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Using Robotic Process Automation to Transform Payroll Administration

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In the last several years, robotic process automation (RPA) has been piloted and deployed primarily in accounting, finance, and procurement-related functions, largely due to their relatively high volume of standardized processes. Now, as RPA is maturing in these areas, organizations are increasingly turning toward opportunities in payroll where RPA's benefits of speed, accuracy, and consistency make it an emerging tool for improving performance.

As with many computer applications, RPA "bots" (the software agents executing the predefined basic activities) can conduct activities at an extraordinary rate of accuracy and at significantly higher speeds than people who are proficient in performing the same tasks. Bots also use human user interfaces so other software applications do not need to be configured for RPA use, and bot actions can be monitored and audited like those of human users. With relatively low cost and fast implementation time compared with many enterprise software applications, RPA is emerging as a true competitive differentiator.

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RPA and Payroll

Historically, payroll administration has not been a leading candidate for RPA, according to the 2016 Shared Service & Outsourcing Network's RPA survey.

The benefits of RPA speed, automation potential, and accuracy in finance, accounting, and procurement processes are relatively straightforward to quantify and measure. Due in large part to the complexity of payroll processes, RPA implementation teams can get discouraged from focusing on payroll processes as a primary candidate for RPA.

One common scenario is that current manual payroll processing activities (e.g., batch validation) are often not documented down to the "if/then" and keystroke level, leaving them somewhat discretionary in nature from an RPA design perspective. Therefore, initial payroll RPA pilots should be carefully selected for either clear existing documentation or documentation potential. And while RPA can and frequently should be used for process transformation (i.e., improving the

end-to-end process to refine the timing and quality of outputs), experience shows that initial use cases are most credible and manageable where an existing manual process is automated, typically over a six- to eight-week period.

Regardless of the challenges, the upside of RPA can be significant. The RPA payroll administration strategy is attracting notice and gaining traction due to demonstrated significant benefits, including 100% consistency, no (human) keystroke error, and significant processing speed improvement. While some may argue that robotics technology takes away employees' jobs, it's been demonstrated that the opposite is true. By augmenting human workers with automation, RPA serves to leverage the best of what humans and technology bring to the workplace. Employees gain time that frees them up to be engaged and inspired, leading to performance at new levels, while RPA software removes the tedium of error-prone high-transaction volume driven work.

RPA Use Cases

Although RPA is not a substitute for a payroll gross-to-net calculation engine (or other fit-for-purpose software applications), RPA can be applied effectively in payroll, assuming that the processes are manual in nature. For example:

- **Time record validation:** Bots check for missing time entries for hourly employees and reconcile hours worked against budgeted hours on a daily basis. Responsible managers are then notified of discrepancies to be resolved the next day (while the prior day's transactions are still fresh in employees' minds) for early resolution.
- **Loading earning and deduction batches:** Bots initiate batch creation and import into a payroll system/module outside of working hours, allowing payroll professionals to start their day with import activities completed. RPA is also used to conduct standard validations in a fraction of the time that it takes people to run the same processes.
- **Post-close (or pre-initiation) administration:** Tasks that often are performed toward the end of a quarter or year, such as tax reconciliation and orphan payroll journal entries, are performed during or immediately following payroll close. Other "low-hanging fruit" opportunities include benefit deduction report generation and auto reconciliation against benefit invoices.

It should be noted that these examples do not automate payroll processing end to end, but rather focus on specific sub-processes. These use cases improve speed and accuracy, and allow payroll professionals to focus on more uniquely human activities. These activities include strategically working with business partners and finance functions to provide advisory services and designing more efficient and effective payroll processes. Ultimately this is helping payroll professionals, like many task-driven professional positions, become true strategic advisors.

RPA Lessons Learned

RPA is still in its early days. The functionality is evolving rapidly, and leading practices will continue to evolve. These factors, coupled with the significant impact on how people work with RPA, result in important lessons learned in deploying RPA programs, including the following:

- RPA should be implemented in payroll as part of a function or enterprise-wide automation initiative. Successful RPA programs take an enterprise-wide standard process and governance approach to everything from procurement, training, and use case approval to production monitoring.
- Do not introduce RPA into payroll with the short-term goal of reducing payroll employee headcount. The support and alignment of key payroll professionals to design, deploy, stabilize, and continuously improve your payroll processes will help achieve a successful implementation. It's critical to engage your best and brightest people who understand RPA and payroll and are motivated to see your RPA initiative succeed. You may want to seek third-party support from RPA professionals who can provide the knowledge and experience you need for a successful launch.
- Ultimately, RPA can be most impactful where it is used as an enterprise transformation enabler as opposed to a technology enabler. Whereas technology enablement alone focuses on process improvement, leveraging specific tools, transformation looks equally at technology, people, and organizational impact. At a tactical level, this means quantifying routine tasks and prioritizing the deployment of RPA based on both automation feasibility and employee time savings. More broadly, this translates into examining your organization, and in this case the payroll function, identifying where employees can shift from transactional tasks to more strategic advisory roles. ■