Introduction to Payroll Management – The Role of Management

My Learning Space Scenario

My Learning Space (MLS) is a rapidly growing education tracking system that has clients in North America, Japan and Europe. The business began when its founder, Steve Woodman was in university studying computer science. He wrote small programs for professors who wanted to track student performance on tests and assignments. By the time Steve graduated, he had developed a sophisticated program that tracked student registration and performance as well as statistical information such as pass rates and completion rates.

A couple of schools paid Steve to customize his program for them and Steve asked his brother Herman to help as Herman was a good programmer and they got along very well. With time, while Herman was focusing on customization and improving the program, Steve started focusing more on marketing and promotion of their product. They paid their sister Edith, who had accounting and administration education and experience, to help out with the paper work. Within two years, the business had 60 employees. Herman did most of the programming and Steve exhibited at a dozen tradeshows a year to look for new business. Within five years, the company had 200 employees. As the company's reputation grew, colleges and universities around the world requested the MLS system. The company hired 400 more people and still has many opportunities to expand the employee base.

Steve and his family know that the company has to quickly create organization systems to manage the exploding growth. The casual family business environment of a start-up, where decisions were made during dinners, had to evolve into an organization with departments that had policies and procedures. At their last meeting, Edith commented:

> We haven't changed from our beginning days. Steve manages sales, Herman manages Information Technology (IT) and I manage everything else, which we call administration. Everyone reports to me, which was fine when there were only ten of us in the company and we were all in the same office.

> I have hired consultants over the years to set up systems for accounting, Human Resources and Payroll, but the administration of these functions has remained with me and I know we are not using the systems as effectively as we could. Decisions about policies and procedures are being made as the need arises. As a consequence, there is little coordination and information is often lost. Since we have kept the same structure all these years, all decisions about operations come to me. Some days I have ten people waiting to see me.

> I am most skilled at Finance and am not an expert in any of the other areas. It's time to create new departments and delegate authority. I will be responsible for:
> - Finance (AR/AP)
> - Payroll (hiring, benefits, training, payroll)
> - General Administration (purchasing, contracts)

And you will be responsible for:
- Sales and marketing (reporting to Steve)
- IT and software development (reporting to Herman)

The manager of each department will have to make the department function efficiently, but also be aware that our business is growing and changing every day. For instance, all our employees used to be on salary. Now we use hundreds of contract employees for graphic design, coding and customization. These individuals live all over the world and the Payroll Manager will have to be adaptable to cultural differences, payment schedules and the terms of the employment contracts.

I need a Payroll Manager who will:
- make sure our current payroll processes are effective and efficient, accurate, on time and compliant while always being ready to adapt to constant growth and change.
- establish procedures and advise on payroll, HR related maters and benefits policies
- lead the department in handling all the emails and phone calls I currently receive from employees and former employees about pay-related matters
- be accommodating with workers who traditionally do not respect highly bureaucratic environments
- be ready to take full charge of Payroll without any supervision or assistance

I have looked at many resumes for the Payroll Manager position and I have narrowed the prospects down to two candidates. They are both highly qualified. I have to decide which one will be the best fit for MLS.

Review the following information and advise Edith on the best candidate for the Payroll Manager position.

Candidate 1

I am seeking the position of Payroll Manager. Because my spouse has been transferred to your city, I must resign from my current position of Payroll Manager for a well-established utility company of 25,000 employees that has served customers in all provinces of Canada for over 50 years. I currently manage a team of 5 payroll coordinators responsible for salaries, disability payments, commissions and bonuses. I have maintained a stable working environment and there have been no resignations from the department since I became the Payroll Manager.

I have been with my current employer since I graduated from university 15 years ago. I have a degree in Business Management and I hold the Certified Payroll

Manager certification. I have managed the set-up of a new payroll system and have consistently received excellent evaluations on the performance measure: "Ensures policies and procedures are followed by all members of the group."

Candidate 2

I was attracted to your company because I have read reports that you are innovative, creative and growing rapidly. I thrive on change. I have lived in 4 countries over 20 years since college and know the payroll regulations of 10 countries. I have just returned from Bali, where I worked as a Payroll Manager for a resort company for a year. I speak five languages.

I have earned the Certified Payroll Manager certification and its equivalent in four countries. I have worked in small organizations with 15 employees, governments with 10,000 employees and for one organization that increased its staff from 30 to 200 in six months. I have worked with seven different payroll systems and adapt quickly. I also make decisions quickly.

Issue

Edith must select a Payroll Manager who will handle the rapid growth relating to payroll and human resources.

Analysis
(Barriers, Resources, Stakeholders)

In this scenario, we see the challenges of maintaining an entrepreneurial, informally structured organization to one that must adopt the detailed systems of a bureaucracy. My Learning Space (MLS) has made the strategic decision to vigorously pursue growth which will present huge challenges for the operations of the company. Edith's dilemma is that MLS needs to establish policies and procedures to provide stability for the company's operations, while change continues. She needs to delegate authority in a number of areas including payroll.

We have very little information on the current state of the payroll system at MLS, but we can surmise that rapid growth has prevented Edith from developing stringent protocols. The scenario mentions that she has hired consultants in the past to implement a payroll system, but this could just mean that a consultant installed a payroll software package. There is no indication that anyone with payroll expertise has been managing the use of this system.

Candidate 1

Strengths:
- Has extensive experience in a stable environment that has well-established policies and procedures.
- This experience can come into use immediately, because the manager can identify procedures that are inefficient and draw upon experience to establish new procedures. A person who has worked in a well-ordered environment will identify procedural inefficiency that others would not see and could also supervise the implementation of these new procedures

- This seasoned manager could provide leadership by setting a strategic plan for the Payroll Department and showing Edith how these systems can be implemented in other departments.

Concerns:
- Experience has been with a large utility company, where one would expect there is considerable regularity and support and a stable environment. Would this candidate adapt to reporting to Edith, who has no formal management education or experience in establishing organizational structures in a large company?
- This candidate may have the experience of working inside a bureaucracy, but may not have the skill to create a stable Payroll Department from scratch.
- Most likely, the utility company had long-time employees because the organization was well-established. All the staff at MLS have only been with the company for a few years, and since MLS is a start-up and a different industry altogether, most employees are unlikely to expect to spend decades with the company. How will Candidate 1 adjust to this environment in which employees have little respect for tradition and a hierarchy of managers?

Candidate 2

Strengths:
- Experience with different environments. This candidate is accustomed to adapting to new situations and will likely embrace the chaos.
- The knowledge of several languages and payroll requirements in different countries would be a huge asset to MLS as it expands globally.

Concerns:
- A major concern is the frequency of job changes. Does this candidate have difficulty fitting in, or is this candidate most interested in travel and leaves a job to explore other parts of the world?
- If job placements have generally been around a year, will this candidate have deep management experience or merely a superficial knowledge of an organization's payroll?
- Was this candidate a manager, who stepped in to coordinate procedural tasks, or a leader, who improved the payroll function in each organization?

Alternatives

1. Do nothing

   Edith can postpone the decision to hire a Payroll Manager. She can advertise further and hire a search consultant to find someone more suitable than Candidates 1 and 2. The benefit of looking further is the potential of finding a candidate who has a better fit with MLS. The cost and inconvenience of a continued search may be less

that the cost of a bad hire decision. However, postponing the hiring decision also contributes to continued chaos.

2. Outsource payroll

   An outside payroll supplier could perform the operational aspects of payroll and advise MLS on payroll elements that should be changed. Outsourcing will take care of some of the operational tasks, but MLS is still responsible for the data that is input in the 3rd party's payroll system. Edith will still have to hire someone to manage the payroll function.

3. Hire Candidate 1

   Edith can rely on Candidate 1's experience with managing payroll within a large organization. This candidate's long experience with one payroll environment will also provide depth of management experience. While Edith may be wary of this candidate's lack of experience in an entrepreneurial environment, the candidate's management record of low turnover, while ensuring procedures are followed, may reveal a strong consultative personality that can adapt to the MLS environment.

4. Hire Candidate 2

   Candidate 2 has three main strengths:
   a. Extensive knowledge of payroll in small and large organizations
   b. Extensive knowledge of payroll practices in different countries. This knowledge can be beneficial in advising Edith about negotiating contracts with suppliers in different countries
   c. Ability to speak several languages. Since MLS recruits developers globally, these language skills will be invaluable

   The main drawback in hiring Candidate 2 is the lack of information on performance in previous jobs and the candidate's propensity to move frequently.

Action Plan

Doing nothing will only postpone a difficult decision and Edith will have to manage a growing complex environment in addition to continuing the search. Outsourcing payroll may be a wise decision, but ideally the new Payroll Manager should be part of the decision-making. There are risks associated with hiring either of the candidates under discussion. Candidate 1 appears to have extensive operational management skills, but Candidate 2's enthusiastic embracing of different languages, cultures and payroll systems suggests a strong ability to adapt and lead.