Human resources benchmark for banks

Overview

The HR challenge: Complex and quickly evolving external and internal factors
In today’s challenging economy, banking institution’s human resource (HR) organization should be more nimble than ever to respond to constantly changing internal and external pressures. These pressures challenge their ability to achieve operational excellence, improve work force effectiveness, develop future leaders, and capitalize on the growth of emerging markets.

HR service delivery focus

External pressures
- Ability to support fast, flexible organizational transformation in response to changing market conditions
- Develop world-class operating efficiency
- Deliver high-quality employee service to support those engaged in front-line customer interaction
- Effectively source and manage an increasing complex and global workforce
- Develop workforce planning strategies that source the leading industry talent/leaders for most strategic positions
- Develop today and tomorrow’s leaders with the skills to drive strategic growth
- Increase support for domestic and global compliance and reporting
- Support partnership/channel due diligence
- Facilitate the organization’s operational performance through an integrated talent management approach
- Align business and HC strategies thru workforce analytics that measure efficiencies and value

Internal pressures
- Product and channel development
- Infrastructure
- Organizational models
- Workforce planning and management
- Globalization of the workforce
- Cost management
Banking organization’s HR executives are looking to achieve cost competitiveness in an uncertain market

Current state of banking HR services

• In today’s challenging economy, even some of the top banking companies are under-performing in the efficiency and effectiveness of their HR services
• Banking HR organizations should be able to respond to constantly changing internal and external pressures that challenge their ability to achieve operational excellence, improve work force effectiveness, develop future leaders, and capitalize on the growth of emerging markets
• Understanding available opportunities in HR service delivery models is an integral part of driving greater value
• Banking executives need to know:
  – Do we spend too much to acquire new talent?
  – Does our HR service delivery model align with the company’s strategic goal and revenue sources?
  – How do our employee benefit costs compare with other companies in our industry?

Deloitte’s Global Benchmarking Center (GBC) delivers invaluable data-centric insight and analysis with benchmark and survey capabilities*

Deloitte’s dedicated benchmarking team comprises more than 60 highly-experienced benchmark professionals with deep benchmarking knowledge in finance, human resources, information technology, sales, general, and administrative, procurement, supply chain, shared services, and industry-specific operations functions. Deloitte’s Global Benchmarking Center has completed over 1,100 client studies.

GBC capabilities

• Relevant: Tailored peer groups are determined using industry and organizational demographic information, resulting in analysis that is applicable to your specific company
• Process-based: Process data is collected where work is performed, regardless of a company’s structure to enable effective comparisons
• Actionable: Tailored reports detailing individual performance metrics help companies identify and prioritize areas of opportunity
• Efficient: Focused question sets are designed to collect information most critical to company and/or industry issues
• Proprietary: Deloitte’s peer group database is proprietary based on data collected directly from our clients

*Global Benchmarking Center services are provided throughout Deloitte’s network of member firms.
Deloitte’s global HR benchmark is designed to provide banking executives with actionable data to help reduce costs and increase efficiency.

**Process assessment and comparison**
- Collects labor and outsourcing costs and number of staff for each process category; data is mapped to Deloitte’s defined HR process taxonomy enabling effective peer comparisons.
- Submits and analyzes data in the manner that has the most impact for your organization, by external peer and internal organization comparisons (geographic, size, and business unit).

**Assess the service delivery model**
- Captures labor cost and full-time staffing numbers by service delivery model role.
- Assesses and compares your company’s actual service delivery model by process category against an industry-specific peer group.

**Use of outsourcing and technology**
- Captures outsourcing cost and technology cost and profile.
- Analyzes labor and staffing components related to the outsourcing and technology investment and then compares the results to company peers identifying such items as:
  - Identify where technology utilization to increase automation can result in a reduction in HR cost.

**Regional data view**
- Allows market wage rate comparisons for more effective improvement opportunity identification.
- Identifies areas to help improve efficiencies & cut costs through detailed banking HR metrics for three geographic regions; North America, Western Europe, Asia/Pacific.

Deloitte’s benchmark reveals that there is an estimated $10 to $40 million annual HR operational savings for most banking organizations.

Thirty-four financial services institutions have participated in our HR benchmark providing specific geographic data sets.

**Banking revenue ($US)**
- 31% < $5B
- 32% $5 to $10B
- 37% $10 to $70B

**Banking employees**
- 40% < 10k
- 30% 10 to 50k
- 26% 50 to 100k

**Banking data by region**
- 34% Asia Pacific
- 28% North America
- 6% Europe
- 6% Latin America


**Banking participants**
- Ally Financial Inc.
- Australia and New Zealand Banking Group Limited
- Banco Galicia
- Caixa D’Estalvis | Pensions De Barcelona
- Caixa D’estalvis De Catalunya Tarragona I Manresa
- CoreLogic, Inc.
- Credit Suisse Group AG
- Deutsche Bank AG
- ING Bank Of Canada
- Itaú Unibanco Holding S.A.
- Lloyds Banking Group plc
- Maquarie Bank Limited
- Multinational investment bank
- National Australia Bank Limited
- Natixis
- PNC Financial Services, The Group, Inc.
- Popular, Inc.
- Raymond James & Associates, Inc.
- Royal Bank of Canada
- Toronto-Dominion Bank, The
- Westpac Banking Corporation
The standardized definitions in our benchmark taxonomy enable “apples to apples” comparisons among participant process and service delivery model data

Benchmark process taxonomy

<table>
<thead>
<tr>
<th>Process categories</th>
<th>HR operations</th>
<th>Total rewards</th>
<th>Talent management</th>
<th>Strategy and program design</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Payroll, time and attendance</td>
<td>• Compensation</td>
<td>• Staffing and recruitment</td>
<td>• HR strategy and function management</td>
</tr>
<tr>
<td></td>
<td>• Employee data administration and analytics</td>
<td>• Non-retirement benefits plan</td>
<td>• Employee relations</td>
<td>• HR program design</td>
</tr>
<tr>
<td></td>
<td>• Retirement benefits plan</td>
<td>• Retirement benefits plan</td>
<td>• Career development</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Staffing and recruitment</td>
<td>• Learning</td>
<td>• Learning</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Employee relations</td>
<td>• Employee mobility</td>
<td>• Employee mobility</td>
<td></td>
</tr>
</tbody>
</table>

Service delivery model data

In order to assess the HR service delivery model, Deloitte’s benchmark is designed to:
• Capture and report labor costs and number of HR staff within each process category by role:
  – Shared service centers
  – Centers of expertise
  – HR Business partners
  – Site HR generalists
• Capture and report outsourcing costs within each process category

Capturing staff and cost data by process category and service delivery role provides deep insight to your HR efficiency

Development of an efficient, effective HR service delivery model is the primary driver of cost efficiency for banking organizations.

In order to provide actionable insight, this benchmark is designed to captures labor cost plus number of full-time staff to provide the associated cost for each service delivery model role within each HR process category. The benchmark then captures outsourcing cost for each HR process category and also captures technology and other direct costs for the entire HR function.

Key findings in the banking sector
• Vital areas of focus include:
  – Staffing inefficiency in the centers of expertise role, particularly in the areas of:
    • Talent Management
    • Strategy and Program Design
  – Transaction inefficiency within talent management administration

![Banking Labor Cost per Employee Difference between Median and LCP by SDM Role ($US)](chart)
For consistency, Deloitte uses a time-tested approach and methodology from planning to the final results presentation. The focused questionnaire addresses issues most critical to executives, making data collection fast, analysis valuable and relevant. The benchmark contains approximately 55 questions.

Insight into service delivery model roles highlight key cost and performance improvement opportunities for executives.

Service delivery model role
- Data is collected by service delivery model role, allowing analysis of role-based costs within process categories. This role-based view can provide insight into:
  - Process fragmentation and full-time staff distribution
  - The potential benefits of moving activity to more efficient, lower cost parts of the organization (e.g., shared services) or leveraging outsourcing.
Multiple reporting locations provide essential insight and highlight key cost and performance improvement opportunities for executives

**Multiple reporting locations**
- Multiple reporting locations enable internal benchmarking comparisons by geography, business unit, etc., in the results presentation
- Identify such opportunities as:
  - The lack of common processes and leading practice implementation across units or the enterprise
  - Cost gaps between business units, regions, or other locations
  - Specific cost drivers, allowing relative prioritization

**Gap analysis of human resources process categories helps pinpoint where to focus efforts**

**Quantify cost gaps**
- Cost gaps begin at the overall functional level and then drill into process category
- Allows prioritization of key areas of opportunity and focus

**View cost gap components**
- Begin by identifying where the costs gaps exist — in process (labor and outsourcing), technology, or other
- Process cost gaps can be quantified in two ways
  - Labor rate differentiator identifies the gap based on labor rate differences with peer comparison
  - Staffing efficiency identifies the gap based on staff size differences with peer comparison

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**HR process cost per employee (US$)**

<table>
<thead>
<tr>
<th>Region</th>
<th>Company A</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>1595</td>
<td>1730</td>
</tr>
<tr>
<td>Europe</td>
<td>1710</td>
<td>1575</td>
</tr>
<tr>
<td>Middle East Asia</td>
<td>1710</td>
<td>220</td>
</tr>
<tr>
<td>Africa (EMEA)</td>
<td>1575</td>
<td>225</td>
</tr>
<tr>
<td>Asia Pacific (APAC)</td>
<td>1710</td>
<td>310</td>
</tr>
</tbody>
</table>

**Total process gap to top performer (US$ M)**

<table>
<thead>
<tr>
<th>Category</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR operations</td>
<td>8.0</td>
</tr>
<tr>
<td>Total rewards</td>
<td>4.0</td>
</tr>
<tr>
<td>Talent management</td>
<td>1.0</td>
</tr>
<tr>
<td>Strategy and program design</td>
<td>3.0</td>
</tr>
</tbody>
</table>

**Total process cost gap to top performer (US$ M)**

<table>
<thead>
<tr>
<th>Component</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company A process cost</td>
<td>10.8</td>
</tr>
<tr>
<td>Labor rate differential</td>
<td>1.7</td>
</tr>
<tr>
<td>Staffing efficiency differential</td>
<td>2.0</td>
</tr>
<tr>
<td>Outsourcing differential</td>
<td>0.7</td>
</tr>
<tr>
<td>Banking Median</td>
<td>6.5</td>
</tr>
</tbody>
</table>

### Our heat map tool is designed to help efficiently identify large process category gap opportunities

**Process category gap analysis (US$ M)**

<table>
<thead>
<tr>
<th>Company A</th>
<th>HR operations</th>
<th>Total rewards</th>
<th>Talent management</th>
<th>Strategy and program design</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Centers of expertise</td>
<td>0.6</td>
<td>0.9</td>
<td>0.8</td>
<td>1.0</td>
<td>3.3</td>
</tr>
<tr>
<td>Shared services</td>
<td>(0.4)</td>
<td>(0.1)</td>
<td>(0.5)</td>
<td>0.1</td>
<td>(1.0)</td>
</tr>
<tr>
<td>Business partner</td>
<td>0.1</td>
<td>0.2</td>
<td>0.9</td>
<td>(0.3)</td>
<td>0.8</td>
</tr>
<tr>
<td>Site representatives</td>
<td>(0.0)</td>
<td>(0.0)</td>
<td>(0.8)</td>
<td>0.0</td>
<td>(0.8)</td>
</tr>
<tr>
<td>Outsourcing</td>
<td>0.6</td>
<td>0.4</td>
<td>(0.2)</td>
<td>(0.1)</td>
<td>0.7</td>
</tr>
<tr>
<td>Total</td>
<td>0.8</td>
<td>1.3</td>
<td>0.3</td>
<td>0.7</td>
<td>3.1</td>
</tr>
</tbody>
</table>

Company A — cost advantage of at least 10% of total positive gap ($7.0M)

Company A — cost opportunity of at least 10% of total positive gap ($7.0M)


### Contact Deloitte’s Global Benchmarking Center today for engagement details to begin achieving HR cost competitiveness

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Rick leads Deloitte’s Global Benchmarking Center, responsible for overall benchmark methodology and operations. Rick has extensive experience working with Fortune 100 companies across all areas of SG&A, including finance, information technology, procurement and human resources. Rick is a sought-after speaker, and is frequently quoted by media such as CFO Magazine, CNBC, Financial Times and Business Week.

Most recently, Rick was a President at The Hackett Group. Prior to Hackett, he was a partner at KPMG responsible for co-founding the World-Class Finance Practice. Rick is also a member of the Cognos Innovation Center Advisory Board.