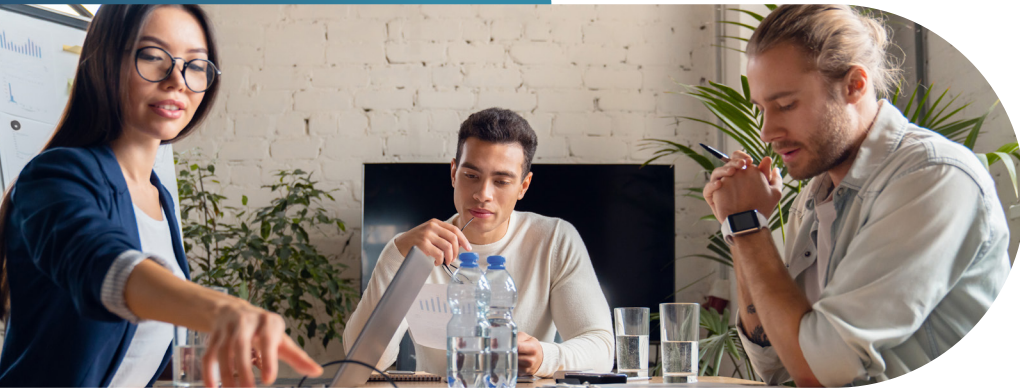


The Payroll Maturity Curve



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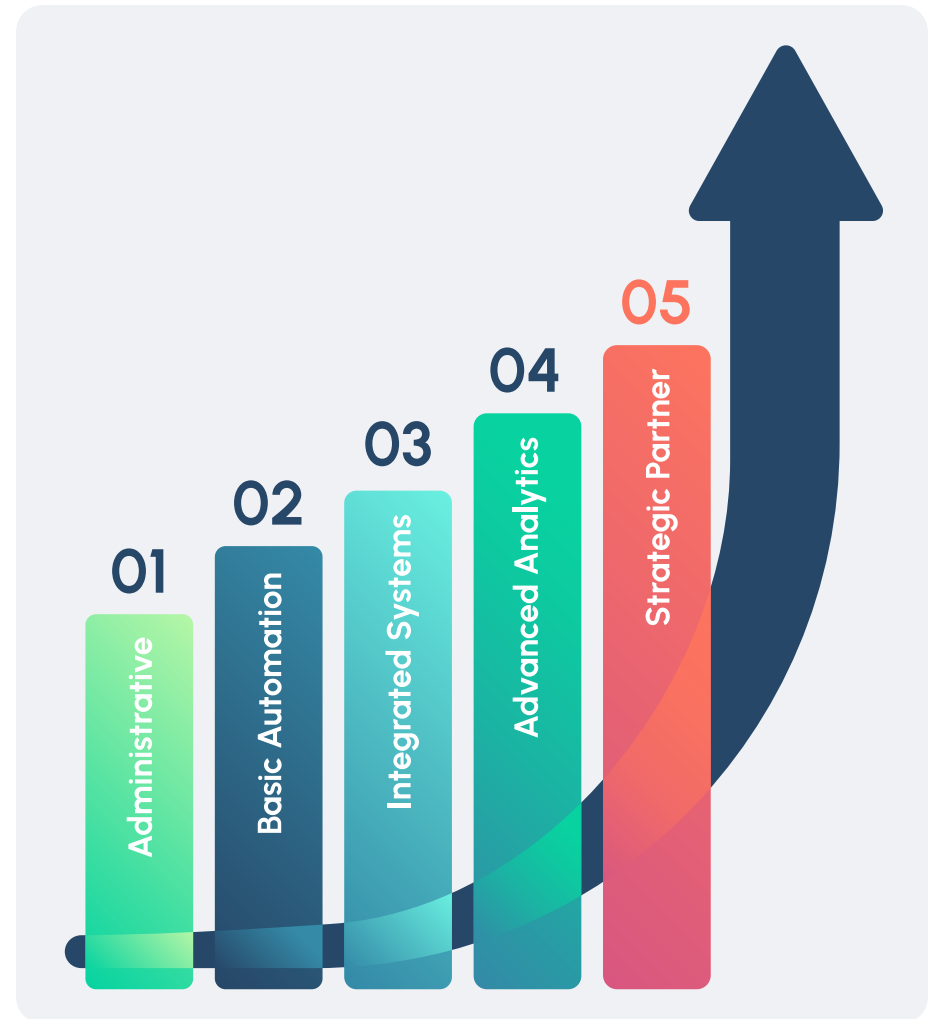
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Introducing the Payroll Maturity Curve

Welcome to our exploration of the Payroll Maturity Curve — a journey through the evolution of payroll processes within organizations. Payroll, once seen as a routine administrative task, has transformed into a mission-critical function that is key to organizational success. In this guide, we'll walk through the five stages of payroll maturity, from administrative to becoming a strategic partner to the business.

Understanding these stages is crucial for businesses aiming to optimize their payroll operations, enhance efficiency, and contribute strategically to their overall goals. Each stage represents a significant milestone with unique challenges, benefits, and opportunities.



Why you should care about the Payroll Maturity Curve

Whether you're an HR leader, payroll manager, or payroll practitioner, this guide offers insights into the key characteristics we see at each stage and practical steps for progression.

According to a [2024 Gartner report](#), 56% of HR leaders feel their HR technology solutions and strategy do not match their current and future business needs. You can use this guide to identify where your organization is and how you can elevate your payroll process, moving from the foundational stage of manual processing to the pinnacle of becoming a strategic partner in organizational success.





Defining the stages

Before delving into the intricacies of the Payroll Maturity Curve, let's establish a brief overview of the five key stages. From administrative to strategic partnership, each stage represents a distinct level of payroll maturity. This section provides a snapshot of what to expect in our journey through the evolution of payroll processes.

Stage 1: Administrative

- Paper-based processes and manual data entry
- Limited use of technology
- Basic compliance with payroll regulations

Stage 2: Basic Automation

- Introduction of basic payroll software
- Automation of some payroll tasks, such as calculations
- Improved accuracy and efficiency

Stage 3: Integrated Systems

- Integration of payroll with other HR and business systems
- Enhanced data accuracy through automated data sharing
- Increased compliance with regulations

Stage 4: Advanced Analytics

- Implementation of advanced analytics tools for payroll forecasting and reporting
- Data-driven decision-making in payroll processes
- Proactive identification and resolution of issues

Stage 5: Strategic Partner

- Payroll is viewed as a strategic partner in business operations
- Integration with broader organizational strategies, such as employee engagement
- Continuous improvement and innovation in payroll processes



Exploring the stages

Now that we've outlined the high-level view of the Payroll Maturity Curve, it's time to explore each stage more deeply. We'll dissect the characteristics, challenges, benefits, and strategies associated with each milestone.

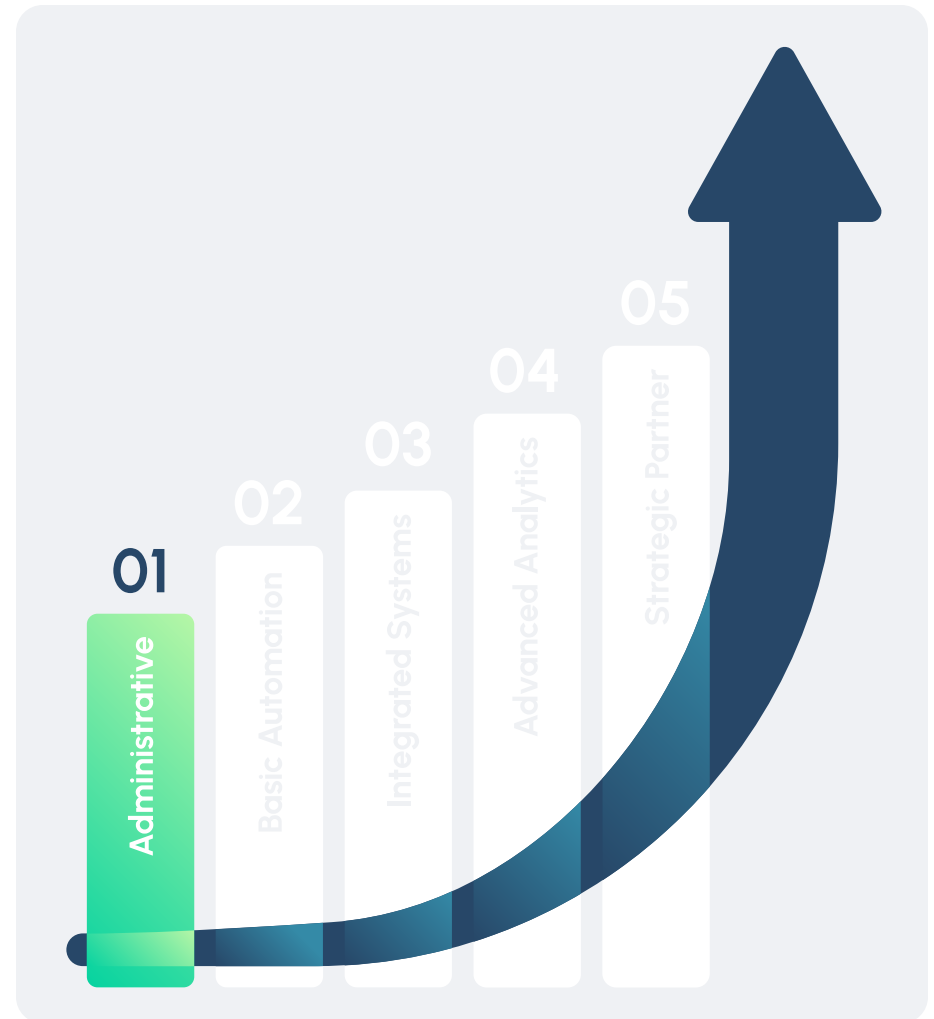


Stage 1: Administrative

Payroll processes are predominantly manual and paper based. Organizations rely on traditional methods for recording employee working hours, calculating wages, and managing payroll-related tasks. There is limited use of technology, and the focus is on basic compliance with payroll regulations.

According to [QuickBooks](#), more than a third of business owners still use spreadsheets to manage their payroll manually. Additionally, it found that 41% of business owners take one week or more to prepare payroll. These numbers may skew toward small businesses, but it's important to note that most businesses start as small businesses. As your organization grows, it's critical that your processes grow too.

Even if they don't anticipate rapid growth, organizations in this phase should still seriously consider a third-party solution for payroll. [Aptitude's Index Report](#) on payroll solutions found that homegrown payroll solutions make twice as many mistakes as third-party solutions.



Stage 1: Administrative – continued

Challenges

- **Error-prone processes:** Manual data entry increases the likelihood of errors in payroll calculations and employee data.
- **Time consuming:** The manual nature of the processes makes payroll tasks time consuming and resource intensive.
- **Limited scalability:** As the organization grows, manual processes become increasingly difficult to scale efficiently.
- **Compliance risks:** Limited use of technology may result in challenges in staying compliant with evolving payroll regulations.

Benefits

- **Basic compliance:** Despite limitations, organizations in this stage generally meet the basic requirements of payroll compliance.
- **Low initial costs:** The costs associated with manual processes are often lower initially, especially for small businesses.
- **Simple implementation:** Implementing manual payroll processes is straightforward, requiring minimal technology.

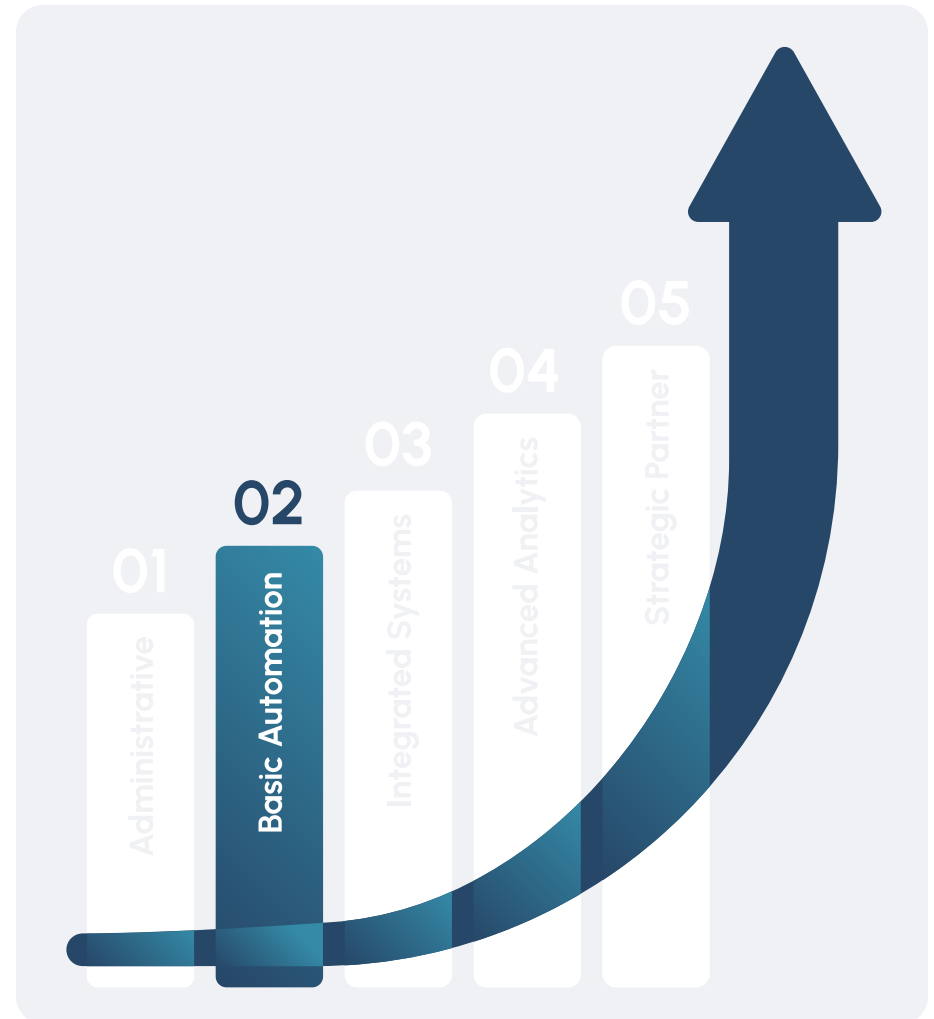
How to move to the next stage

- **Basic payroll software:** Introduce basic payroll software to automate calculations and reduce manual data entry.
- **Employee training:** Provide training to employees on using the new software and understanding the benefits of automation.
- **Gradual transition:** Gradually transition from manual to automated processes, starting with specific tasks before moving to more complex payroll functions.
- **Assess and adjust:** Regularly assess the impact of automation, identify areas for improvement, and make adjustments to streamline processes.

Stage 2: Basic Automation

Organizations have introduced basic payroll software to automate some of the manual processes. While there is an increased reliance on technology, the overall payroll system may still be somewhat fragmented. Basic compliance is maintained, and efficiency is improved compared to Stage 1. This focus on automation is huge in the payroll maturity journey, as the [American Payroll Association](#) found that automation can reduce payroll processing costs by 80%.

But while automation helps to reduce costs and speed up processes, there will still be errors and exceptions to manage. It's not uncommon for organizations in this stage to spend [5-10 days resolving a payroll error](#). And that can have a big impact on your employees. In fact, [54% of Americans have experienced pay problems](#), including being paid too little or too late, as a result of such payroll errors.



Stage 2: Basic Automation – continued

Challenges

- **Limited integration:** Payroll software may not be fully integrated with other HR or business systems, leading to data silos.
- **Partial automation:** Only certain aspects of payroll processes are automated, leaving room for manual errors in other areas.
- **Data Security Concerns:** As organizations start using digital systems, data security becomes a more critical concern.

Benefits

- **Improved efficiency:** Automation reduces manual effort, speeding up payroll processing times.
- **Reduced errors:** Automation helps minimize errors associated with manual data entry and calculations.
- **Basic reporting:** Basic reporting capabilities are introduced, providing some insights into payroll data.

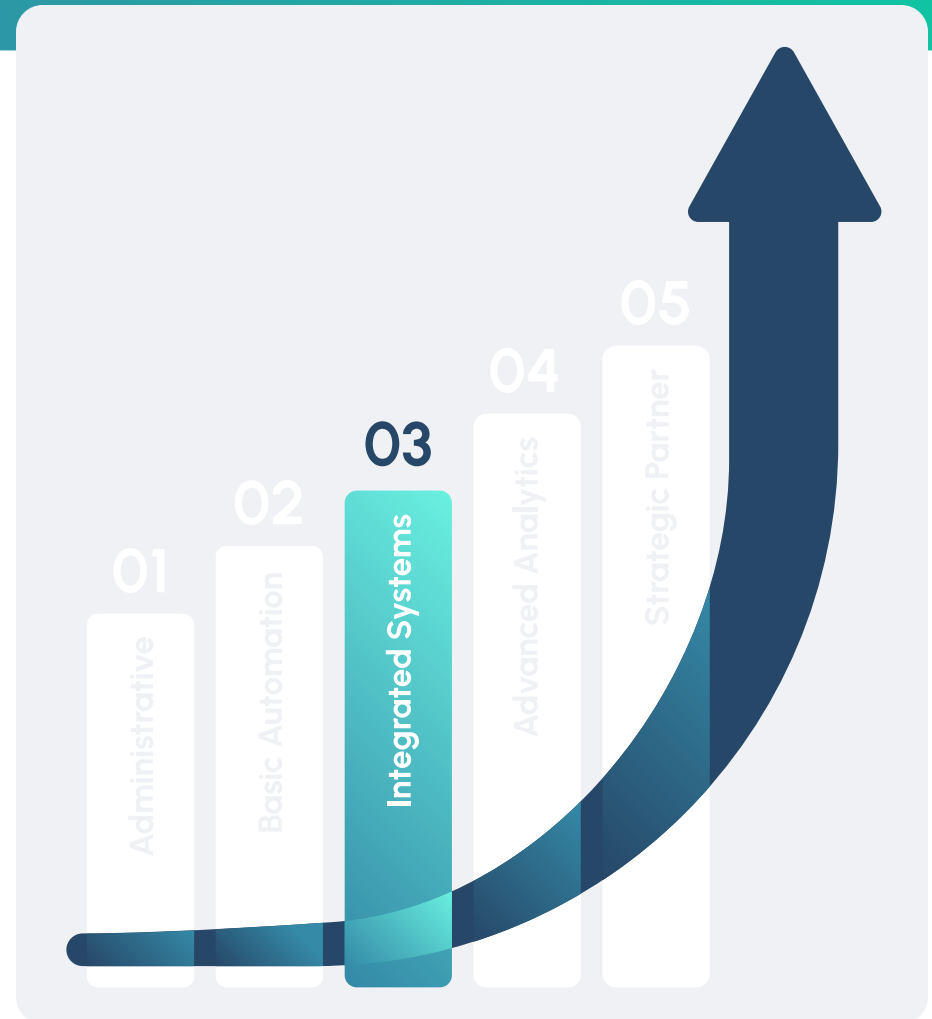
How to move to the next stage

- **Integrated systems:** Invest in integrated HR and payroll systems to ensure seamless data flow between different functions.
- **Expand automation:** Identify areas for further automation, such as time and attendance tracking, to achieve end-to-end automation.
- **Employee self-service:** Implement self-service features for employees to view and manage their payroll information.
- **Compliance updates:** Stay updated on changing payroll regulations and ensure that the system is adaptable to compliance requirements.

Stage 3: Integrated Systems

Organizations have achieved a higher level of maturity by integrating their payroll system with other HR and business systems, creating processes that span multiple functions and improve reporting. In a [recent HR survey](#), 52% of respondents said a key factor in driving the evolution of payroll over the next two years is increased integration of payroll, HR, and attendance systems.

In this stage, data flows seamlessly between different functions, providing a more comprehensive view of workforce management. Compliance is a key focus, and the organization is better equipped to adapt to regulatory changes. Organizations at this stage may turn to a payroll outsourcing provider to maximize their investments in new technology or support limited internal resources.



Stage 3: Integrated Systems –continued

Challenges

- **Integration complexity:** Achieving full integration can be complex, requiring coordination between different systems and departments.
- **Data accuracy maintenance:** Despite integration, maintaining accurate and up-to-date data across systems requires ongoing attention.
- **Investment costs:** Implementing integrated systems may involve higher upfront costs, although the long-term benefits often outweigh them.

Benefits

- **Comprehensive data:** Integration allows for a comprehensive view of employee data, streamlining HR and payroll processes.
- **Efficiency gains:** Improved efficiency in data sharing and processing contributes to time and cost savings.
- **Enhanced compliance:** The organization is better positioned to ensure compliance with changing regulations.

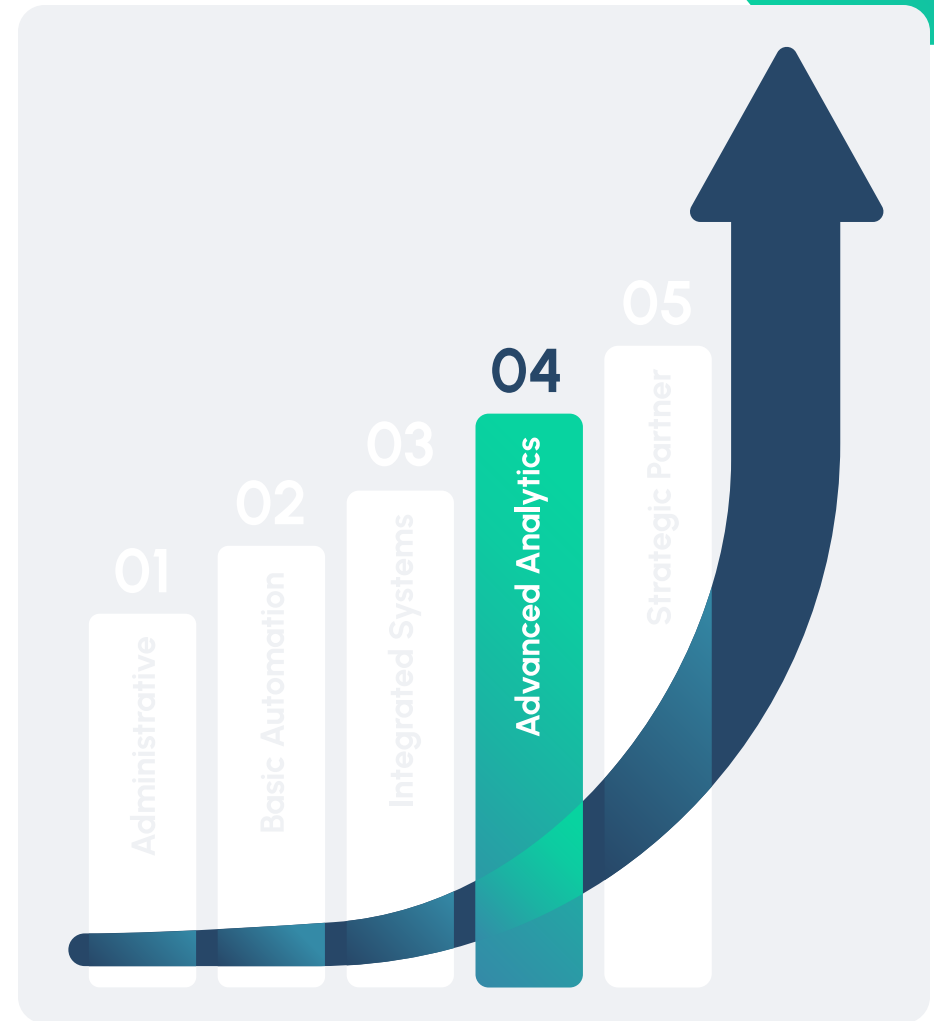
How to move to the next stage

- **Advanced analytics implementation:** Explore the use of advanced analytics tools to gain deeper insights into payroll data.
- **Continuous training:** Provide ongoing training to employees to leverage the full potential of integrated systems.
- **Automated reporting:** Implement automated reporting features to generate real-time insights for decision-making.
- **Strategic alignment:** Align payroll processes with broader organizational goals to position payroll as a strategic partner.

Stage 4: Advanced Analytics

Organizations have moved beyond basic integration and embraced advanced analytics tools for payroll. Data-driven decision-making becomes a central focus, and the organization uses analytics to forecast, analyze trends, and optimize payroll processes. This stage marks a shift towards a more proactive and strategic approach to payroll management.

If they haven't previously, many organizations in this stage will begin working with a payroll services partner to take over administrative tasks, so internal resources can focus more on strategy. An estimated [61% of employers](#) have outsourced all or some of their payroll operations. And it's easy to see why: [Aptitude](#) found that payroll errors happen twice as frequently with in-house payroll versus outsourced payroll.



Stage 4: Advanced Analytics – continued

Challenges

- **Data complexity:** Managing and analyzing large volumes of data requires sophisticated tools and expertise.
- **Resource skillset:** Organizations may need to invest in training or hiring professionals with expertise in their robust payroll systems. The scarcity of payroll specialists has many organizations turning to outsourced services to provide this expertise.
- **Security considerations:** Advanced analytics may involve handling sensitive employee data, requiring robust security measures.

Benefits

- **Strategic decision-making:** Advanced analytics enables organizations to make strategic decisions based on data-driven insights.
- **Cost optimization:** Improved forecasting and trend analysis contribute to cost optimization in payroll processes.
- **Proactive issue resolution:** The organization can proactively identify and address potential issues before they escalate.

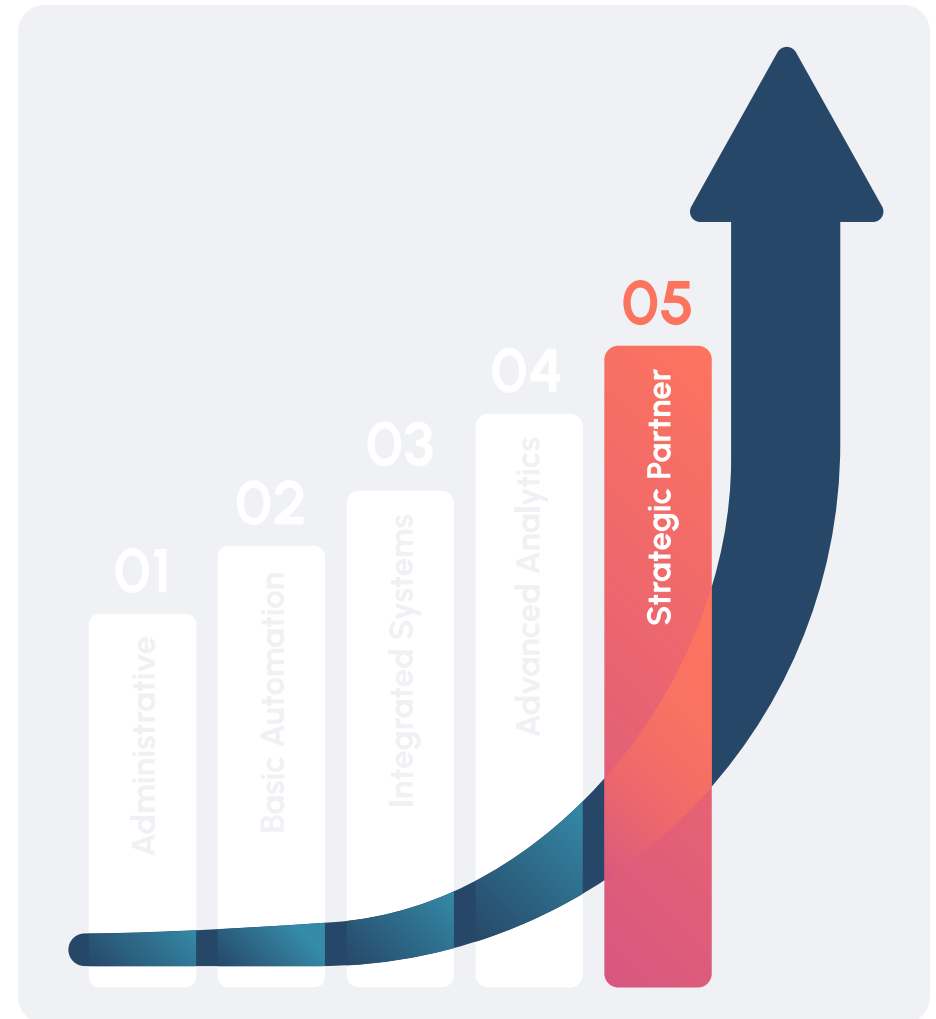
How to move to the next stage

- **Strategic partnerships:** Collaborate with external partners or consultants to gain insights into cutting-edge analytics practices.
- **Continuous innovation:** Stay abreast of emerging technologies and continuously innovate analytics practices for payroll.
- **Employee engagement:** Focus on ways in which your payroll systems and services can help improve the employee experience.
- **Strategic Alignment:** Ensure that payroll analytics align with broader organizational goals and objectives.

Stage 5: Strategic Partner

Payroll functions as a strategic partner within the organization, performing complex operations smoothly and delivering an exceptional employee experience. Payroll processes are not only highly automated and data-driven but are also deeply aligned with broader business strategies. The payroll team actively contributes to decisions regarding compensation, benefits, and employee experience.

Organizations at this stage often look to new technologies and services to further elevate the employee experience through payroll — a critical strategy in today's market. A [study by Willis Towers Watson](#) found that 73% of companies are struggling to attract talent, a number that has tripled since 2020. And retention is just as difficult with the number of people willingly switching jobs on the rise. However, a 2022 study found that [84% of employers](#) agreed that offering financial wellness tools like earned wage access helps to reduce employee attrition. Additionally, 81% said they also help attract stronger candidates in the first place.



Stage 5: Strategic Partner – continued

Challenges

- **Continuous innovation:** Staying at the forefront of technology and innovation to maintain a strategic edge.
- **Organizational alignment:** Ensuring that payroll strategies align seamlessly with the overall business strategy.
- **Change management:** Navigating cultural shifts and ensuring buy-in from all stakeholders for strategic payroll initiatives.

Benefits

- **Strategic contribution:** Payroll plays a pivotal role in achieving organizational goals and contributes to strategic decision-making.
- **Employee satisfaction:** Efficient and accurate payroll processes help to keep employees happy. Employees often have access to financial well-being solutions to further increase satisfaction and productivity.
- **Competitive advantage:** The organization gains a competitive edge by leveraging payroll as a strategic asset.

Forward-looking considerations

- **Embrace emerging technologies:** Stay abreast of emerging technologies, such as artificial intelligence and machine learning, to continue innovating payroll processes. Bringing on a payroll services partner can be a quick and impactful way to make the most of the latest innovations in payroll.
- **Focus on employee experience:** Consider how payroll processes impact the overall employee experience and continuously improve in this regard. Understand what additional offerings payroll can provide to employees beyond timely and accurate pay to further enrich their experience, such as payroll bill pay, earned wage access, and verification of employment and income.
- **Collaborate across functions:** Strengthen collaboration with other business functions to ensure a holistic approach to organizational success. There are growing opportunities for payroll and benefits leaders to work together to create a comprehensive total rewards strategy for employees.
- **Monitor regulatory landscape:** Stay vigilant in monitoring and adapting to changes in payroll regulations and compliance requirements. This is another area where organizations see a great deal of value in partnering with an outsourcing provider. By having a third party focused on evolving regulations and compliance requirements, payroll teams free up more of their time to think strategically.



Where to go from here

The Payroll Maturity Curve serves as a roadmap for organizations seeking to unlock the full potential of their payroll processes. From the foundational stages of mundane administrative tasks to the strategic heights of becoming a valued business partner, each stage presents a unique set of challenges and rewards.

As organizations evolve through these stages, the focus shifts from mere compliance to strategic decision-making, aligning payroll functions with broader business objectives, and delivering a superior employee experience. By understanding where your organization stands on the Payroll Maturity Curve, you can tailor strategies to enhance efficiency, accuracy, and overall business impact.

The future of payroll is dynamic and promising, with opportunities for continuous innovation and improvement. Stay informed, embrace technological advancements, and position your payroll processes not just as a necessity but as a strategic asset contributing to the success of your organization.



About OneSource Virtual

OneSource Virtual (OSV) delivers patented in-tenant technology and expert services that efficiently automate the administrative, transactional tasks of Workday payroll, taxes, payments, and benefits. We eliminate complexity to give business leaders the confidence they need to drive strategic change.

Our customer-centric approach puts your goals and objectives at the center of everything we do. With over 1,000 active customers and 95% customer retention, OSV is the leading exclusive provider of Business-Process-as-a-Service (BPaaS) solutions for Workday customers.

OneSource Virtual can help take your team from transactional to transformational. Have more questions about payroll outsourcing? **Contact us.**

