

# CASE STUDY: TECHNOLOGY ENTERPRISE PAYROLL

## Reducing Payroll Defects at Scale Through Root-Cause Analytics

### The Challenge

When I assumed responsibility for payroll at a 250,000-employee organization, the payroll defect rate stood at 6.5%. In practical terms, more than 6 out of every 100 paychecks contained errors—ranging from missed payments to incorrect deductions and inaccurate hours.

Beyond employee frustration, these defects created significant downstream costs for Human Resources and Finance, requiring manual corrections, off-cycle payments, and time-intensive issue resolution.

### The Objective

The mandate was to:

- Dramatically reduce payroll defects
- Improve employee trust and satisfaction
- Lower the cost and effort of correcting errors after payroll close
- Create a sustainable, scalable payroll control environment

### The Approach

1. **End-to-End Defect Segmentation:** Payroll errors were classified into three categories: upstream errors (onboarding, pay rates, time and attendance), payroll process errors (imports, manual keying), and employee-related errors (banking data). A Pareto analysis showed that over 70% of defects originated upstream in Operations and Human Resources.
2. **Cross-Functional Process Redesign:** A cross-functional team spanning HR, Operations, Payroll, and IT improved Time & Attendance accuracy, streamlined onboarding workflows, and deployed improved employee-facing tools.
3. **Payroll Simplification and Preventive Controls:** Manual data entry was reduced, inputs standardized, and exception reports introduced to flag anomalies before payroll was finalized.

### The Impact

- Payroll defect rate reduced from 6.5% to 2.2% within one year, and to 2.0% the following year
- Increased employee satisfaction and trust
- Reduced field staff turnover tied to pay reliability
- Significant cost savings across HR and Finance by eliminating rework and off-cycle corrections

### The Takeaway

Payroll accuracy at scale is not a payroll problem—it is a system, data, and process problem. By shifting controls upstream and aligning cross-functional ownership, the organization achieved durable improvements in both employee experience and operational efficiency.