KPI Use Case Guide

cloudpay

MAKING PAYROLL DATA-DRIVEN

Practical use cases for the
Global Payroll Efficiency Index KPIs

Including CloudPay expert insights

Published August 2024

Contents

This guide helps you:

- Understand how the PEI findings relate to your real-world payroll processes
- Create strategies for more data-driven payroll functions
- Demonstrate the positive impact of data analysis on payroll operations

Meet your CloudPay experts

The insights in this guide come directly from the knowledge and experiences of three senior CloudPay leaders.

John Pearce
Chief Customer Officer

Having worked at CloudPay for 17 years, John has a deep understanding of customer needs and the delivery of global payroll excellence. He leads CloudPay's Implementation Teams, focusing on successful customer onboarding experiences and championing client voices to drive maximum potential and value from their CloudPay solutions.

Grant Tasker
Senior Director of Global Payroll

With over 30 years in the payroll industry and 13 years at CloudPay, Grant has a keen interest in how technology augments businesses and people. He prides himself on supporting customers' business operations with first-rate technology, and oversees business processes and improvements across the entire organization.

Andrea Castellari
Director of Global Partners

Andrea has over 18 years of experience in Global Payroll Transformations, giving him extensive knowledge of payroll outsourcing. His background spans diverse roles from operations to implementation, as both client and consultant, equipping him to address a wide range of business challenges. Utilizing this expertise, he'll be leading the new CloudPay Service Partners Management Team.

Executive Summary

Why detailed KPIs make practical sense for payroll

In the complex world of global payroll, surface-level metrics can be deceiving. While timeliness and accuracy SLAs may appear high, they often mask the true cost and effort required to achieve them. At the same time, many payroll teams struggle to surface and track the more detailed KPIs that can bring these truths to light.

Every year, CloudPay compiles the **Global Payroll Efficiency Index (PEI) report** to give business and payroll practitioners a new level of insight into global payroll performance. The report dives into detailed KPIs that allow for a deeper understanding of how well payroll processes are performing worldwide and the areas where they're falling short – whether that's due to spreadsheet errors, inflexible timelines, language barriers, inconsistent data, or a host of other potential pitfalls. Now, we're taking it a step further by making these metrics directly applicable to your organization.

This practical guide dives into the why behind our core KPIs, utilizing practical, real-life case studies and insights from three CloudPay leaders to help you understand how to apply data-driven analysis to your real-world payroll processes.

By focusing on the internal people, process and technology causes of KPI fluctuations, you can create a strategy for making your payroll function more data-driven, and demonstrate the positive impact that analyzing and acting on data can have for payroll.

Global Payroll Efficiency Index 2024
Download the full PEI report now to understand what's really happening in global payroll

"Timeliness and accuracy SLAs don't tell you any of the story of what actually happened in that payroll run."

Grant Tasker
Senior Director of Global Payroll

Introduction

Breaking down the barriers to data-driven payroll operations

Countless business functions in every sector are being transformed by data-driven decision-making and insights – and payroll is certainly no exception to that. However, there are a number of challenges that have made this easier said than done for many organizations.

Barriers to data-driven payroll operations

1. Siloed, isolated teams

When the payroll function isn't well connected to other teams, it often lacks the organizational outreach, skills, and capacity to properly analyze or constructively criticize its performance. This is especially the case when payroll isn't integrated with HR through HCM systems, or payments through unified pay solutions.

Grant says: "When teams are isolated it's hard for them to look out and realize that they should be benchmarking their metrics against others in similar situations to ind improvements."

2. Lack of systems and platforms

Even if organizations have the skills and data to drive insights, many either lack the systems that make that possible, or don't have a standardized data model that ensures consistent data.

John says: "You have to have an application somewhere – even if it's an Excel sheet – to track performance across all payrolls over time. That'll give you the data points to discuss as a payroll team. From there, you can pinpoint opportunities for improvement."

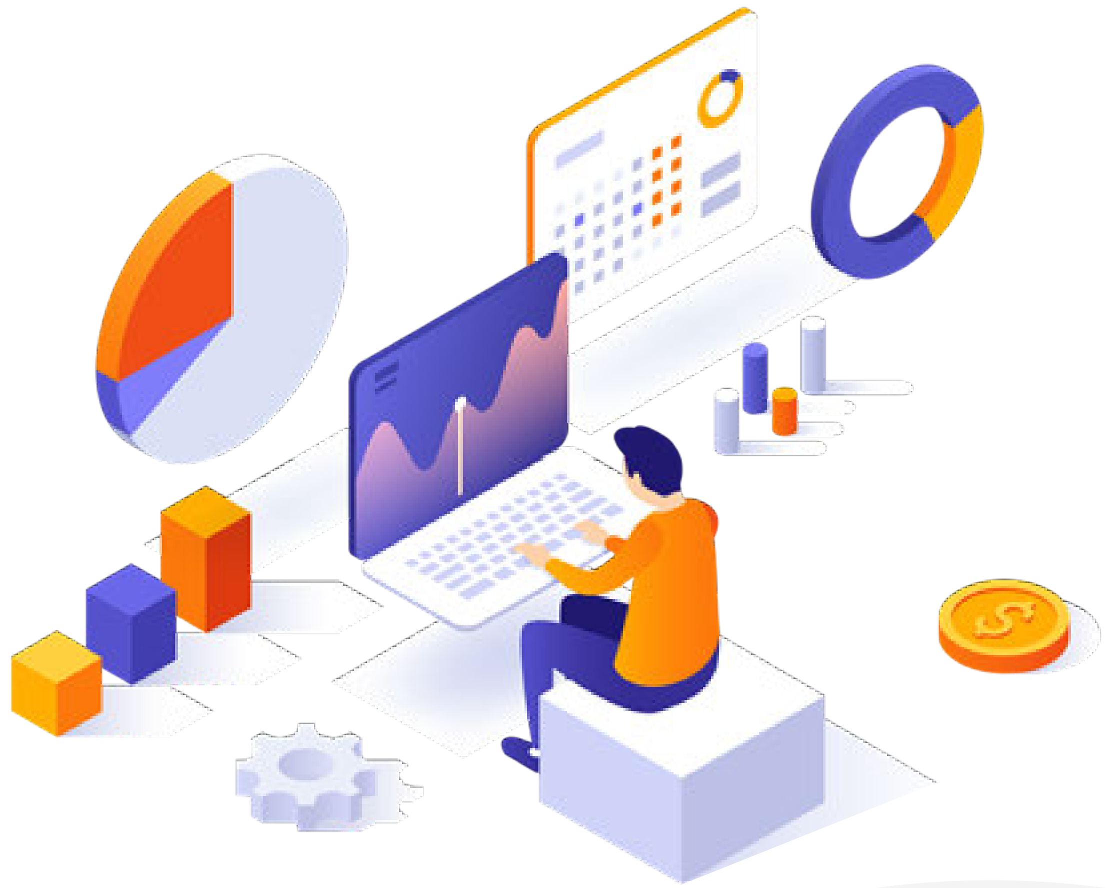
3. Limited time for analysis

Payroll can be an extremely busy and pressurized job, which means that it can be understandably difficult to find the time to step back and take a holistic look at payroll performance and risks.

Grant says: "Payroll people highly value paying people accurately and on time, and if things are going wrong, it can be difficult to confront that."

4. Need for leadership buy-in

Organizations need the right leadership and management in place to empower meaningful transformation. Often payroll teams struggle to get leadership buy-in for a clear transformation concept, which can then support teams with the right processes and solutions.



Benefits of data-driven payroll operations

Despite these challenges, the benefits of adopting a data-driven approach to payroll make it an essential move for any forward- thinking payroll function.

1. Gaining a clear view of problems

By establishing where problems in payroll performance actually lie, clear and efficient resolution measures can be put in place. It doesn't take long after beginning to collect KPI data to start discovering where issues are and what can be done to address them.

Andrea says: "The main reason behind being data-driven is to drive efficiency. This could be efficiency from a quality, financial, or commercial point of view."

2. Developing a transformation business case

When it's clear where problems reside, and easier to work out how to solve those problems, it also becomes easier to build a strong business case for investing in transformation. This is especially true if the transformation can be tied to improving employee experiences, supporting global compliance, or adding business value.

John says: "If you have KPI data, then you can effectively say: 'These are our payroll administration costs, and if we figure out how to improve X metric we then save X amount of time and X amount of cost at the back end. It creates a very easy business case."

"Not everyone is keen to spend money on payroll, so a business case that shows the organization how they can achieve ROI is key – this is very hard to construct without the data to back it up."

John Pearce
Chief Customer Officer

3. Addressing stakeholder issues

Payroll data and insights can give clear and objective facts that can help to address issues stemming from outside or up-the-line departments, such as HR or compensation and benefits. This enables a more constructive, collaborative approach to remediation, instead of leading to friction or a blame culture where responsibility is shucked from one team to another.

Grant says: “It can help payroll teams have these much-needed conversations with other areas of the business. You avoid going in with assumptions – you have clear facts to help present why things need to change.”

> “Through a data-driven approach, you can understand the quality of your payroll and where the real issues are, versus the perceived problems.”

Andrea Castellari
Director of Global Partners

4. Setting clear, measurable goals

Being able to honestly appraise payroll performance, and benchmark it against the performance of others, means that realistic goals can be set and the impact of any changes tracked.

John says: "Data can show you the true story, and help guide you on what big and little things you can do to continuously improve – and that's the payroll team's obligation to the wider business."

5. Spotting issues quickly and proactively

Data enables the identification of issues before they can have much – or even any – impact on the smooth running of payroll. Instantly and objectively highlighting root causes can also support more harmonious team relationships and avoid the blame culture.

Grant says: "Once you've gone through your process improvement, you can then maintain the benefits by nipping issues in the bud before they have a chance to negatively impact payroll timeliness and accuracy."

6. Reducing pressure and stress on payroll teams

A constructive and objective approach to improving performance can help payroll teams do their jobs better, more efficiently and without fear of failure. Furthermore, these insights can help payroll transition into a more strategic function for the wider business.

Andrea says: "Doing payroll is a stressful job, and it's hard to feel the rewards when things are constantly going wrong and your team is being blamed for issues occurring upstream. You can improve the quality of your day-to-day with data-driven insights and improvements, and deliver better quality within your department."

CASE STUDY

Smoothing bureau-company relations

With the right data in place, remediation efforts can be focused more effectively, and smooth out any kinks in bureau-company relations. At one organization CloudPay worked with, we were called in to investigate the issues behind the increasing numbers of employees being paid late and inaccurately. While the company initially believed that CloudPay was the root cause of the errors, our background data analysis uncovered a range of issues, including data being provided after the lock-date, low first-time approval levels, and high levels of re-runs to fix these issues. This data helped us set some joint goals and solve the challenges – by taking the emotion out of the equation, we could get quick, actionable steps on the table.

THE RIPPLE EFFECT

How payroll inefficiency impacts payments operations

Over the last two years, the findings in the PEI report have suggested a clear correlation between closely connected payroll and payments processes and improved efficiency. More and more organizations have recognized the impact that payroll activity has on payments, and so are moving towards a data-driven approach to streamlining processes and enhancing employee experiences.

Inefficiencies and delays in payroll put pressure on payments operations that have no leeway in their fixed pay dates. In more extreme circumstances, this can lead payments teams to resort to urgent and costly fundraising methods, rushed processing, or even missed payment dates which can have a real impact on workforce experience and wellbeing. These risks can be greatly reduced by removing the issues that cause those delays; data analysis, as well as unifying payroll and payments processes, have major parts to play in facilitating this.

The metrics that matter

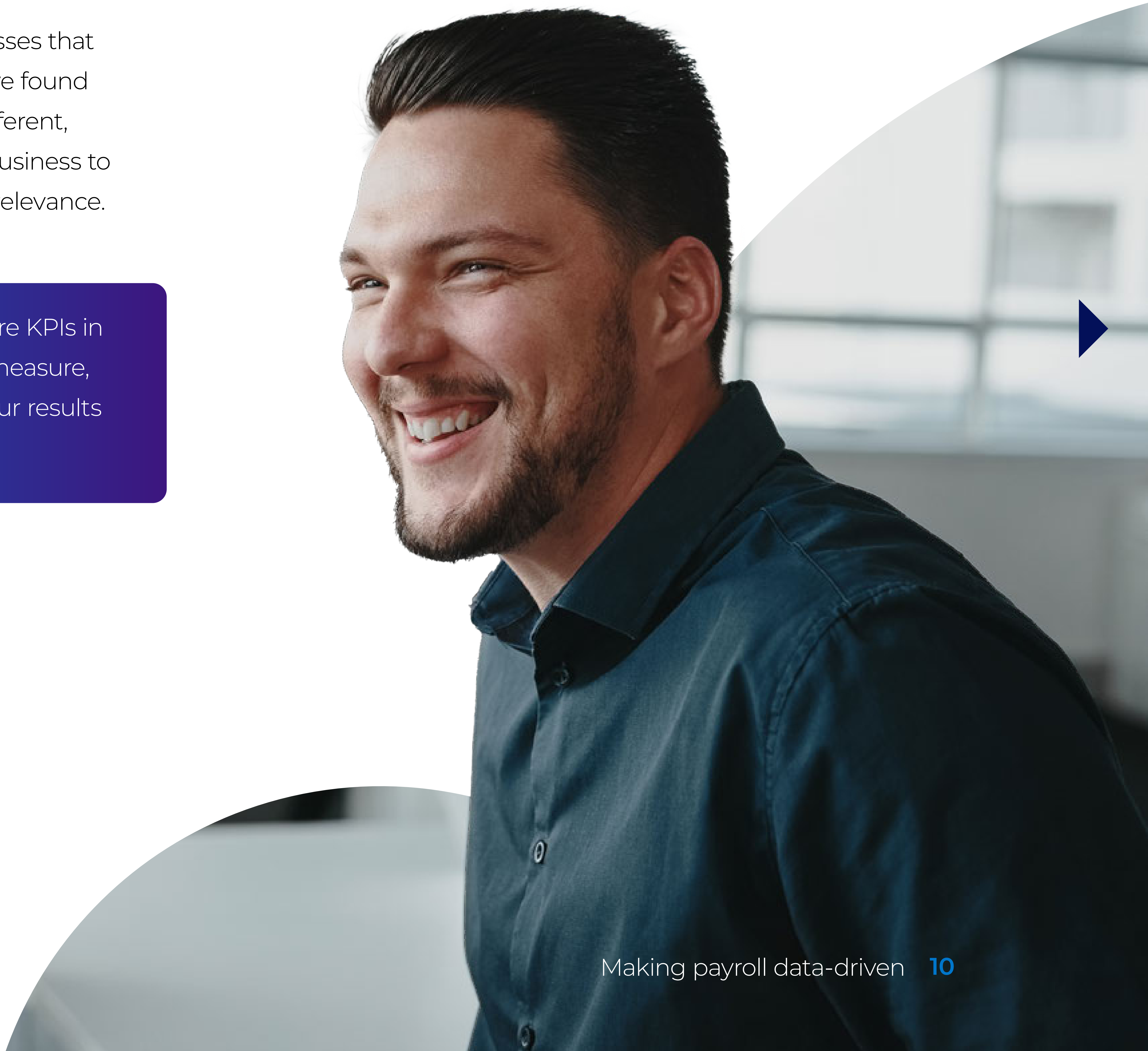
Understanding and improving payroll KPIs

Implementing payroll processes that are truly data-driven starts with knowing the right KPIs to track for the right insights.

As John puts it: "The hardest part of transformation is first agreeing which metrics are important for your business – which metrics can highlight your areas for potential improvement? Then it's about having the ability to consistently track the performance of the key metrics you decide upon."

The five KPIs we track in our PEI report enable us to uncover the real state of payroll performance and pinpoint a range of issues. These can include (but are by no means limited to): compromised payroll data; the inability to report at a global level; lacking full global visibility of payroll costs; or fragmented processes that prevent continuous improvement. While we've found these core KPIs ideal, every organization is different, which is why we encourage each individual business to explore customizing them to maximize their relevance.

In this section, we explore each of those core KPIs in turn, including how they work, what they measure, and the practical actions you can take if your results suggest room for improvement.



First-Time Approvals (FTA)

What is FTA?

The proportion of payroll runs approved at the first time of asking without any changes needed.

What insights does FTA provide?

FTA is a good bellwether of overall payroll performance. A low FTA rate suggests that something is wrong somewhere within the payroll cycle, and can therefore prompt further investigation.

As Grant says: “It’s a high-level indicator of issues that can drive open and honest conversations. It’s also especially helpful when you can benchmark and compare it to other organizations or regions.”

What can you do to remediate based on FTA performance?

Start by investigating your payroll processes in detail – even if your FTA score is good at first glance.

Andrea explains: “Looking behind the data and not just accepting the first story it appears to tell you is key.

For example, you may see you have a high FTA rate, but you should also investigate what’s behind that: how many iterations of the payroll were there to achieve that FTA rate, and what kind of activities did you have established outside of the standard payroll process to help you achieve that high FTA percentage? This kind of investigation gives you the opportunity to leverage the data to drive efficiency.”

CASE STUDY

Pinpointing issues early

One CloudPay customer had an FTA rate that was consistently high – around 80% – but it suddenly started to drop. Further investigation found that a large batch of data was consistently coming through late, which was down to a new HR manager in a particular region. Communicating with that region and using the data to advocate for a change in protocols and processes addressed the issue and the FTA rate soon recovered accordingly. By consistently tracking and analyzing FTA data, the organization could pinpoint the issue quickly and get it resolved before performance took a long-lasting hit.

Issues per 1000 payslips (I/1000)

What is I/1000?

The number of payslips that are affected by problems out of every 1000 that are issued.

What insights does I/1000 provide?

As every issue in every payslip consumes time and resources to be rectified, I/1000 indicates the level of accuracy and efficiency within payroll. Measuring it over time also allows any changes to processes to be quantified.

Identifying the scale of issues then allows for investigation into the causes which, according to John, can include: "the input method for the original data and its starting system, how it's validated, or how that data is moved from its point of entry into the system that produces the gross-to-net calculation. There could also be issues with the configuration of that gross-to-net system."

What can you do to remediate based on I/1000 performance?

Categorizing the issues according to their cause can tell the story about where the problems in your payroll processes really reside.

John provides a valuable example: "Take time and attendance – let's say there's a system that relies on manual data entry, and the validation protocol before it's moved to payroll has room for improvement. In this case, the best course of action would be to talk to the owners of that system and build a business case in collaboration with that department to show that fixing this root cause will save time and money downstream in payroll."

Other key steps could be performing trend analyses to find out which countries have particular difficulties with this metric and then digging further into root causes, including training, unclear requirements, poor data quality or complex manual calculations.

Data input issues (DII)

What is DII?

The proportion of issues, out of all issues affecting payroll, that are caused by mistakes in data input.

What insights does DII provide?

DII is a good indicator of problems upstream, either with technology or the department providing the data. This is especially the case if there has been a sudden change somewhere along the line.

Often, as Andrea says, these problems come from outside the payroll team: "DII shows your data quality, and can occasionally be an area of disconnect between HR and payroll teams. Some HR teams may believe that data equals payroll; however, this is not necessarily the case – payroll teams will typically process whatever they're told to. Ideally, HR teams should be responsible for the integrity and timely submission of employee data, but unfortunately, the reality can often be that responsibility is pushed to the team at the end of the process."

What can you do to remediate based on DII performance?

Often, improving training for staff providing the data can solve problems, but it may also be that your HCM tools need adjusting to provide cleaner and more accurate data. Grant suggests an approach that covers both of these areas: "Particularly on HCM systems, often payroll teams don't have full insight on what's being pushed through. I'd suggest more dedicated, one-to-one, specific training by senior team members and liaising directly with the HCM team to set up some tests to analyze the data and diagnose the problem. You can then set goals to be reviewed quarterly."

"At the end of the day if your input is bad, then your payroll is going to be bad."

Grant Tasker
Senior Director
of Global Payroll

CASE STUDY

Resolving issues within HCM systems

One CloudPay customer was getting large numbers of data input errors from their Workday HCM, which were consuming a lot of payroll team time to investigate and remediate. We pulled the integration error log from the CloudPay system to uncover the issue: a cost center code was routinely being left out when the data was sent. This was traced back to HR onboarding processes that omitted the cost center, which was only being added by finance retrospectively after employee data had been moved across the integration.

We worked with the finance team and Workday to change processes so that onboarding couldn't be completed or passed through the integration until the relevant cost center was added to the employee data. As a result, data input errors dropped to near-zero almost immediately and cut out headaches elsewhere in payroll processing.

Calendar length (CAL)

What is CAL?

The length of time – measured in days – that it takes to complete a payroll cycle from start to finish.

What insights does CAL provide?

CAL generally suggests how smooth and efficient payroll is. In theory, the shorter it is, the better. However, it is possible to have too much of a good thing – if a calendar length is very short, and other KPIs are performing poorly, it often suggests that payroll is being rushed and that there's not enough time to complete the necessary checks and validations properly.

What can you do to remediate based on CAL performance?

If calendar length is too short, then process and organizational change is key. As John describes it: "If you want to give yourself more time, you need to manage the stakeholders feeding data into payroll. You need to explain that, as a payroll team, you're not getting this right first time because you don't have enough time to do the validation. That means that you're at higher risk of paying late or inaccurately and of having a compliance issue because you don't have enough time to do the necessary quality controls. The payroll team could, for example, propose to add two days into the cycle, which means that stakeholder deadlines will be two days earlier – the team will then need to figure out how to manage those new deadlines."

The importance of payments

It's vital to ensure that lead times for payments are factored into payroll calendars, including geographical and time zone variations, and adjustments from any delays in diagnosing issues and inconsistencies. Automated calculations and validations, and integrations that speed up inputs, can also help shorten calendar length without compromising payroll quality or accuracy.

"The idea is to squeeze your calendar as tight as you can while still maintaining high first-time approval and 100% timeliness and accuracy."

John Pearce
Chief Customer Officer

Supplemental impact (SI)

What is SI?

The proportion of all payroll runs that take place outside of the normal cycle.

What insights does SI provide?

SI is good for quantifying the impact of any payroll inefficiencies, as every supplemental run has a tangible cost and operational impact on the organization. It can help indicate that the calendar length is too short to get the job done properly, or that certain processes aren't functioning as they should. Additionally, it can also help demonstrate the financial impact of inefficiency, as supplemental runs are time-consuming and expensive to complete; this can be instrumental in helping build a business case for change.

What can you do to remediate based on SI performance?

Technology, automation and standardization all have important roles to play in reducing supplemental impact.

As Grant explains: "You may discover that a certain department is having to transpose their data into a different format for the payroll team. In this case, you can use technology to expand their access and allow them to import data directly into the HCM system, taking out this cumbersome step."

It's also worth exploring what is behind high supplemental impact rates, such as country-specific requirements that naturally generate supplemental runs, and other ways to improve processes around off-cycle payments like bonuses and commissions.

"Increasing supplemental runs comes with a cost to your business. And the employee experience is also impacted. Receiving and having to digest two payslips can cause confusion, mistrust, complaints, and even friction with unions."

Grant Tasker
Senior Director
of Global Payroll

International benchmarking

The importance of a global perspective

Just as every business and every industry is different, from a payroll perspective, every country is different, too.

That's why it's so important to benchmark and track metrics at the country level, so you can understand how each of the territories you operate in is performing relative to the expected standard for that part of the world.

John explains: "Track whatever metrics you can at a country level and compare them to external benchmarks if possible. This will give you an idea of what's good and what's not so bad. If you're significantly below the country benchmarks, then you could generate a large amount of improvement and cost-benefit."

It is also possible to benchmark across different countries that have similar payroll approaches and operations – the United Kingdom and Ireland, for example.

However, as Grant highlights, it's important to take into account any specific complexities or hidden drivers along the way: "You may find there's higher approval rates in one country and lower rates in another. But actually, in the country with lower approval rates there's not as much late data. This finding would prompt you to look on the ground to see if there is something else data-wise that's driving that complexity."

"Country-specific metrics give you an idea of what good looks like, what's possible, and where the most potential for improvement is in terms of cost-saving or value-add."

John Pearce
Chief Customer Officer

Conclusion

Developing a data-driven payroll operation

CloudPay's core KPIs, and the practicalities of using them, demonstrate just how transformative a data-driven approach to payroll can be. However, they're just the start – it's also important to investigate what data and information your organization needs and make sure you can collect and analyze it.

At CloudPay, we understand how difficult it can be to turn this concept into a viable, successful reality. And from our experience, these five steps should put you on the right track:

1. Take an honest assessment and define the right KPIs

The KPIs within the PEI report will likely be a good place to start, but will need some customization.

As Grant says: "Sit down and have an honest review of the current situation – review your processes and the data you have available. The goal is to pinpoint your most useful KPIs."

2. Access and standardize data

You'll need to be able to gather data in a controlled manner so that it's easily presentable to key decision-makers and can form the basis of a convincing business case for change.

"Reset your mindset – think beyond completing the process, and start thinking more strategically about how you can improve the process."

Andrea Castellari
Director of Global Partners

3. Build in capacity to test changes

It's vital to build in the capacity and capability to not only identify the improvements needed in payroll processes, but to test and ensure they're the right ones, too.

John says: "Once you start to collect KPI data the next steps become very obvious. Where you see poor performance in the metrics you're tracking, whether that's within a particular country or within a particular step, that's where you need to deep-dive as a payroll team." This can also include training team members in payroll process management.

4. Create a culture of strategic payroll

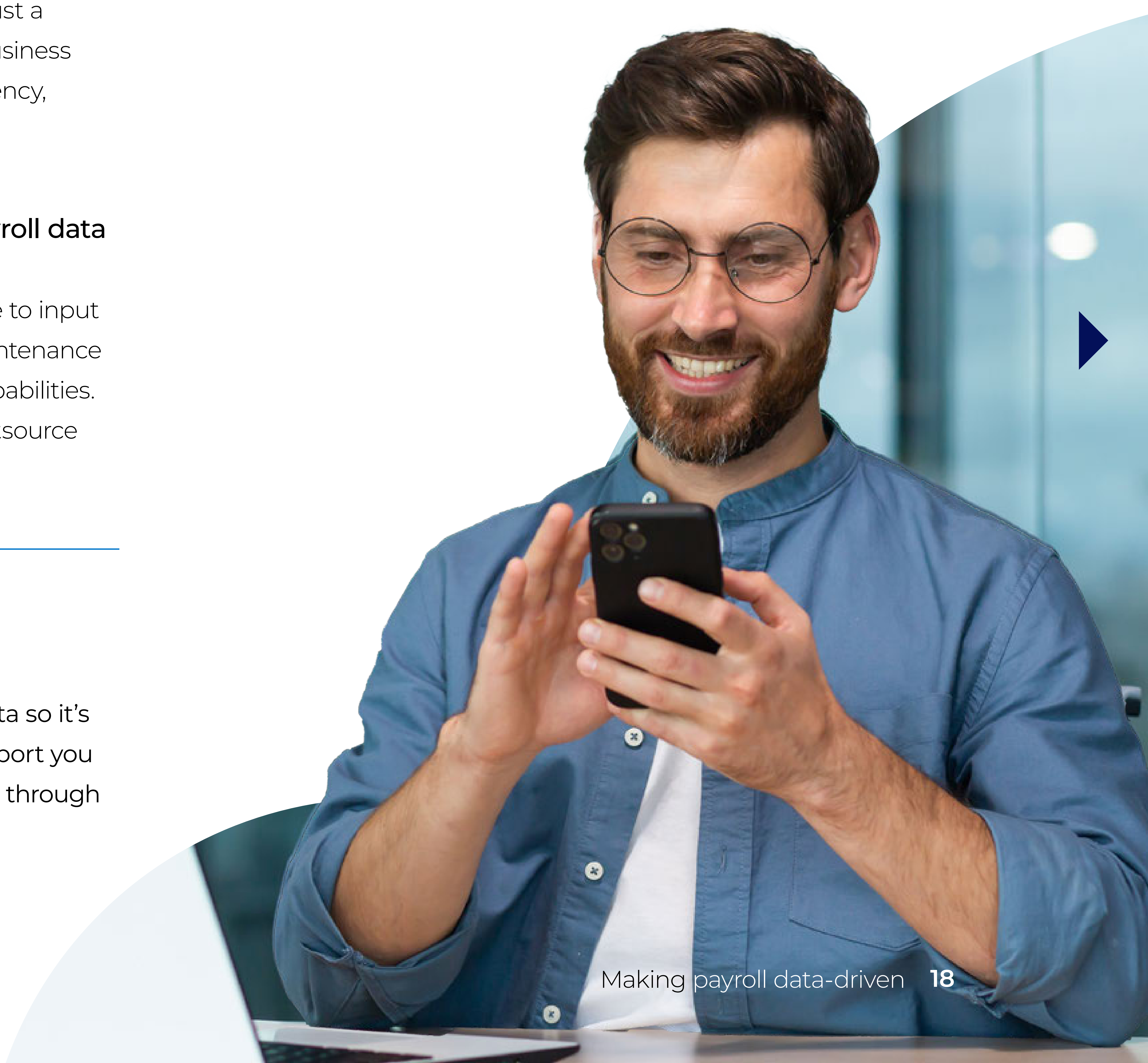
Redefine the image of payroll as more than just a transactional process by demonstrating to business leaders the savings in time, money and efficiency, and improvements in employee experience.

5. Deploy a system to help you with payroll data

Even after building a complex visual database to input your data into, it will still require constant maintenance and upkeep that can be beyond in-house capabilities. That means it often makes more sense to outsource to a trusted payroll partner, instead.

The CloudPay Way

We've specifically designed our solution and processes to be able to record, track and analyze this type of data so it's available for our customers and they don't have to build their own complicated platforms. CloudPay can support you throughout your payroll cycle; provide monthly reviews to find areas for improvement; benchmark processes through our huge database of anonymized customer data; and drive best practice and continuous improvement.



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About CloudPay

CloudPay is on a mission to modernise the pay experience and turn pay into a business advantage. Our integrated portfolio of payroll, payments and pay on-demand solutions are delivered through a single cloud-based platform that can be deployed anywhere in the world. By unifying payroll, treasury and HCM functions and leveraging the latest technology, we transform pay processes, making them fast, flexible and certain.

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