



WHITEPAPER:

Points to consider  
when implementing  
an ERP  
**PAYROLL SYSTEM**

# Points to consider when implementing an ERP payroll system

## So it's time for a decision...

Your payroll system is crumbling underneath you. Spreadsheets abound. End of month brings your payroll staff out in a cold sweat, and your employees aren't sure which way is up. You know you can't go on like this, and you know the logical solution is to introduce software. The only question is – which system?

There's no shortage of systems out there vying for your attention, all claiming to offer the right solution. So how do you decide which one is right for your business? How do you make sure the system is implemented properly, by the right people? And how can you be certain your new investment won't be obsolete within 12 months?

These conundrums are by no means unique to the HR industry. Duplication of effort, inefficiency and 'operational blindness' are rife across every industry and all face the same uphill task – reform or lose revenue. Truth is, implementing a new system is daunting for anybody. But it needn't be.

Over the next few pages, we'll try to shed some light on the best way to implement a new payroll system. This isn't a definitive guide to every software package out there. Instead, our aim is to provide you with a logical, step-by-step approach to the various stages of the process and point out a few things to look out for along the way.

First up: assessing your needs.

## Part 1: Assessing your needs

When you're trying to determine which system to go with, price is often the most obvious starting point – especially if you've got a long list of contenders to get through. But like any purchase, price is not necessarily the best indicator of quality. Nor is it necessarily an accurate indicator of what you're actually going to spend in the long run.

There will always be systems with too many zeros on the tag. But a better starting point, before price (or even features), is to look behind the software to the company producing it. Are they reputable? Do they have a healthy turnover? Have they been around for a while, or is this a recent venture?

These may seem obvious points, but if you're about to make a major investment in a tool that could revolutionise your business, it pays to make sure that the software will still be being developed, improved and supported five or ten years from now.

Once you're sure of that, your first real step is to look at software delivery.

### Do you go online or in house?

Most payroll software falls under the banner of ERP, or enterprise resource software. This is really just a fancy way of describing software that integrates a number of functions (such as payroll, stock keeping and sales orders) across your business into one computer system sharing the same database.

Fancy it may be, but the benefits of being able to centralise your data are considerable. Not only does it all but eradicate duplication of data entry across your business, but it enables you to bolt on additional modules (such as finance and accounting), thus extending the capabilities of your software.

Although traditionally, this sort of software has been hosted locally, web based software (sometimes known as software as a service) has become an increasingly popular means of delivery. It can be quicker to install and update – seeing as the software provider typically only has to make changes to the system once for the benefits to be felt by all users. The major down side of a one-size-fits-all approach like this, however, is that it can't really be tailored to your specific organisation, making it far less flexible as a solution.

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Data integrity is another concern with the online delivery method. Although security breaches are rare, there's a perceived risk with hosting data online – especially when that data is of a sensitive nature (such as details of employees' salaries or superannuation). Some businesses find the idea of hosting their own data on site more reassuring.

Ultimately, it's a question of control. If you're a relatively new business and you think a standard off-the-shelf package offers you everything you need to improve your payroll system, then the online route could be the route for you. The question to ask is this: as your company grows, will the same piece of software be able to accommodate your changes two, five or ten years down the line?

Once you've decided which way to go, your next step is to compare features.

## Features, part 1

When considering the features of a payroll system, it helps to look at them in two groups: specific functionality – the ability to accrue leave for example, and more general capabilities, such as the existence of user rights.

Looking first at the general features, a decent payroll system should give you:

- multi-user, multi-location access
- significant reporting capabilities
- compliance with the latest rules and regulations, and
- flexibility to expand.

### 1) Multiple user rights and multi-location access

The ability to determine who can access the system plays a big part in easing the flow of data around your organisation. It's not about keeping certain users away from sensitive information – it's more that with multiple access, you can encourage more people to contribute their own data.

One of the key problems with manual payroll systems, at least in small organisations, is that the responsibility for inputting data on, say, time and attendance tends to fall to a single team or even person – and that's hugely time consuming (not to mention stressful). By divulging responsibility for entering data across the organisation, you speed up end of month processes considerably.

Of course, reducing the bottleneck in payroll isn't just about spreading the load – it's about encouraging staff to submit their data (be it timesheets or leave requests) there and then, in real time.

Systems that can only be updated from a single, central location should be avoided at all costs. Any decent payroll system will, subject to user rights, allow staff to enter data wherever they are – on client site, out on the road or even at home.

### 2) Reporting capabilities

If you're currently using spreadsheets to store large amounts of business-critical data, you'll know how labour intensive it can be to retrieve even basic information. A good ERP system, on the other hand, should make light work of any data query.

Reports are key to helping you make informed business decisions. They let you shed light on the particular areas you want to keep an eye on, whether that's earnings, taxes, deductions or something else.

As part of your evaluation, look for software that makes it easy to do this. There are plenty of customisable systems out there, but a system that's so complicated you have to turn to your support partner every time you need a new report is likely to end up costing you a small fortune. Being able to rely on a good range of pre-defined, easy-to-use reports is essential for any busy payroll department.

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## 3) Complying with regulations

One of the major headaches for a payroll department is staying on top of legislation. Changes in tax codes, for example, are commonplace, and with spreadsheet-based systems or inflexible off-the-shelf solutions, it takes a lot of manual effort to ensure these differentials are correctly calculated.

When evaluating your system, look for a solution that automatically incorporates changes in tax codes or allowances, enabling you to keep up with legislation changes and stay compliant.

## 4) Flexibility

When installing a major piece of software, flexibility is key. Software that doesn't integrate with systems you are either already running – or intend to run at some point in the future – simply restricts growth. It is also likely to cost you more in the long run, as you'll end up relying heavily on your support partner to assist you with the transfer of data between one system and another.

By integrating with other business management systems, a good payroll system will flex and grow as you do. It will allow you to add modules, interact with third party software and customise a solution to your specific way of working.

## Features, part 2

As well as the core functionality you'd expect in any good ERP system, a decent payroll solution should be able to:

- export general ledger information
- interact with the electronic banking system and the tax office
- process multiple pays per session
- allocate relevant taxes and accrue leave, sickness and entitlements
- plan and manage the effect of leave on staffing and productivity levels
- track staff costs and trends.

## Finding your price point

Once you've prioritised your features list, now's the time to start thinking about price.

It's at this point that many businesses overlook the true cost of running software on an ongoing basis, which includes not just the ticket price, but installation, customisation, training and support – not to mention licenses.

It's important to remember, also, that you're not just paying for features. You're paying for usability and flexibility too.

A payroll system that has a reputation for being easy to customise, easy to use and simple to get to grips with is likely to cost you less in the long run than an all-singing all-dancing package that takes six months to learn, gets your staff in a twist and has you making calls to your support team 24/7.

## Ease of use

That's the thing about good payroll software – it should speed up processes, not be the solution itself. A system that's easy to dip into for snapshots of, say, requests for leave made this week will likely have greater benefit in your organisation than a juggernaut of a program that can crunch huge numbers in fractions of a second.

Where's the point in having the information if it's not easy to access?

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It's also worth bearing in mind that with even the simplest software, there will be a period of downtime where staff shrug off their familiarity with the old system and adapt to the new. Good training is essential of course, but choosing a system with a familiar, easy-to-use interface will do wonders for staff morale.

This is where demos are key to your decision-making process. 'Try before you buy' is as essential here as with any serious purchase.

Next: the value of implementation partners in helping you trial a new system.

## Part 2: Choosing the right partner

If choosing the right system is ultimately your most important decision, your choice of implementation partner is a very close second.

For the purposes of this article, we've put *choosing the right system* before choosing the right partner, but in reality, an implementation partner is likely to be instrumental in helping you reach your final decision, certainly in terms of demoing the product and enabling you to try it out using your own data.

### Choose a partner with a solid track record

As with the payroll software itself, it's important that your implementation partner is a reputable company, with a good track record and strong prospects. Check references, case studies and any other information you can find in support of their credibility.

As we have already mentioned, there's more to implementing a new payroll system than simply transferring over your employee data and switching it on. There's training, customisation and support to think about.

If your implementation partner is going to be instrumental in delivering all of that, then you're entering into a partnership that could potentially last years. With that in mind, try not to opt for the company round the corner just because they're local – or because they offer the cheapest price. It's far more important that they're a good fit with your business – and with your way of working.

A well-judged decision based on credentials and experience will provide the foundations for a long and fruitful relationship that keeps your software not only ticking over, but working hard to enable you to get the most out of your business.

### Choose a partner who takes the right approach

Your implementation partner should take steps to properly understand your business, your payroll process and your aims for the system.

Check for previous experience of implementing payroll systems in your industry (again, ask to see case studies from other customers) and insist on a full and in depth demo of the system you're considering. Your implementation partner should have no hesitation in setting up a fully-functioning trial version of the software, complete with your own data, to allow you time to assess the system.

### Choose a partner that offers the right level of support

Of the two most frequent criticisms of implementation partners after go-live, one is that their response time to queries is not what was promised at the start of the contract. The other is that there's no dedicated contact point for support calls.

Ask your implementation partner for a service level agreement, detailing how long you can expect to wait for a representative to deal with your query. Some have online ticketing systems, others have a time limit.

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A dedicated contact point may not be practical for your implementation partner, but if it's on offer, knowing who you're going to speak to each and every time you pick up the phone is worth its weight in gold.

## Part 3: Implementing your new system

If your implementation partner has been using the trial period to migrate data, the switch over to your new payroll system should be fairly uneventful. Still, there are a number of things you can do to grease the wheels – even before go-live.

One is to choose the right time of year. It may seem an obvious point, but avoiding busy times like year-end can minimise stress. Another is to prepare your staff for the change-over.

### Easing your staff in gently

We've already talked about the importance of choosing a system with a familiar, easy-to-use interface. Second to that is the way you introduce the new system to staff.

Even with a good degree of training, there may be some resistance amongst staff to a new system. No matter how poor or dysfunctional your previous payroll software was, at least it was familiar. Getting to grips with a new interface often involves a steep learning curve, so start your familiarisation with the new system early, ideally while you are still trialing the software.

The longer you can give your staff to get used to the new system, the less likely they are to be flustered by a new interface when it comes to using live data.

Build in plenty of contingency for training too. A surprising number of businesses report that they wish they'd spent more time training staff before go-live. With your implementation partner on board, this should be easy to arrange.

## Evaluating your system

### How will you know whether you've chosen the right system?

Implementing new software involves a certain leap of faith. Until your new payroll system has bedded in and you're regularly making salary calculations or processing leave requests, it's hard to be 100% sure that the new solutions will be an improvement on the last.

There may be teething problems too – and even the odd data transfer issue. But in time, the functionality of old and new should start to become comparable.

Some people judge success by the lack of ripples on the surface. Others prefer to make calculations along the lines of "my new system saves 30 hours a week".

With ERP though, it's not about quick wins. You're investing in a solution that's designed to grow with your business over several years. It's often not until you decide to introduce a third party application and realise that you can do it easily that your new system shows its true colours.

For some, that's when the real value becomes apparent.

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## To recap

When choosing a system that's right for your business:

- make sure the developer has a sound track record and is likely to be around
- decide how you want your software delivered – online or in-house
- make sure the core functionality for a good ERP system is there
- make sure the system has the features you need
- try to understand full cost, not just purchase price
- appreciate the importance of ease of use.

When choosing the right partner:

- choose one with a solid track record
- choose one with experience of your industry or sector
- choose one that takes appropriate steps to understand your business
- make sure they trial the system with your own data
- ensure you'll be supported throughout the life of the software.

When implementing the system:

- plan for data migration and go-live – timing is crucial
- make sure you sell it internally
- arrange appropriate training, prior to go-live and on an ongoing basis.

## MYOB Enterprise Solutions: a platform for development

MYOB Enterprise solutions offer flexible, integrated solutions for all kinds of industries, giving you control over payroll, resource planning and business administration. With additional modules available, MYOB Enterprise Solutions' extended range of specialised capabilities allows you to tailor a solution that's perfectly suited to your business.

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