



## Payroll Strategy: Do You Have One or Are You Willing To Try Anything?

Felicia Cheek, GT2P Practice Leader

5 November 2015

# Agenda



- *Who Is The Hackett Group?*
- Insight from Global Payroll Study
- Why do we need strategy in payroll?
- What you can use to build a payroll strategy
- What you need to consider when planning a payroll strategy
- Open Discussion

# Who Is The Hackett Group?

## About The Hackett Group

A global strategic business advisory, operations consulting and finance strategy firm

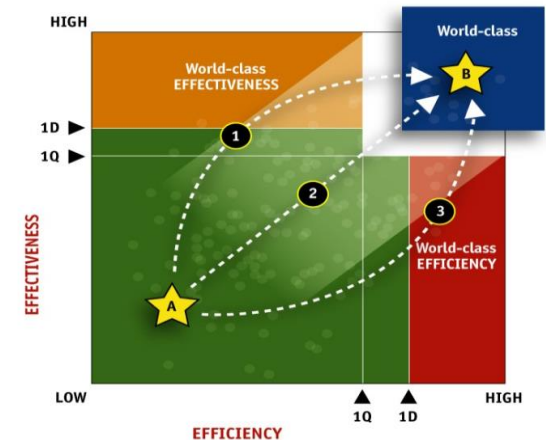
Leader in business best practices, business benchmarking, and transformation consulting services including strategy and operations, working capital management, and globalisation advice

Our insights are fact based, from over 7,500 benchmark studies and consulting engagements

Our *Best Practices Intelligence Center*™ is a significant differentiator and enabler. It contains:

- 20,000+ performance metrics updated annually
- 1,500+ best practices across 95 business processes
- 1,000+ best practice-based process maps, requirements and configuration guides
- 1,000+ case studies, implementation examples and research

## Hackett Value Grid™



## Hackett Defines And Enables World-class Performance

# The Hackett Group has 4 Primary Lines of Business

## Membership Advisory & Research

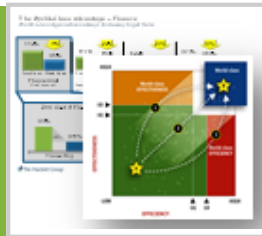
*(Provides insights into World Class Performance)*



- Library of 2,500+ Best Practice Research Perspectives, Books of Numbers, and Hackett Certified Best Practices through the Best Practice Intelligence Center
- Unlimited inquiry access for members to Hackett experts for transformation steering
- Peer-to-Leader 1-2-1 Best Practices sharing, and Best Practices networking events
- Enterprise, functional and process-based performance studies & value accelerators

## Benchmarking

*(Defines World Class Performance)*



- “Gold Standard” Benchmark – over 8,000 conducted, the empirical backbone for your transformation at the SG&A Enterprise, Functional, and Process level.
- World-Class, Peer, and Custom Peer comparative metrics and best practices
- Ability to provide multiyear World-Class Program view of performance over time
- Hackett Performance Exchange (automatic accumulation of performance data from Oracle or SAP)

## Business Transformation

*(Transforms Performance into World Class)*



- Finance
- Human Resources
- Information Technology
- Procurement
- Supply Chain and Operations
- Enterprise Performance Management
- Shared Services, Global Business Services & Outsourcing
- Merger Integration
- Working Capital Management

## Best Practice Technology Enablement

*(Implements Technology to enable World Class)*



- Oracle EPM (Platinum Partner)
- SAP ERP (Gold Partner)
- Hyperion
- Kronos
- Workforce Management
- Application Managed Services
  - Functional Application Support
  - Technical Application Support
  - Cloud and Hosting
  - Remote Development

# Hackett's Intellectual Capital is Derived From Engagements with Leading Companies

**97%**  
of the  
Dow Jones  
Industrials



Johnson & Johnson



*The Coca-Cola Company*



**80%**  
of the  
DAX 30



Rolls-Royce®

**49%**  
of the  
FTSE  
100

DAIMLER

The Hackett Group, a global strategic business advisory, operations consulting and finance strategy firm, is a leader in business best practices, business benchmarking, and transformation consulting services including strategy and operations, working capital management, and globalisation advice.



**80%**  
of the  
Fortune  
100



**35%**  
of the  
CAC 40



**88%**  
of the Dow  
Jones  
Global  
Titans



BRITISH AMERICAN  
TOBACCO



Time Warner

# Agenda



- Who Is The Hackett Group?
- *Insight from Global Payroll Study*
- Why do we need strategy in payroll?
- What you can use to build a payroll strategy
- What you need to consider when planning a payroll strategy
- Open Discussion



# Insight from our Global Payroll Performance Study shows a comprehensive payroll strategy is necessary to move forward

 A 3D illustration showing three interlocking blocks labeled 'shared services', 'business unit', and 'business unit' in blue, yellow, and green respectively. Small figures are placed on top of the blocks.	 A diagram showing a person icon at the top, with three smaller person icons below it. A double-headed arrow at the bottom is labeled 'End to End Responsibility'.	 A close-up of hands placing red puzzle pieces that form the word 'STRATEGY'.	 A close-up of interlocking gears, one of which is labeled 'automation process'.
Management of the payroll process continues to move to Shared Services	Which has led the way to the creation of a global payroll process owner	The global payroll process owner is challenged to create a company wide strategy	Process automation is a major part of the global payroll strategy
 A 3D illustration of a blue and white cloud.	 A 3D illustration of the word 'SKILLS' in large red letters, with construction cranes in the background.	 A photograph of a man and a woman in business suits standing together.	 A signpost with a circular arrow icon and a rectangular sign below it that reads 'POLICY CHANGES'.
New technologies are a major consideration for the global payroll strategy	Leading to a major focus on aligning core skills required of payroll resources	Payroll leaders are challenged to articulate their performance at the leadership level	Leadership support is necessary to make the radical changes payroll needs to better perform

# Agenda



- Who is The Hackett Group?
- Insight from Global Payroll Study
- *Why do we need strategy in payroll?*
- What you can use to build a payroll strategy
- What you need to consider when planning a payroll strategy
- Open Discussion



# What is strategy and how do we use it in payroll?

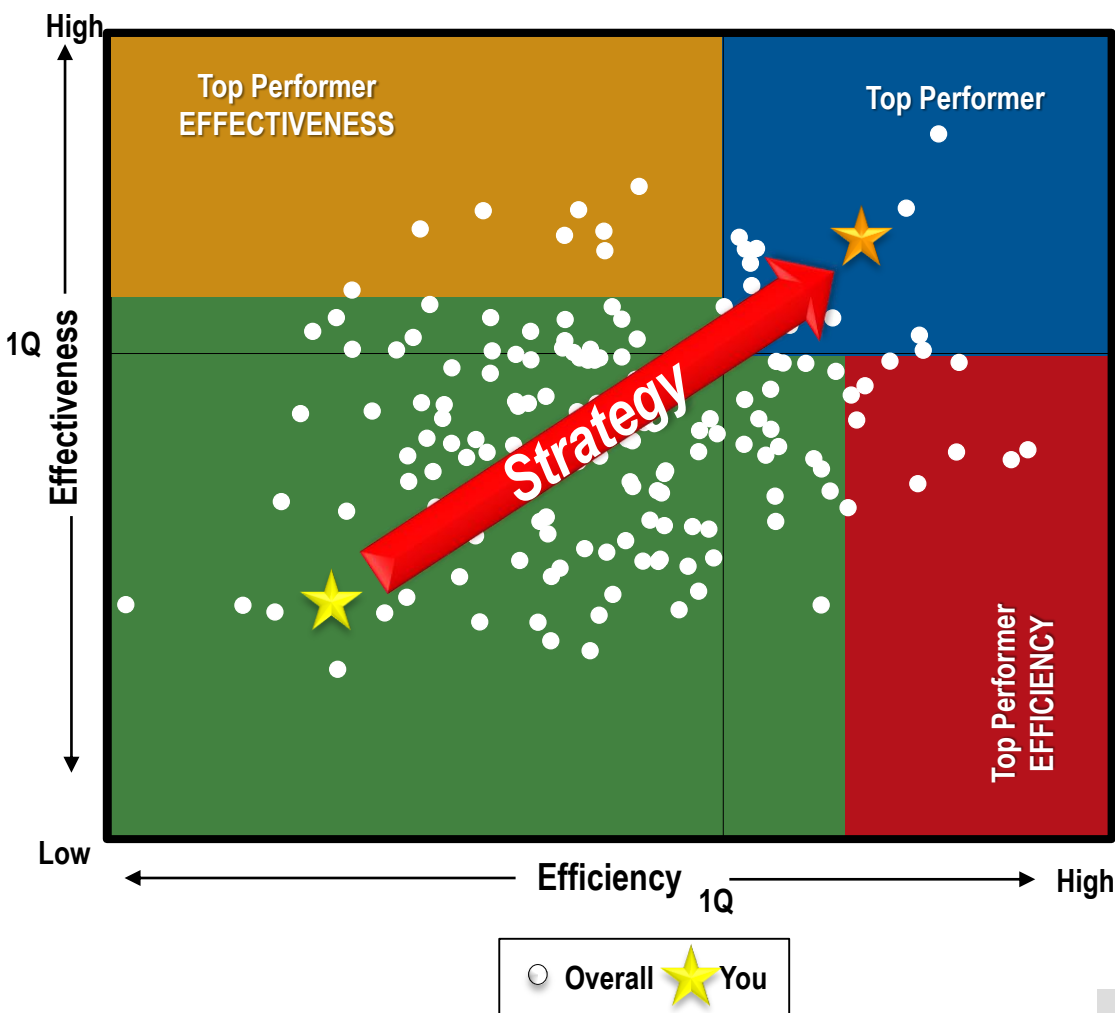


## Considerations:

- Where are you today?
- How do you compare to others?
- What drivers are influencing where you are today?
- Where do you want to be?
- How are you going to get there?
- What things should you consider?
- What is your future vision?

# Once you know where you are, how do you create a strategy to help move the bar to where you want to be?

Hackett Value Grid™



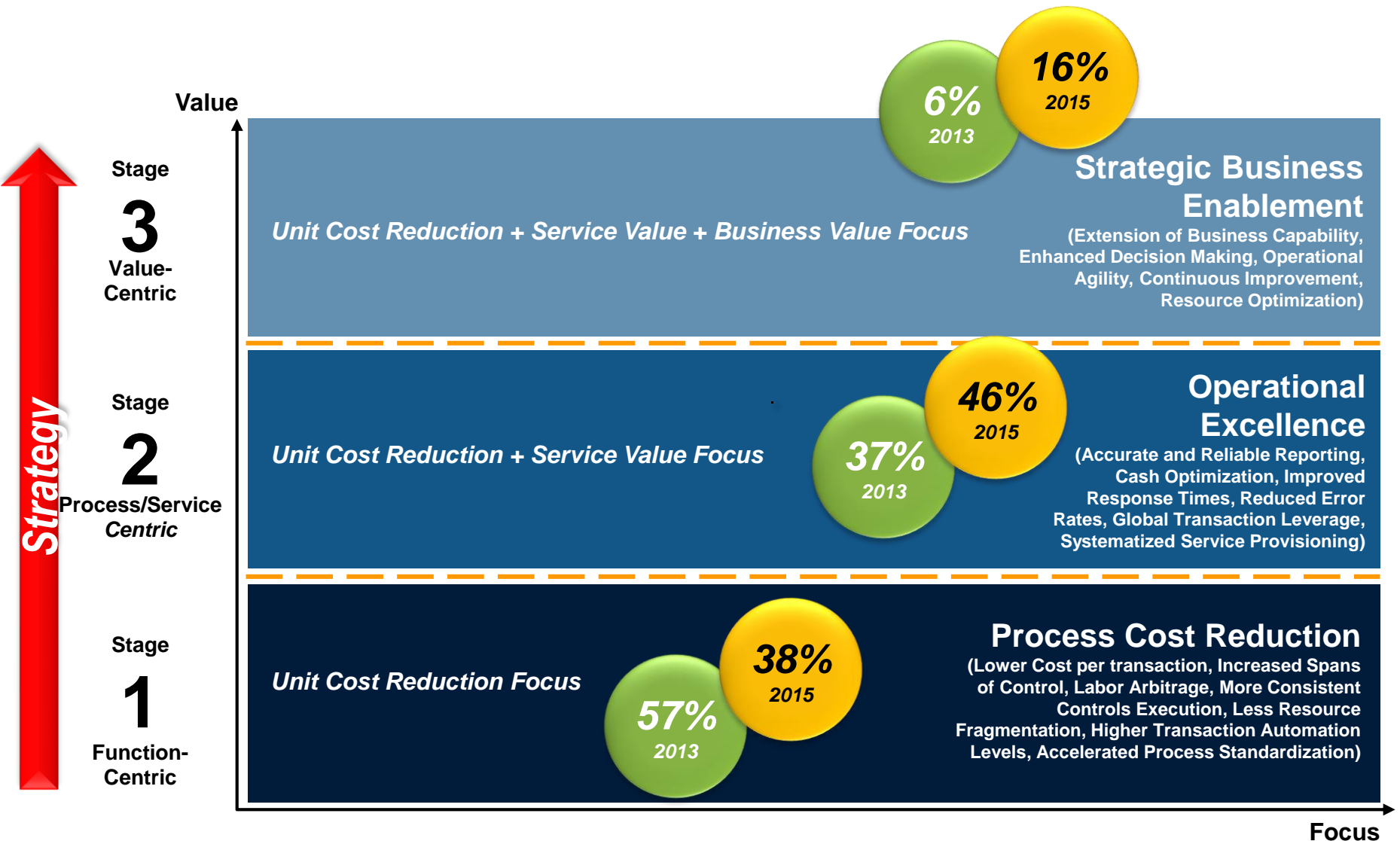
		Payroll Demand Drivers	You
Effectiveness		Partnership	●
		Quality	●
		Talent Management	●
		Policy	●
		Strategy	●
Efficiency		Cost	●
		Productivity	●
		Technology Leverage	●
		Complexity	●



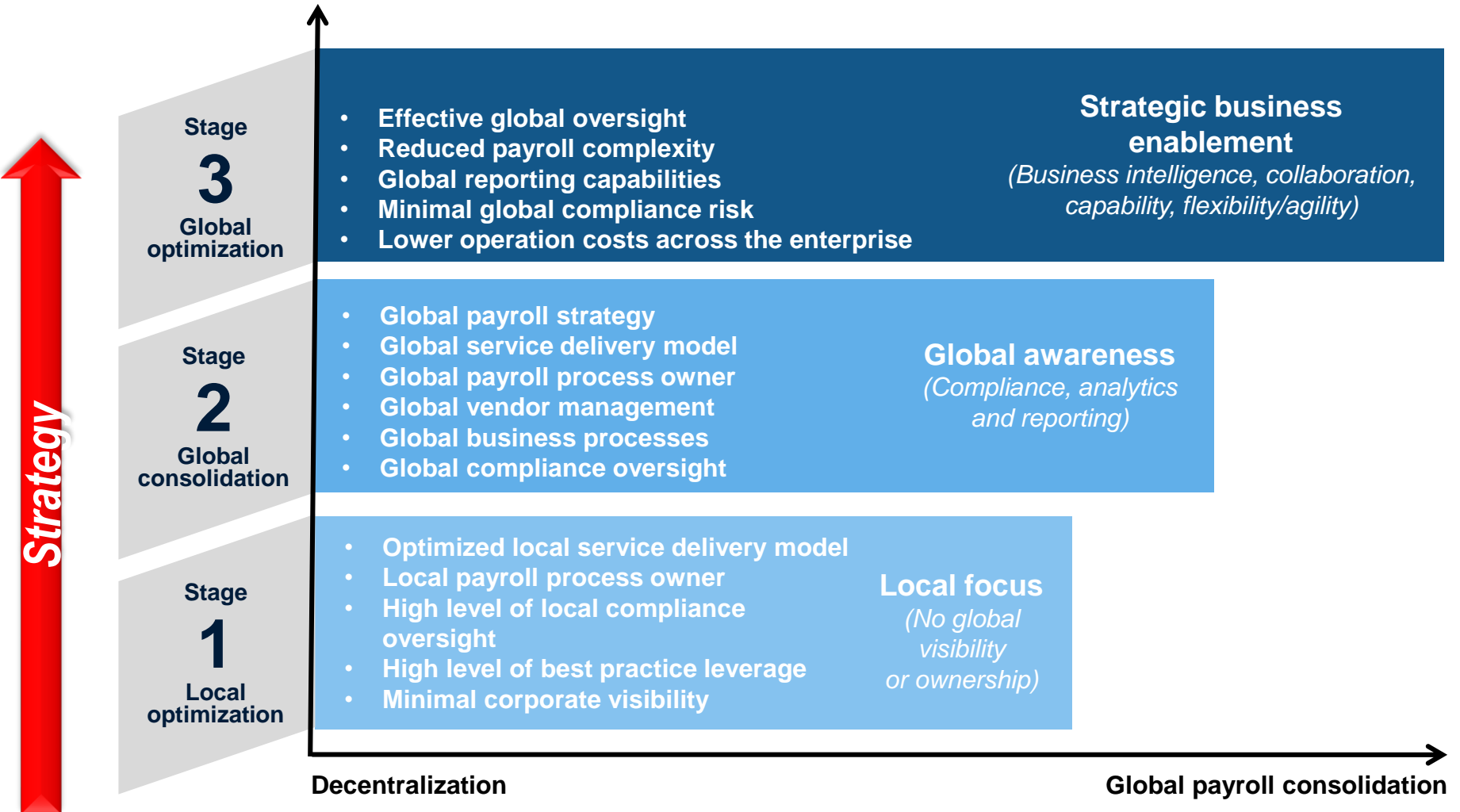
Equal to or Better than Top Performers  
Between Top Performers and the Peer Group  
Less than Peer Group

Payroll Demand Drivers impact workload and/or cost

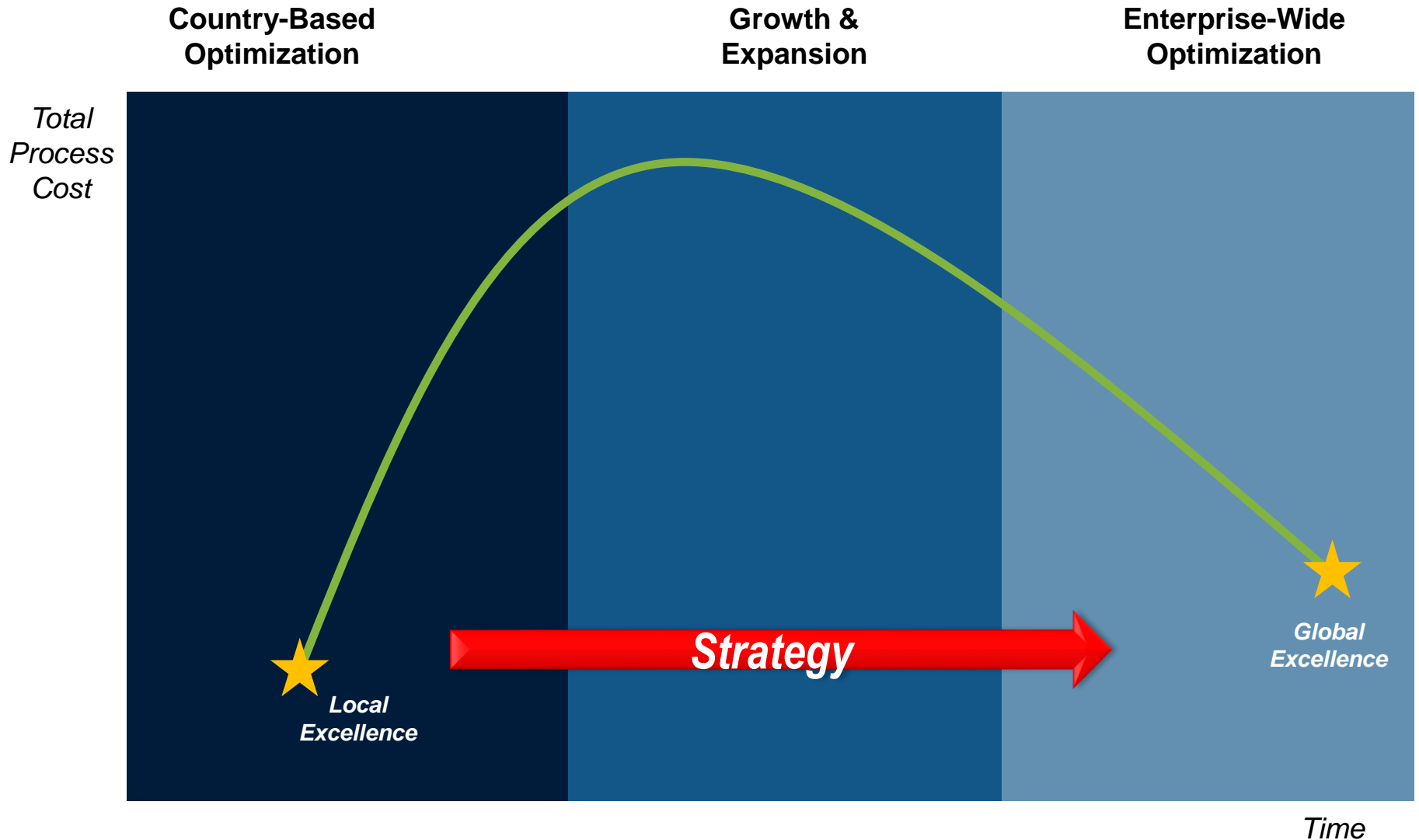
# Once in a Shared Services environment, what strategy do you use to continue to increase the value proposition?



# Once you decide to globalize the payroll process, what strategy do you use to achieve global consolidation?



# Part of the payroll globalization journey is to reduce cost, what strategy do you use to ensure global cost reduction?



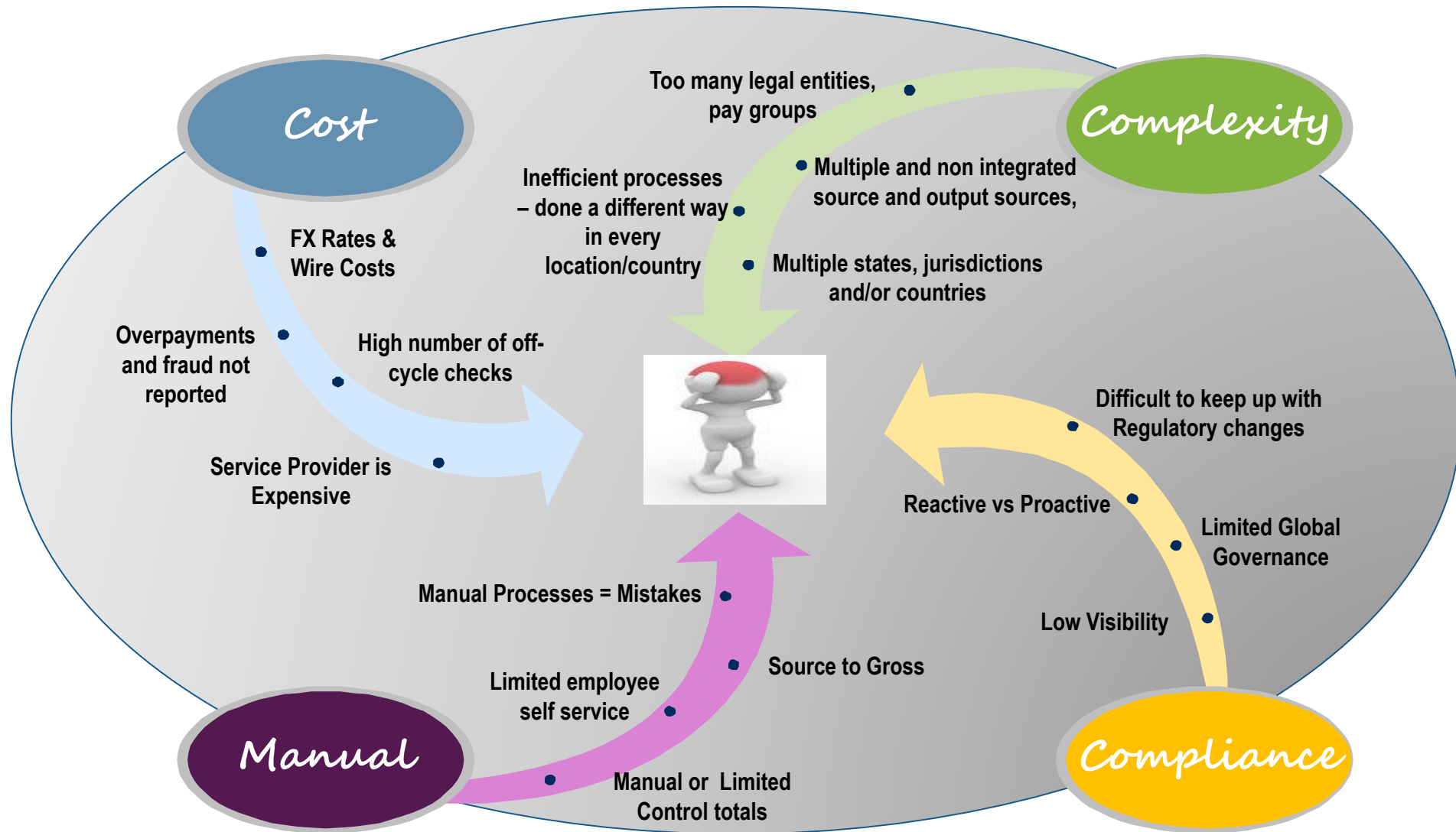
# Agenda



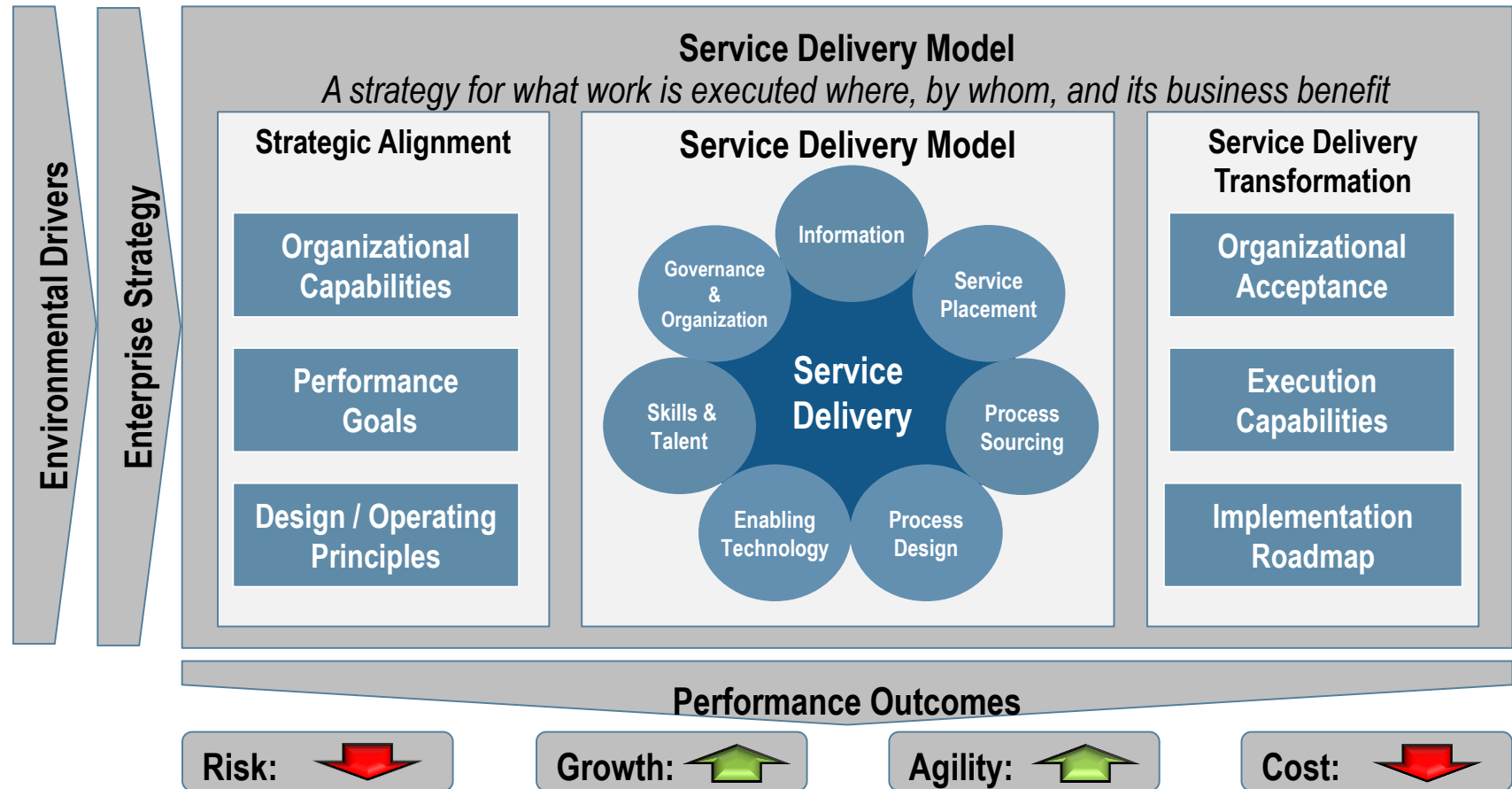
- Insight from Global Payroll Study
- Why do we need strategy in payroll?
- *What you can use to build a payroll strategy*
- What you need to consider when planning a payroll strategy
- Open Discussion



# A comprehensive payroll strategy addresses common pain points



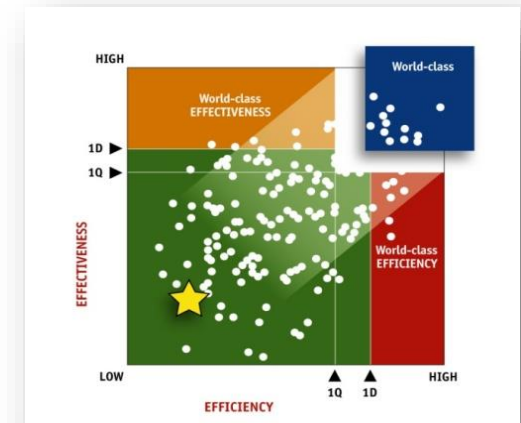
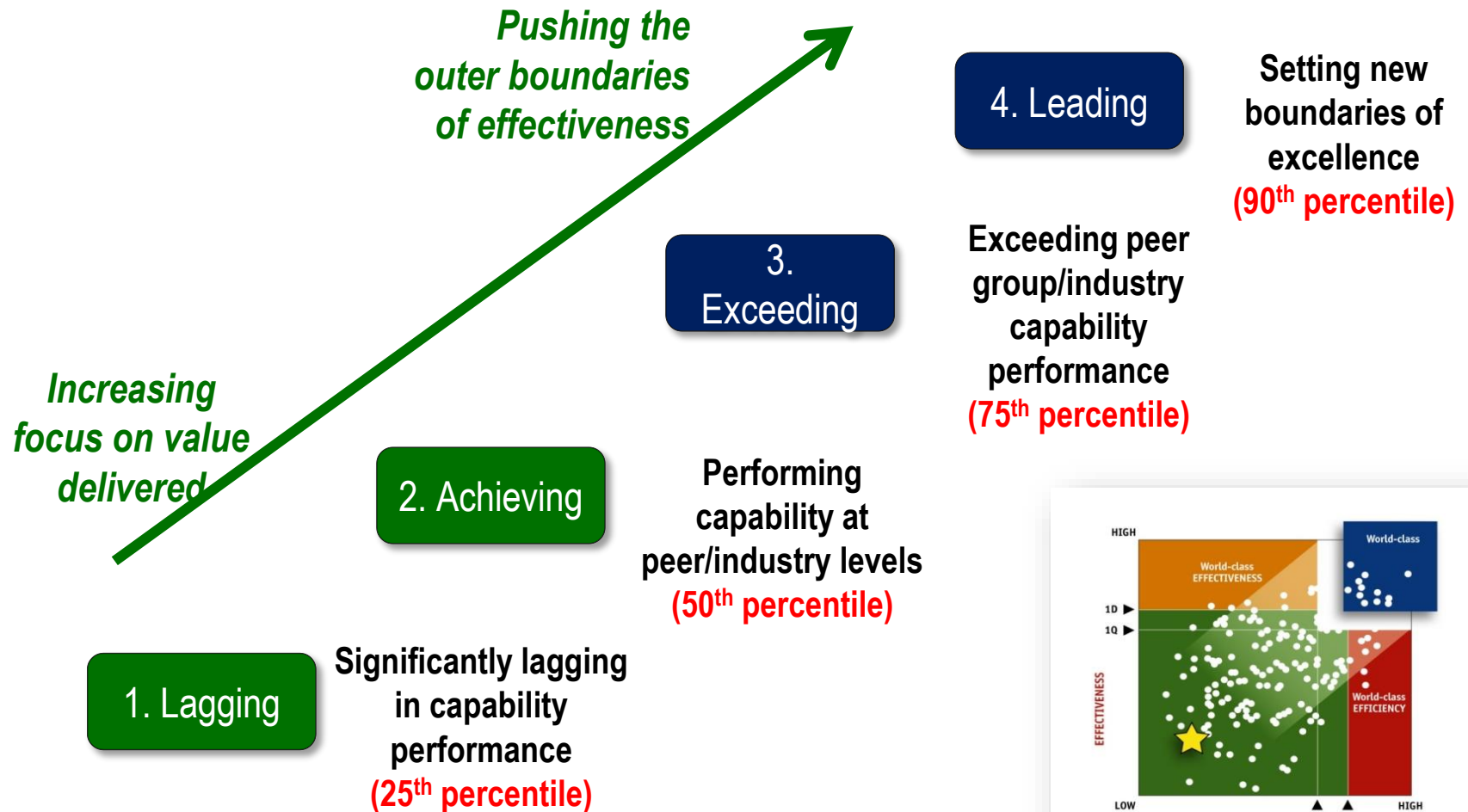
# A Service Delivery Model can help create a payroll strategy that aligns with company goals and objectives



*How does your payroll strategy align with company goals and objectives?*

It's also beneficial to understand payroll's maturity level. This will help identify specific areas that need to be addressed when building your payroll strategy

Capability Maturity Model (CMM) measures the level of best practices being used



# Performance Measurement – Hackett Performance Study Elements

## 2014 Global Payroll Performance Study Example

**If you believe there is no strategy in payroll, think again! Lack of a clear strategy will cripple the payroll process...**

- Where does the payroll process belong, it's not the same old song—alignment is clearly shifting!
- Executive Support has increased, but payroll's ability to influence change has not!
- Focusing on continuous improvement is yielding measurable gains in payroll!

The study results focuses attention on all 7 areas of the Service Delivery Model: Information, Service Placement, Sourcing, Process Design, Technology, Skills and Talent and Governance

The Hackett Group

**Effectiveness is faster to achieve than efficiency as payroll optimizes across the enterprise...**

Top Performance in a global environment is challenging for those companies that have not optimized the payroll process at the local level. It is common for multinational companies to achieve top performance in effectiveness (strategy, talent management, quality, compliance, policy) before operational cost reductions are achieved.

The Hackett Group

**Global Payroll Performance Study Peer Groups**

Your performance is compared to a peer group of Top Performer companies and a regional peer group that reflects your company's footprint. In addition, companies that operate in one country will be compared to a local peer group and companies that pay employees in multiple countries are compared to a global peer group.

**Top Performer Peer Group** are those companies that score in the top 25% in both efficiency and effectiveness. They represent companies across the globe that have participated in the study. We use the median number for the peer group. Efficiency measures include: cost, productivity, technology and complexity. Effectiveness measures include: partnership, quality, talent management, policy, compliance & strategy.

**Americas Peer Group** are those companies that pay employees in at least one country in the Americas region. We use the median number which represents the company in the middle of the peer group.

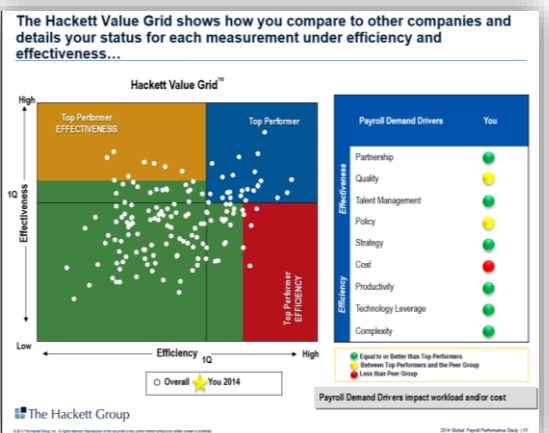
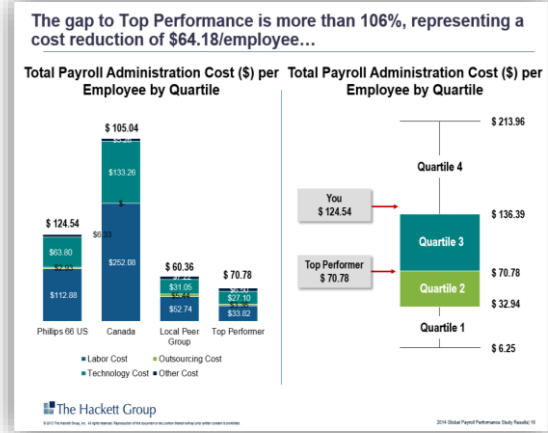
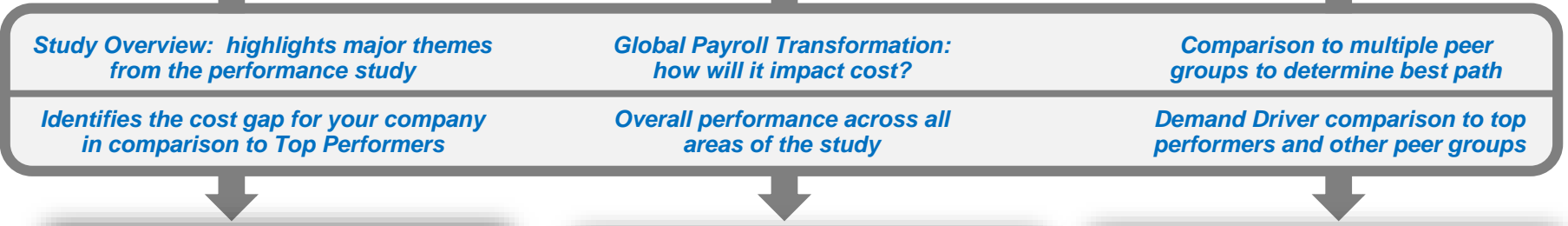
**EMEA Peer Group** are those companies that pay employees in at least one country in Europe, the Middle East and Africa. We use the median number, which represents the company in the middle of the peer group.

**APAC Peer Group** are those companies that pay employees in at least one country in Asia Pacific, including Australia and New Zealand. We use the median number, which represents the company in the middle of the peer group.

**Global Peer Group** are those companies that pay employees in more than one country. In addition, they pay employees in at least one country in each of the aforementioned regions. We use the median number, which represents the company in the middle of the peer group.

**Local Peer Group** are those companies that pay employees in only one country in any part of the world. We use the median number, which represents the company in the middle of the peer group.

The Hackett Group



**Quality**

The Quality Demand Driver focuses on the level of excellence throughout the payroll administration process. It includes the payroll processing accuracy rate, the % of corrected remuneration statements, the number and value of tax penalties and payments, the percent of overpayments and the percent of retroactive payments.

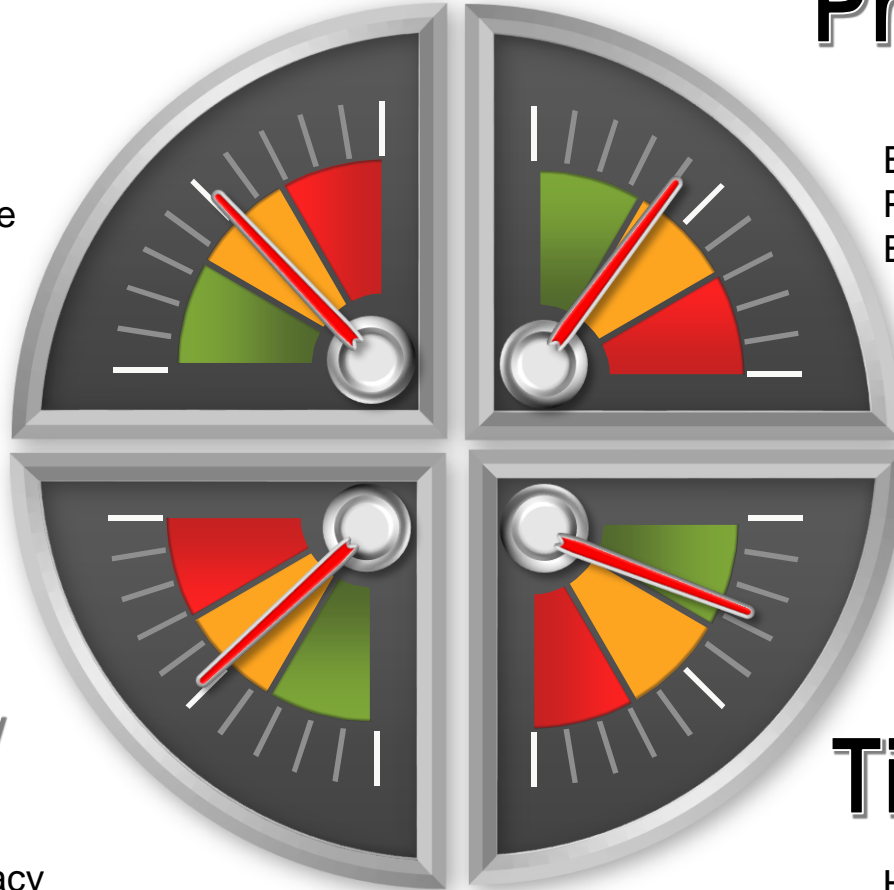
Practice	YOU	Top Performer	Canada Peer Group	Local Peer Group
Payroll Processing Accuracy Rate	99.87%	99.99%	99.99%	99.98%
% Employee Year End Statement Corrections	<1%	<1%	1.19%	<1%
Dollar Value Tax Penalties as a % of Total Tax Payments	0%	1.85%	11.69%	0.68%
% of Retroactive/Advance/Backdated Payments	1%	1.00%	0.65%	10.97%

The Hackett Group

# Payroll KPIs should be used to measure performance and track to plan

## Cost

Cost/Payslip  
Cost/Employee



## Productivity

ESS Usage  
Payments/Payroll FTE  
Employees Paid/Payroll FTE

## Quality

Payroll Accuracy  
Year End Accuracy

## Timeliness

HR Deadline  
Time Reporting Deadline  
G/L Interface

# Agenda



- Insight from Global Payroll Study
- Why do we need strategy in payroll?
- What you can use to build a payroll strategy
- *What you need to consider when planning a payroll strategy*
- Open Discussion



# Top Performers in payroll align *People, Best Practices and Technology* to achieve optimal performance

- More than 50% of top performers manage payroll in a shared services (Global Business Services) environment
- Almost 40% of top performers have a global payroll process owner
- More than 80% of top performers have created a comprehensive service delivery model for the payroll process
- More than 60% of top performers automate routine activities throughout the payroll process
- Approximately 40% of top performers are looking to move to the cloud over the next 2-3 years
- Top performers continue to reduce their transactional focus and now spend more than 40% of their time on analytical type activities
- Top performers continue to increase the level of leadership support with almost 80% indicating they have a high level of support

## Looking Ahead: *How to Prepare for Payroll in 2020*

- Build a strategy that focuses on innovation in order to continue to increase the value proposition
- Innovation and improvements must focus on the end to end process, embracing a strong partnership with Human Resources, even to the point of increasing ownership of the current payroll process to include what may now be considered HR Operations
- A major focus on developing reporting and analytical skills in order to maximize the value of data throughout the payroll process. This will include working closely with HR Operations
- Embrace cloud technology, it's here to stay! Get excited about it's capabilities, flexibility and ability to provide the most up to date features and functionality
- Ensure ESS and MSS are available on the internet in order to maximize the benefits of mobile technology in both Self Service and Time & Attendance
- Focus on the value of the payroll to the company, ensure your organization provides insight that enables optimal company performance

# Agenda



- Insight from Global Payroll Study
- Why do we need strategy in payroll?
- What you can use to build a payroll strategy
- What you need to consider when planning a payroll strategy
- *Open Discussion*

# Open Discussion, Questions, Comments



Contact Information: Felicia Cheek at [fcheelk@thehackettgroup.com](mailto:fcheelk@thehackettgroup.com) +1 404 218 8666



[www.thehackettgroup.com](http://www.thehackettgroup.com)

**Statement of Confidentiality and Usage Restrictions**

This document contains trade secrets and information that is sensitive, proprietary, and confidential to The Hackett Group the disclosure of which would provide a competitive advantage to others. As a result, the information contained herein, including, information relating to The Hackett Group's data, equipment, apparatus, programs, software, security keys, specifications, drawings, business information, pricing, tools, taxonomy, questionnaires, deliverables, including without limitation any benchmark reports, and the data and calculations contained therein, may not be duplicated or otherwise distributed without The Hackett Group Inc.'s express written approval.