CALIFORNIA STATE UNIVERSITY SAN MARCOS

PROJECT SIGNATURE PAGE

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OF THE REQUIREMENTS FOR THE DEGREE

MASTER OF BUSINESS ADMINISTRATION

PROJECT TITLE: Intuit Master Project 2020

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External Comparison

This research report aims to provide an external comparison to Intuit's GTL process and practices. It is important to recognize that while GTL is certainly common amongst employers, a standard for auditing GTL is not well defined and auditing practices are contingent upon the GTL issuing basis and independently administered at the discretion of each employer. Therefore, this report relies heavily on industry comparisons.

Key Findings

An industry analysis showed that Intuit's GTL practices meet or exceed the practices followed by other large employers within the San Diego area. This research also supports Intuit's initiative targeting robotic process automation to streamline their GTL audit.

Conclusions

This research supports Intuit's GTL auditing practices and validates the use of RPA. While this report provides good validation for current GTL procedures, the value of the GTL audit process goes beyond compliance with best practices. As a leader in financial software, we recommend that Intuit explore product synergies related to their RPA implementations for possible opportunities to monetize products for customers. Lastly, we recommend that Intuit streamlines

the GTL process by utilizing their benefits provider, Bswift, to prepare imputed income calculations. The Benefits provider will have access to benefit elections and this would save Intuit Employees time during payroll weeks.

Client Overview

Intuit is recognized as one of the world's leading financial and business software companies and is known for its flagship products Turbo Tax, QuickBooks and Mint. Headquartered in America, Intuit attracts top talent by bringing partners into their global platform and focusing on the power of many, to drive the prosperity of one. The company mission statement is "Powering Prosperity Around the World."

Intuit is a major player as a software developer in the following industries: personal finance and money management, tax preparation, and payroll and bookkeeping. There are 20 Intuit office locations spanning nine countries and the company employs 10,600 people. The company was founded in 1983 by Scott Cook and Tom Proulx. In 1993, the company issued their first public offering, and today serves more than 50 million customers across their product offerings and platforms. As of July 30, 2020, annual revenue was $7.7 billion. The company is focused on investing in their durable reputation and foreseeable growth in the future.

In the years between 2002 - 2019, Intuit has been recognized on the list of best companies to work for by Fortune magazine. They are grounded by their values and champion inclusion across the company operations placing value in true partnerships.

Operating Values: Integrity Without Compromise, Courage, Customer Obsession, Stronger Together and We Care and Give Back.

Global Payroll Vision: Exceeding our customers' expectations through outstanding customer service and exceptional delivery, with a commitment to continuous process improvement, while consistently delivering payroll that is 100% accurate, 100% of the time.

Project Objectives

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Project Objective

The Intuit Global Payroll team is engaged in an automation project aimed at streamlining many of their internal payroll audits. Intuit will be able to automate a manual payroll process by deploying Robotic Process Automation (RPA) to solve for factors such as low-exception, repetition, high frequency, and time spent. This report focuses on the Group Term Life (GTL) process.

The FEMBA project scope included two processes from the US Payroll team, and two from the CA Payroll team. Of these four processes, the GTL process was the most detailed and provided an opportunity for the FEMBA team to produce industry research regarding this process in addition to the process design document (PDD).

Intuit directed this research to focus on industry comparisons to provide a contrasting industry background for their GTL audit process. This research is presented as a context in which comparative measurements can be performed to produce insights such as whether or not the Intuit GTL process is performing above industry standards. While Intuit's GTL audit process may be considered idiosyncratic for their specific environment, the intent of the audit process is relevant to all companies that issue GTL.

Research & Results

Research Methodology

Due to the nature of the ask, the client was looking to have industry comparison for best practices for the HR Management System and the handling of payroll and Group Term Life Insurance audit practices. The methodologies used for this project's research consisted of: publication research and interview insights from industry experts. Various methodologies utilized in analysis of each objective are described below, following a brief introduction to each objective and its relevance.

Objective 1 – Understand GTL process. Throughout the PDD development the team must understand the IRS standards for large companies who invest in GTL benefits for their employees to validate how Intuit handles this data is meeting ADP and legal expectations.

Methodology 1.1- Trade and IRS publications were used to gain insight into legal expectations. These publications provided insight into how to calculate GTL for employee payroll. Publications included articles from McGriff insurance services, ABD, GBQ partners and ValuePenguin.

Objective 2 – Determine Industry Standards for GTL (Group Term life) payroll calculation. Intuit conducts a GTL audit every payroll period using ADP and Workday data. It is important to understand how other companies are handling this same process and if they are investing in automation.

Methodology 2.1- Several Interviews were conducted to understand how small and large companies calculate GTL in payroll and insights to which companies are automating this

process. An interview was conducted with a Payroll and Benefits Specialist at California State University San Marcos, who helped expand on details of what type of payroll platforms are used as well as the cadence of audits for a team of 100 employees. Intuit partners with ADP for payroll services in America. An interview was conducted with a customer service representative at ADP, who helped verify industry standards for cadence of audits, coverage for employees, and if calculations are often handled in-house or with ADP. An interview was conducted with Linda Ralston, Payroll Manager at Alphatec Spine. She defined the expectations from the IRS but also confirmed that this audit is managed by the payroll company and not in-house with her company. She was unable to provide insights to if they automate the calculation.

SWOT Analysis

Process Onboarding (SOP) Strengths: Virtual meetings allowed for a high degree of interactivity and integration of a shared presentation space for content. The ability to record these meetings allowed us to concentrate on the presenter and discussion rather than on note taking. We also noted that virtual meetings allowed for easier scheduling of participants and greater interaction with the subject matter experts (SMEs) than may have otherwise been possible with in-person meetings. The meeting chronology, which began with the conceptual introduction of a process, followed by a SME deep dive, and ending with a SME follow-up after the initial PDD draft, created a good sequential flow that facilitated project progress.

Process Design Document (PDD) Strengths: The Intuit PDD documents the AS-IS description of a process and makes recommendations for process automation. A key strength of the Intuit PDD is that it is useful both as a guide for process automation as well as a reference and training resource for personnel. By including graphical and detailed step-by-step descriptions, the PDD is useful to both process experts as well as process novices.

Group Term Life (GTL) Audit Strengths: Our research shows that Intuit's GTL audit protocol is well aligned with industry standards especially when the comparable analysis is calibrated to both Intuit's size and GTL allocation basis of two times salary. A key strength of Intuit's regular GTL auditing is that it constrains corrections to a single pay period thereby minimizing correction impacts.

Process Onboarding (SOP) Weaknesses: Virtual meetings can lack the cadence of an in-person meeting since participants do not have access to many of the non-verbal cues that help create conversational fluidity. This is noted as a general weakness of virtual platforms and is less relevant for the training and onboarding context although it should be considered carefully for creative or exploratory meetings. Our team also observed that there is a steep learning curve to these processes for the naïve user. We classify the meeting chronology as a strength, but here we see meeting spacing and content blend as an area of improvement. The conceptual introduction should allow more time for concepts to absorb before a SME meeting is scheduled. Additionally, the conceptual overview of a process may work better as a process and automation discussion between the technology experts and the SMEs which could be recorded and viewed asynchronously. This would allow a novice user to be better prepared for synchronous meetings with SMEs.

Process Design Document (PDD) Weaknesses: While the Intuit PDD provides good documentation for the process and proposed automation, its ROI only factors in hours saved. A complete ROI should include a risk score that estimates the impact of human error on the process. The PDD could also benefit from the inclusion of a liability or corporate risk score that estimates the overall importance of the process as it relates to Intuit's exposure to risks and liabilities.

Group Term Life (GTL) Audit Weaknesses: While regular audits of GTL are standard practice, some of the industry experts that we spoke with suggested that this may be accomplished better through system controls with audits on the controls rather than a system-wide audit of GTL. It was also noted by one of the industry experts, that although GTL is a standard part of employee compensation, it is not generally correlated with recruitment and retention which should be evaluated in terms of resource allocations. It is important to note that this supports the Intuit initiative to automate the GTL audit process.

Process Onboarding (SOP) Opportunities: Virtual meetings provide an exciting opportunity to augment and streamline many corporate needs such as onboarding and training. The integration of presentation and interactivity features make virtual spaces well-suited as a platform for process documentation, training, and onboarding. Recordings of meetings can be maintained as a training reference and can also serve as training documentation. Additionally, the accessibility of virtual meetings can allow for a more agile process, helping prevent stale documentation and training procedures. Finding the right blend of synchronous and asynchronous as well as the right sequencing for this content is critical to these opportunities. For example, Michael and Calvin, as the Technology Experts, created excellent primer content that helped onboard our FEMBA team, as subject matter novices, to the payroll and RPA process complexities. The interplay and sequence of the asynchronous and synchronous content is where the most exciting opportunities exist. The right blend of these modalities holds the promise of maximizing interactivity effectiveness by allowing naïve participants to acquire familiarity with a topic before engaging with subject matter experts.

Process Design Document (PDD) Opportunities: The PDD presents an interesting opportunity as a resource for employee training and onboarding. If used in combination with recorded

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content from SMEs, the PDDs can serve as instructional material for new employees. Furthermore, as the usage of RPA expands the PDD template could be converted into a database format and could include reporting metrics for associated automations. This could provide data-driven insights into corporate processes.

Group Term Life (GTL) Audit Opportunities: The Intuit commitment to their GTL audit is an opportunity to highlight their corporate value of "integrity without compromise". The GTL audit is a great opportunity to promote Intuit's attention to detail and how it helps ensure a good employee experience. It is also an opportunity to demonstrate why Inuit is a leader in tax filing software.

Process Onboarding (SOP) Threats: Virtual meetings have many advantages, nevertheless, they do present some challenges. The accessibility of virtual meetings can lead to overuse or "meeting bloat". Meeting bloat can be mitigated by identifying topics that require synchronous meetings as opposed to asynchronous recordings. Also, there is some risk to corporate social cohesion if virtual platforms are adopted exclusively. While "virtual happy hours" have become a popular ersatz outing during the COVID-19 pandemic, it is difficult to replace the high bandwidth interactivity of a corporate retreat. This threat is easily thwarted seeking a balance—hybrid—of virtual and in-person interaction. Also, while virtual meetings offer many training and onboarding advantages, it is important to secure the creation of content on these platforms. As video archives proliferate this increases the cyberattack surface of an organization. Creating protocols, or automating recording security such as in Microsoft Teams, can help mitigate this threat.

Process Design Document (PDD) Threats: One of the primary threats to the PDD is revision control. For processes that undergo frequent revisions, a process database format may be better

suited. Another PDD threat is the impact of an anchoring bias whereby new employees that are onboarded with the PDD may be less likely to question and improve a process. This effect can be mitigated by encouraging regular reviews of the PDDs.

Group Term Life (GTL) Audit Threats: Two primary threats exist in this realm. The external threat comes from federal tax code changes and can only be addressed through continued diligence from the payroll analyst team. Internally, the threat of GTL inaccuracies ranges from minor changes in tax liabilities to claimed coverage that is not compliant with employee compensation rights. In the more serious scenario where there is a coverage claim that is not aligned with the employee's GTL rights, there could be a financial liability for Intuit. Both threats support Intuit's commitment to performing regular GTL audits.

Project Reflections

Upon completion of the project deliverables the FEMBA team walked away with the following insights on the process and procedures developed for Intuit Global Payroll team. The FEMBA team strongly feels that it is crucial that the Intuit team document their job functions performed. For example, the tasks performed by a Payroll Analysts when carrying out their responsibilities for payroll processing in any given pay period. Thorough and proper documentation of tasks within the SME/Payroll Analyst groups in each geographical zone can help to cross pollinate best practices, create streamlined documentation, and identify and improve process efficiency across the Intuit Global Payroll team.

Following a thorough documentation practice within each independent team can help to expedite the creation of PDDs or even help to bypass the need for PDDs thereby improving the process and helping the development team to easily apply RPA to increase process efficiency. Use of this strategy could also help the SME/Payroll team to identify and prioritize the processes that they

would like to push through RPA thereby reducing the efforts required to identify and resolve process inefficiencies.

Conclusions

Industry research indicates that the prevalence of GTL audits depends on the use case. In the case of the school district that was interviewed, their issuance of GTL was capped at $50,000 and very few employees bought up their coverage, making an audit relatively unnecessary (Pugh). The associated interview with REEP, indicated that these audits should be automated which supports Intuit's initiative to add RPA to their payroll audits. According to an interview with the Sr. Director of benefits of a large consumer electronics company, most large companies will outsource GTL imputed income calculations to the Benefits Vendor, or ADP directly (Anonymous). Due to GTL imputed income being a fringe benefit, the consumer electronic company will assign the Benefits Department to manage the Benefits Vendor. The Benefits Department will periodically audit the Vendor's calculation while the Payroll department will hold their own audits to verify the benefit deductions align with records.

The FEMBA team also conducted an interview with ADP customer service to add to the external comparison of Intuit GTL auditing practices (Munzarin). ADP serves more than 810,000 clients in 140 countries, and they are one of the largest human capital management (HCM) providers in the world (ADP Corporate Overview, adp.com). With such a large and well distributed client base, ADP can be considered an authority in terms of industry best practices. The ADP interview validated Intuit's current practices showing they are well aligned with industry standards. Additionally, the interview confirmed that Intuit's GTL allocation basis—2X salary—is well suited for their industry.

It is important to consider Intuit's corporate values as they relate to the purpose of the GTL audit as well as other payroll audits conducted by Intuit. A core Intuit value is "integrity without compromise" and this should be considered in an analysis of this audit process. The GTL benefit is a part of worker compensation that has specific tax auditing requirements. By performing regular GTL audits, Intuit maintains its commitment to "integrity without compromise" both to their employees, by ensuring adjustments are made in a timely manner, as well as their corporate civic responsibility as it relates to tax obligations. These findings provide confirmatory evidence in support of current Intuit audit practices with respect to GTL. Research findings also validate Intuit's initiative to automate these audits wherever possible and practicable.

POV

Creating the PDD for the GTL audit, as well as the three other payroll audits that the team worked on, provided the FEMBA team with key insights into Intuit's corporate practices. Many members of the team are users of Intuit software, and it was reassuring for them to see alignment between the software that they were already familiar with and the attention to detail that is clearly a part of Intuit's corporate DNA.

It was also clear that Intuit views its internal initiatives as an incubator to explore its core competencies. By deploying RPA for their internal processes, Intuit can also explore RPA-related integrations for relevant product offerings. Research supports this barrierless perspective on corporate initiatives, as it has been shown to promote departmental cross pollination and can combat divisional siloing (Prahalad and Hamel). The FEMBA team experienced Intuit's aversion to silos during the course of this project when the project was rescoped to be inclusive

of the project experience itself as it relates to the onboarding of the FEMBA team. This experience was documented as an SOP that the team created for Intuit.

This kind of reconnoitering to identify shifting value centers is indicative of closed-loop management which allows for integrative and agile projects and is a hallmark of a well managed company (Kaplan and Norton). While the research conducted by the FEMBA team provides an external comparison and validation of current audit practices, the most important result of this project may be to highlight the importance of Intuit's strategy to seek synergies throughout internally and externally focused projects. Swimming amongst these synergies are blue oceans waiting to be discovered (Chan and Mauborgne).

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