Payroll Metrics and Best Practices: The Art and Science of An Effective Strategy
Felicia Cheek – Global Time to Pay Advisory Program
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Meet Your Hackett Presenter

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Global Time to Pay Advisory Program
Program Leader
Ms. Cheek has primary responsibility for advisory services as well as setting the agenda for research for the Global Time to Pay Advisory Program. She works closely with Finance, Shared Services and HR professionals who own the payroll process. Ms. Cheek is currently responsible for setting the agenda and research for Lennox, Siemens, and global publications in payroll, Finance and IT. Ms. Cheek also a frequent presenter at forums around the globe. Her areas of expertise include real-world examples of best practices in payroll, trends in global payroll, the development of the Global Time to Pay Scorecard, and the best practices that shape it. She is the author of 2009 Payroll Top 10 and 2010's 20 Payroll Top 10. Ms. Cheek has been a member of the American Payroll Association and the Global Payroll Association, where she serves a monthly column. Ms. Cheek has been consulting and advising companies in the HR, Payroll and Benefits space for almost 30 years in her roles at Xerox, Time Warner and ADP.

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Today’s Agenda

- Your Payroll Scorecard
- Deciding What to Measure
- What People Want to See
- Open Discussion
What Does Your Scorecard Say About Payroll?

- Does it tell your story?
- Can it be used to support broader enterprise wide decisions?
- Does it support the vision statement?
- Does it support enterprise wide goals and objectives?

If you answered “No” to any of the questions, you have joined the right discussion

Today we will discuss:

- How to determine what to measure
- How to communicate not only root cause for payroll mishaps, but organizational impact
- How to identify and communicate processes and activities across the enterprise contributing to the quality of the payroll
- How to articulate payroll's role in achieving the broader organization vision

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Who is the Potential Audience and What Do They Really Want to Know?

- CFO might want to know data and insight that may impact financial reporting... overpayments
- CHRO might want to know how payroll aligns with the vision for the workforce... employee experience
- Legal and/or Risk Management might want to know where there may be compliance issues
- Labor Relations may want to know more about issues and/or activities that may be included in union negotiations

Information – Focus on What’s Important to the Broader Organization

- Total Employees Paid
- Total Payroll $’s
  - Regular $’s
  - Overtime $’s
    - Primary Reason For O/T
  - Productive Hours vs Non Productive Hours
    - Primary Reason For Non Productive Hours

Time Reporting – Primary Source of Payroll for Positive Pay Employees

- % Errors Resulting from Time Reporting
- % of Payroll Adjustments due to late time entry
- % of Payroll Adjustments due to late manager approval
- % of Payroll Adjustments due to incorrect time
- Root Cause of Errors
  - Incorrect Regular Hours
  - Overtime Hours
  - Sick Hours
  - Leave/Vacation Hours
  - Holiday
  - Pay Rates
  - Rounding Errors
  - Missing Time
  - Termination
  - Other
Compliance – Payroll plays a major role in ensuring SOX and Wage & Hour compliance across the enterprise

- Wage & Hour Audits – Target for year, actual completion
- Multistate Taxation Errors
- Tax Penalties
- Incorrect Tax Filings
- After Reporting Period Adjustments (prior quarter/year)
- % Vendor SOX compliance

Talent Management – Payroll is changing but resources are not being trained to adapt to the new environment

- % Skills Assessments Complete
- % Training and Development Plans Created From Skills Assessments
- % Training and Development Plans in Progress
- % Training and Development Plans Complete
- % Succession Plans in place for Key Positions
- % Succession Plans identified for Key Positions

Productivity – Very Dependent on the Service Delivery Model, Complexity, Culture and various other factors

- % Transactions Entered through Employee Self Service
- % Transactions Entered through Manager Self Service
- # of Manual Payroll Processes

* Traditional measures like Employees Paid/Payroll FTE and Payslips/Payroll FTE need to be adjusted to fit your environment
Automation – Efforts should focus on the process, and include all tasks required to complete the activity

- Electronic Payment Distribution Rate
- Electronic Year End Statements
- Electronic Income Withholding Orders
- Electronic Child Support Payments
- Electronic Tax Payments
- Electronic Tax Filings

Complexity – As continuous improvement initiatives are planned, focus on refining activities and/or issues that impact complexity

- Number of Termination Transactions
- Number of Newcomer/New Hire Transactions
- Number of Pay Period Adjustments
- Number of Legal Entities
- Number of Equity Payments

Innovation – As management focuses more on innovation, attention should be focused on the impact of those initiatives on the payroll process

- Outcomes from continuous improvement initiatives
  - Example: Redesign termination process to incorporate manager self service
    - How many overpayments?
    - How much manual intervention?
    - How does it compare to pre-implementation numbers?
  - Example: Implemented electronic payslips across the globe
    - What is the increase in electronic payslip receipt?
    - Is there a decrease in the number of inquiries regarding payslips (e.g., receipt, reprint, verification)?
    - How has the electronic payment distribution rate increased compared to pre-implementation numbers
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When people think of payroll, they want to know how accurate it is?

Payroll should be 100% accurate as it affects every employee in the organization, so why does it consistently fall below 100%?

Many times, errors resulting from the payroll process can originate from incorrect data received at any point during the hire to retire process.

**Payroll Accuracy**

- Definition of Payroll Accuracy:
  - Includes all errors that are not caught during the regular payroll cycle or during the next regular pay cycle.
  - Does not include errors that are caught during the regular payroll audit and process that are corrected before the payroll is finalized.

- Examples of Payroll Errors:
  - The gross to net calculation could be correct, but the source data is incorrect. Even though from a purely payroll perspective the net pay is correct, it would be considered an error.
  - An employee is paid correctly, but the taxing jurisdiction is incorrect, making this payment an error.

**Payroll Accuracy Rate Calculation**

\[
\text{Payroll Accuracy Rate} = \frac{\text{Total errors}}{\text{Total pay periods}} \times 100
\]
Payroll accuracy is a reflection of the end to end hire to retire process, not just the payroll process.

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<table>
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<td>XX% Productivity</td>
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4 Actions to Make Your Payroll Scorecard More Meaningful

- Support Your Audience
  - Ensure you are communicating data and insight they need to know

- Communicate the Impact
  - Ensure the audience understands the impact to the organization

- Align with the Vision
  - Ensure KPIs support the goals and objectives communicated in the vision statement

- Further Execution of Payroll Strategy
  - Ensure KPIs measure what matters by executing on items detailed in the payroll strategy
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Open Discussion