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HR & Payroll Foundations Series

Getting the foundations right: Creating the conditions for HR to thrive

Getting the foundations right

HR leaders have had to reimagine how the workplace operates – and from where – as they seek to attract, retain and engage staff in an age when many want to seek fresh challenges. They are now relied upon to deliver business transformation by facilitating change management, communication and engagement. This, in turn, is transforming how senior HR leaders are perceived by the broader business. Many are being recognised for their increasingly strategic role, and Chief Human Resource Officers (CHROs) are more likely to be taking a seat on the board.

The global pandemic has transformed the way in which people work, with employees now used to working remotely and expecting to continue at least some of the time in future. The sudden onset of homeworking only served to dramatically accelerate the wider trend towards digital transformation that was already prevalent in modern organisations, as well as the growing trends towards flexible working and pay propositions. It's down to senior HR leaders to address these new people challenges, which are essential to solve in order to achieve real business growth.

Yet there also remains a need for heads of HR to deliver on the core priorities of the workforce, ensuring people are engaged, inspired and empowered to achieve their best. A solid operational and tactical HR and payroll foundation is essential if HR leaders are to deliver, rather than becoming embroiled in inefficiencies, costs and compliance issues. Putting the right foundations in place means establishing an ecosystem of operational HR services and solutions that keeps things running smoothly day-to-day, while empowering HR leaders to meet the CEO's expectations.

Having an effective payroll function is an essential part of that operational ecosystem. Being paid on time, and at the right amount, is a basic requirement for every employee. But getting the foundations right can also help to deliver enhanced operational efficiency, encourage innovation in pay, improve the employee experience and deliver vital insights with which HR can make strategic decisions.

In this new whitepaper series – in partnership with HR & Payroll solutions experts SD Worx – we deep dive into the operational ecosystem expected of modern HR leaders. One that frees up senior leaders to focus on delivering a culture and organisation for which people will want to work, paving the way for success in a fiercely competitive war for talent and wider business landscape. ▶

The HR hero's journey

The role of HR has long been seen as vital, but the current climate – where organisations are facing a real challenge to hold on to employees and attract new ones – means it is now increasing in both complexity and significance.

HR teams have been at the forefront of coping with the challenges of the pandemic, tasked with engaging and motivating staff during a period where many found themselves working remotely at very short notice, and taking steps to protect the mental health of employees to avoid burnout. As we enter the post-pandemic phase, employee wellbeing continues to grow in importance for the C-Suite. Take-home pay is being stretched thin for many in harsh economic conditions, which means it's more important than ever to ensure a positive experience at work that helps a person thrive and succeed.

As a result, many HR leads will find themselves being consulted in more strategic ways by the wider business. More chief human resources officers now have a seat on company boards, impacting decisions around broader business strategy, employee engagement and wider topics such as sustainability, the company brand, and employer value propositions. It's no surprise that 72% of CHROs interviewed for SD Worx's pan-European Future of Work and People research say their business model has changed over the past five years. Analysis by LinkedIn also underlines the growing importance of the CHRO, which was the fifth-fasting growing position in the UK between 2017 and 2021 [1].

Yet many teams operating under the HR umbrella find they are still struggling to deliver on their core responsibilities, such as paying people on time. It's therefore no surprise that operational efficiency is now seen as the number one priority for HR leaders, up from fifth in 2020, according to SD Worx's research. Without being able to deliver on the basics of HR and payroll, it's impossible for HR to take on the more strategic role that is required today. Having the right foundational tools and processes in place is essential if HR is to deliver on the potential that exists to demonstrate its true value to the organisation.

Payroll: the elephant in the room

For many organisations, one thing has been overlooked when it comes to updating systems and processes: payroll. That means many companies have difficulty accessing high-performance tools and organising payroll operations. This can result in huge complexity around remuneration packages and ensuring people are paid what and when they should be, as well as generating significant costs as a result of manual systems and processes.

Research by Middlesex University London [2] provides an insight into just how big this issue is. The study found that £1.5bn of holiday pay and £1.2bn of wages are unpaid each year. Furthermore, one-in-12 employees don't receive a payslip and one-in-20 workers receive no paid holidays; both of which are breaches of employment rights. While some of this may be due to deliberate avoidance of responsibilities, it is likely that much of it is due to failings of payroll systems and processes. In fact, according to SD Worx's research, 40% of HR professionals say they find it either "difficult" or "very difficult" to provide data to business leaders.

There's also the obvious risk that things could be done incorrectly, creating the potential for compliance or legal issues around data security or tax and pay-related errors. These issues could potentially expose organisations to legal action, with the threat of significant fines and serious reputational damage. So how can senior HR leaders overcome these challenges, to ensure their team is able to deliver the functional efficiency required of them, and enhance the potential value they can deliver throughout the business? We interviewed industry experts to find out.

Building a better future

Every year, SD Worx conducts its Future of Work and People research project. A team of people experts and data analysts gather and interpret insights from almost 3,000 HR leaders across Europe.

The aim of the study is to identify how HR leaders are addressing their evolving goals, and to explore the trends that will shape the future of the industry. Key findings from the research are presented throughout this whitepaper, and there will be more exclusive insights to come in the series to follow.

1. https://www.peoplemanagement.co.uk/news/articles/hr-talent-roles-among-fastest-growing-uk-analysis-finds#gref
2. https://www.trustforlondon.org.uk/publications/unpaid-britain/

Payroll pain points

What are the biggest problems organisations struggle with when it comes to their payroll? Our team of experts break the challenges down:

Cost

The fundamental problem, according to Simon Parsons, director, UK compliance strategies at SD Worx, is that payroll is not seen as core to a business, and as such has often been overlooked when it comes to investment.

"It's not seen as a revenue-generating priority," he says. "It's often seen as a cost and so there's a tendency not to invest in the technology or to get it on the cheap. But we're talking about something fundamental; if your staff aren't paid properly they will start to derogate in their quality of work."

Complexity

Years of failing to upgrade systems, compounded by multiple systems being used in different countries that have built up over time or as a result of mergers and acquisitions, have left a complex set-up for many organisations. "Having multiple sources and different

systems doing the same thing means that, in many cases, you double, triple or even quadruple the risk of something going wrong," says Chris Kirby, senior manager, payroll transformation, at Lace Partners. "Having one central system removes all of that."

The migration of many HR products to the cloud has also muddied the waters, he says, as often such moves have taken place independently of payroll. "That means you often have a completely different source of data, and the payroll system has become manual," he says. "Companies have never really backtracked and addressed that because pay keeps going out on time, so it becomes easy to ignore."

This issue has been made more difficult by the sheer number of stakeholders that exist in the HR and payroll process, which has seen some favoured over others when it comes to implementing a new HR system. "This means many companies have invested in an expensive HR system but these tools have failed to deliver," says Parsons. "This has created friction between different teams, and created a system that does not work for anyone." ▶

In other organisations, reliance on outdated legacy systems, which could date back three decades, makes it hard for organisations to move on. "Sometimes the difficulty is what you do about historic records, and how far you go back," says Parsons.

"Many records from 30 years ago would have been on microfiche, but that has now gone so how do you keep your historic records if you don't use legacy systems? A major obstacle with legacy is what do you do about the legacy? Another issue is that the process then becomes embedded into the culture of an organisation, all while the legacy system gets further and further away from current thinking," he adds.

This can cause issues with reporting, de-materialisation of documents and payslips, and a lack of collaborative work tools.

Compliance

Karen Thomson is a partner and head of payroll and people at accountancy firm Armstrong Watson. Her business is keen to encourage clients to adopt the latest technology, but regularly experiences resistance to change. She says: "To use automation, you need clients to provide you the data in a consistent format, and that's often the obstacle.

"If it's a small business, they often still do things on spreadsheets or even on pieces of paper. Larger clients will have an HR system or time and attendance system but you will still use software that will take the data and migrate it into whatever you're using."

The technology is there, Thomson adds, but often clients lack confidence in using it and expect high levels of supervision as they would during auditing.

Taking action

The technology to improve things – with a solid HR eco-system replacing multiple disparate ones – is well established, but tackling the underlying systemic and cultural issues can be harder. Often, ensuring payroll – and HR – are involved in projects from the outset can be a challenge. "It's imperative to take a holistic view of every change that happens, whether it's a systems implementation or a process change, and whether it's within HR or other functions," says Kirby. "It's a case of looking at what the impact of those processes will be, and how to mitigate any risk that is imperative. If you don't do that, you're essentially starting off down a path where success is almost impossible."

HR and payroll also need to have the confidence to put themselves forward to influence more strategic matters, believes Parsons. "Government compliance is more complicated than ever, because legislation changes quickly and often," he says. "Payroll professionals have to pay close attention to evolving rules around student loans, pensions, statutory maternity pay, the health and social care levy, and more. And it all has a financial impact on a business's employment bill.

"Alongside that, when the business comes up with a reward package, do they actually understand the full tax implication? It's the payroll professional that knows that, so they need to be involved." He gives the example of McDonald's payroll manager Maria Hennessy, who insisted on attending planning meetings for the company's 2012 Olympic Games contract, to ensure the business was able to meet the needs of paying an extra 20,000 temporary staff correctly. ▶

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Simon Parsons, director, UK compliance strategies, SD Worx

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>
> Chris Kirby, senior manager, payroll transformation, LACE Partners

Payroll professionals need to do more here to demonstrate the value they can bring to a business, believes Armstrong. "It's not just organisations that need to recognise payroll; it's payroll professionals themselves who need to recognise their value as well," she says. "We in payroll will tend to say 'yes, we can make that happen', and we'll find a way to do it. But we don't sing from the rooftops saying we found a way to make somebody's life easier."

The pandemic went some way to help elevate the function's standing in an organisation, she adds, by ensuring people got paid despite the sudden switch to homeworking. "Within hours, for the most part in the UK, payroll professionals suddenly upped from the office and got their systems working from home," she points out. "You didn't hear stories of people not getting paid because of lockdown. Payroll did it, and they did it with style, even if I say so myself. It's those things that need recognising."

It's important, too, to adopt a longer-term vision when considering software requirements. "You need to know where your company is and where it's headed," says Kirby. "It's amazing how many people don't know or haven't considered where the business will be in five years' time. Companies grow hugely nowadays, whether through mergers and acquisitions

or organically, and that can create a very different scenario when it comes to futureproofing your service." It's reassuring, then, that 70% of organisations are looking for a one-stop shop to solve their HR & payroll needs, according to SD Worx's research.

Software models have also evolved, with cloud-based payroll software meaning organisations can now feel confident they will be able to adapt requirements as needed. "The world and technology have changed," says Parsons. "Before cloud-based software solutions were available, you would make a technology choice and stick with it for a set period of time. But the technology these days allows more selective activity that grows with you. It becomes a partnership rather than a purchase, and that fits well with the compliance cycle, because legislation is changing all the time. There is an opportunity to change as you go rather than buying something and feeling you have to stick with it." This means organisations can ensure they are always receiving the latest versions, incorporating updates such as including HMRC notifications through Real Time Information (RTI).

"Payroll professionals have a lot of transferable skills. Removing the transactional elements of their role would allow their employers, clients and businesses to truly benefit from those skills."

Karen Thomson, partner and head of payroll and people, Armstrong Watson

Added benefits

Taking action to address outdated and cumbersome payroll systems and processes doesn't just bring greater efficiency and reduced risk. It can also help HR and payroll professionals gain insight into other areas in and around the people space, such as time and attendance and workforce planning.

"There's a significant opportunity for financial efficiencies and planning through getting the right payroll perspective and freeing up time and resources to focus on it," says Parsons. "Rather than just seeing it as an expense, forward-thinking businesses will view it as an opportunity."

Being able to take on a more strategic role within the business also means employees will turn to payroll to help make their lives easier. "Employees should look to HR and payroll not only to make sure they're paid on time, but also as people who want to help make their lives better," says Kirby. "Once that shift happens, we see real benefits – not only for employees, but also for the business itself."

One example here would be providing employees with financial information or support, potentially including measures such as pay-on-demand, he adds.

A higher profile and greater involvement in more strategic areas can bring benefits to payroll professionals on a personal level, too, in terms of their own career development and job satisfaction; something that could also be beneficial to employers as they wrestle with engaging and retaining staff.

"If the technology is taking care of the transactional side of payroll then those people have the opportunity to get involved in other projects, such as helping facilitate people working from home," suggests Thomson. "Payroll professionals have a lot of transferable skills. They work with people, numbers, systems and processes. They write reports and work with statistical data. Taking away the transactional element would allow employers, clients and businesses to benefit from those skills and really make a difference."

Firm foundations

The message for senior HR leaders is clear: make sure you have the right foundations in place to deliver day-to-day operational efficiency, so you can focus your valuable time and energy on more strategic issues. A foundational ecosystem of HR solutions and services acts as a springboard, enabling HR leaders to take a central role in organisational change, and to add further value by solving the strategic people challenges of the post-pandemic era.

In future papers, we will be exploring some of the ways in which this can lead to greater operational efficiency, deliver new pay models, generate vital data and insights, and enhance the employee experience, helping to elevate the role of the senior HR leader. Once seen as administrative overseers, they are now valued as true architects of business transformation.

The message for senior HR leaders is clear: make sure you have the right foundations in place to deliver day-to-day operational efficiency, so you can focus your valuable time and energy on more strategic issues.

Checklist

Senior HR leaders need to take steps now to ensure they have the right foundations to deliver what is expected of them. Simon Parsons, director, UK compliance strategies, at payroll and workforce management solutions business SD Worx, has the following tips:

■ **Get involved in more strategic discussions or major projects that will impact on the wider business. This is essential in helping to take advantage of the higher profile of HR**

■ **Demonstrate the value payroll can bring to the business. This could include highlighting the role that it played during the pandemic**

■ **Take a holistic view of any change and the impact this will have across the broader business, rather than seeing it through a siloed, functional lens**

■ **Make sure you have the software required to deliver the HR and payroll capabilities required by the business**

■ **Tackle any cultural issues that could create objections to the rollout of new software, including a reliance on legacy systems**

Contributors

Karen Armstrong
Partner, Head of Payroll & People, Armstrong Watson

Karen has worked in the HR, finance, pensions and payroll industry for most of her career, focusing on the payroll and pensions industry for the past 20 years. She sits on a number of government consultation forums representing employer and client views – always insisting that no one is treated as a number, only as a person.

Karen is qualified to Masters level and lectures for the Masters programme at the Chartered Institute of Payroll Professionals (CIPP), in partnership with Derby University. She is one of only 10 people to be appointed as a Chartered Member of the CIPP. She also teaches CIPP's Foundation Degree in Payroll Management. Karen became only the second known Payroll Partner of a UK accountancy firm in April 2019.

Chris Kirby
Senior Manager, LACE Partners

Chris joined LACE Partners in 2021 as a Senior Manager in the HR Transformation team, specifically heading up their payroll offering. His passions are payroll and change, and he has worked in both senior operational roles (Global lead for Barclays) and as a consultant (easyJet, Barclays, Colt Technology) in both owning/receiving and executing global change.

Known as the in-house payroll 'doctor' at LACE, Chris has worked with a vast array of payroll solutions and providers across c50 countries, in the setup and maturing of shared services, and on many HR transformation programs covering the wider HR landscape.

Simon Parsons, M.Sc
FCIPPdip MBCS
Director of Compliance, SD Worx UK & Ireland

Simon has been a major contributor to SD Worx's payroll expertise since 1984. Besides being influential in the development of SD Worx's payroll services, he takes part in a number of HMRC consultative groups and committees. A fellow of the Chartered Institute of Payroll Professionals (CIPP) and one of the original Masters of Science in Payroll Management, he is a regular author and speaker on reward and payroll.

Simon is Chair of IReeN, the electronic exchange with government user network, and Honorary Chair of the BCS (the chartered institute of IT) Payroll Specialist Group. He also launched PAYadvice.UK in April 2019 to offer a means of fast distributions of breaking news, expertise and guidance. Simon has has won a number of awards, including the Strathearn Award for Lifetime Achievement and CIPP Person of the Year in 2006.

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About SD Worx

SD Worx provides a comprehensive suite of payroll and HR software and services. Their intelligent payroll, HR and workforce management solutions streamline processes to make day-to-day transactions easier, quicker and more efficient for HR and payroll leaders, managers and employees.

SD Worx invests continuously in consumer-grade user interfaces and extensive self-service to empower employees and enhance their experience, for example through dynamic mobile payslips – which allows employees to access their payslips at any time, on any device. Customers can rely on a flexible service, comprehensive service, including SaaS and managed payroll services as well as specialist, bespoke solutions.

Ready to get your HR & payroll foundations right, but not sure where to start?
Book a payroll discovery session with SD Worx: sdworx.co.uk/payroll-discovery-session

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