



Summer Term Team Project
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Group 5
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PayChex: Company Biography

Founded by Blase Thomas Golisano in 1971 at the age of 29, PayChex has grown into the second largest payroll accounting service in the United States and one of the leading employers here in Rochester, NY. Since inception, PayChex has continued to successfully grow under the leadership of Martin Mucci, who was named CEO in 2010, succeeding long time IBM executive, Jonathan J. Judge. In its current position, PayChex employs more than 12,000 individuals nationwide. As stated on the corporate website, “Paychex serves approximately 605,000 payroll clients as of May 31, 2017” (HCM 2016).

PayChex, Inc engages in the services of payroll, human resource, insurance, and benefits outsourcing solutions for small to medium sized businesses. In 2016, Paychex reported a total revenue of \$2.9 billion while operating expenses recorded around \$1.8 billion (PayChex, Inc. 2017). During 2016, Paychex also recorded payroll services and HR services as their primary assets, reporting performance at \$1.7 billion and \$1.175 billion respectively (PayChex, Inc. 2017). Since going public in 1983, PayChex is now seeing their highest earnings per share, hovering anywhere from \$69-\$70 per share as of July, 2018. In the past year, we can observe stock prices rising 27%. While over the past five years, overall stock prices have experienced total growth of 108% (Fig. 1,2). This is great progress for Paychex as the company did not break even until roughly their fourth year of operations.

The future shines bright for Paychex as they continue to expand and customize services for the medium to small American business. This customization comes in the form of service innovations for their customers. They have noticed a distinct change from the “pick up my paycheck every two weeks” model to an involved employee at all levels (PayChex, Inc. 2017). They are seeing a significant want to be more involved with their money and benefits and employers are wanting their payroll employees to take more leadership roles in companies (Quantum Run 2017). To fulfill this, Paychex is working towards integrating artificial intelligence and Blockchain infrastructure with the intention to give better data analytics and insights into where company’s monies are going and how benefits, employee numbers, employee contract types, etc are affecting bottom line.

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PayChex: Built to Last

Corporate Structure by Ryan Carpenter

It's no secret that Paychex has grown to incredible heights. Originally founded by \$3,000 and a good idea in 1971, Paychex has presently grown to employ thousands of hard working Americans located in over one hundred offices, servicing a little over 600,000 small to medium sized business clients all across the country.

In 1971, B. Thomas Golisano was one of the early pioneers to discover that the payroll industry was ignoring an alarming large potential market. This potential market was comprised of all the small to medium sized businesses operating with less than one hundred employees. Originally named Paymaster, Paychex began to rapidly expand during the late 70's. Eventually reaching beyond Rochester with the addition of eighteen new franchises and partnerships ([Paychex, 2018](#)). It wasn't until 1979 that Thomas Golisano sought to consolidate Paychex into one, privately-held company ([Paychex, 2018](#)).

By the 80's, Paychex began gaining speed. During this decade we observed Paychex become a publicly traded company in 1983 while also breaking ground on its new headquarters, here in the Flower City. Later in the decade Paychex began expanding its offered services by developing the Benefits Services division, now presently led by Tom Hammond, A twenty five year veteran of the Paychex corporation. By the turn of the century, Paychex had reached over one hundred thousand clients and expanded its services even further by offering Taxpay®, A

new method for clients to outsource tax payments and returns along with payroll ([Paychex, 2018](#))

Paychex then took the nineties by storm, gaining accomplishments and corporate growth seemingly year after year. More than 7,000 clients had taken to the new Taxpay® services proving its success. While corporate clientele continued to grow to over one hundred and twenty thousand. After the 20th anniversary in 1991, the Paychex organization truly stretched its wings and extensively expanded its catalog of services into Human Resources services, Direct Deposit for Taxpay® clients, Paylink® (a new payroll Software that simplified in-house payroll processing), Stock Purchase plans, 401(k) record keeping, and Major Market services ([Paychex, 2018](#)). What was once worth only three thousand dollars and a dream, by 1996 had grown out of its infancy and reported revenues of \$325.3 million, 21.7 percent above 1995's recorded revenues of \$267.2 million.

In preparation for the millennium and 25th anniversary, Thomas Golisano, age 54, began laying the groundwork for the future. While celebrating twenty five years of operations, Paychex kept on pace and acquires the California-based Olsen Computer Systems Inc. and National Business Solutions of Florida. Simultaneously being ranked number two on the “Industrial & Commercial Services” segment of the *Wall Street Journal*'s shareholder Scoreboard ranking of 1,000 companies ([Company-histories.com](#)). After the launch of the Paychex Insurance Agency in 1997, the corporation had achieved an impressive five consecutive years of over 30% growth. By 1999, A *Business Week* article had quoted Golisano stating “that Paychex had only five percent

of the payroll processing market. While the entire industry as a whole had only a thirteen percent rate of penetration (Company-histories.com). Paychex did not skip a beat entering this new, technology driven era of the 2000's. In 2002 we observed a third acquisition of a privately owned payroll processing company named Advantage Payroll Services, Inc. This resulted in the absorption of forty-one offices and nearly fifty thousand new clients, raising Paychex number of clients up to nearly four hundred thousand small businesses. 2003, Tom Golisano's final full year as CEO, was a year of great success and growth. First beginning with the selection and partnership with American Institute of Certified Public Accountants (AICPA) and the acquisitions of InterPay, Inc. a national payroll and human resources administrative services provider. Along with Time In A Box® products, a industry leader in employee management solutions and time/attendance (Paychex, 2018).

Oct. 4, 2004, B. Thomas Golisano steps down as CEO, assuming the role of Chairman of the Paychex Board of Directors, which currently holds nine positions. Jonathan J. Judge, a twenty-five year IBM executive and previous CEO of Crystal Decisions, Inc. was named President and CEO during this corporate turnover.

As the decade rolls between the years 2004 through present day, Paychex has continued with an aggressive business pace resulting in eleven business acquisitions. Most notably the sale of Strombergs time and labor processing organization to Konos Inc. This business move actually resulted in Paychex expanding its own services and offering its own time and labor organizational products by offering Paychex Flex® and TrueShift™ Time Clock (Paychex, 2018). During 2010

PayChex goes through yet another executive transition as Jonathan Judge resigns in July, passing the reins over to Martin Mucci, who previously held the position of Senior Vice President of Operations(Bloomberg.com, 2018). After this executive restructuring, We observe an almost feverish pace as Paychex develops and launches twenty-five new products/services, three new businesses/partnerships including the expansion into personal insurance products in 2015 and more significantly, becoming the first entities certified by the IRS to provide professional employer organization services under the Small Business Efficiency Act. During this time span Paychex becomes the recipient of numerous awards such as the number one preferred payroll provider of 2007 and number one winning applicant tracking service, mystaffpro, in 2015 (Paychex, 2018).

PayChex has been able to reach these incredible heights of success, not only by discovering an untapped market in 1971, but through Thomas Golisano's leadership, foresight, and understanding of organization structural theory. Throughout the years, PayChex has been able to combat the turbulent economy through a strong and diverse business structure developed around the theory of departmentalization refined in modern times by Luther Gulick, and L.Urwick in 1937 (Wiley Online Library, 2010). Presently, the PayChex corporation displays departmentalization structural theories throughout all their different divisions and levels. After spending some time with Patrick Jenkins and his team, I was able to observe that the environment was lack, but with a hierarchical structure. I believe that this type of environment can affirmatively prove that PayChex does display a strong example of divisional structural

theory of departments with a hierarchy of authority throughout all the various levels including the departments of Human Resources, Direct Deposit, Stock Purchase plans, 401(k) record keeping, and Major Market services. A broad example of PayChex's division amongst its executive branch can be observed on page 18, Figure 3.

PayChex: Teamwork Makes the Dream Work, or Does It?

Corporate Culture - Allison Lucas

One of the biggest elements within a workplace is culture. Culture is different in every work environment and can be affected by many things. Having a good work culture can help your company by making employees feel welcomed and respected, in return this can boost motivation, which then would raise production/sales. There are many elements that make up an organization's culture. Specifically we will look at Paychex diversity, teamwork, and “learning culture” and how these elements impact their employees.

Teamwork is vital while in any work environment. Being able to effectively reach goals collaboratively as a team is something every office and working environment hopes to achieve. Our survey respondents had a few things to say about Paychex teamwork. When asked about the single most enjoyable aspect of their job, 6/6 team members said that it was their team members that made work most enjoyable. When asked to rate their team environment on a scale of 1-10, the group of six provided four 10's, one 9, and one 8. Proving that Paychex aspires to achieve a high level of team cohesion amongst teams, which in turn reduce stress, thus increasing productivity due to the subliminal, individual motivation of team members to remain members. The term “culture of learning” comes from a Kimberly Kelly who is the Paychex Director of Training. “Our training professionals work very hard to create a culture of learning that helps Paychex employees grow and our company thrive,” Kelly said for an interview after Paychex was named one of the top 80 organizations representing best practices in enterprise

learning ([Businesswire.com](https://www.businesswire.com), 2018). This was not the only time that Paychex has been recognized for its great work environment. “In 2004, the company was recognized for a third consecutive year by FORTUNE magazine as one of the "100 Best Companies To Work For" in America, and by Training magazine as one of the top 100 training organizations in the country. FORTUNE also named Paychex one of the most admired companies in the country, and Forbes honored Paychex as one of the best-managed companies in America” ([Businesswire.com](https://www.businesswire.com), 2018). For Paychex, these are huge accomplishments and indicators that prove that the employee population seems to not only enjoy their respected teams, but truly hold a desire to grow and succeed within the company. . When asked about ways in which the Paychex work culture succeeds, a couple of our responses were “Work hard, play hard” and “High incentives, doesn’t micromanage, and team bonding.”

Diversity within a workplace can really make or break some employees work experience. It is important that everyone feels comfortable and welcomed with in the office. Having people of the same race, gender, body type as you can help you feel more confident at work, allowing you to work harder. Although our survey respondents did not go into too much detail, two of them did mention there was a lack of diversity, only one specified that there was not enough diversity in the age of people being hired. I would label this lack of diversity as an area for improvement. To solve this issue, Paychex could look at their selection process and make sure that it is not catered to a certain demographic.

PayChex: You Got This! But Stay Where You Are.

Corporate Motivational Methods - Erik Rinebold

Motivation is a key factor in any operation. Motivation correlates to productivity and productivity is then the biggest factor for an organization's success or failure. Think about it from a personal standpoint for a moment. Before you even get up and go to work there is a motivation to perform that action. You agreed to have such a position that would take away from your life and although you are being paid for your time that pay sometimes starts to feel inadequate and you start to think “Why am I doing this” or “Is this really worth my time”. It is because of thoughts like that companies in particular start to generate new methods of keeping their employees happy and satisfied not just with their employer but more importantly themselves. When deciding the company, we would research we went into it not knowing much about this topic however it turns out that Paychex is a great example of motivation and helping one grow on an individual basis.

Paychex has continuously earned the award of being a top and respectable employer, many people would kill for the chance to hold a position with the company and why is that? As an intern I have seen first-hand why people love working for them and how motivational the company is. The motivation starts with each employee and that they help each other with keeping their motivation for the job. There is so much communication happening on a daily basis that because of that and the environmental setting that's been established it is easy for the communication to flow and with-it positive attitudes. Employees of all levels are in direct

contact with one another and through that they can help each other with whatever struggles they may be facing or help direct them to someone that can help. Speaking from a personal standpoint every day I (Erik Rinebold) have gone in to work for the company I am always greeted by smiles from everyone and every time I fill my supervisor and what I have done an accomplished I am always rewarded with a bright smile and how it was fantastic work that was done, and it's that kind of instant gratification and knowledge of my success that is spread throughout the company.

Yesterday is a prime example of how Paychex kept us motivated. Wednesday notoriously being known as "hump day" the company has played off of that and created "treat for you day" where the managers pick a vendor and have small grab bags put together that had things like candy bars, some office supplies (like a usb drive), and a calendar of upcoming events the company will be having. With that not only did we get a little treat for us to have but a look at what's to come and that is huge when working in an office setting as things get very stale very quickly being in such a neutral environment. By keeping things like that going it helps maintain an environment for time to come. However little treat days or planned work events are far from the only things the company does to help keep its motivation strong and going. By offering job performing incentives of all kinds it not only pushes employees to hit their goals but leaves them satisfied when presented with their reward. Paychex offers various job incentives like a full paid vacation, extra vacation time, commission and bonuses, or may use your achievements to help you advance your career with them. Aside from emphasizing motivation and the company also focuses on individual growth and does so because it understands people want to move forward.

As an intern part of the process is you stay an intern for a minimum of 3 months, after which you are offered a position with the company in doing what you were already doing. After one year of being officially hired on you are given the opportunity to apply for a new position in a new department if you so choose. Paychex is a constantly growing business and so it affords everybody the opportunity to grow and succeed. After applying for the new position and say all goes well and you get it, you first shadow someone doing exactly what it is you will be doing. This helps with training for the job and setting someone up for success so they don't feel defeated in the new position they may have been chasing for some time.

Overall Paychex has a lot down pat when it comes to knowing how and when to motivate everybody and is focused on everybody being successful. My recommendation to it though would be maybe to loosen the strains on how long it can take someone to get a new position within the company. If you start as an intern you could be in the same position for as much as 15 months before you are afforded the opportunity to get where you want to go in the company, and for some that fact can be a bit discouraging. I think the main thing holding them back from improving on this is that they are such a large employer and it may be too difficult to keep up with so many people constantly wanting to advance and do something new within them.

PayChex: Can't Hate on Us

Public Relations and Internal Reviews - Brock Wagehoft

Another bright spot for PayChex is how it handles its Public Relations. Previous you have read about the internal company culture as being strong, but lacking in diversity. You also read about how the company motivates its employees, but tends to stagnate them for months in particular areas. It was repeated several times throughout this paper that PayChex is seen as a leading company to work for as well as a forerunner in companies as a whole for various reasons. With these areas of concern, especially with diversity and upward mobility key topics in the national conversation at the present, you would imagine that the Public Relations (PR) team would have to be phenomenal or that these areas are not as big of a deal as they are made out to be. That is precisely what will be explored now.

On the side of a phenomenal PR team, we have the PayChex NewsRoom. This is a place where “you can find the latest news releases, financial updates, current executive team members, public relations' contact information, and more” right online (Paychex.com, 2018). It is plastered with propaganda, hailing the company as the best thing since Betty White (1922), beating out Sliced Bread (1928) of course. It stresses its awards with huge graphics and a sleek design for the positive press releases.

In the Challenger's Corner, we have Indeed.com (Indeed, 2018) and Glassdoor.com (Glassdoor.com, 2018) which both come in with statistically significant samples at 3.7/5 stars. They both state high ranks for satisfaction, but fall way short in categories such as management

and diversity. This is in keeping with the above sections where they can improve; however, it seems that these rankings are in stark contrast to the awards they are receiving for those things.

With the understanding that it is usually people who do not have great things to say about a company, or have marvelous things to say, are those who make posts, it seems that in this battle the hands tip in favor of the PayChex PR team as well as the company as a whole. It seems that this is all around a wonderful company to work for, but like everything has places it can improve.

Conclusion

As we come to a close of our review of PayChex, Inc., we were fortunate to have been given an insight and investigate a wonderful company, both inside and out. It has a command structure built like a fortress, robust and lasting. We have seen the company's strong ability to motivate its employees through interaction, incentives, and 'atta boys'. Following that we were able to get great people to talk to us as we researched its culture. The employees we talked to, in our admittedly narrow sample size, expressed an appreciation of the company, but noticed a lack of diversity, specifically age stratification, as well as a slight dislike of management for various reasons. All of this was echoed in the reviews we found online for the company, but with online reviews historically tipped against any company, we took it with a grain of salt, and came to the conclusion that this company is a shining star of an example of a high functioning company on all counts, but just like everything else, can always be improved.

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Figures

Figure 1

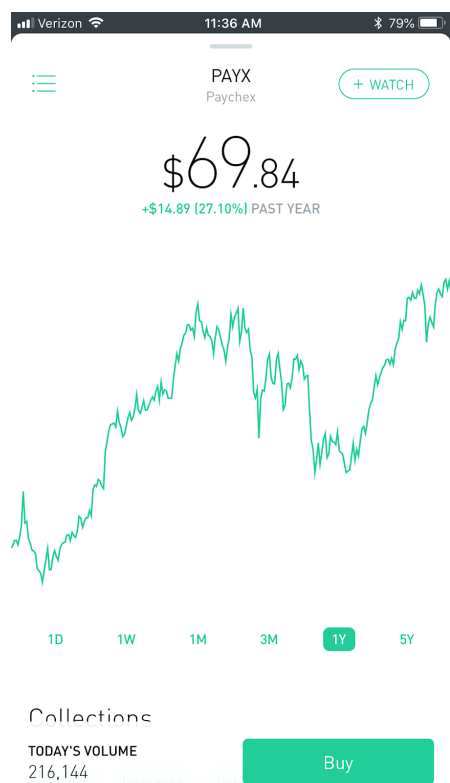


Figure 2



Figure 3



(<https://www.theofficialboard.com/org-chart/paychex>)