BUILDING A ROBUST PROCESS
FOR EMPLOYEE
REIMBURSEMENT

STUDY, ANALYSIS AND APPLICATION OF LEAN METHODOLOGY TO A
CLASS OF IT ENABLED SERVICES
6.1 INTRODUCTION

Employee reimbursement is a very tricky activity of any multinational IT company as thousands of personal or working in different cadres with different pay structures and with a different savings and payments which all transactions will never go identically. In the cited circumstances building employee reimbursement process requires effort and concentration, perhaps in the opinion of the author forms as a last activity in the IT enabled service sector, which let to the comprehensive study and analysis in
designing a robust process design for employee reimbursement in a large multinational IT sector.

Companies provide their employees and workers with a variety of benefits. These benefits are basically forms of value or services that are provided by an employer to his employees for their contribution in the performance of the organization. Such benefits are an important component of a company's remuneration package for attracting and retaining its employees. The benefits serve as incentives to the employees and encourage them to work harder for the organization. These also help in building up employee job satisfaction.

These benefits may be financial or non-financial, long term or short term, free or at concessional rates. They may include educational, residential, medical, or recreational facilities. Such facilities may be provided individually or collectively and inside or outside the organization. Thus the employee benefits are the comforts and the facilities given to employees to enable them to work in a healthy and peaceful atmosphere.

The employee benefits of a company generally includes-

(i) A remunerative wage structure which motivates the employees to contribute their maximum worth to the enterprise;

(ii) Bonus to the employees either on festive occasions or as a reward for their contribution in the high performance of the firm;

(iii) Social security benefits for employee welfare in the form of provident fund, gratuity, medical facilities, compensation and insurance policies;
(iv) Different types and number of leaves so that the employees may revitalize themselves and contribute their best effort to the organization;

(v) Employees who wish to voluntarily retire from an organization are provided with several benefits under the voluntary retirement scheme.

Given the various types of employee benefits, a firm may design, administer and manage a comprehensive benefit package for its employees depending on its work culture and organizational set up. The employee benefits package may include the following:

Reimbursement is the act of compensating someone for an expense often; a person is reimbursed for out-of-pocket expenses when the person incurs those expenses through employment or in an account of carrying out the duties for another party or member. Common examples are firms compensating individuals who buy supplies for their companies or firms compensating employees on field or out-of-town assignments who pay for their stay and transportation.

Reimbursement can be of many types like day care, mobile expense, transport, medical expense, study expenditure.

Offshore Reimbursement Process is a cash module that deals with providing Reimbursement to the Employee on the basis of the expenses met at various circumstances which includes Travel conveyance, lunch, shift expenses, transfer/ new joinee, provided the expenses abide by the Company Policies. The Process begins...
with the receipt of documents and ends with the authorization of payment towards Reimbursement

6.2. THE STUDY

The study is carried out on Employee Reimbursement Process in a multinational IT company. The aim of applying the lean methodology by using novel statistical techniques, so as to maximize the monitory benefits and optimize the efficiency of the process.

6.3. THE OVERVIEW OF THE PROCESS & CURRENT ISSUES

- On an Average 4500 employee reimbursements handled by Finance function of Multinational IT Company per day. Account numbers of all the 4500 reimbursements processed have to be manually validated every day.

- 17-18 batches in different formats have to be uploaded for Dial out of payment in 7 different banks which needs to be funded individually every day.

- Process associate recognizes the Bank name based on the length of account number. Typo error in account number could lead to payment going to the wrong bank.

- Due to manual validation there is always risk of payment going to Wrong Beneficiary.

- Based on account number length, the name of bank is identified which leads to advising the payment to wrong bank and hence number of rejection becomes more.
• Every day 3-4 man hour’s wastage happening due to validation of Employee bank details for each and every transaction.

6.4; BUSINESS CASE

Before the project is analyzed it is customary to present a business case with the existing system together with the proposed statistical analysis through lean methodologies to overcome the flaws so as to optimize the study under investigation to the Top Management

What is the need of doing this project?

• Developing a seamless process for payment from one bank through NEFT code which will increase the productivity by 50% and also address the IRMC observation on data security.
• Employee could open account with any bank which is on core banking system (CBS) and their branches are participating in NEFT program.
• Employee will get the credit on time.

Why doing it now?

• As volume of rejection of employee payments has increased and minimization of Risk is required, the automated process of payment is required to meet the multiple business challenge.

What will happen if this project is not initiated?

• Rework
• Employee dissatisfaction

What is the projected business impact?

• Reduction of FTE ,
• Mitigation of Risk and minimization of Idle Fund.

6.5. PROJECT CUSTOMER VALUE PROPOSITION OF THE IT MULTINATIONAL

The Business case proposals submitted by the researcher will be thoroughly examined by the management and passes its judgment to carry out the Project to present the valid suggestions and recommendations to improve upon the existing system so as to streamline the payroll system. The sanctioned proposal is termed as the project customer value proposition which give the details of deliverables for both the customer and Management

Project Customer Value Proposition

1. Reduction of rework , due to minimum Rejection at bank portal
2. Employee gets his claim in time which leads to Employee satisfaction.

Project Deliverable Details

• Rework reduction.
• Improving Employee satisfaction.
• Automated process will minimize the risk as well as manual intervention.
• Minimization of idle fund which is to be maintained in different bank.
CHAPTER 6

Project Execution Challenge

- Enhancement as in system, developing automated payment extraction process

6.6. PROJECT SCOPING

Scoping is an important activity in any of the project. The 3 types of scoping is defined as

6.7. THE OBJECTIVE, GOAL OF THE STUDY

Objective

- Reduction of time taken for completing payment process
- Automated process will minimize the risk as well as manual intervention.
- Minimization of idle funds which are to be maintained in different banks

Goal

- Reduction in time taken for payment processing from by 50%
- Minimization of idle funds which are to be maintained in different banks
Baseline

❖ The average time taken for completion of end to end payment process was 440 Mins per day.

6.8. ANALYSIS OF EMPLOYEE REIMBURSEMENT PROCESS

6.8.1. VALUE STREAM MAPPING

This is a Mapping method to identify all the specific activities and process steps along the value stream of a specific product or product family. Value stream mapping is conducted in three steps mapping the current value stream, mapping the future value stream, and creating an implementation plan. An official workshop brings together people from engineering, manufacturing, sales and supply.

Based on the information in order to identify the wastages in the current process, Value stream mapping technique is applied to identify the value add and non value add activities in the current process. The activities involved in value stream mapping and the procedure of analyzing the study is presented through the following flow chart.
6.8.2. The New Value Stream Process Map

After eliminating the Non value added activities and to optimize the process the new process map is designed for the study which is presented here in SAP Employee database system.
6.9. DETERMINING ROOT CAUSES

After the identification of fewer causes, the grouping of these causes is done through TQM application namely “The Affinity Diagram” which is a business tool used to organize ideas and data. This tool is commonly used within the project management to generate large numbers of ideas stemming from brainstorming to be sorted into groups for review and analysis. The affinity diagram is devised by Jiro Kawakita and is sometimes referred to as the KJ Method.

Determine the root causes: Identification of X’s - Affinity Diagram

**Processing agent**
1. I am not able to segregate data on basis of account number.
2. I need to do validations to identify the special characters' and correct the account number for every case.
3. I need to pass bank entries on basis of company code and bank wise.
4. I need to create 17 uploadable files per day.
5. I need to login to 8 bank portals to upload files one by one.

**System**
1. My Wipro allows to update bank details with special characters.
2. There is no system in place to capture IFSC code in SAP and My Wipro.
3. There is no input available in the system to create awareness to employee on bank details.
4. In SAP account number can be editable for particular transaction.
5. There is no system in place to upload and pass bank entry's automatically.
6. There is no system in place to identify the name of the bank with respect to the account number.
7. There is no system in place to support NEFT transfers in Wipro.

**POLICY & PROCEDURE**
1. uploading 17 files in 8 bank portals every day. Need to do funding to all 17 accounts every day.
2. Policy is not specifying to have ER account separately

Affinity diagram was used to sort the large number of ideas into groups for review and analysis.
Further the root causes validation is done through Ishikawa diagrams. Common uses of the Ishikawa diagram are product design and quality defect prevention, to identify potential factors causing an overall effect. Each cause or reason for imperfection is a source of variation. Causes are usually grouped into major categories to identify these sources of variation.

The fishbone diagram is designed for the payroll process to identify the major responsible root causes which is presented in the following diagram.

**Determine the root causes using Fishbone diagram**
6.10. LEAN TENANTS

The analysis is further carried out to meet the objectives defined in section 6.7 for which lean methods are applied so as to optimize the payroll process which can be précised scientific study. This study will definitely remove the additional fab if any remained in the process so far will be eliminated thoroughly through the following popular lean techniques. Based on the outcomes of fishbone analysis the root causes were identified and lean tenants are applied to design a reimbursement process.

6.10.1. VALUE STREAM MAPPING

What problem Value Stream Mapping addressed?

To identify the non value adding activities and elimination of the same from the processing part

How was VSM adapted?

By studying the processing steps along with time taken for each step, Identifying VA and NVA in the process

How VSM helped?

The study helped in identifying and eliminating the Non value adding activities and delays involved in the processing part.
6.10.2. JIDOKA (AUTONOMATION)

What problem Autonomation addressed?

1. Manual validation of employee account details,
2. Manual creation of multiple upload able files,
3. Manual upload in different bank portals,

How was the Autonomation adapted?

1. By enhancing My data module with integration to SAP,
2. By developing new automated bank program in SAP with the help of IS team, IT MNC, HDFC and Citi Bank teams and SAP teams to make the payment.

How Autonomation helped?

1. Removed manual validation of employee account details.
2. Removed manual creation of multiple unloadable files
3. Removed Manual upload in different bank portals
4. Removed Manual accounting
5. Optimization of idle funds in various banks

6.10.3. CREATIVE THINKING

What problem Creative Thinking addressed?

1. This creative thinking addressed the problem of entering wrong bank details in My Data.
2. Collecting National electronic fund transfer (NEFT) details and Employee reimbursement (ER) account number validation for existing employee from banks instead of asking employee to update.

How was the Creative thinking adapted?

1. By putting a sample cheque leaf with marking the key fields to be entered in bank details column in My Data.

2. Send the details of 60000+ employee details to respective banks and got the final list validated and same has been uploaded from back end in SAP.

How Creative thinking helped?

1. Employee will enter correct details like Indian Financial System Code (IFSC) code, name of the beneficiary and ER account number without special characters.

2. This will help to use NEFT mode of payment and reduce the number of banks used for making the ER payments.

3. Uploaded 60000+ validated bank details from back end in SAP instead of sending 60000+ mails to respective employee to get the details updated.

6.10.4. POKE-YOKE (MISTAKE PROOFING)

What problem POKE -YOKE addressed?

1. This addressed the problem updating account number with special characters, IFSC code, Name of the beneficiary, Salary account and ER account are same
2. Picking the employee bank details from SAP reference column of particular transaction which can editable

**How was the POKE -YOKE adapted?**

1. The system controls are developed in My Data
2. By creating pop up messages to ensure correct details updated.
3. In the new automated process bank details are captured directly from HR master based on employee ID which is in assignment column, which can't be editable.

**How POKE -YOKE helped?**

1. This will help the employee to get amount on time by entering correct account number and IFSC code
2. This will reduce the rework for rejection cases from bank end.
3. This will also address the problem of miss outs in the payments.
4. This will also address the mitigation of risk involved in manual updating in payment process.
5. The salary account number and ER account number can't be the same.

The successful implementation of lean tenants resulted in building up a fool proof robust reimbursement process, which process delivers the required financial payments of each individual working in different cadres with different monitory payment commitments to precision of a large multinational IT. The analysis of this process recommend the new developments which are reflected in the following screen shots to
be used for day to day monetary transactions in uploading the information at the data base which procedure enormously reduces the wastage, cost and time.

Two New Fields created in HR Master

IFSC code validation – Pop up message
CHAPTER 6

Personal Data
Family Details
Official Contacts
Passport Details
Payroll/Bank
Assignment Data
Contacts
Email/Location info
Access Info
My Education/Experience
Letters/Corrections
Salary Stack
Space Tracker
Personalize
Self Identification

Reimbursement Bank

1. Name as in Wipro Records
2. Name as in Bank Records
3. Name of the bank
4. City
5. Country
6. If SC code for NEFT
7. Account no

Please confirm whether the account number belongs to you
* Marked fields are mandatory

Employee should update his own bank account details if it should not be his/her colleague's friends/relatives account.

Reimbursement
Account and salary account should not be same
New extraction program in SAP

New extraction program developed to automate the ER payment process.

As per the last step of the analysis statistical technique "Two sample t-test" is applied to validate the process improvement to pass on a judgment about reaching the targets

Test for Improvement Validation

Target processing time < 220 Mins

Two-sample T for Time Taken vs New

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>StDev</th>
<th>SE Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time Taken</td>
<td>30</td>
<td>440.3</td>
<td>36.7</td>
<td>6.7</td>
</tr>
<tr>
<td>New</td>
<td>30</td>
<td>176.0</td>
<td>25.2</td>
<td>4.6</td>
</tr>
</tbody>
</table>

Difference = mu (Time Taken) - mu (New)  Estimate for difference: 264.33
95% CI for difference: (248.00, 280.66)
T-Test of difference = 0 (vs not =): T-Value = 32.50  P-Value = 0.000  DF = 51

Inference: The current performance is statistically significant
6.11. BENEFITS

The effectiveness of the application of the lean techniques resulted in many benefits to the organization as shown here under.

<table>
<thead>
<tr>
<th>Reductions</th>
<th>Processing time</th>
<th>No. of Banks Used in ER payments</th>
<th>Rejections</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction in Processing Time</td>
<td>Before: 440 Mins</td>
<td>17</td>
<td>5%</td>
</tr>
<tr>
<td>Rejections per day from bank end</td>
<td>After: 180 Mins</td>
<td>3</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

**Time Saving Per Day**

| Processing time - Before | 440 Min |
| Processing time - After | 180 Min |
| Saving in Min | 260 Min |
| Saving in a day | 0.5 day |

**Total Financial Saving Per Year**

| Return on Idle fund per annum would be | 1292438 |
| Time saving from 1/2 FTE Per annum | 150000 |
| Total Financial saving from ERA project | 1442438 |
1. Processing time was reduced from 440 Minutes to 180 Minutes per day.

2. This new process addresses the Inter-Regulatory Risk Management council (IRMC) observation on data security.

3. Developed a seamless process for payment from one bank through NEFT code which will increase the productivity by 50%.

4. Less number of feedback mails in Inbox due to the less number of rejection per day.

5. Optimum utilization of idle/ surplus fund up to INR 15 Million every day by Minimization of idle fund which is to be maintained in different banks.

6. Removal of manual intervention in uploading employee bank details. In the new automated process bank details are captured directly from HR master based on employee ID.

7. All ER payments are happening through NEFT mode from single bank now.

8. Rework for processing agents reduced.