

# **Payroll: Building a high-performing practice in The Modern Firm<sup>®</sup>**



## Offering payroll services: Why it's important in a modern firm

Payroll is still a largely untapped revenue stream in the accounting profession. The main roadblocks continue to be firm leaders' resistance to the added "challenges" that accompany the traditional payroll model and lack of awareness around solutions that solve these issues. However, when you consider that a payroll practice is typically worth double that of a standard tax shop, it's important that decision makers alter their mindset and take a fresh look at entering this lucrative payroll market.

Beyond the profitability factor, payroll also represents a much-needed small business service. The ever-growing complexity of managing payroll (at all levels) can require a great deal of a business owner's time—adding just one more thing to keep them in the back office...tucked away from their clients and staff.

So why even consider being a payroll provider?

Because the payoff is bigger than the presupposed pain points.

Payroll adds another layer of "stickiness" with clients and can help fortify the client-accountant relationship. And when you consider the full scope of add-on services, such as HR support, time-tracking, workers' compensation and retirement, "sticky" can quickly turn into "Super Glue."

This eBook was developed to provide you with a guide on building a high-performing, modern payroll practice—one that comes with all the profit and client satisfaction and little to none of the headaches that typically accompany payroll operations.

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# The three models of payroll

Before delving into the detailed steps of payroll practice setup, let's take a moment to discuss the three standard models of payroll. That's right. You have choices!

## 1 Outsourced

The outsourced model is exactly what it sounds like—you outsource all aspects of payroll to a third-party vendor. There are a few vendors to choose from—ADP and Paychex are the most well known. You also have the option to refer payroll clients to another firm.

The outsourced model takes payroll out of the firm's hands completely. You're probably familiar with this model. Firms often choose outsourcing because partners want nothing to do with payroll. And while this model removes the pain of managing payroll in-house, it also eliminates most of the profit. Remember, a payroll practice is worth roughly twice the revenue it generates, but not if you outsource.

## 2 In-house

This is a common model within a traditional firm. This puts complete control of the payroll process, from beginning to end, within the walls of your practice. Your staff enters hours, handles direct deposit and tax deposits, files payroll tax returns and W-2s—the whole nine yards.

This model provides the firm with the greatest amount of end-to-end control. However, it also assumes the greatest amount of risk in all aspects of the payroll process—including risk of data entry errors, missed filing dates and corresponding penalties. Additionally, it requires that you staff seasoned payroll experts, which can be costly. Be aware that payroll is an ever-evolving landscape and with today's advanced cloud-based solutions, clients can span several states—requiring even more in-house expertise.

**Historically, firms have had two options for payroll: outsource or process in-house. If the firm launched a new payroll practice or planned to grow its existing payroll base, this meant either “giving” profits away to a third-party vendor or assuming the risk of processing payroll in-firm. Not ideal choices.**

### 3 Hybrid

Although this model is not necessarily new, with the advent of advanced cloud solutions, it's the one garnering a significant amount of interest across the accounting profession. As the name suggests, it represents a hybrid of the two models mentioned above.

In this model, the firm utilizes a hybrid payroll solution. These include top-tier applications (e.g., RUN Powered by ADP® Payroll for Partners, Gusto) that place control of the payroll process in the hands of firm staff while supporting them with proven technologies and defined processes. Such solutions provide firms with an accountant version of their consumer-based product and offer the tools and resources required to run an efficient and pain-free payroll operation.

Following this approach, firms handle all front-end processing and serve as the client-facing support team while handing over the compliance-driven and headache-provoking tasks to the vendor, including:

- Quarterly 941 processing
- Annual W-2 processing
- Upload of direct deposit

- Tax filings and payments

Firms can also expect the following added benefits:

- Immense time savings because compliance work is completed by the vendor.
- Reduced risk of error and penalties that come with handling payroll in-house.
- Peace of mind that clients will receive the highest quality service—because they only interact with your team.
- Some serious profitability without the traditional payroll hassles.

The hybrid model is where solutions like RUN Powered by ADP® Payroll for Partners, Gusto, Payroll Relief, SurePayroll and Intuit Online Payroll are a good and economical fit for firms. Each represents a **consumer product that provides an accounting firm version**. This means that the solution is firm-branded and delivers products *from* the firm.

# Implementing payroll in a modern firm

Now it's time to get down to brass tacks—the essentials of creating a profitable payroll center in your practice. We'll start with high-level to-dos, such as a change in mindset, and advance in detail as we progress through each section.

## Adopt a modern payroll mindset

The traditional way of processing payroll is likely the biggest hindrance for firms considering payroll adoption. Cloud-based technologies and the advent of accounting-firm-specific versions have changed the game completely.

Firms no longer have to deal with tedious, time-sucking payroll tasks that come with complex in-house systems. Today, you have choices. Many vendors offer advanced online solutions that come complete with an accountant console and offer extreme ease of client onboarding and account setup.

Don't close your mind to payroll based on the notion that it has to be done "the way it's always been done." Adopt a new mindset—one where payroll is both a highly profitable and low-maintenance offering. Once you start researching the solutions available, you'll see for yourself just how easy it can be to tap into the payroll revenue stream.

### If you already offer payroll...

For those firms that currently offer payroll, it's good practice to conduct a thorough evaluation of your existing payroll strategy. If you find processes to be inefficient and lacking standardization, it may be time for a change.

## Decide on a payroll model

The payroll model you select will set the stage for service implementation and your ability to create a modern, high-performance payroll operation. For example:

### ■ Outsourced

Choosing the outsourced approach will require you to do your homework. You'll need to put ample time into researching several vendors to find the best fit for your firm. Once decided, you'll go through all the required steps for payroll hand-off. This model requires you to be 100 percent confident in the ability of the vendor to take care of your clients with the same level of care and support you provide.

### ■ In-house

If you choose the in-house model, you should also plan to conduct thorough research and compare leading payroll solutions. You'll need to plan for full payroll solution implementation and training, building a seasoned payroll team to handle the work, and allotting many human resource hours for both system setup and ongoing payroll processing.

### ■ Hybrid

The hybrid model, as well, will require research to identify the best vendor partner. Your search criteria should include vendors that offer proven cloud-based systems, complete with an accountant console and superior client support.

## Research and identify the right vendor and technology

The payroll model you choose will dictate the technology and vendor support required. Because the outsourced and in-house models either move payroll completely out of the firm or completely into the firm, the bulk of payroll setup will happen while working with your vendor of choice.

As such, the remainder of this eBook will focus on setting up a hybrid structure—the Rootworks' recommended model that supports a modern and high-performing payroll business.

## Going hybrid...

When considering the right vendor and technology, there's a list of criteria firms should follow. Be sure to adhere to this list and do not settle for less. Consider each element carefully:

### ■ Client experience

Client experience should be at the forefront of the decision process...always. The client experience should be frictionless. This means offering a model that supports on-demand access to technology, real-time data and communications exchange, and an intuitive interface. Offer a payroll product that mitigates work for clients and streamlines the process end-to-end.

Client experience must also extend to your clients' employees. Choose a system that provides a dynamic online and mobile experience—one where employees receive alerts when they are paid and have real-time access to their pay stubs and other important payroll information.

### ■ Client onboarding

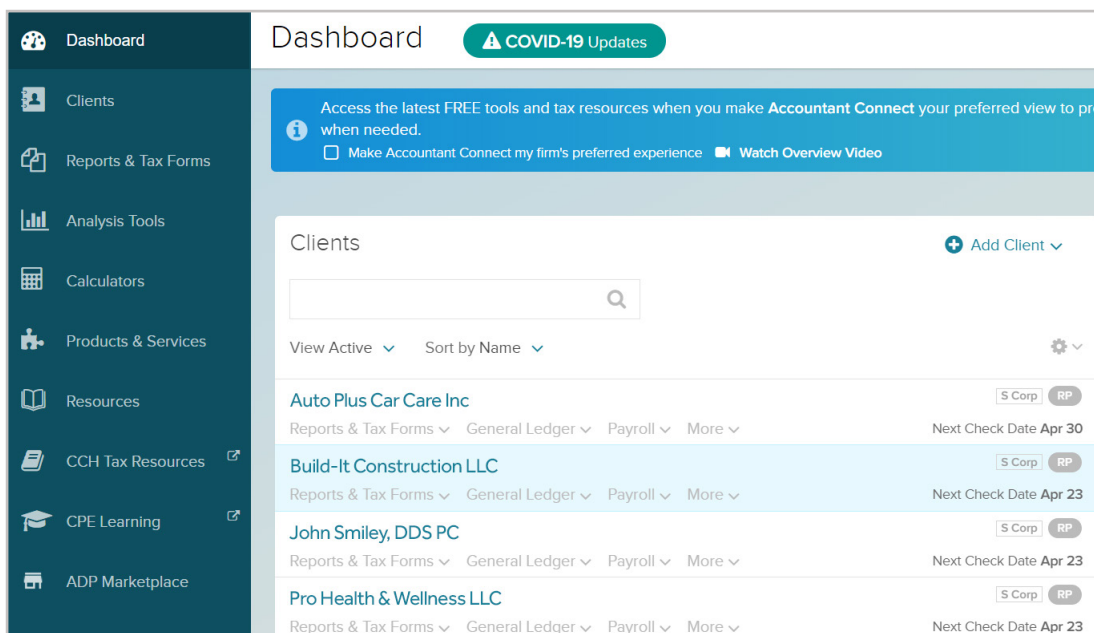
For most firms, client onboarding is an afterthought, which results in every client being onboarded differently. This often creates unnecessary double-work

for staff...not to mention confusion. Overall, an unstructured onboarding process is a massive time waster. Top payroll vendors build client onboarding into their systems, offering a uniform process for bringing on new clients. This is a win for your staff and the client!

Just as we mentioned previously, be sure to include your clients' employee experience into the decision-making process as well. Choose a vendor solution that makes onboarding new clients simple, elegant and all digital for the firm.

### ■ Accountant console

Don't accept anything less than a full-functioning accountant console. Top solutions provide a comprehensive firm-facing dashboard that offers single sign-on to access client payroll, payroll reports, tax forms and other essential practice management tools. You will save valuable time with efficient, client-authorized access to multi-client payroll data. Advanced solutions also offer additional tools such as helpful salary calculators, direct access to state and local forms, and current wage and tax FAQs.



Access your clients' payroll, reports and forms from a single dashboard.

## Define your payroll product

Your goal is to get to an “off-the-shelf” payroll product. That is, your service should be repeatable across clients, making it scalable and supporting ease of growth with fewer staff members.

To help define your product offering, consider each element:

### ■ Pricing

A key objective is to set a fixed fee for your payroll product. This offers a monthly recurring revenue stream. You'll want to consider payroll bundles or levels to support business clients from across the spectrum.

### ■ Product levels

Define product levels to offer clients and prospects more than one option. All business clients are not created equal. Some will require only payroll processing. Others will require a service level that covers all aspects of Human Capital Management (HCM), including HR support, workers' compensation and retirement plans.

**Go after your low-hanging fruit first. Start by taking an inventory of your existing clients and identifying those in need of payroll services.**

## Plan for growth

While referrals and word-of-mouth have served the profession well over the years, significant growth requires you to dip your toes (your whole foot, actually) into the marketing pool. This includes internal client marketing, external prospecting and execution of consistent referral source communications. It also requires firms to develop engaging and brand-professional sales material.

### ■ Sell to current clients

Go after your low-hanging fruit first. Start by taking an inventory of your existing clients and identifying those in need of payroll services. With a sound relationship already in place, begin marketing payroll services to current clients. Reach out via phone or email. Launch a multi-part email campaign or meet face-to-face when possible. The fastest way to grow your business is to sell to those who already know and trust you—and who will find great value in your product.

### ■ Market to prospects

Once you've had time to market to current clients and polish your marketing skills, move on to prospecting. This may require you to purchase a prospect list and/or conduct online research to collect qualified leads. To help in this area, assign a marketing champion within your firm or seek outside help from a seasoned contractor. Rootworks offers an array of outsourced client and prospect communications services where we put one of our marketing experts “on” your team.

### ■ Leverage referral sources

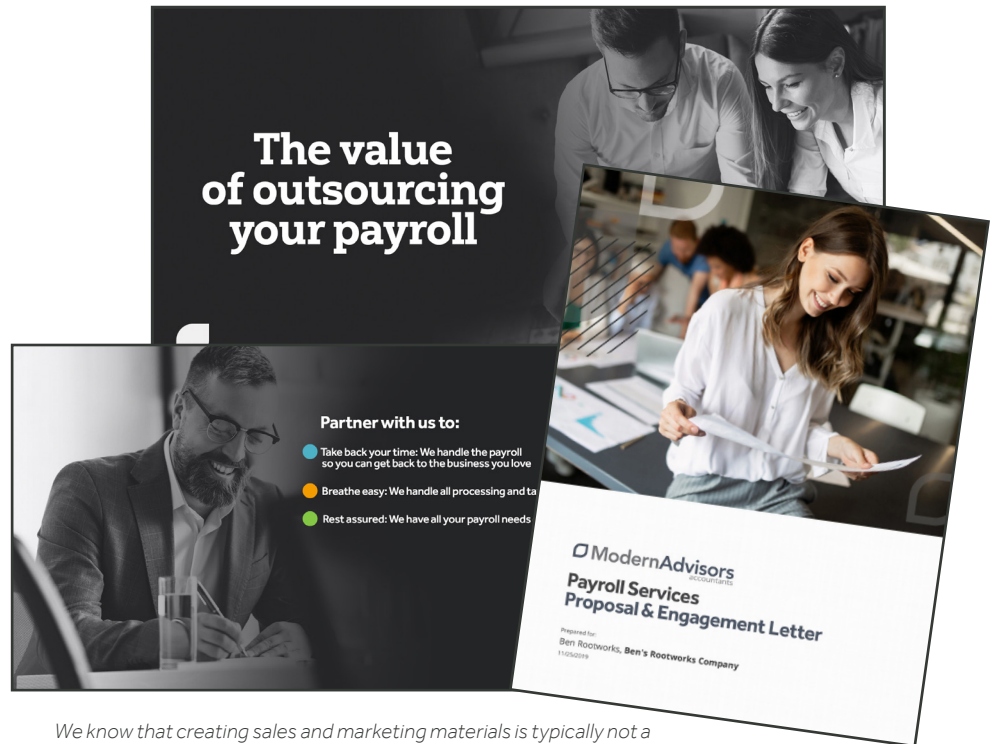
Referrals will continue to be a core element in your marketing program. Stay close to your referral sources (e.g., banks, insurance agents, attorneys) by sending out regular communications. Make them aware of your payroll services and the value to clients.

Consistent touchpoints with referrals throughout the year is ideal to stay front of mind with all of your referral sources.

## ■ Create a sales kit

To close the deal, have a professional set of sales enablement materials ready to present to prospects and clients—complete with all payroll service value propositions. A sound sales kit should include a PowerPoint presentation, a proposal, and a one-page information sheet summarizing your payroll product and pricing levels.

Design your sales materials to educate and prompt prospects and clients to purchase.



*We know that creating sales and marketing materials is typically not a skill within accounting firms, which is why Rootworks provides our members with a comprehensive library of sales and content-marketing-powered materials.*

## Build a winning staff

Your greatest asset is your staff. Before entering the payroll arena, it's imperative to get the right people on your payroll bus. Hire individuals with payroll experience or seek candidates you can mentor into defined roles. Remember, these folks will be on the front line and solely responsible for taking care of clients. As such, you'll need the right type of employee to ensure a frictionless and rich client experience.

To ensure that your payroll staff is successful:

### ■ Provide the proper training up front

Devise a structured staff onboarding process that includes training on all aspects of the job function. Staff should receive training on technologies and payroll procedures. Also communicate expectations up front, and make it crystal clear that the client comes first.

### ■ Get staff into a community

Because staff will manage the day-to-day of your payroll practice, you must arm them with the resources and support required. Getting them into a dedicated, peer-to-peer community is ideal. Rootworks payroll membership is a good example.

### Offer staff the powerful support of a payroll-focused community

A Rootworks payroll membership offers staff the support of a dedicated, payroll-focused community—one made up of professionals at every skill level. Staff have access to a dynamic forum where they can get answers to common challenges, stay up to date on new technology features and best practices, and exchange ideas in a non-competitive environment. Our payroll-level membership also provides staff with a comprehensive online resource center and quarterly training webinars.





## Final words...

Today's business clients have a real need for payroll services. The ever-expanding complexities of managing payroll keep clients in the back office and away from their true passion—growing their business and interacting with clients.

Help your clients lose the headaches associated with payroll by offering an affordable and streamlined service. Your clients will quickly see the value of outsourcing payroll tasks to your firm, which also serves to strengthen the client-advisor relationship.

With today's advanced cloud-based solutions and a modernized hybrid payroll model, it's easier than ever to claim your share of the multi-billion-dollar payroll market. And we can show you how!

### **Want to learn more about building a high-performing payroll practice?**

At Rootworks, our team is committed to helping our members build profitable and sustainable payroll services. We are continually developing tools and resources that our members require to grow a successful payroll enterprise.

**If you want to learn more, please contact sales at [membership@rootworks.com](mailto:membership@rootworks.com)**

