Transforming payroll processes with Microsoft Power Automate

The Global Payroll team within Microsoft Finance Operations needed to replace manual payroll processing that occurred outside of the regular payroll cycle with an efficient, automated process. Global Payroll used Microsoft Power Automate and other cloud-based tools to design a no-code solution—developed and maintained by Finance Operations staff, without the need for technical expertise—to quickly and easily automate off-cycle payroll processing requests. This modern solution empowers our Global Payroll team to monitor payroll requests, provide approvals, and ensure correct payroll payments for all employees. We've converted the off-cycle payroll process from manual to fully automated, improving process efficiency by 30 percent, reducing cost by 25 percent, and balancing workloads across the off-cycle payroll process.

"Microsoft Power Automate has truly empowered employees to reimagine processes and deliver greater impact. What used to take months or years to effect change can now be accomplished in a matter of weeks. This project has delivered value from a cost and efficiency perspective while also strengthening our controls environment." - Luke Fewel – General Manager, Global Finance Operations

Examining Global Payroll at Microsoft

The Global Payroll team at Microsoft operates as part of the Finance Operations organization. Global Payroll is responsible for delivering accurate and timely compensation to employees in more than 100 countries and regions. The payroll process is operated by using business and regional guidelines and adhering to statutory regulations within each region that Microsoft operates.

The regular payroll process is a large part of the Global Payroll team’s responsibility, and the team operates a scheduled payroll cycle based on the payment calendar in each country or region. However, special circumstances often require the team to deliver payments outside of the regular payroll cycle. The process for handling these payments—known as an off-cycle payroll—is used to process payments in these cases, including, spot bonuses, regular payroll error correction, or an employee’s late hiring.

Potential for a more efficient process

In the past, off-cycle payroll requests came in various forms to the Global Payroll team, including email, internal customer relationship management (CRM) tools, or even paper-based forms. Payroll Service Delivery Managers (delivery managers) in each region were responsible for approving off-cycle payroll requests in their region, in coordination with the Global Process Owner (process owner), a role that oversaw payroll processing. The process followed these steps:
1. An off-cycle request came in via email, CRM, or paper forms to the delivery manager.
2. The delivery manager read the request and determined approval status.
3. If the payroll provider required additional cost to process the request, the delivery manager forwarded the request to the process owner.
4. The process owner approved or rejected the request via email and returned the request to the delivery manager.
5. If the request was approved, or if no payment was required, the delivery manager sent the request to the Global Payroll team for processing.
6. During and after processing, the delivery manager and the Global Payroll team communicated progress to the parties involved, including the requestor.

Figure 2. The manual off-cycle payroll process

Throughout this process, communication among delivery managers, process owners, the Global Payroll team, and the requesting employee or manager occurred in different formats, including email, CRM, and verbal confirmation. Following well documented procedures and in compliance with strong control requirements, all parties involved were individually responsible for ensuring timely communication, confirming process steps, and following up with anyone involved in the process. This manual process created numerous improvement opportunities, not only from an automation perspective but also in enhancing our controls environment. These opportunities are described below:

- **Transforming progress records for the off-cycle processes.** Simplifying and standardizing methods used to facilitate and track the progress of off-cycle requests would enable efficiencies in tracking the request status. The process transformation involved eliminating mechanical communication channels that Global Payroll employees and outsourced partners used and leveraging technology to relieve the cumbersome aspects of manual processes.

- **Leveraging data to monitor off-cycle processes performance.** Finance Operations personnel had limited data to assess real-time effectiveness of the off-cycle process. They didn’t know, for example, how long it took to resolve a request, the health of the request pipeline, or the speed of task completion. There was no opportunity to leverage high-quality data to assess performance and continuously improve processes.

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• **Elimination of potential for errors.** Given the manual nature of the off-cycle process and the need for Global Payroll employees to enter data, the process required many manual controls to validate the request. This process was resource intensive and took considerable time to execute to comply with controls requirements, such as tracking request completion, validating the recipient, tracking approvals, and other tasks.

• **Digital risk assessment.** The process heavily relied on manual processes and subject matter experts (SMEs) for tracking risks and ensuring policy enforcement. We wanted to use data to expose compliance and legal risks and provide Finance Operations complete control over and visibility into the end-to-end process.

The Global Payroll team recognized the potential to vastly improve the off-cycle payroll process and looked to digital tools to help them devise a solution. The impetus for change was multifaceted, and included the digital transformation objective set by organization leadership, effective sponsorship, the Global Payroll team’s diligence in enabling continuous process/controls improvement, and for delivering superior customer experience. Such a transformation calls for reimagining how people, data, and processes can be brought together to empower employees and create value for customers.

### Transforming off-cycle payroll with Microsoft Power Automate

The Global Payroll team consulted a digital transformation task force within the Finance Operations organization. Microsoft, as part of its ongoing digital transformation, encourages internal organizations to identify and embrace the potential for improvements in processes and business practices. The Finance Operations task force operates as a team of technology-savvy enablers who provide Finance Operations employees and managers guidance on adopting tools and practices that enable digital transformation.

### Building a foundation using Microsoft Power Automate

With the task force’s assistance, the Global Payroll team examined several technologies that could create transformation within the off-cycle payroll process. The team decided to use Microsoft Power Automate to drive the automation and communication components within the process.

Microsoft Power Automate democratizes intelligent process automation by empowering everyone from end users on the front-line of business to experts at the forefront of technology to seamlessly build secure, compliant, and automated workflows, or flows. Power Automate brings robotic process automation (RPA) and digital process automation (DPA) together into one seamless, integrated offering. Power Automate is the only enterprise automation tool that offers native integration with Microsoft Office 365, Microsoft Dynamics 365, Microsoft Azure, and the Microsoft Power Platform offering a wide range of application and solution possibilities.

Power Automate provides a true cloud-based SaaS offering and a toolset that enables business users to automate processes without writing a single line of code. The Global Payroll team recognized the ability they would have with Power Automate to build flows between the components of the off-cycle payroll process to send and receive notifications, collect data, and track processes and compliance.

### Empowering end-users with Power Automate and Office 365

An employee on the Finance Operations team took responsibility for creating the solution and saw it through to completion. This employee, and end-user with no development experience, saw the benefits of using Power Automate, and used multiple resources to learn how to use Power Automate in their context. The end-user leveraged a Microsoft-sponsored YouTube channel to become familiar with Power Automate basics. The end-user then began using the out-of-the-box templates from Power Automate to build out functionality and customized the templates to meet Global Payroll needs as the solution progressed. The end-user configured a complete solution, with Power Automate as the conduit, that initiated, managed, and tracked communication and data exchange between Global Payroll employees and the other solution components.

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Although Power Automate provided the solution’s end-to-end framework, the end user and a small team of peers also incorporated several Office 365 services to provide data input and data storage for the solution, including:

- **Microsoft Forms.** The team used Microsoft Forms to create a single point of entry for the off-cycle payroll process. Using Forms, the developer created a no-code form that simplified the off-cycle request process. They designated the form as the only approved method for initiating or managing the off-cycle payroll process, which in turn created a uniform process for gathering off-cycle payroll request data. Using Forms, they were able to eliminate human error by creating mandatory drop-down fields and enforcing the input of data required for the process. With the form in place, the Global Payroll team knew that the process would populate every request with the data required to move the request through to completion.

- **Microsoft PowerApps.** The team used Microsoft PowerApps to create a simple user interface for the workflow process that is accessible to users, delivery managers, and process owners directly from the Global Payroll portal site.

- **Microsoft SharePoint Online.** SharePoint Online stores data for the off-cycle payroll process. Power Automate takes information gathered in Microsoft Forms and passes the data to several SharePoint lists that provide the solution’s sole storage method. These lists were created to house all data used within the off-cycle payroll process. The lists include:
  - Request and approval. This list stores records for requests and the ongoing approval process and serves as the main repository for active requests.
  - Archived requests. This list stores completed requests. The requests are stored in the list to fulfill compliance requirements for data storage and retention for finance transactions.
  - Delivery manager and process owner information. This list stores information for all delivery managers and process owners involved in the off-cycle payroll process. The data includes country or region, contact information, and escalation contacts. Power Automate uses this data to route incoming requests to the appropriate delivery manager or process owner.

- **Microsoft Power BI.** Power BI supports reporting and data-retrieval tasks. Global Payroll configured Power BI to retrieve data from the off-cycle payroll SharePoint lists. The list of reports includes:
  - Requests pending approval. This report allows the Global Payroll staff to check the current status of requests that are awaiting approval. It helps identify potential issues and provides insight into the overall request process.
  - Request workflow timing. This report includes metrics for the total time to complete a request and the time to complete each section of the approval workflow. These metrics help identify individual requests that need attention and individual delivery managers or process owners that might need extra support.
  - Request volume by category and provider. This report provides insights on where off-cycle requests could be potentially reduced and where the process could be improved.
  - Request volume by region. This report provides a global view of the off-cycle payroll process and enables our Global Payroll teams to identify trends across the entire organization.
Enabling end-to-end automation

The Global Payroll team named the solution Special Off-Cycle Request Tool (SOCRT) and used the tool to enable complete end-to-end automation of the off-cycle payroll process within a variety of regions across Microsoft.

By using Office 365 and the modern approval process in Microsoft Power Automate, users can initiate a request from almost any device. The process uses four flows that cover each stage of the request process. The flows work together to provide end-to-end off-cycle payroll process automation and management. The flows include:

1. **Flow 1: Data entry and request creation**
   a. Users initiate a request by following a link on the Global Payroll portal site that opens the SOCRT request form in Microsoft Forms.
   b. Power Automate logs all data from the form into the Request and Approval SharePoint list.
   c. Power Automate triggers an acknowledgment notification for the user.
   d. Power Automate triggers a request notification to notify the regional delivery manager of the new request, based on the data stored in the delivery manager and process owner SharePoint list. This notification contains a link directly to the request in the Power Apps interface.

2. **Flow 2: Approval**
   a. The delivery manager approves or denies the request, and Power Automate writes the results to the Request and Approval SharePoint list. If the request is approved, the PowerApps interface collects additional information from the delivery manager.
   b. If the request has an associated monetary value, Power Automate sends additional approval notifications to the process owner, Power Automate updates the approval status in the Request and approval SharePoint list, notifies the process owner, and waits for process owner approval. If the process owner does not respond to the request within 24 hours, it is forwarded to the service director, who can also approve the request.
   c. Upon approval, Power Automate sends a notification to the payroll processing team in Global Payroll.

3. **Flow 3: Archiving**

a. The data is copied from the existing list in SOCRT to a separate list on the Finance Operations SharePoint tenancy, managed by a separate team, providing a record of the approval and initiating charges associated with the off-cycle payroll run.

![Flow 4. Off-cycle payroll request processing with SOCRT](image-url)

**Driving business value and efficiency with Microsoft Power Automate and Office 365**

An end user from the Finance Operations team created a solution that radically transformed the off-cycle payroll process for Global Payroll. The no-code solution was designed and implemented in only one month and uses Power Automate as the foundation to connect and automate other Office 365 services. The team now uses SOCRT for all off-cycle requests across Microsoft.

**Supporting the end-user developer with governance and best practices**

While Power Automate, Power Apps, and Power BI provide methods to create powerful no-code and low-code solutions, the freedom to create these solutions can potentially lead to poorly designed solutions that might present security risks or expose the organization to non-compliant behaviors for critical regulatory areas like the Health Insurance Portability and Accountability Act (HIPAA) or General Data Protection Regulation (GDPR). At Microsoft, our internal IT organization, which we call Core Services Engineering and Operations, has established resources for end-user developers including a community, learning resources, and best practices and standards to ensure the most compliant and secure solutions possible and then they monitor to ensure compliance. These best practices and standards include:

- Place Power Automate components behind user interface layers to simplify access and protect data.
- Limit access to data sources using service or system accounts so only the apps within the solution can access the data.
- Assign least required privilege for access to app components and only use security groups for permissions assignment, rather than user accounts. Use Power Automate environments to securely isolate flows, gateways, connections, and other resources.
- Be aware of output data in reports and other visualization tools and assign permissions accordingly.

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Benefits

The Global Payroll team and Finance Operations realized several benefits from its end user’s efforts. The no-code solution, now fully implemented, provides several advantages, including:

- Improved end-to-end process efficiency. We’ve decreased the time it takes to process an off-cycle request by 30 percent with SOCRT by automating notifications and eliminating the wait time between approvals.
- Reduced employee time spent on the off-cycle payroll process. We’ve removed several manual steps in the process with SOCRT and reduced total work hours needed to process off-cycle payroll by 25 percent.
- Better tracking of the entire off-cycle payroll process. Global Payroll now has end-to-end visibility into the off-cycle payroll process, which enables team members to accurately track the status of requests and gain insight into the current state of off-cycle payroll processing.
- Improved reporting. With a centralized repository for off-cycle payroll data, the Global Payroll team can create reports that provide financial and operational insights based on a complete dataset. This drives efficiency, facilitates reporting to external entities, and creates a transparent process for the entire organization.
- Enhanced workload balance and efficiency. Global Payroll employees have a single tool and reference point for all off-cycle payroll requests. They no longer must manage email, CRM, and paper inputs, and the approval process is much quicker using the new automated tool.
- Enhanced controls, security, and privacy. Global Payroll has greater visibility into and assurance of compliance for the off-cycle payroll process. Request data is centrally stored and managed, and its visibility confirms that processes and measures for security and privacy are enforced.
- Improved flexibility and resiliency. Because the entire solution is hosted in the cloud, it is scalable to match whatever demand is placed on it. Global Payroll also has the assurance of business continuity and resiliency due to the scale and scope of Microsoft cloud architecture.
- Improved visibility into additional costs incurred with the payroll provider. Reconciling off-cycle payroll costs to invoices from payroll providers has become much easier and prevented us from overpaying the payroll providers.
- Reduced manual data entry. Integration with Finance Operations Contract Management data sources eliminates the need for the Contract Management team to re-enter off-cycle payroll data into their system.

Going forward

The Global Payroll team is continually improving SOCRT’s functionality and capabilities, following the Microsoft digital transformation requirement for continual adaptation and improvement. The team is currently working to enhance Power BI reporting to help understand costs and billing and dig deeper into data for the off-cycle payroll request process. Our team is adapting SOCRT to support other processes within Global Payroll and the team is investigating machine learning to create a more intelligent and efficient request and approval process.
Conclusion

By using Microsoft Power Automate and Office 365, the end users in Finance Operations have created a no-code solution to quickly and easily automate off-cycle payroll processing. This modern solution empowers our Global Payroll team to monitor payroll requests, provide approvals, and ensure correct payroll payments for all employees. The team recognized the need to improve the efficiency of manual payroll processing and converted the off-cycle payroll process from manual to fully digital, reducing cost, balancing workloads, and improving the team’s efficiency.

For more information

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Foundations of Microsoft Power Automate—secure and compliant automation, part 1

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