



Payroll for the People: Five Best Practices for the Global Organization

Personnel costs are the single greatest expense of most organizations. This makes payroll one of the most important business functions. Yet payroll is extraordinarily complex. It must be accurate. It must be efficient. It must comply with all the regulations imposed on it at local, national, and international levels. And because employee morale and retention are so critical, payroll must do these things while keeping workers satisfied that they will receive their paychecks with minimal disruption of their workdays. No one-size-fits-all payroll solution exists that solves the very real challenges of managing payroll in today's fast-paced and highly regulated global environment. Still, whatever approach your organization takes, it should consider the following five best practices:

FIVE BEST PRACTICES FOR PAYROLL

- Establish discipline and manage expectations
- Enforce accountability
- Create the right checks and balances
- Rethink controls and compliance
- Harness technology effectively

No. 1: Establish Discipline and Manage Expectations

Every organization has the same goal: an error-free, efficient, and effective payroll department. But ways to accomplish this goal vary, based upon industry, an organization's internal priorities, and culture. For some, establishing strict deadlines for when employee timesheets are turned in is important for the sake of efficiency and cost control. Such organizations may have rules that, for example, forbid cutting checks in the middle of a cycle. Other organizations, especially those with a large service aspect to their operations, may be more flexible. Either way, make sure that all stakeholders know what to expect from the payroll department. When do timesheets need to be submitted? Who approves them? Who is notified if an employee goes on leave? All has to be published—otherwise, how will people know if they are doing something wrong? Precisely because no standard approach works for all, organizations need to carefully manage expectations about how payroll works, and what the rules are.

No. 2: Enforce Accountability

Once you have established what the payroll rules of engagement are, then you need to make sure all stakeholders are appropriately accountable. Even organizations that take a more flexible approach to payroll processing should establish clear lines of responsibility. Employees need to know what they are responsible for doing; managers likewise. For example, if an employee forgets to swipe her timecard at the beginning of the day, or to log out of the time accounting program at the end of it, who is responsible for making sure that employee gets paid equitably for her time? What are the consequences of failing to be accountable for meeting payroll's requirements? Who absorbs the cost of having to cut a check in mid-cycle? Alongside this accountability must come transparency—all steps in the process must be visible to the payroll staff.



MODERN PAYROLL TECHNOLOGY

The right technology can help that payroll is completed on-time, with accuracy, efficiency, and effectiveness.

- Payroll Dashboard proactively bring payroll information directly to the user in real-time.
- Checklists allow users to configure payroll processing steps and assign owners and deadlines.
- Wizards match the way you run payroll addressing your unique practices

No. 3: Perform Rigorous Balances and Audits

The demand for accuracy in payroll is rigorous. That's why balancing, auditing, and segregating of duties is critical. These steps ensure you minimize error rates, and can also help avoid off-cycle payments.

Ideally, you separate duties so the person entering timecard data is not the person who balances the number of timecards with the payments going out. Then yet another person should audit the data to make sure it is correct. Having two—or even three—sets of unbiased eyes on numbers is not just a luxury, but a necessity for making sure you don't have 2,000 timecards but 3,000 payments made.

No. 4: Rethink Control and Compliance in the Age of Outsourcing

Given both the importance and complexity of payroll, many organizations are outsourcing either part or all of the function. At the very least, most organizations outsource tax reporting, due to the complicated and time-consuming reporting requirements.

Otherwise, how much—or how little—is outsourced varies tremendously from organization to organization. The issue is control: how much of it does an organization need over its payroll data? When payroll is done in-house, it's easy to integrate the data into other systems, to slice and dice it different ways, and otherwise make it work to provide value to the business. Given that personnel costs are the single greatest expense of most organizations, having this kind of flexibility can be enormously helpful when making decisions about laboring sourcing, for example, deciding where to open a new plant, or estimating the business model for a new product line.

No. 5: Harness Technology Effectively

Technology can help when implementing all these best practices. For starters, technology solutions support process workflow by laying out tasks that need to be done in a certain order, which trigger other tasks or milestones for different members of the payroll team. Leading solutions also provide dashboards that ensure that the payroll manager has complete and transparent visibility into the process, and understands where and why any breakdowns occur to prevent payroll from accurately getting out on time.

Payroll solutions can also help with training. Rather than having to consume the time of experienced payroll personnel when onboarding a new hire, organizations can deploy solutions that lead new employees through the process, prompting them when and how to do tasks in the right order using automated checklists. If an employee has a question, embedded help can provide the answer, as opposed to forcing the employee to depend on manuals or interrupting a senior worker.

Conclusion

Payroll is not a one-size-fits-all endeavor. Businesses today must take into account their organizational goals, their cultural, and industry practices when deciding how best to approach it. Some organizations may outsource most of payroll. Others, very little of it other than tax functions. Some set up strong internal rules that are strictly enforced for the sake of efficiency and cost-effectiveness. Others take a more flexible approach that caters to the special needs of their employees. Whatever choices an organization makes, however, the right technology solution can help ensure that payroll is completed on-time, with accuracy, efficiency, and effectiveness.

CONTACT US

For more information on Oracle HCM, visit oracle.com/hcm

Hardware and Software, Engineered to Work Together

ORACLE®