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Human Capital Management
& Payroll Software/Services

Selecting your next payroll system

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The smooth operation of your payroll system is crucial for maintaining employee satisfaction and ensuring your organisation remains compliant with regulations. However, outdated, or inefficient payroll systems can create bottlenecks, hinder productivity, and increase the risk of errors. This guide equips you with a comprehensive roadmap to navigate selecting a new payroll system, empowering you to make informed decisions and find the perfect solution for your organisation's needs.

Step 1: Understanding Your Current Bottlenecks

Before you start reviewing payroll system vendors, it's essential to conduct a thorough analysis of your existing setup. This allows you to pinpoint areas that hinder smooth operations. Bottlenecks can manifest in various forms, acting as silent roadblocks on your path to payroll efficiency. Keep an eye out for these common culprits:

- **Manual Tasks:** Tasks, like data entry, calculations, and STP reporting, can become significant bottlenecks, hindering productivity, and increasing the risk of errors. Automation is a time saver.

- **Award Rate Challenges:** Inconsistent application or misinterpretation of award conditions can lead to costly errors and compliance issues.

- **Lack of Flexibility:** System inflexibility can hinder your ability to cater to specific employee groups, pay structures, or bonus schemes.

Expanding Your Analysis:

Beyond identifying these immediate bottlenecks, consider the bigger picture. Explore the integration capabilities of your existing system. Does it seamlessly integrate with other critical business systems such as ERP/Finance, HCM, Learning Management Systems and Workforce Management? Siloed systems can impede data flow and create administrative hurdles, hindering efficiency and accuracy.

By conducting a comprehensive assessment of your current bottlenecks and limitations, you gain valuable insights into the specific pain points that need to be addressed by a new payroll system. In essence, this step equips you with a roadmap, paving the way for a successful review of what's available in the market.

Step 2: Defining Your Requirements

With a clear understanding of your current bottlenecks, it's time to focus on defining your requirements for a new payroll system. Let's start with the must-have features.

- **Automation:** Modern payroll systems use automation to transform time-consuming tasks. Look for a solution that automates data entry, payroll calculations and payslip generation, freeing up payroll time to focus on more strategic initiatives. Next-level solutions offer configurable workflows that eliminating manual intervention and error.

- **Reporting:** Powerful reporting is the cornerstone of informed decision-making and a key element of good governance in payroll. A solution should offer a range of pre-configured reports, providing valuable insights into key metrics, such as employee costs, leave entitlements, and turnover. Additionally, the ability to generate customised reports allows you to tailor data to your specific needs and answer your most pressing questions.

- **Integration:** In today's interconnected business landscape, data silos and isolated systems can hinder efficiency and create data inconsistencies. Look for a system that offers pre-built integrations with popular business systems and the capacity to build your own via APIs.

- **Date Effectiveness:** A payroll system with date-effective functionality offers enhanced accuracy and efficiency by allowing changes to be made in advance, reducing errors, and arrears, to correct data. This system simplifies compliance by facilitating timely updates to meet regulatory requirements. Additionally, it enables better data management by maintaining historical, current, and future payroll information without overwriting existing data.

- **Audit:** Having granular audit functionality in a payroll system is crucial for ensuring accuracy, compliance, and risk mitigation. Audits streamline payroll operations by providing opportunities to improve data accuracy, identify areas for process optimisation, ensure compliance with regulations, adherence to taxation regulations. They help in monitoring and enforcing compliance in real-time and provide immediate and comprehensive overview of payroll activities. Overall, audits play a crucial role in enhancing efficiency, accuracy, and compliance within payroll operations.

Making the solution future-proof

While identifying your must-have features is crucial, a forward-thinking approach is essential for long-term success. Evaluate the scalability of your current solution. As your organisation grows and evolves, will your preferred system have the capacity to accommodate increasing complexities and volumes of data? Scalability is crucial for future-proofing your payroll operations and ensuring that your system can grow alongside your business.

Importantly, choose a system that prioritises data security by employing industry-standard encryption protocols and adhering to stringent data protection regulations for your region. Programmed updates to align with statutory and regulatory changes are also a must.

Step 3: Compliance Requirements

Australian payroll regulations change very frequently. Navigating this complex landscape requires meticulous attention to detail and a robust system that safeguards your organisation from non-compliance risks. Ensure your proposed vendor can articulate how their system complies with Australian Taxation Office (ATO), Superannuation Guarantee (SG) requirements and Single Touch Payroll (STP) reporting.

You should be looking for a vendor that offers:

- Tools and functionality to ensure compliance, e.g., Payroll Verification
- Automatic updates for legislative changes

- Robust data security & protection

Remember, compliance is not just about avoiding penalties; it's about upholding ethical standards, protecting employee rights, and fostering a culture of trust within your organisation.

Step 4: User-Friendly Interfaces

How your payroll system presents its screens and functions is a key driver for adoption. Screens and pages should be intuitive, clear, and logical, allowing users to navigate the system with ease and minimal training. Here are some key features of a user-friendly interface:

- **Key Data Summaries:** Look for a capacity to provide key payroll data on one page. The page may provide key metrics, such as upcoming pay dates, leave balances and other important data. Easy access to frequently used functions and reports empowers your team to work efficiently and make informed decisions.

- **Clear Navigation:** A well-structured navigation system is the cornerstone of a user-friendly interface. Menus and buttons should be clearly labelled, using consistent terminology and icons throughout the system. This intuitive hierarchy allows users to find the information they need quickly and effortlessly, minimising the learning curve and reducing reliance on extensive training manuals.

- **Logical Workflows:** Imagine a system that guides users through tasks in a logical and sequential manner. Forms and data entry screens should be intuitive and easy to understand, with clear instructions and labels for each field. This streamlines the process, minimises the risk of errors, and allows users to complete tasks confidently and efficiently.

While the foundational elements of a user-friendly interface are crucial, additional features can further enhance user experience and drive adoption:

- **Personalisation:** Allow users to customise their data views, change their data labels, set notification preferences, and arrange frequently used functions for easy access.

- **Context-Sensitive Help:** Look for a system that provides readily available support and guidance when users need it most. Context-sensitive help features, such as pop-up tutorials or on-screen instructions, offer immediate assistance within the specific context of the task at hand.

- **Mobile Accessibility:** Ensuring accessibility on various devices is an expected functionality. Look for a solution that provides secure user access via desktops, laptops, tablets, and smartphones.

A user-friendly interface will deliver improved efficiency, greater data accuracy and enhanced user adoption.

Step 5: System Security and Protecting Sensitive Data

Organisations must safeguard sensitive employee data. Payroll systems hold Personal Identifiable Information (PII), and employers must protect this.

The landscape of cyber threats is constantly evolving, with malicious actors employing increasingly sophisticated tactics to gain unauthorised access to sensitive data. To protect against threats, it is crucial to have a multi-layered approach to data security, regardless of whether they are intentionally designed or a result of human error. Here are some key elements to consider:

- **Encryption:** As a minimum, your payroll solution should support Internet Protocol (IP) restrictions such as whitelisting of IPs; transmission of data encrypted to and from the client desktop via Secure Sockets Layer (SSL); Advanced Encryption Standard (AES)-256 and Transport Layer Security (TLS) v1.2. Web-based access to the hosted service application should be secured via SSL connectivity through a dedicated cloud-based web application firewall.
- **Access Controls:** Implementing robust access controls restricts access to payroll data only to authorised personnel who require it to perform their job duties. Vendors can achieve this by implementing methods such as multi-factor authentication (MFA), role-based access control (RBAC), and user activity monitoring.
- **Regular Backups and Disaster Recovery:** Regular backups of your payroll data and a comprehensive disaster recovery plan are essential safeguards against unforeseen events such as natural disasters, hardware failures, or cyberattacks.

While technical measures are crucial, fostering a culture of security awareness within your organisation is equally important. This involves regular user education, training, and clear and comprehensive policies around data collection, storage and use. Compliance with Australian Privacy Principles (APPs) and GDPR should be a given.

Step 6: Cost Considerations – Direct and Indirect

When selecting a payroll system, cost often plays a central role in the decision-making process. While securing a feature-rich system is crucial, it's equally important to evaluate the true financial implications of your chosen solution to ensure it delivers long-term value within the constraints of your budget. To do this, you need to look beyond the initial purchase price and consider the Total Cost of Ownership. This includes:

- **Upfront Costs:** These include the initial purchase price of the software license, implementation fees, and any one-time setup costs associated with data migration or customisation.

- **Ongoing Costs:** These encompass the recurring expenses associated with your payroll system, such as monthly subscription fees, maintenance and support fees, and any additional charges for user licenses or specific functionalities.

- **Hidden Costs:** These may include costs associated with additional training for your team, ongoing data storage fees, or integration expenses with other HR or accounting software.

Step 7: Choosing the Right Vendor

Selecting a new payroll system is not just about choosing software; it's about establishing a long-term partnership with a reliable vendor. This vendor becomes a vital partner in your journey towards efficient and compliant payroll operations. Ensure you choose a partner who shares your commitment to success.

While functionality and features are undeniably important, there are some other key capabilities to consider when evaluating potential vendors:

- **Reputation and Track Record:** Research the vendor's reputation within the industry and seek feedback from existing clients. Look for a vendor with a proven track record of success in implementing and supporting payroll systems for organisations of similar size and complexity to yours.

- **Customer Support:** Robust and accessible customer support is essential for addressing any issues or inquiries that may arise during and after implementation. Evaluate the vendor's support offerings, including availability hours, response times, and preferred methods of communication (phone, email, live chat). Opt for a vendor that prioritises customer satisfaction and offers readily available support through various channels.

- **Training and Onboarding Resources:** A successful transition to a new payroll system requires comprehensive training and support for your team. Assess the training and onboarding resources offered by the vendor. Look for vendors who provide training materials, workshops, and ongoing support to ensure your team is proficient in using the system effectively.

- **Vendor Stability and Longevity:** Selecting a vendor with a strong financial standing and a long-term commitment to the industry is crucial. An established vendor is less likely to face sudden market disruptions, go out of business, or be bought by another vendor, minimising the risk of future disruptions to your payroll operations.

Building a Collaborative Partnership

Selecting the right vendor is not simply a one-time decision; it's the foundation for a long-term partnership. By evaluating the vendor's capabilities, assessing their collaborative approach, and prioritising features that align with your organisation's long-term goals, you empower yourself to choose a partner who will be by your side, supporting you throughout your payroll journey. Remember, your ideal vendor is not just a software provider, but a trusted advisor and a valuable collaborator, working alongside you to ensure the success of your payroll operations now and in the future.

What to ask when reviewing a vendor's payroll solution.

Sometimes it's hard to know how to get the information you need to properly evaluate a vendor's offering and to compare one to another. Click here to discover what to ask across six key areas of consideration. Or you can contact Frontier Software directly. Our team of payroll experts are here to help.

> **"Commitment to customer service is our number one priority."**
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> Michael Howard, Founder