Payroll Process Improvement

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Operations strategy and transformation

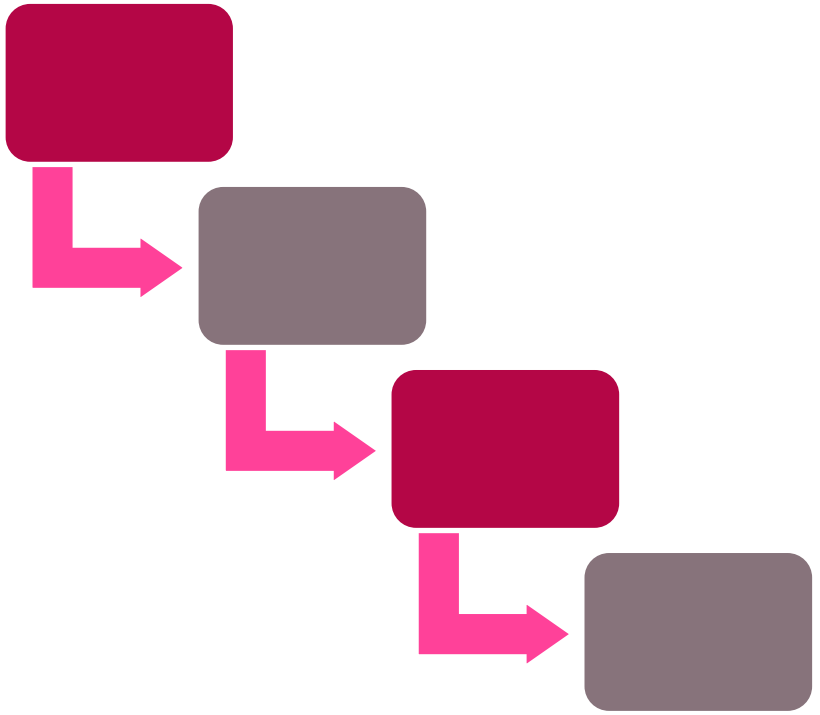
We work **strategically** with Boards and senior management, identifying high impact levers and combining a broad vision of the issues with our deep functional expertise.

We provide **specialist** input, using our experience across many industries to design pragmatic solutions to achieve the strategic objectives.

We **implement** operational change, managing transformation programmes to deliver a sustainable shift in market approach, process, organisation, culture and systems.

What is a Process?

- A series of actions or steps towards achieving a particular end.
- Any action that has an input at its starting point and an output at is end
- Sequence of steps or tasks described by an active verb and a noun



Characteristics of a Process

1. Scope:	Starting point and ending point.
2. Purpose:	Reason why it is being performed.
3. Steps:	Actions performed by operators or equipment
4. Sequence:	Order in which the actions are performed.
5. Operators:	People that perform the actions.
6. Outcome:	A specific result, product or state
7. Customer:	Next process, requestor or end user.

What is Process Mapping?

- It is a hierarchical method for displaying processes that illustrates how a product or transaction is processed.
- It is a visual representation of the work – flow either within a process – or an image of the whole operation.
- Processes, in practice are somewhat more complex than it appears at first glance
- Should allow people unfamiliar with the process to understand the interaction of causes during the work-flow.

Process Mapping can answer important questions

For the whole process:

Where does the process start and where does it end?

What are the inputs and outputs of the process?

What are the individual steps in the process?

Who executes which step?

For each process step:

What happens in this step?

Where does it fit into the sequence of process steps?

Who carries it out and who (position and department) is responsible for it?

What are the inputs and outputs of each step?

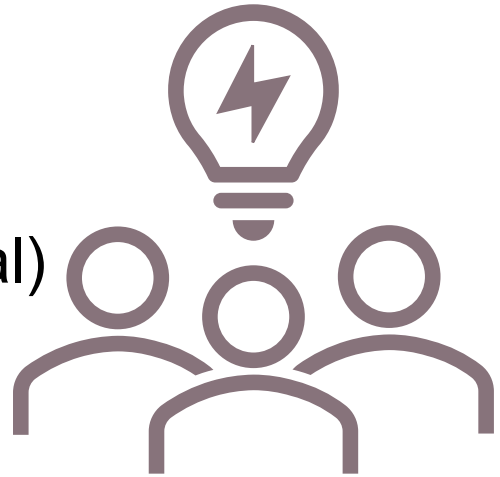
How long does it take?

How much does it cost?

Why Map Processes?

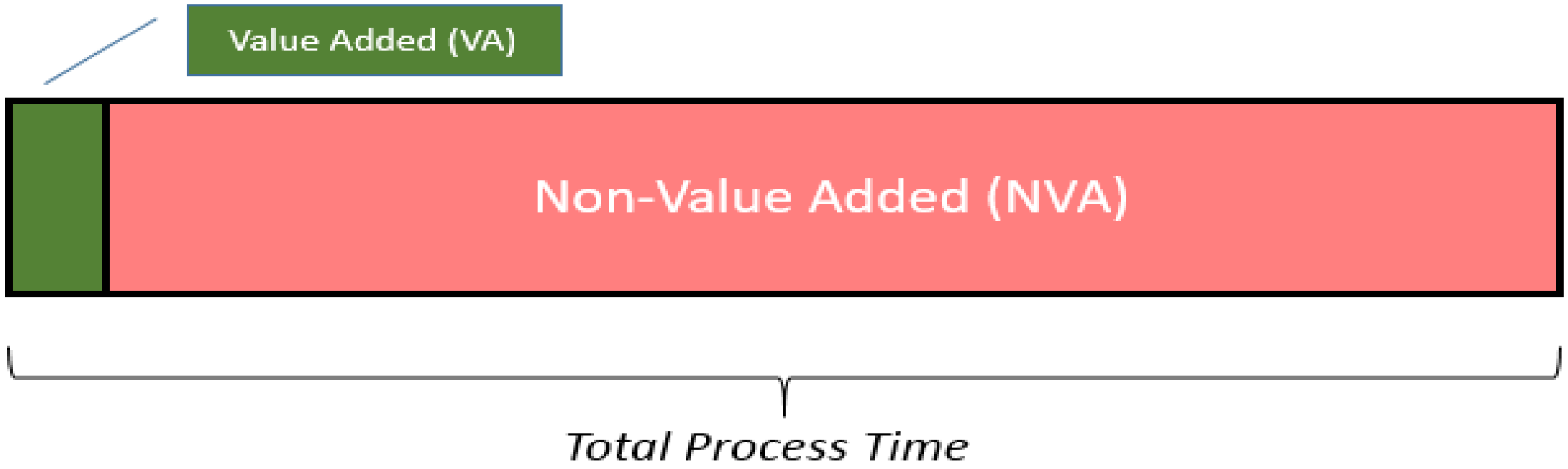
> *A picture shows me at a glance what it takes dozens of pages of a book to expound.*

- To document how business is (or should be) done
- To understand and simplify a process
- To understand and minimise cost and time factors
- To understand and mitigate risks
- To understand and clarify responsibilities
- For training and/or communication (internal and external)
- To improve customer satisfaction
- To plan and introduce new processes
- To help an organisation to institutionalise the knowledge of how its business is done



Example

Value Adding Ratio



Value Defined

Value-Added Activities

- Transforms or shapes material or information
- Customer wants it
- Done right the first time

Incidental Waste

- No value created but required by current technology
- No value created but required by current thinking
- No value created but required by process limitations
- No value created but required by current process

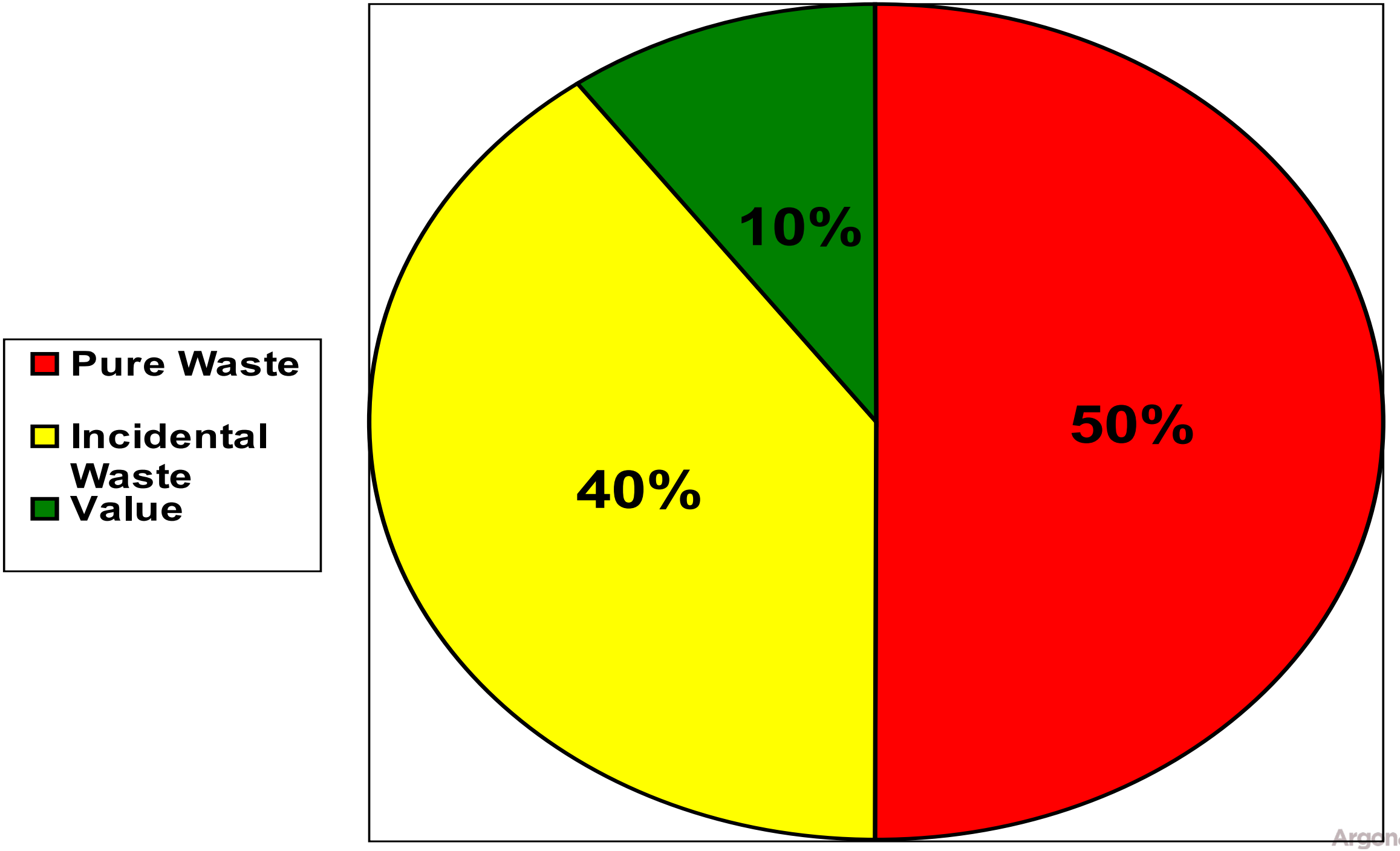
Pure Waste

- Consume resources but creates no value for the customer
- Could be stopped and it would be invisible to the customer

What is Waste?

- Any activity that adds costs or time but does not add value
- Consuming more resources (time, money, space, etc) than are necessary to produce the goods, or services, that the customer wants
- Pure Waste: Actions that could be stopped without effecting the customer
- Incidental Waste: Actions that need to be done based on how the current system operates but do not add value

- We are going to discuss the 8 key wastes that are usually prevalent in organisation's and while we do this consider your role, workspace, processes and function and identify examples that come to mind – WASTE HUNT

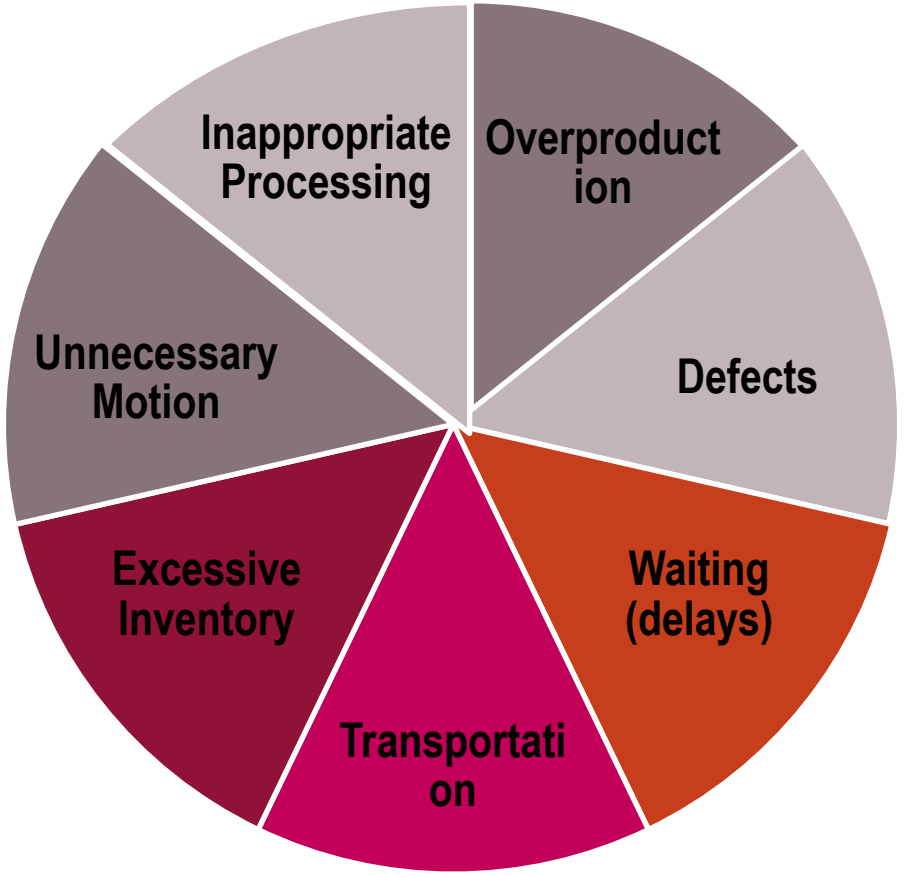


Taichi Ohno's Seven Forms of Process Waste

The Classic '7 / 8 Wastes'

1. Overproduction
2. Defects
3. Waiting (Delays)
4. Transportation
5. Excessive Inventory
6. Unnecessary Motion
7. Inappropriate Processing

8. Human Creativity Loss or Underutilisation of Employees



Understanding Waste: Overproduction

Overproduction – producing work prior to it being required is waste and is the greatest of all the wastes

- Entering repetitive information on multiple documents
- Wrong priority assigned, so doing work earlier than needed
- Ineffective communication
- Emails (CYA and non-work)
- Unbalanced workload
- Producing reports no one reads or needs
- Making extra copies
- E-mailing, resending same document

Understanding Waste: Waiting

Waiting – for people, signatures, supplies, IT, and information is waste. This is “low hanging fruit” which is easy to reach and ripe for the taking.

- No one to sign (gone on leave)
- Form in inbox…not signed or approved
- Need a software mod, waiting on IT

Understanding Waste: Motion

Motion - any movement of people, paper, electronic exchanges that does not add value is waste

- Poor ergonomics
- Searching for frequently-used equipment
- Searching for, materials or information
- Walking ng (away from workstation) to and searching for supplies or equipment

Understanding Waste: Transport

Transport - the time to deliver any work within an operation

- Badly laid out
- Sub-contract distance
- Work in progress, files, archives, library, manuals
- Locating commonly used equipment at a distance (photocopier)
- Distributing unnecessary copies
- Sending unnecessary attachments
- Hand-carrying paper to another process

Understanding Waste: Over-Processing

Over-processing - putting more effort than necessary into the work required by internal or external customers is waste; does not add value and eventually the customer won't bear the cost

- Big machines on small jobs
- Specifying incomplete or unclear requirements
- Workarounds, having to do multiple manual processes because the proper process is not right.

Understanding Waste: Inventory

Inventory - work piles, excessive supplies, and excessive signature requirements are waste

- Defects and quality problems – wrong information, bad information, incomplete leads to build up or backlog
- Files awaiting signatures or approvals
- Work awaiting task completion by others
- Buying too many office supplies
- Batch processes
- Files awaiting signatures or approvals
- Storing obsolete documents or files

Understanding Waste: Defects

Defects (or mistakes) - all processing required creating a defect or mistake and the additional work required to correct them; rework is waste

- Wrong or poor quality data/information
- Rework
- Forwarding incomplete documentation
- Confusing procedures
- Data entry errors
- Lost files

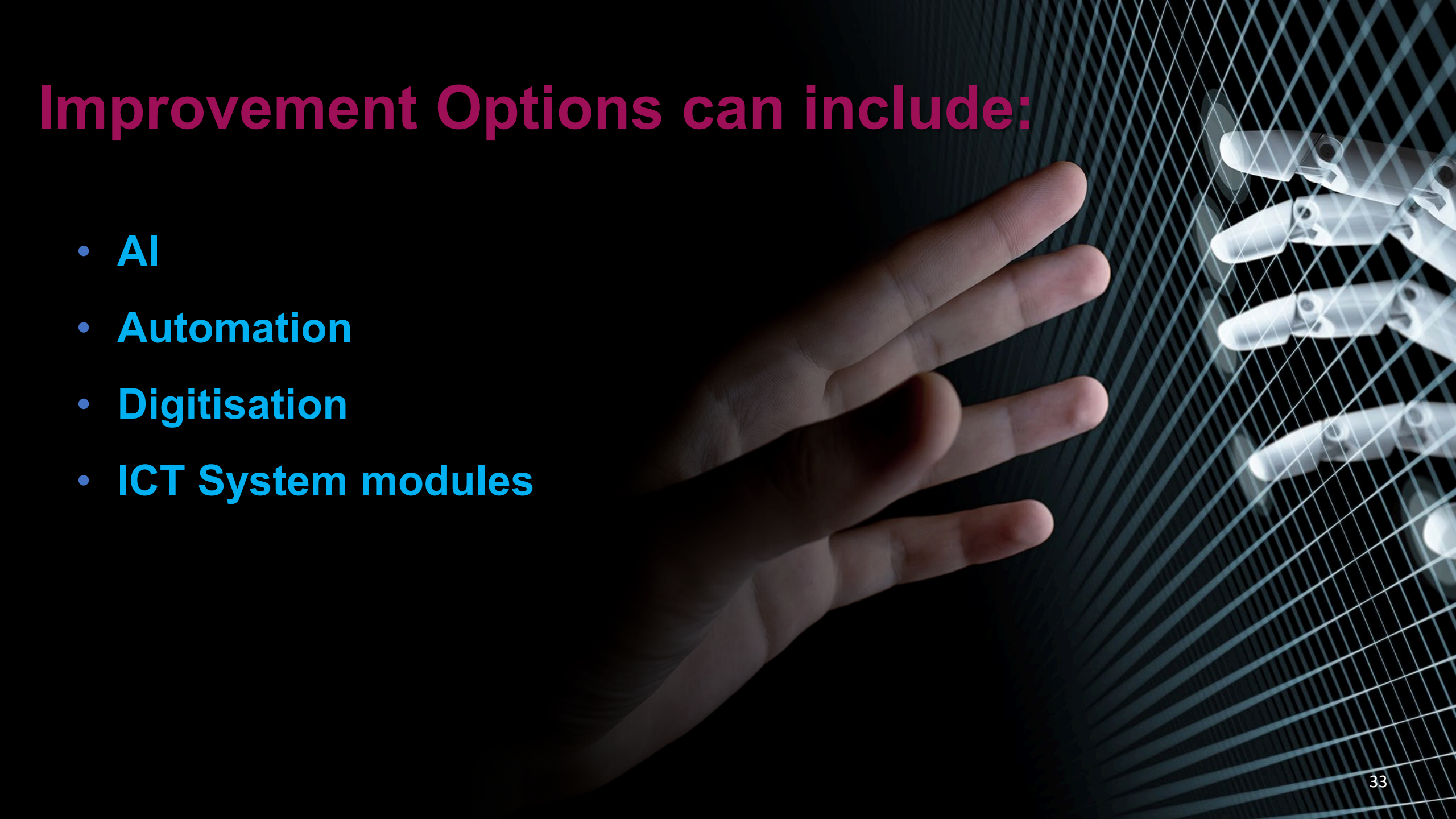
The Eighth Waste: Underutilization of people

Underutilization of People – the result of not placing people where they can (and will) use their knowledge, skills, and abilities to the fullest

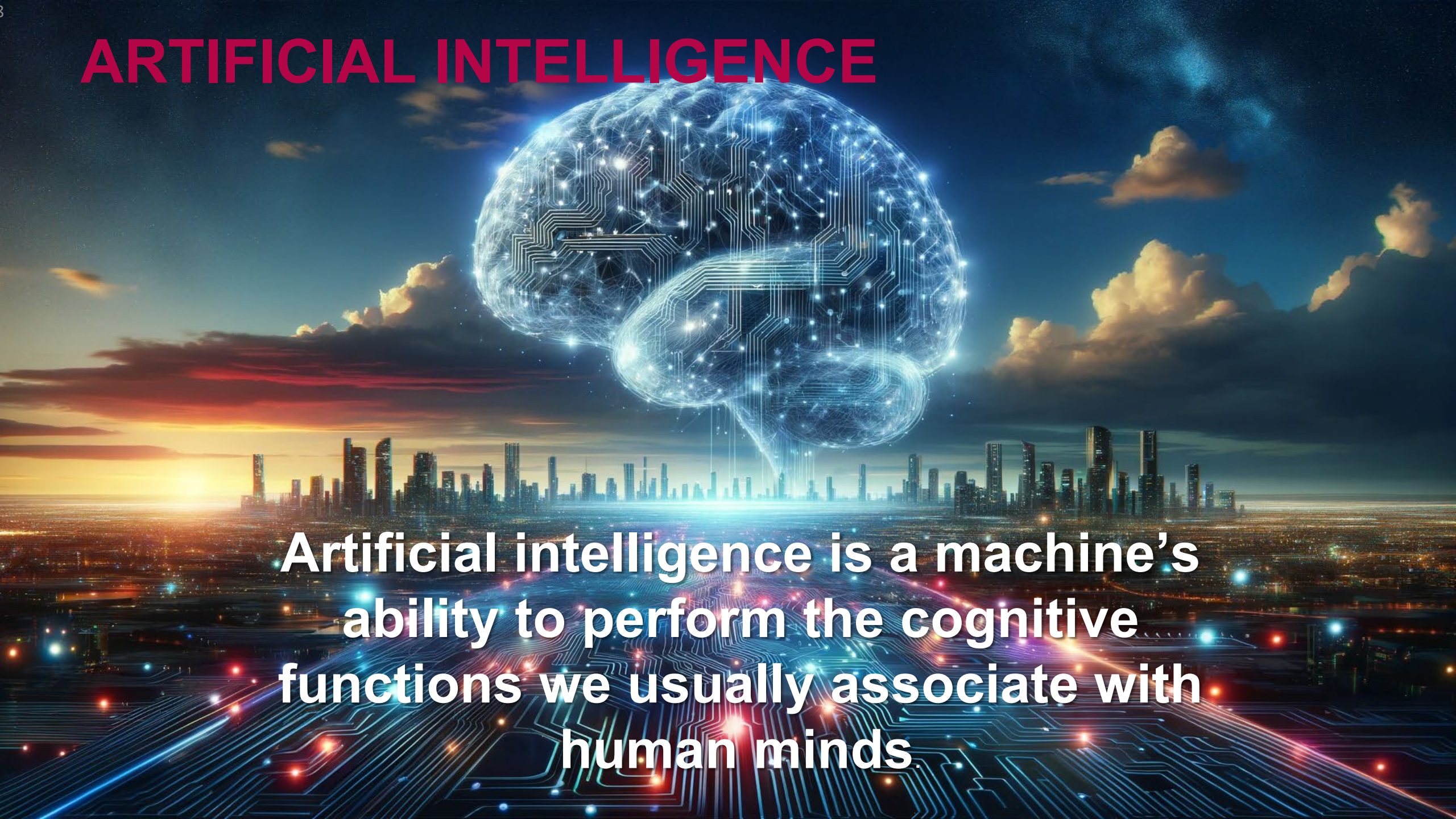
- Unbalanced work loads
- High absenteeism and turnover (an outcome)
- Diminished work capacity
- Stunted skills development
- Employees are seen as a source of labour only, not seen as true process experts
- People are told what to do, and asked not to think
- Low or no investment in training

Improvement Options can include:

- AI
- Automation
- Digitisation
- ICT System modules

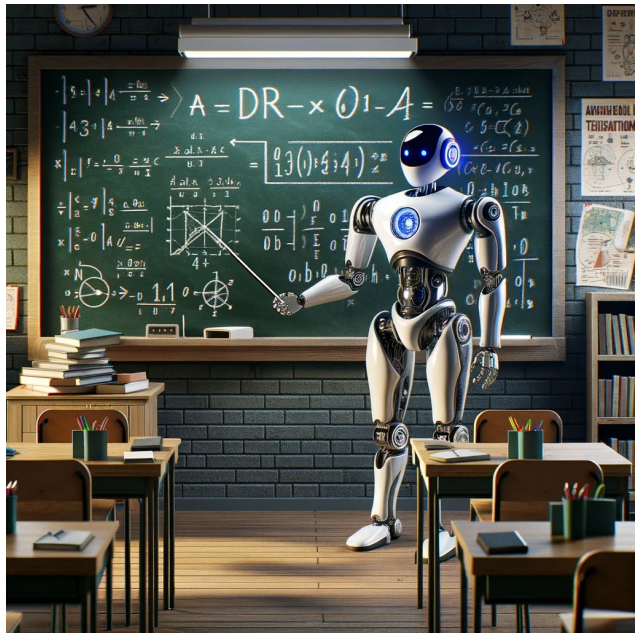


ARTIFICIAL INTELLIGENCE



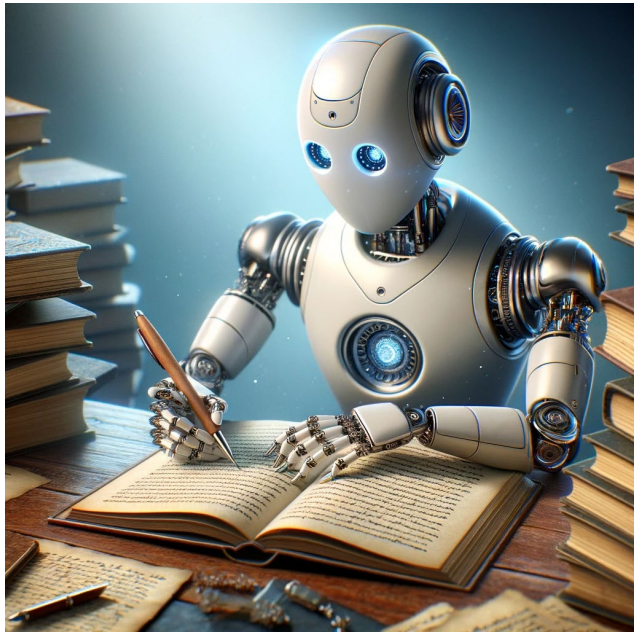
Artificial intelligence is a machine's ability to perform the cognitive functions we usually associate with human minds.

Narrow Field AI



Machine Learning

Deep Learning



Generative AI

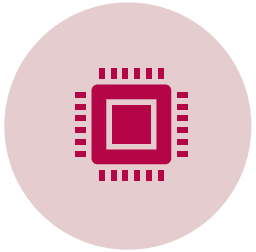
AI for Productivity in Payroll

Policy Gap Analysis:

AI can analyse existing policies against current regulations and identify potential gaps or areas of non-compliance. This proactive approach helps companies stay ahead of compliance issues.

AI for Operational Excellence (Process IQ):

Provides a clear view of 'as is' operations, revealing inefficiencies and process bottlenecks, to help identify improvements and automation opportunities.



Fraud Detection:

AI algorithms can analyse payroll data to identify unusual patterns and anomalies that might indicate fraud, such as ghost employees or inflated hours.

Personalised Communication:

Generative AI can create personalised emails and messages for employees regarding payroll updates, changes in benefits, or tax-related information.

Conversational AI and Virtual Assistants:

Generative AI can power chatbots that answer employee questions about payroll, benefits, and company policies. It also provides a channel to action employee related tasks like leave balances, applying for leave, updating time sheets etc. This provides instant support and reduces the workload on HR staff.

AI Adoption is key to your Competitiveness

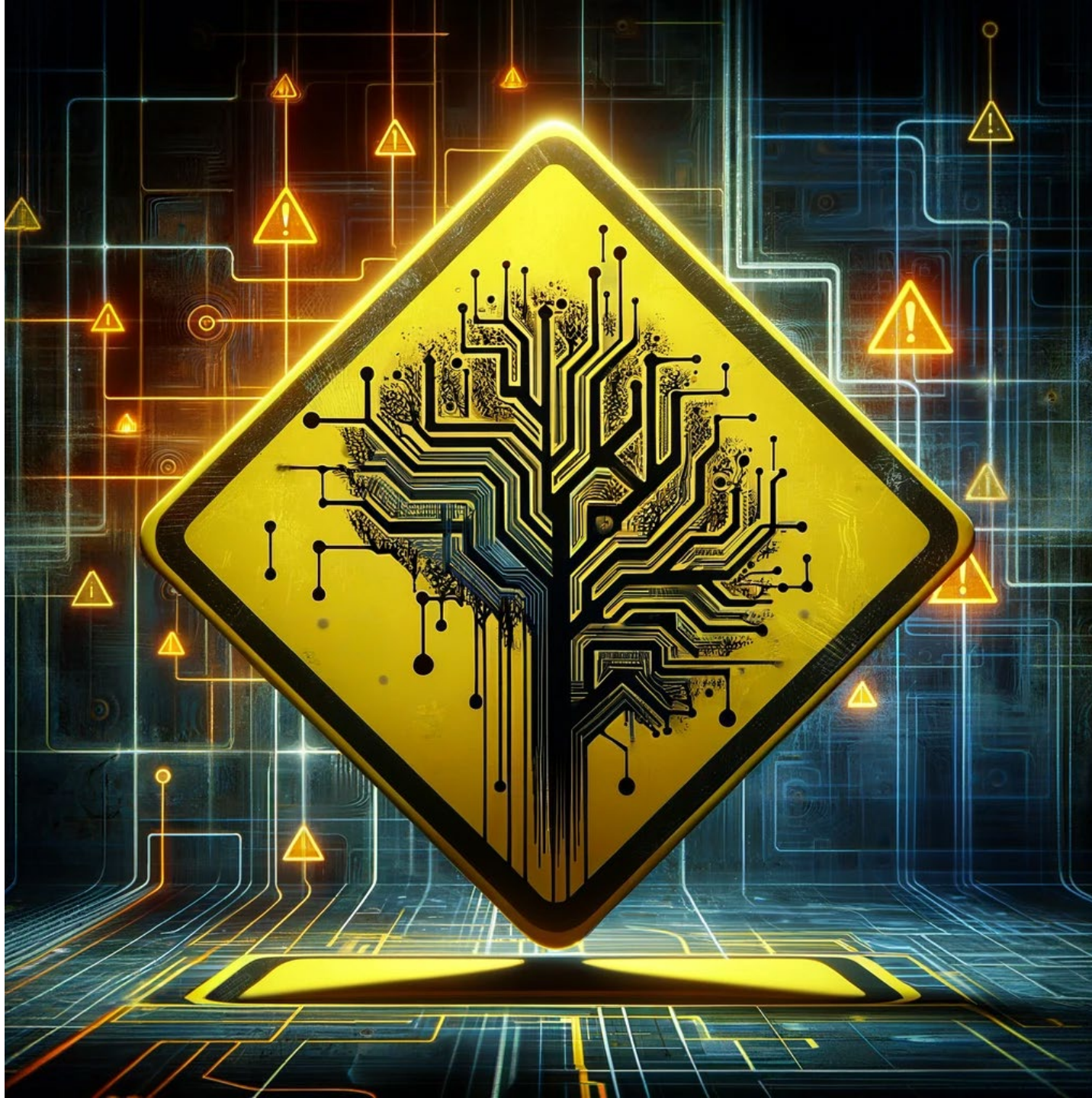
Rob Thomas, IBM Senior Vice President:

“AI is not going to replace managers, but managers who use AI will replace the managers who do not.”

“It really does change how people work”

AI Risks

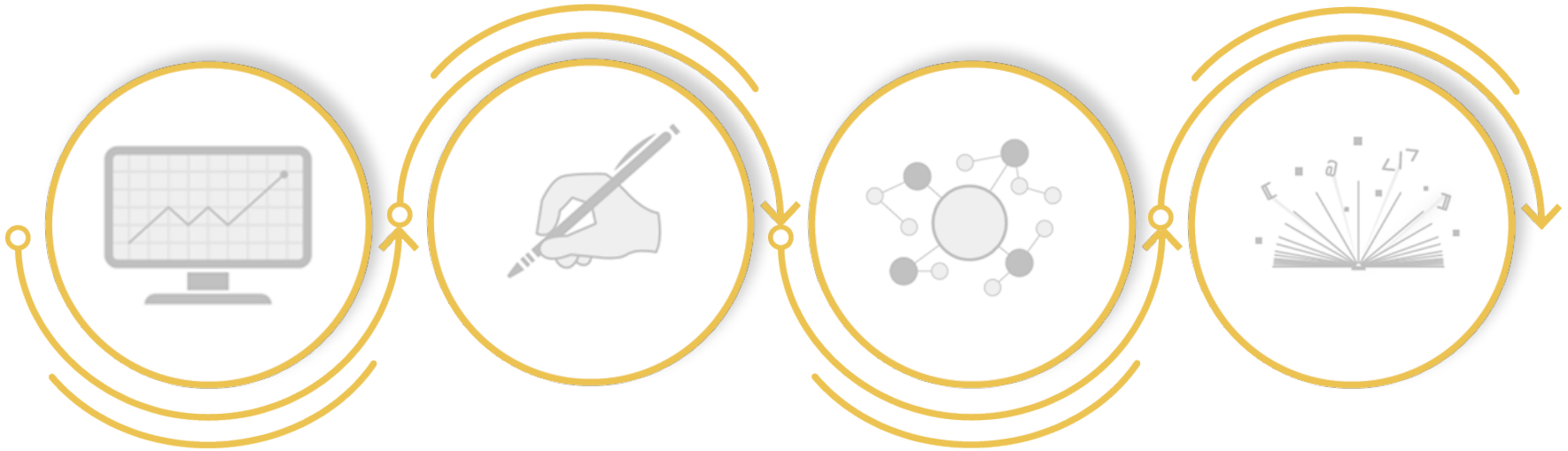
- Data
- Bias & Discrimination
- Privacy
- Security
- Hallucinations
- Expectations
- Skills



What is Automation?

Robotic Process Automation (RPA) technology, commonly referred to as a software robot or digital worker, is the use of software to mimic and perform the actions of a human worker electronically

How does RPA work?



Accesses systems via user interfaces

Mimics the actions of humans

Completes activities and tasks

From a library of business processes

- ✓ No complex system integrations
- ✓ No change to existing applications
- ✓ No overlap with existing platforms
- ✓ Works with existing IT architecture

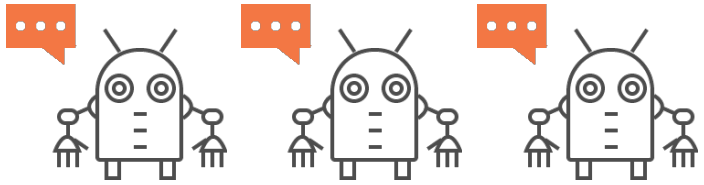
Different types of RPA Automation

ATTENDED RPA

Automations that interact in real time with humans

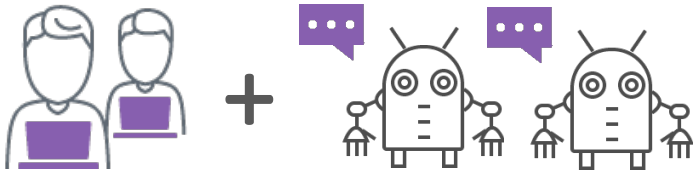
UNATTENDED RPA

Automation that replaces a human function – batch oriented, back office



HYBRID RPA

Automation that combines attended and unattended



"Robotic process automation (RPA) is the application of technology that allows employees in a company to configure computer software or a "robot" to capture and interpret existing applications for processing a transaction, manipulating data, triggering responses and communicating with other digital systems."

—Institute for Robotic Process Automation and Artificial Intelligence

RPA in Payroll

Automating data entry from timesheets and other sources:

RPA bots can extract data from various formats (PDFs, spreadsheets, emails) and input it into payroll systems, reducing manual effort and errors.

Calculating gross pay, deductions, and net pay:

Bots can apply complex payroll rules, including tax rates, KiwiSaver contributions, and other deductions, ensuring accurate calculations.

Leave Reconciliation:

Bots can automatically match approved leave requests with corresponding time entries, considering leave types, durations, and dates.

Reporting and Notifications:

Bots can generate reports on leave balances, discrepancies, and reconciliation status. They can also send automated notifications to employees and managers for any required actions.

Benefits of AI & Automation

BUSINESS & OPERATIONAL VALUE

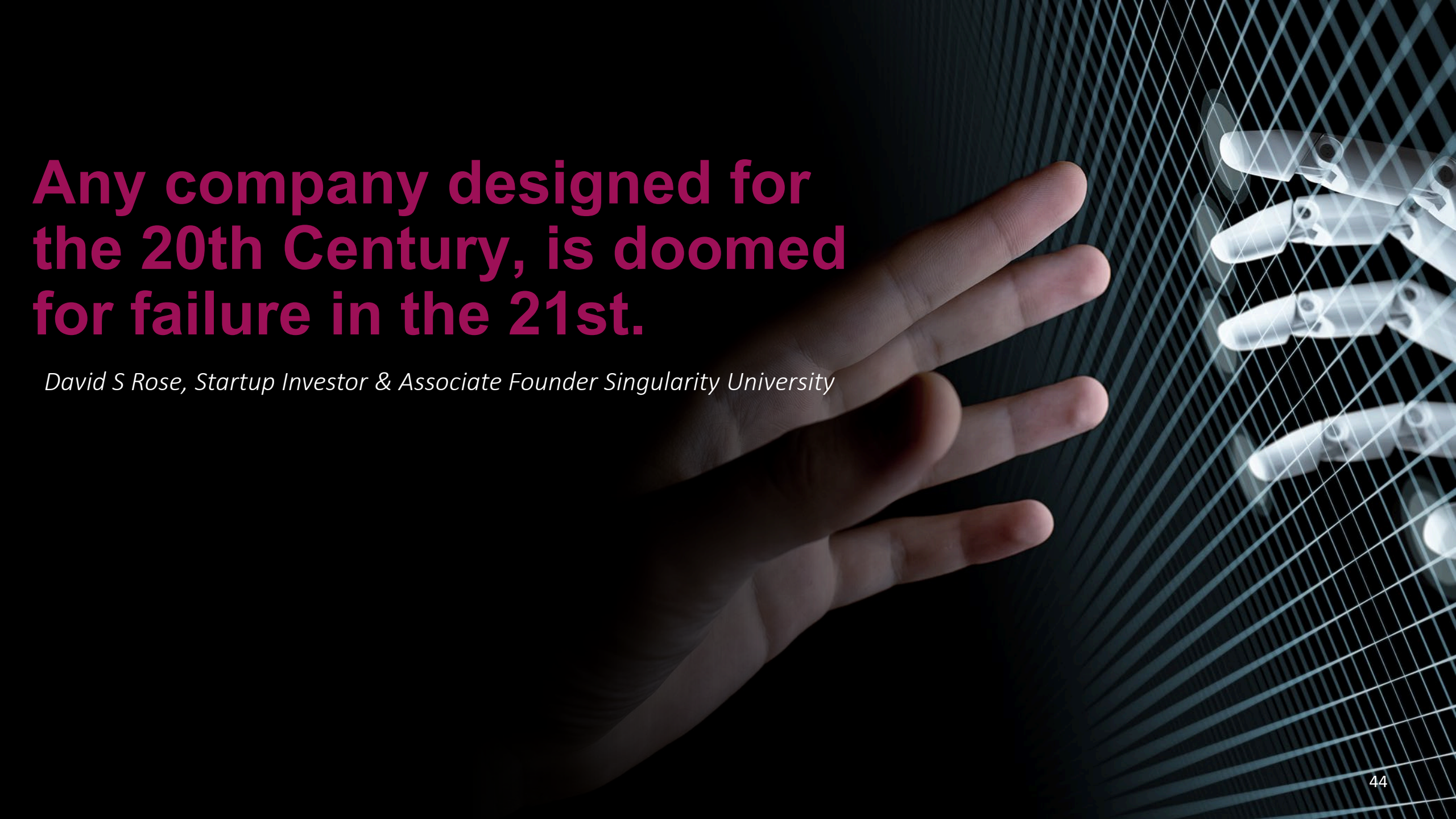
- Efficiency & Productivity
- Precision & Accuracy
- Cost Control
- Competitive Advantage
- Quality & Compliance
- Data Driven Decision Making
- Scalability & Agility
- Sustainability
- Velocity

CUSTOMER VALUE

- Enhanced Customer Experience
- Service & Quality
- Personalised & Custom Service
- Enhanced Safety & Security
- Adapt rapidly to customer demands

EMPLOYEE VALUE

- Staff Satisfaction & Empowerment
- Workforce flexibility
- Enhanced Safety
- More interesting work
- Attract and retain quality staff
- Hi-bred workforce
- Innovative employer



Any company designed for the 20th Century, is doomed for failure in the 21st.

David S Rose, Startup Investor & Associate Founder Singularity University

Summary

To improve payroll processes we must:

- Understand our core processes
- Identify, and eliminate/reduce waste
- Develop our people capability to reduce waste and add value
- Automate to further drive improvement
- Measure our performance and our practices.
- Become a learning organisation.

The rate that organisations learn may become the only sustainable competitive advantage.

Peter Senge