach for midsize organizations brings all the key functions of future payroll readiness together, in a comprehensive out-of-the-box solution, designed with scalability and simplification for midsize businesses front and center:



Technology foundation

A unified global payroll platform with fully integrated automation, AI, and APIs



Expert implementation

"High-touch" implementation support that is proactive, hands-on, and bridges the skills gap growing organizations face with integration



Built-in security and compliance

Enterprise-grade security (ISO 27001, SOC 2 Type II) and embedded compliance expertise across all operating markets - capabilities that would be impossible for smaller teams to build internally



Continuous partnership

Ongoing support that ensures technology always delivers value as your business and the regulatory landscape evolve



Key takeaways for midsize business leaders



Assess your true readiness, not just confidence levels

- Evaluate actual capabilities across technology, security, and compliance
- Identify specific gaps between the current position and the overall goal
- Prioritize areas that present the greatest risk or opportunity



Don't let budget constraints delay necessary modernization

- The cost of inaction often exceeds the cost of investment
- Phased implementation proves ROI quickly, funding further transformation
- Strategic partners' expertise and efficiency can reduce implementation costs



Recognize that integration skills are make-or-break

- 28% of midsize organizations cite skills gaps as their primary obstacle
- Partner selection should prioritize implementation support, not just technology features
- Look for “high-touch” providers who bridge the gap between your team's capabilities and what's required





Approach the ‘three As’ as an integrated capability, not individual tools

- Automation, AI, and APIs work best when deployed together
- Piecemeal implementation limits their value
- Unified platforms reduce integration burden and accelerate time-to-value



Leverage your agility

- Midsize organizations can move faster when properly supported
- Use your flexibility to pilot new approaches and prove value quickly
- Don’t wait for perfect conditions - learn and adapt as you go



Make security and compliance proactive

- Build incident response plans before incidents occur
- Partner with providers already preparing for emerging threats such as quantum decryption and deepfakes
- Ensure operational resilience through alternative payment methods and business continuity planning

Ready to turn readiness into reality?

Future readiness in payroll isn’t a destination - it’s an ongoing journey. By combining your natural agility with the right strategic partnerships, you can effectively compete with - and potentially differentiate from - enterprise competitors.

CloudPay’s team of experts can help you assess your current capabilities, identify priority areas for improvement, and build a roadmap for proven future payroll readiness.

Ready for readiness?

[Let’s start the conversation](#)



The High-Performance Payroll People

Managing global payroll and payments is complex. Organizations are often held back by a disconnected mess of vendors and systems – leading to errors, delays and visibility gaps. For payroll, finance, and HR teams, this means constant frustrations, lost time, higher costs, and serious compliance risk consequences.

CloudPay offers a very different approach.

Since 2006, we've reimaged global pay from the ground up. Our intelligent and powerful ecosystem – refined through decades of innovation and experience – brings together everything you need for the ultimate end-to-end pay solution: unified payroll and payments; deep HCM integrations; efficient automations; comprehensive managed service support; in-country expertise; worldwide coverage with deep local knowledge; and real-time global data with predictive analytics.

Behind it all, it's the people powering your pay that truly sets CloudPay apart. From day one, our teams of experienced service experts are there to guide you every step of the way, with tailored and agile support – from unrivalled implementation readiness for rapid and seamless onboarding, to deep compliance expertise to keep you ahead of ever-changing legislative requirements.

Over the last 20 years we have been perfecting our relationships with the world's best HCM platforms, payments providers and country payroll experts – so you can be assured of the best performance and expertise, tailored to your needs.

What does this mean for you?

Powerful automated technology that connects with your existing systems, cuts out manual errors and gives you time back. Personalized agile service from friendly and experienced experts, for a fully supported and continuously improved end-to-end pay process. Easy access to all the local on-the-ground expertise and support you need, wherever you operate around the world. And, ultimately, your people, paid. On time. Every time.

We don't just process payroll. We elevate it. We are the High-Performance Payroll People.

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