

# Managing a Payroll Department



# Topics

- Basic Management Theory
- Management Skills
- Management Issues
- Management Styles
- Research Needs
- Policies and Procedures

# Managing a Payroll Department

## Basic Management Theory

Payroll managers in mid-size and large organizations are responsible for:

- Planning
- Staffing
- Training
- Evaluating
- Counseling
- Delegating
- Recognizing
- Reporting
- ... and so on

# Managing a Payroll Department

## Basic Management Theory

- Delegating
  - Broken down into three components:
    - Responsibility – lies with the individual who is assigned to get the job done
    - Authority – needed to get the job done, should be well defined
    - Accountability – can never be delegated to the staff, managers are accountable for the work that is performed by their subordinates
  - Benefits
    - Get more done through the efforts of others
    - Developing others
    - Help make yourself “replaceable”

# Managing a Payroll Department

## Basic Management Theory

Situational Leadership <http://youtu.be/M1uyU3YSqes>

\*Paul Hersey, Ken Blanchard, and Dewey Johnson noted that the way managers handled their staffs often depended on the way they dealt with two factors: tasks and relationships.

- Task Behavior (guidance)
  - Emphasize control over lines of communication, work procedures, and patterns of organization
- Relational Behavior (support)
  - Place few restrictions on communication and staff and seek their support and friendship
  - Push employees to accept responsibility and reach their full potential

\*Management of Organizational Behavior: Leading Human Resources (8<sup>th</sup> Edition), Prentice Hall, Engelwood Cliffs, NJ, 2000

# Managing a Payroll Department

## Basic Management Theory

Hersey and Blanchard concluded that the different combinations of these factors led to four different management styles.

- Low Task / High Relationship – little control sought by the manager; good deal of mutual trust and support
- High Task / High Relationship – manager controls the job and procedures; also relies on personal communication with employees to coach them in performing the job
- Low Task / Low Relationship – most jobs delegated to staff; little personal contact desired by manager
- High Task / Low Relationship – manager seeks to control staff and direct performance; but with little feedback or dialogue with employees

Use the style that fits the demands of the particular job or function and the employee or group of employees seeking to accomplish it.

# Managing a Payroll Department

## Basic Management Theory

### Principle-Centered Leadership

\*Developed by Stephen Covey - Deals with four fundamental dimensions which grow out of leadership centered on principles such as integrity, justice, and the Golden Rule which become the internal sources of an organization's strength.

- Security – collective sense of strength and self-esteem felt by professionals who work in an organization
- Guidance – the direction on which we base our decisions and actions
- Wisdom – the ability to maintain balance and perspective among the diverse internal and external forces that influence the organization's reality
- Power – the energy to decide, to act, and to change

\*Principles-Centered Leadership, Simon & Schuster, New York, NY, 1990

# Managing a Payroll Department

## Basic Management Theory

### Empowerment

- Key objective is for the employee to take ownership of a process, leading to a motivated, effective, and responsible employee who derives satisfaction from being allowed to develop their own methods to accomplish an objective  
<http://www.youtube.com/watch?v=j6m9WnNdpSw&feature=related>
- The empowerment process involves five steps:
  - Step 1: Establish the desired results
  - Step 2: Provide guidance
  - Step 3: Identify resources available to accomplish the task
  - Step 4: Hold people accountable
  - Step 5: Identify consequences

# Managing a Payroll Department

## Basic Management Theory

Today's workforce has workers from more diverse backgrounds than ever before.

The ability to manage the diverse workforce successfully requires that managers be flexible and use the management style for each situation that will get the most out of the employee and the most for the organization.

# Managing a Payroll Department Management Skills

## Fundamental Skills

- Strategic Planning and Organizing
  - Consists of several key activities, including:
    - Defining goals and objectives
    - Defining the time frame
    - Defining the subtasks
    - Analyzing available resources
    - Evaluating costs
- Staffing
  - Supervisory portion of a manager's duties with skills that include:
    - Hiring the right employees
    - Training to improve skills and knowledge
    - Delegating tasks and responsibilities
    - Coaching employees by observing and offering suggestions for improvements

# Managing a Payroll Department Management Skills

## Fundamental Skills

- Direct Employees in work activities (as individuals or as teams)
  - Provide Feedback
  - Listening
  - Coaching
  - Counseling
  - Leadership [subordinateshttp://youtu.be/NWSrwEYJBrg](http://youtu.be/NWSrwEYJBrg)
    - Having a vision
    - Building team support
    - Seeking partners
    - Accepting accountability
    - Making decisions and taking action
    - Leading by example

# Managing a Payroll Department Management Skills

## Fundamental Skills

- Controlling Performance to meet the stated objectives and mission
  - Set standards to meet specific and measurable goals
  - Monitor actual progress
  - Compare progress with standards
  - Take corrective actions if progress toward standard is not sufficient
  - Motivators to spur employees to better performance can include:
    - Money
    - Achievement
    - Leadership
    - Affiliation
    - Recognition

# Managing a Payroll Department Management Skills

## Fundamental Skills

- Reporting
  - Communicate with immediate supervisor, other department heads, and executive management
  - Important points to keep in mind when reporting:
    - Include only information the person using it needs to make a decision
    - Provide the report in time for decisions based on the information provided to be made
    - Write clearly and be brief whenever possible
    - Leave out the payroll jargon
  - Because employee salaries and benefits comprise a significant expense for any business, the need for information about changes in the business (event-based management) and the speed of turn-around are critical to making the right business decisions and to setting a clear strategic vision for the future

# Managing a Payroll Department Management Issues

## Conducting and Attending Meetings

- Meetings are an important vehicle for managers to make their ideas known and to show their leadership ability
  - Guidelines for conducting meetings:
    - Plan according to the type of meeting
    - Prepare for the meeting
    - Keep the meeting on track
    - Promote participation
    - Keep a written record of the meeting

# Managing a Payroll Department Management Issues

## Keep Written Policies and Procedures

- Time and money spent on documentation will pay off in higher quality service to employees, government agencies, and upper management
  - Items that should be documented are:
    - Company policies on overtime, benefits, vacations, sick leave, terminations, recordkeeping, etc.
    - Procedures for handling payroll, tax deposits, quarterly returns, liabilities, direct deposit, account reconciliations, etc.
    - All aspects of, and tasks involved in, the payroll process from beginning to end
    - Disaster recovery plans (business continuity)
    - Payroll computer system user manuals
    - Payroll Department job descriptions
    - File descriptions

# Managing a Payroll Department Management Issues

## Crisis Management

- A crisis is any event that has a direct impact on the department's and organization's ability to accomplish its objectives
  - Precautionary measures a payroll manager can take to minimize the chances that a crisis will occur:
    - Make sure the tools are available to do the job
    - Plan and schedule for the "worst case scenario"
    - Make sure there is a "back-up" for all your systems
    - Maintain an open communication network
    - Cross train payroll personnel
    - Conduct a regular review of all department policies, procedures, and documentation
    - Deal promptly and effectively with issues that adversely affect employee attitudes and morale
    - Conduct a regular and comprehensive review of all payroll department output
    - Keep your priorities flexible

# Managing a Payroll Department Management Issues

## Crisis Management

- Manage or control a crisis
  - Steps to consider to minimize damage to the department's mission of quality service when a crisis occurs:
    - Present a calm, cool exterior to the employees
    - Control and isolate the crisis and the people who will deal with it
    - Tackle the problem at hand and do not worry about what went wrong in creating the crisis
    - Analyze the situation for multiple solutions and rank them from an overall business perspective
    - Keep the lines of communication open
    - Determine the appropriate course of action and initiate decisive action and their responsibilities in carrying it out
    - Document and carefully monitor the progress of the plan to resolve the crisis
    - Document the results of the crisis and the action taken to deal with it
    - When the crisis is over express your appreciation to all concerned

# Managing a Payroll Department Management Issues

## Crisis Management

- After the crisis – lessons learned
  - Steps to consider the lessons it taught are not forgotten:
    - Conduct a meeting with the team to discuss the crisis and determine which of the problems that occurred were preventable
    - Initiate a plan to prevent these problems from reoccurring
    - List the successful results of the crisis management operation and include them in a “Crisis File” for future reference
    - List all issues that were not successfully resolved and formulate procedures to resolve them
    - Express your appreciation to your staff once again for their hard work during the crisis

# Managing a Payroll Department Management Issues

## Crisis Management

- Extracting positives from the crisis
  - There are several ways to take something positive away from a crisis situation, including:
    - Meeting with your manager to discuss the crisis and the outcome, new controls and procedures to prevent future crises, the performance of the payroll department staff, and any changes in working conditions or tools that might be needed
    - Share your experiences with other payroll professions and find out how they solved similar problems
    - Assess your staff and take note of those who displayed outstanding skills under stress
    - Assess your own performance during the crisis and work toward improving your weaker skills
    - Follow through to ensure all new procedures have been implemented and tested
    - Use the opportunity of the crisis to build on the team spirit of the payroll department staff

# Managing a Payroll Department

## Management Issues

### Time Management

- Managers must find time to do the things they were hired or promoted to do – plan, organize, develop, evaluate, measure, etc.
  - Demands on a manager's time are categorized as follows:
    - Urgent and important – crisis management, immediate attention needed
    - Not urgent but important – planning and prevention activities
    - Urgent but not important – pressing activities that may be easy to accomplish
    - Not urgent and not important – easily accomplished, time wasting activities
- Prioritize duties and responsibilities so enough time is spent in the “not urgent but important” quadrant, which includes the activities of planning and prevention, the “real” management activities

# Managing a Payroll Department Management Issues

## Time Management

- Scheduling and delegating – keys to time management
  - Schedule your activities
  - Effective delegation of tasks to others in the department
- Controlling your e-mail
  - Check e-mail at certain times of the day
    - Let others in the organization know so that immediate answers are not expected
  - Do not check e-mail when you first get to work
    - Leads to long session of handling easy but unimportant and time-consuming tasks – knocks you off your schedule before you get started

# Managing a Payroll Department

## Management Issues

### Team Building

- Successful teams can increase productivity, use resources more effectively, reduce costs while improving quality, and make better use of innovation to solve problems because of the increased commitment and involvement of the team members
- Four stages of team development (adapted from Tuckman's Team Development Model) <http://youtu.be/MNgziYb02JM>
  - Forming - In the *first stages* of team building, the *forming* of the team takes place
  - Storming – The group will next enter the *storming* stage in which different ideas compete for consideration
  - Norming - The team manages to have one goal and come to a mutual plan for the team
  - Performing - High-performing teams are able to function as a unit as they find ways to get the job done smoothly and effectively without inappropriate conflict or the need for external supervision

# Managing a Payroll Department

## Management Issues

### Team Building

- Managing different employee styles
  - Contributors – willing to share their expertise and information and are organized and dependable
  - Collaborators – flexible and open and believe in broad participation by team members
  - Communicators – excellent communication skills, often the “peacekeepers” during team meetings, maintain a positive approach, even when tension and friction threaten to envelop the team and bring it down
  - Challengers – willing to disagree with other team members, open about problems and are likely to look for innovative ways to solve them

# Managing a Payroll Department

## Management Issues

### Performance Evaluations

- Formal way of giving feedback
  - Provide a formal, written record of how employees are performing relative to preset goals that are designed to help the department and company meet their overall business objective
- Several elements are generally found in effective performance evaluation systems
  - Objective job-related goals and performance criteria
  - Manager's conducting the evaluations are trained in delivering feedback
  - There are written guidelines
  - Employees who disagree with the evaluation are allowed to challenge it
  - The evaluation system does not place unreasonable technical and time constraints on managers

# Managing a Payroll Department Management Issues

## Performance Evaluations

- Three common mistakes that managers commit include:
  - Guilt over negative evaluations
  - No accountability for the manager
  - Improper application of standards
- Evaluation is an ongoing process
  - Even though the formal evaluation is on an annual cycle, managers should be constantly monitoring their employees' performance to ensure it is on track for meeting the goals and objectives set out during the previous evaluation

# Managing a Payroll Department Management Issues

## Promoting Quality Customer Service

- There are several basic principles that should serve as goals and objectives in this effort:
  - Reliability
  - Responsiveness
  - Assurance
  - Empathy
  - Tangibles
- Employee training needed to achieve the desired result when other parties have a question or concern about payments or information they are receiving from payroll

# Managing a Payroll Department

## Management Styles

- Autocratic Leadership
  - Must have complete control
  - Tend to engage in one-way communication
  - Decisions made without the input of others
  - Perceived as tyrants, cold and insensitive to the feelings and needs of their subordinates
- Bureaucratic Leadership
  - always does things “by the book”, hiding behind rules and regulations– to the point of being inflexible
- Diplomatic Leadership
  - Have good interpersonal communication skills
  - Persuade by selling ideas concepts and rules
  - Provide explanations of the policies and procedures with employees
  - Generally enjoys the enthusiastic cooperation of employees

# Managing a Payroll Department

## Management Styles

- Participative (Democratic) Leadership
  - Make decisions by considering the input of others
  - Staff are aware they have an active part in the decision-making process and tend to be supportive of decisions when those decisions are contrary to their wishes
- Open-ended Leadership
  - Remain accountable for results, but give “free rein” to employees to get the job done
  - Works well when managing extremely professional self-motivated employees

<http://www.youtube.com/watch?v=bEFAd8Ubw-k&feature=channel>

# Managing a Payroll Department

## Research Needs

### Tracking Tax Laws and Regulations

- IRC and IRS regulations
  - The Internal Revenue Code comprises Title 26 of the United States Code, a compilation of all federal laws
- Other IRS guidance
  - Revenue Procedures (Rev. Proc.)
  - Revenue Rulings (Rev. Rul.)
  - Private Letter Rulings (PLR)
  - Internal Legal Opinions
  - Publications (Pubs.)
  - Announcements, Notices, and news Releases

# Managing a Payroll Department

## Research Needs

### Tracking Tax Laws and Regulations

- Federal government resources
  - Congressional Record
  - Federal Register (F.R.)
  - Internal Revenue Bulletin (IRB)
  - Cumulative Bulletin (CB)
  - SSA/IRS Reporter
  - IRS on the internet
  - SSA website

# Managing a Payroll Department

## Research Needs

### Tracking Tax Laws and Regulations

- State government resources
  - Each state has its own tax laws and regulations contained in publications that are similar in many aspects to the U.S. Code and the Federal Register
- Nongovernment resources
  - Several major tax publishers offer printed and electronic information to help payroll practitioners better understand their obligations

# Managing a Payroll Department

## Research Needs

### Employment Laws and Regulations

- Other employment related requirements include:
  - Wage-Hour
  - Garnishment
  - Child support
  - Immigration
  - Anti-discrimination
  - Family leave
  - Escheat laws and regulations
  - ... and so on

# Managing a Payroll Department Policies and Procedures

## Company Policies and Procedures

- Keep up to date on the latest changes in company-wide or other departmental changes in policies and procedures
  - Develop a functioning network of colleagues throughout the company to be kept abreast of coming changes
- Keep documented policies and procedures up to date when new policies or procedures are implemented or when changes are made to existing policies and procedures

# Questions?

## Thank You

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