



# **Growing By The Numbers**

Data, Analysis, Governance

# Data

- What Data?
- Where Do You Find It?
- Is It Right?
  - How Do You Know?

# Data

- Payroll is about data
- All payroll data has a relationship between volume and price
- Revenue data per payroll is driven by
  - Number of Customers
  - Number of Services
  - Number of Units
  - Pricing Tables

# Data

- Total Revenue is a function of
  - Revenue per Payroll
  - Non-Payroll Service Income
    - Time Clock
    - Debit Card
    - Screening
    - Etc.
  - Interest and Dividend Income

# Data

- Is it Right?
- How do you know?
- Controls
  - Access
  - Authority
  - Review
- Audits

# Analysis

## ■ Key Tools

- Income Statement
- Statement of Cash Flows
- Budget
- Variance Analysis

## ■ Key Drivers

## ■ Key Ratios

## ■ T O E

# Analysis

## ■ Why Bother?

- Predictable Outcomes
- To Determine the Profitability/Contribution of:
  - Your Company
  - A Service
  - An Employee
- Managed Growth
- Best Practice
- Regulation
  - SAS 70 is only the beginning

# Key Tools

## ■ Income Statement

### ■ Revenue

### ■ Expenses

- Operations
- Customer Service
- Sales & Marketing
- General & Administrative

# Key Tools

- Cash – It is where the growth comes from
  
- Statement of Cash Flows
  - Net Operating Margin
    - Revenue - Expenses
  - Capital Expenditures
  - Pre-Tax Distributions

# Key Tools

## ■ Budget

- 31% of Large and 45% of Small do not have a budget
- A majority of Large and Small want a Total Return of 20% or more
- Most plan to grow revenues by adding staff (an expense)
- Most plan to control expenses without touching the largest expense item--staffing

## ■ Value

- Bottom Line
- Impact of Price/Volume Relationships
- Variances

	Jan	Actual	Variance
Revenue	51,254	0	(51,254)
Salaries + Benefits	0	0	0
Expenses	2,656	0	(2,656)
Net-Pre Owner Dist	48,597	0	(48,597)

Client Count	Jan	Actual	Variance
Beginning Clients	215		(215)
New Billings	10		(10)
Less losses	(5)		5
Net Clients	220	0	(220)

<b>Net Client Count</b>	220	0	(220)
<b>Ave. P/R's per mo.</b>	2.700	#DIV/0!	#DIV/0!
<b>Total Payrolls per mo.</b>	594		(594)
<b>Ave Check Proc Rev. per P/R</b>	47.60	#DIV/0!	#DIV/0!
<b>Client Proc Fees</b>	28,274	0	(28,274)
<b>No. of Chs Process</b>	5,049	0	(5,049)
<b>Av Employees per Co</b>	8.5	#DIV/0!	#DIV/0!
<b>Av Revenue per Check</b>	5.60	0.00	(5.600)

Revenue	Jan	Actual	Variance
Processing Fees	28,274	0	(28,274)
W-2,1099,Mag Tape	14,080	0	(14,080)
Tax Service Fees	1,343	0	(1,343)
New Hire Reports	770	0	(770)
Record Retention	0	0	0
Misc Reports	676	0	(676)
Custom Programming	0	0	
Licensees	0	0	
Delivery	1,886	0	(1,886)
Signature/Stuff	232	0	(232)
Direct Deposit	726	0	(726)
Human Resource	177	0	(177)
New Account Set-Up Fees	0	0	0
Time Clock	982	0	(982)
Penalties	(100)	0	100
Subtotal OP Rev	49,046	0	(49,046)
Tax Service Interest Income	2,207	0	(2,207)
Cash/Accrual Adjustment			
<b>Total Revenue</b>	<b>51,254</b>	<b>0</b>	<b>(51,254)</b>

Collect	Jan	Actual	Variance
OP Rev	49,046	0	(49,046)
Interest	2,207	0	(49,046)
<b>Cash Receipts</b>	51,254	0	(2,207)

Disbursements	Jan	Actual	Variance
Salary & Benefits	0	0	0
Operations	2,195	0	(2,195)
Sales	0	0	0
Marketing	0	0	0
G & A	461	0	(461)
<b>Sub-Total</b>	2,656	0	(2,656)
<b>Net Cash From Ops</b>	48,597	0	(48,597)
Capital Disbursements	0	0	0
Owner Distributions	0	0	0
Line of Credit	0	0	0
<b>Other Balance Sheet Changes</b>			0
<b>Net Cash Flow</b>	48,597	0	(48,597)
<b>Accum Cash</b>	48,597	0	(48,597)

# Key Ratios

- Compare Expenses and Margins to Revenues
- Expenses/Revenues
- Operating Margin/Revenues
- Exp of Operations/Revenues
- Exp of Customer Service/Revenues
- Exp of Sales & Marketing/Revenues
- G&A Exp/Revenues

# Key Ratios

■ Compare Expenses and Margins to Revenues	
■ Expenses/Revenues	85%
■ Operating Margin/Revenues	15%
■ Exp of Operations/Revenues	20%
■ Exp of Customer Service/Revenues	30%
■ Exp of Sales & Marketing/Revenues	10%
■ G&A Exp/Revenues	25%

# TOE

- Table of Organization and Equipment
- Company Organization Chart
- Right-Size The Company to Service Your Customers

# TOE

## ■ TOE Drivers

- Number of Checks
- Av. Employees per Company
  - Phone/Fax
  - Remote
- Checks by Input Method
- Other Labor Related Services

# OF CHECKS PER MONTH	REVENUE PER CLIENT	REVENUE PER MONTH	REVENUE PER YEAR
71,000	\$59	\$234,584	\$2,815,008

NUMBER OF CLIENTS
1473

Model Client Base Descriptions	Assumed Client Profiles	Calculations Based on Assumed Client Profiles
NUMBER OF CHECKS PER MONTH	71,000	
NUMBER OF P.C. CLIENTS		421
NUMBER OF PHONE FAX CLIENTS		1052
NUMBER OF EMPLOYEES PER P.C. CLIENT	25	
NUMBER OF EMPLOYEES PER PHONE FAX CLIENT	15	
AVERAGE NUMBER OF PAYROLLS PER MONTH	2.7	
PHONE FAX CHECKS	60%	42600
P.C. CHECKS	40%	28400
NUMBER OF TAX SERVICE CLIENTS	91%	1340
NUMBER OF ACH CLIENTS	90%	1325
NUMBER OF BI-WEEKLY CLIENTS	80%	1178
NUMBER OF WEEKLY CLIENTS	20%	295
NUMBER OF NEW P.C. CLIENTS PER MONTH	13	
NUMBER OF NEW PHONE FAX CLIENTS PER MONTH	23	
TOTAL # OF CLIENTS		1473

Staff Description	Assumed Numbers	Calculations Based on
		Assumed Numbers
Number of Sales Managers Required	0	0.00
Number of Sales per Sales Representative	10	3.60
Number of Clients per Manager Client Services	1000	1.47
Number of By Weekly Clients per Client Service representative	210	5.61
Number of Weekly Clients per Client Service representative	180	1.64
Number of New Accounts Executives for new P.C. Clients	10	1.30
Number of New Accounts Executives for new Phone FAX Client	20	1.15
Number of Clients per Distribution/Data Processing Staff	550	2.68
Number of Data Processing Staff	400	2.63
Number of Tax Clients per Tax Representative	300	4.47
Number of P.C. Clients per Client Service Rep	140	3.01
Number of ACH clients per ACH staff	1000	1.33
Number of Clients per Accounting Staff	1000	1.47
Staff Required		30

# Governance

- You set the “tone at the top”
- Sound Business Plan
- Strong Leadership
- Risk Management
- Monitor and Keep Score

# Risk Management

## ■ Business Risks

- Competition
- Technology
- Fiduciary
- Regulation

## ■ Financial Risks

- Customer Credit
- Flow of Funds

## ■ Operational Risks

- Organizational Design
- Operating System and Controls
- Execution

# Risk Management

- Three things you can do as soon as you return on Monday to manage risk:
  - Change your Tone
  - Get a Flash Report on Key Data, daily
  - Reconcile your Bank Accounts, daily

# Risk Management

## Flash Report

### Production

- Payrolls Projected...Payrolls Processed
- ACH Projected...ACH Processed

### Financial

- Tax Receipts Projected...Tax Receipts Collected
- Tax Account Balance Projected...Tax Account Balance Collected
- Customer Invoice Amount Projected...Customer Fees Collected
- Status of Account Recon...Done...Not Done.



## **Henshaw/Vierra Management Counsel, L.L.C.**

**Guy R. Henshaw and Lester E. Vierra**

1460 Maria Lane, Suite 290

Walnut Creek, CA 94596

Phone: 510 749-3225

email: [guy@henshawvierra.com](mailto:guy@henshawvierra.com)

[lester@henshawvierra.com](mailto:lester@henshawvierra.com)

**We can help you manage a better, more profitable bureau.**