



## 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



Felicia Cheek – The Hackett Group  
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 process. She works closely with Finance, Shared Services and HR professionals who own the payroll process, providing strategic insight, metrics and guidance around best practices. Ms. Cheek has written many articles and research for various domestic and global publications in payroll, Finance and Human Resources. She is also a frequent speaker at payroll events around the globe. Her payroll experience is broad and includes the areas of system implementations, outsourcing, consulting and project management. Ms. Cheek is a recipient of the 2009 APA Meritorious Award and a 2009 Payroll Hall of Fame inductee. She is a member of the American Payroll Association and the Global Payroll Association, where she writes a monthly article. Ms. Cheek has been consulting and advising companies in the HR, Payroll and Benefits areas for almost 25 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?

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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*

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## 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



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## 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



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### 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



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### 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



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### 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



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**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



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**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



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**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 (ex: 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%?*



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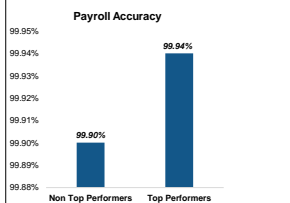
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Many times, errors resulting from the payroll process can originate from incorrect data received at any point during the hire to retire process

One of the two most important things a payroll organization is expected to do is to ensure all employees are paid correctly



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#### Definition of Payroll Accuracy

Includes all errors that are not caught during the regular payroll cycle, requiring a correction either before the next regular pay 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 accuracy rate shows how many employees are paid according to their agreed upon compensation and it complies with the applicable legislation.

- Example: 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 because the source data is wrong.
- Example: An employee is paid correctly, but the taxing jurisdiction is incorrect, making this payment an error.

#### Payroll Accuracy Rate Calculation

Total errors/pay period multiplied by # of pay periods = X then X (annualized) / total payrolls (annual)

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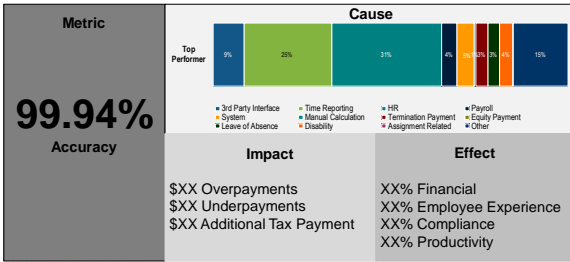
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Payroll accuracy is a reflection of the end to end hire to retire process, not just the payroll process



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## 4 Actions to Make Your Payroll Scorecard More Meaningful

Support Your Audience	Communicate the Impact	Align with the Vision	Further Execution of Payroll Strategy
Ensure you are communicating data and insight they need to know	Ensure the audience understands the impact to the organization	Ensure KPIs support the goals and objectives communicated in the vision statement	Ensure KPIs measure what matters by executing on items detailed in the payroll strategy



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### Open Discussion



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