



A roll-up-your-sleeves attitude and Protiviti expertise help a Fortune 500 consumer products company remedy its complex payroll structure

Keys to Success

Change Requested

Help remedy a fragmented, inefficient, time-consuming and error-prone payroll process

Change Envisioned

Identify root causes via extensive qualitative and quantitative evaluations — including benchmarking against industry best practices, conducting field interviews and performing an in-depth activity analysis of payroll operations

Change Achieved

Provided detailed recommendations organized by category and priority along with a timeline and action plan for executing improvements. Payroll transformation work to date has resulted in 35 percent fewer payroll processing errors.

During a busy stretch of strong growth driven largely by acquisitions, as integration efforts progressed, the chief financial officer (CFO) of a Fortune 500 consumer products company paused to take a look at back-office processes — specifically in the payroll department. Initial scrutiny of the company's centralized payroll function's performance revealed a pattern of manual workarounds, errors and delayed payments — findings confirmed by other executive leaders within the company.

While the problem seemed obvious, the CFO wanted a crystal-clear understanding of the scope and depth of the payroll malfunctions in order to develop the most effective solution. Impressed by Protiviti's track record with financial performance improvement initiatives, the finance chief enlisted a Protiviti team to conduct an in-depth assessment of the human resources and compensation department. The work, which consisted of a blend of quantitative and qualitative diagnostics, pinpointed the root causes of the payroll errors and inefficiencies and served as the basis for the prioritized improvement project plan the retailer subsequently implemented.

The company's highly entrepreneurial culture came with numerous types of incentive-driven compensation structures. These known challenges combined with previously undiagnosed problems, resulting in frequent paycheck errors, delays and manually issued payments.

Unique Compensation Structures and Other Challenges

Like many other decentralized organizations with hundreds of operating locations and tens of thousands of employees, the company faced common issues with its payroll process, including:

- High turnover of employees, and pressure to immediately get new hires on the floor to meet customer demand
- A lack of standardization in many policies and procedures
- Inefficient information systems configurations causing payroll processing breakdowns and manual processing steps that were neither efficient nor repeatable

The retailer also faced its own unique challenges to payroll processing effectiveness: Its growth-through-acquisition strategy required the integration of the acquired entities' payroll applications, processes and compensation plans. The company's highly entrepreneurial culture also came with numerous types of incentive-driven compensation structures. These known challenges combined with previously undiagnosed problems, resulting in frequent paycheck errors, delays and manually issued payments.

Getting to the Root of the Problem

Protiviti's team of finance experts conducted a mix of quantitative and qualitative assessments, beginning with the former. We collected and compared payroll-processing benchmarks specific to the industry and companies of comparable size, and performed an activity analysis of the company's centralized payroll processing center. This quantitative work was used to bring a laser focus to the qualitative work that followed. The work consisted of dozens of interviews with a wide range of employees involved in the payroll process in the shared services payroll center, along with managers in other locations throughout the country.

The benchmarks included total cost to process payroll, number of payrolled employees, cycle time to process payroll and the number of manual checks cut each payroll period. The activity analysis asked payroll managers and employees to log all of their time on certain days, including during peak processing periods. Analysis of this data yielded a list of the most time-consuming processes, a record of which systems were being under- and over-utilized, and other eye-opening information.

The prioritized list of findings gave the CFO compelling reasons to move ahead with the recommended remediation actions. Protiviti was the natural choice to implement the solutions. In cases where business ownership was required to achieve optimal impact, Protiviti took on a project management role, while the business led the implementation.

For example, an inordinate number of activities took place during peak days of the payroll cycle, a pressure which contributed to payroll workarounds and errors. In addition, at least 40 percent of the payroll team’s time during peak periods was spent offline — scanning, printing and/or reviewing documents; emailing additional information requests to colleagues; and reconciling figures. Members of the Protiviti team literally sat beside payroll coordinators during these activities to learn about important collaborations, how issues were escalated, and how system crashes were addressed.

All of these observations, activity analyses, field interviews and benchmarks were combined to yield valuable information about the root causes of payroll inefficiencies.

Prioritizing Problems and Solutions

The insights from the assessment were arranged into categories, as the following examples show. This laid the groundwork for an improvement plan and an implementation timeline by the company.

Category	Root Cause
Governance	Limited process and technology standardization across stores. Many stores tended to operate as independent businesses, exacerbating standardization challenges.
Human Capital	A high turnover rate, typical for retailers, also extended to the payroll center. Additionally, field-based payroll employees were performing duplicative, redundant work in some cases.
Policies, Procedures and Processes	Training materials for payroll processes and systems were limited and, sometimes, outdated.
Technology and Information	Data inconsistencies among different systems were common, and the primary payroll application regularly crashed during peak processing times.

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Better Payroll, Improved Employee Morale

At present, the work is nearly complete. According to a recent project survey of regional controllers, payroll processing improvements have been significant and in-store customer experience has improved, reflecting greater employee satisfaction. The effort has so far reduced payroll processing errors by 35 percent while significantly decreasing the use of manual checks and the need for last-minute corrections of payroll processing errors. The CFO credits Protiviti with helping reduce payroll inefficiencies and raise the morale of the department and the thousands of employees it serves. “Protiviti doesn’t just tell us what to do and how to do it, but has been effective in ensuring it gets completed based on management expectations,” the CFO says.

Payroll is rarely straightforward and issues are common. The root causes of these issues often extend across business functions (e.g., operations, human resources and accounting) and across several tangible areas (e.g., policies, processes and procedures; and technology and information), as well as less tangible realms (e.g., organizational culture). Improving payroll performance requires companies to detect and identify problems that may be rooted deep and have gone on for years. In this case, the retailer and Protiviti demonstrated that a thorough diagnostic effort, quantitative and qualitative assessments, and a roll-up-your-sleeves improvement initiative supported from the top of the organization can remedy entrenched problems and deliver the desired results.

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