E-BOOK

The insider's guide to success

Ten smart tips for a smooth payroll system implementation.

Introduction

Businesses usually consider updating their payroll solution for one reason – they have to. Usually because they've outgrown their existing system, or there's been a major regulatory update that their system won't meet. Single Touch Payroll, for example, prompted tens of thousands of Australian businesses to upgrade their payroll solutions and Payday Filing similarly impacting New Zealand.

Businesses typically outgrow payroll systems in two different ways. The company may be using a payroll system that has a capped possible headcount, and grow past that limit – such caps cannot be worked around, and always require migration to a larger system. The other way a company may outgrow its payroll system is less absolute; manual processing of some payroll elements may make sense at a certain size, but no longer be practical after a certain employee headcount is realised. In both these instances companies generally look to migrate to a new solution that will serve their needs for the next 5 – 10 years (at least).

Payroll system implementations are like any other change programme. They require intensive planning, which may be done independently or with a specialist provider like Sage. Our payroll experts have identified ten common indicators of success when implementing payroll systems to help almost guarantee a smooth deployment which meets established budgetary, timeline, and capability targets.

Enjoy our insider's guide to payroll and a smooth payroll transition.
- Regards, the Sage Payroll team Australia

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Smart tip #1

Garbage in, garbage out.

It is critical that employee information be cleansed prior to your migration, and recommended that it be corrected in your old system well in advance of your migration. The last thing you want to do is bring incorrect, old, or unnecessary data into your new payroll system.

Basic data points required are:

- Tax File Number (TFN)
- Full name
- Current address
- Basis of employment (FT, PT, etc.)
- Employment start date
- Bank account details
- Remuneration details (salary, hourly rate, etc.)
- Superannuation details

Our experts suggested four methods of cleaning that they've found effective, and one that they've found uniformly ineffective;

Secure portal
A company with 1,200 employees requested all employees visit a secure portal and enter all data points listed above, as well as 2 emergency contacts. The fields were not pre-populated, and although there was some grumbling, the initial data entry was completed within the established time frame.

The new emergency contact data was overwritten into the database. The 'new' payroll details were automatically compared to 'old' existing data, with changes flagged to payroll for manual validation.

In-person meeting
One company with 300 office-based employees around the country arranged for an in-person meeting between each employee and a payroll officer, with expectations that base data, and some additional personal information, would be confirmed. This was decided due to a young employee demographic profile, frequency of staff residence change, and manager advice that this would be more effective than self-service. The company checked and updated data within the required period.

Secure system
A small company of 50 employees, with 40 based in Sydney and the remainder in 3 offices around the country, used a secure system to send employees their current data with a request that they check it and inform of any required updates. In this instance, the size of the company made a personal outreach from the general manager effective.

Email notification
A commonly used but ineffective method of data validation is an email notification to all employees that the payroll system will be updated, and to ensure personal information is up to date. Without informing employees of what information requires checking, what is currently on file, and when it needs to be completed, little will be done. The most common response to this method is crickets.

Smart tip #2

Fit for purpose.

While all payroll systems 'do payroll,' there will be a few software providers that better suit your requirements. Whether it's that your processes fall into the narrow functionality of a less flexible system, or whether you select a more adaptive system available, you need to make sure the systems or providers you evaluate can do what you need to meet your business objectives and employee needs.

Your current system
Map your current system with a flow diagram. Add bullet points explaining why particular steps are required – sometimes the fact of writing these down can highlight that there's an inefficient step ... or conversely, highlight a critical one! Mark any automated workflows, and manual workarounds.

Evaluating your options
Map how the payroll systems you're evaluating would operate, and identify any gaps to your needs. Mark any manual workarounds that will still be required – manual workarounds should be eliminated.

Your workforce profile
Evaluate the systems' ability address your workforce profile – full time, part time, casual, contract. Some systems are designed for specialised workforce needs, such as hospitality, retail and health and aged care industries.

Features
Does the payroll system provider offer live demonstrations, customised to your organisation's needs? Offering 'demo on demand' videos, with no live demo opportunity, can be a red flag that the customisability and configuration advice you most likely need isn't available.

Updates
How often does the system get updated? Ask for a schedule or roadmap of the last quarter's updates and compare. The 2018 'Single Touch Payroll' initiative in Australia exposed a critical gap in some SaaS or software provider's investment capabilities; numerous small payroll providers, and some well-known larger offerings, were not able to update their software to the Australian Tax Office's requirement date (1 July 2018), and quietly sought exemption to the end of 2019!

“Identifying and implementing a system that not only fits the wider IT and business strategy, but is capable of unlocking the power of the data held in payroll is difficult and often seen as too risky...regular reviews of system capabilities and business requirements can provide commercial value in identifying better technology at a better value.”

PwC 2017, Making Payroll Pay

Online portals

Does the solution offer an employee self-service portal? If it doesn’t, look elsewhere – your payroll team has enough to do without duplicating effort by updating someone’s new address.

Data storage

Where is the data stored? The matter of data location and sovereignty is becoming significant in Australia. Depending on your organisation, you may have particular requirements over whether your data is stored on-premise or in the cloud – and if in the cloud, the physical location of the data warehouse.

Reporting

Configured and custom reports should be available through your payroll system, for essentially any data point. Reports should be possible to schedule and transmit, or run as required.

Third party integration

Payroll systems you evaluate should integrate with other third party vendors such as Accounting, HCM or Time and Attendance solutions to avoid fragmentation and give you a single source of truth. If you have a human capital management (HCM) or human resources information system (HRIS), the payroll system should integrate.

Compare options and make sure your preferred solution will address all organisational needs, before you sign any contracts. Unforeseen and unexpected changes can be both costly and time-consuming – so beware!

Smart tip #3
Nothing's certain.

There are two aspects to consider; what records you need to maintain from your 'old' payroll system, and how the 'new' systems you're evaluating can prove they'll maintain compliance.

Understand how compliance will be met when regulatory changes are made to taxation, superannuation, and other HR requirements. Do the providers you're evaluating have a record of making updates on schedule?

Also consider your old records, and data retention requirements. How will this be managed moving forward? Should you save the old data in the old system as read-only, or migrate in full? How far back will you migrate?

Smart tip #4
Standardise to simplify.

This is an opportune time to review your pay policies and remuneration procedures, aiming at uniformity across departments. Are all departments using up-to-date documents and workflows? Are shift allowances being applied uniformly, and if not, should they be?
It is more efficient for standardised policies to be applied company wide, and if you haven't audited this for a couple years, now is the time! How are your current polices being stored and shared for collaboration?

Smart tip #5
Milestones and metrics.

Review the milestones for your payroll system migration, whether they're from a partner company or being managed in house. Make sure there are clear deliverables at each stage, understand where those deliverables will come from, and evaluate if they're realistic.

Also consider when the migration is planned – it is recommended that companies migrate payroll over a few months, to familiarise themselves with the new system before having to run year end.

Smart tip #6
Integrate, integrate, integrate.

List the systems you operate for HR – companies with shift workers will have scheduling and time and attendance systems, and many organisations will have single sign on, onboarding, or learning modules. All your systems should integrate, and you need to find out how this will be managed – is it plug and play, or will there be a need for professional services to integrate? Does this expand your data cleansing requirements?

If you operate HR related systems, they should integrate to avoid duplicate data entry, and errors due to typos.

Smart tip #7

Training and support.

Consider the training and support offered, as well as any costs associated. Determine who should be trained – there may be differing training requirements for payroll administrators, managers, and employees. Training should be offered to get you running, and adequate support should be a requirement for such a critical system (critical to your employee's happiness!). Support should also be available when you're operating – this cannot be over-stated, as it is one of the most common complaints we hear from payroll professionals looking for a new system.

Smart tip #8

Test your system.

Thorough testing should be part of your planning to ensure you will go live successfully. If you're managing the payroll system in house, check that your IT department and deployment team have factored multiple tests in pre-production, to ensure data and processes are robust. If you are evaluating partners, ask for their test plan and confirm that it covers all contingencies. Proven payroll partners typically have a straightforward test programme that will find any bugs in data or processes.

Smart tip #9

Communication is king.

Although a new payroll system won't be viewed as exciting as your latest product development or work Christmas party, it is vital that the whole team be kept informed of the project, go live, and how it will impact them.

Your team is also going to be the best source of potential optimisations that you can iterate into the system.

Smart tip #10

Regular reviews.

We recommend that reviews be programmed in regular intervals, including cross-department stakeholders from HR, finance, and employees. Payroll system partners, or your in-house team managing the payroll system, should also be included. A cadence we've found appropriate is Go Live + 1 week, +1 month, +3 months, and then +6 months continuing.

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Want to know more?

When selecting and implementing a new payroll software solution, there are always many factors to take into consideration.

No matter the size of your business or what state of the journey you're at, Sage is here to help. Sage's Payroll solutions in Australia are market leading with over 30 years experience. Speak to one of our consultants or visit our website for more information.

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