Human Resource Transformation: What’s next?
Realizing the impact of HR as a Business Enabler

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Preface

HR transformation has evolved significantly over the past decade along with the changing business environment and challenges—in India and around the world. Historically, mature HR teams and functions have focused on improving operating efficiency and administrative effectiveness. Today, such improvements are table stakes.

To have an impact, HR must develop advanced capabilities to align HR structure and services with the business needs that facilitate business growth and operational excellence. Advanced HR capabilities enable an organization to execute its business strategy more effectively and improve performance across the entire enterprise—not just within the HR function.

In recent years, HR Transformation has led to a major restructuring of HR operations and processes—transforming the way HR services are delivered. Yet there is still much work to do. Companies today face significant HR challenges that barely existed a few years ago. We believe that Next Generation HR Transformation will require a significant change from today’s focus on HR operations—which are typically budgeted at 0.5 percent to 0.7 percent of revenue—to tomorrow’s focus on building strategic business services that can help drive value (including share prices and contributions to employees and communities). The coming decade will provide HR with significant opportunities to help make a difference to the company; it will be interesting to see how HR steps up to the challenge, and we look forward to partnering with you on these challenges.

This survey was conducted to assess the current maturity of Indian organizations to take on HRT initiatives and the compelling reasons for the same. We believe that several survey findings resonate with the global HR Transformation trends while at the same time, certain developments are unique to the Indian business context.

Finally, HR transformation programs continue to evolve rapidly as companies embrace digital business and HR including cloud, mobile, analytics, and automation technologies. We hope that the report enables you to evaluate your ongoing and planned HR Transformation initiatives and accomplish your objectives to improve HR, employee, and business performance.

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About the Survey

Survey Demographics

Fast Facts: HR Transformation

Theme 1: HR specialists have developed to understand business issues

Theme 2: Building HR capability and HR Service Delivery Effectiveness are key components of the next phase of HR Transformation

Theme 3: Revolutionizing employee experience through digital

Conclusion: From efficiency to business enablement to digital (HR) business
About the Survey

Objective
The objective of this survey is to develop a distinct point of view to showcase opportunities for HR to drive sustainable business impact and co-create value to businesses operating in and from the India market.

Our research uncovered Six (6) Essential High-Impact HR Design Principles for next generation HR Transformation – decoding the desired business impact of HR Service Delivery for value realization.

Keeping this in mind, Deloitte conducted its second national survey to understand how companies in India are bringing HR into the 21st century and understand how HR functions and leaders are approaching transformation across the country.

6 Essential High-Impact HR Design Principles

1. Start with foundation inclusive of analytics and empowerment culture in HR
2. Build structure that optimizes business embedded design and delivery while leveraging HR specialist expertise
3. Mirror business strategy
4. Coordinate efforts across the organization – frontline decision making and information sharing
5. Leveraging principles 1-4 to optimize business leadership, manager people skills and HR performance
6. Move towards digitization and automation through design thinking

Focus Areas:
The macro challenges faced by organizations today have clear business implications that can help or hinder strategic objectives.

Business Challenges
- Rising labor costs
- Rapid change in technology
- Customer supplier relationship changes
- Need to centralize/standardize processes
- Continued focus on growth organic/inorganic
- Heightened emphasis on quality and standards
- Legislative changes
- Rapid change in technology
- Continued focus on growth organic/inorganic
- Customer supplier relationship changes
- Heightened emphasis on quality and standards
- Legislative changes
- Need to centralize/standardize processes
- Business transformation

Key Considerations For Organizations
- How do I improve my operating costs?
- How effective are my current processes or technology?
- How do I align supply with variable demand?
- How do we work across different subsidiaries?
- How do I align my HR strategy with business requirements?
- How am I charged for service?
- How do I align middle/back office operations?
- How can I improve middle/back office operations?

Desired Outcomes
- Financial savings
- Compliance
- Business continuity plan
- Flexible Infra
- Strong Customer Relationships
- Access to trained resources
- Leaner processes and policies
- Integrated systems
Survey Demographics

**Participant Profile**

This HR Transformation survey report presents the results of more than 75 HR leaders across various industries across India. This year, we saw representation across varied industry segments, with dominant participation from Manufacturing, Technology, Media and Telecommunications, and Energy and Resources industries. A representative sample of small, medium, and large organizations was taken.

We would like to thank all the participants who completed the survey.

**Figure 1: Organization type**

- MNC
- Indian MNC
- Indian Business House
- Government / Public Sector Undertaking
- Global In-House centers/ Captive Shared Services Centers
- Others

**Figure 2: Geographic Presence**

- Only in India
- 16+ Countries
- 2-5 Countries
- 6-15 Countries

**Figure 3: Industry Distribution**

- Manufacturing: 33%
- Technology, Media & Telecommunications: 13%
- Energy & Resources: 13%
- Services: 9%
- Financial Services: 9%
- Consumer Business: 9%
- Others: 5%
- Life Sciences & Healthcare: 4%
- Lifesciences and healthcare: 2%
- Banking & Securities: 2%
- Transportation: 2%

**Figure 4: Company Annual Revenue**

- 5001-10000 Crs: 36%
- 2501-5000 Crs: 9%
- 1001 - 2500 Crs: 20%
- <1000 Crs: 35%
Fast Facts: HR Transformation in India

Did you know?

HRT has evolved significantly in India over the past few years. For more than a decade, large global companies have looked to transform HR to improve alignment with business needs. Deloitte’s India HRT Survey 2016 is the second edition in this series, a leadership guide to help executives navigate the demands of HR interventions. 75 organizations participated in this survey from diverse industry segments highlights interesting insights and trends of HRT in India. As Indian companies are becoming increasingly global and competitive and striving to keep pace with the best-in-class industry practices, HRT is being realized as a key enabler by C-Suite leaders in India to enhance the HR service delivery effectiveness and position HR as business enabler.

The findings of the survey illustrates some of the emerging trends of HRT in India. Below are key highlights.

Did you know?

70 percent of organizations have indicated that they have initiated an HR Transformation initiative. More than 60 percent of the remaining organizations are planning a transformation initiative in the next 2 years.

70%

HR Transformation

HR, a Cost driver to a strategic business partner

55% Effectiveness of HR Services
55% Building HR Capabilities

In 2016, 36 percent cite ‘efficiency in HR costs’ and 14 percent cite ‘compliance’ as drivers leading to a HR transformation in comparison to 65 percent and 41 percent in 2012, respectively.

Shape Culture, Drive Strategy

Organizations have initiated HRT efforts around restructuring HR organizations
Organizations have a focus on changing organization culture

79%
61%

New Mandates

A downward trend has been seen in the focus on restructuring the HR Shared Services (from 57 percent to 41 percent).

New mandates are on the horizon including the focus on digital solutions, design thinking, and incorporate automation in HR processes and systems.
HR specialists have developed to understand business issues

Human Resources at a turning point?
HR is at a crossroads. Once designed primarily as an administrative and compliance function, today's HR organization must be closely integrated with the business. Changing business imperatives demand not only a new organizational model for HR itself, but also a massive reskilling of HR professionals. This presents an unprecedented opportunity for HR to play a leading role at the highest levels of business strategy, execution, and results.

Evolving role of HR
More than three quarters (76 percent) of respondents to our 2016 recognize that HR executives have a strong understanding of their businesses, competitors, and external environments. As HR gains credibility in influencing key business decisions, this finding confirms HR's central role to partner with the business in managing business-related risks.

In addition, while HR is embedding itself in the business, the role of HR business partners needs to be re-defined. Increasingly, there is a pertinent need for the business partner role to have a greater impact on the business activities. 72 percent of the respondents report business partners are playing a strategic advisory role in developing and implementing strategies aligned to meet business objectives. However, many organizations continue to struggle to understand how HR business partners should contribute to the business. According to the 2015 Deloitte HR Business Partnering Report, this may be due to a mismatch of current HR professionals' capabilities with what is required for the business partner role. Moreover, the maturity level of many HR functions is still not at a point where business partners can fully take advantage of their HR service delivery model.

Moreover, Centers of Excellence (CoEs) are playing a major role in shaping the HR strategy for organizations. 62 percent of the respondents reported that CoEs in their organization are working on strategic initiatives which are aligned to the business imperatives. ‘Centers of Excellence’ are evolving to ‘Communities of Expertise’. These communities are enterprise-wide networks with a combination of centralized and business embedded resources charged with the developing and applying deep functional HR knowledge. Earlier CoEs focused on pushing policies and programs into the business; now they are adapting to the changing business needs, with continued focus on addressing emerging business priorities and actively interacting with business leaders and employees at many levels and across divisions and geographies.

Running HR like a commercial enterprise
Almost 1 out of 2 (49 percent) of the respondents to our 2016 recognize that HR shared services should further expand their business offerings, eliminating and transitioning as much operational work as possible. Organizations realize that if the traditional scope of HR shared services is limited to administrative work, it will be destined to focus on the lower value efficiency gains.

There is a need to transition administrative work to shared services and operations centers and then proceed to find ways to digitize, automate, and streamline these activities to the fullest extent possible.

Figure 5: HR professionals have a strong understanding of the business, competitors, and the external business environment

<table>
<thead>
<tr>
<th>Agreement Level</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>21%</td>
</tr>
<tr>
<td>Agree</td>
<td>55%</td>
</tr>
<tr>
<td>Slightly Agree</td>
<td>17%</td>
</tr>
<tr>
<td>Slightly Disagree</td>
<td>2%</td>
</tr>
<tr>
<td>Disagree</td>
<td>4%</td>
</tr>
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</table>

Figure 6: HRBPs partner well with the business

<table>
<thead>
<tr>
<th>Agreement Level</th>
<th>Percentage</th>
</tr>
</thead>
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<tr>
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<td>26%</td>
</tr>
<tr>
<td>Slightly Disagree</td>
<td>11%</td>
</tr>
<tr>
<td>Disagree</td>
<td>22%</td>
</tr>
</tbody>
</table>
HR Operating Models are in a state of flux
Deloitte’s focus since 2014 has been on an approach we refer to as High-Impact HR operating models3 - but have organizations really been able to shift to a new level of maturity? Professors Dave Ulrich, Wayne Brockbank, and their many professional colleagues helped set the direction for transformation of HR. Organizations have also been transforming HR for more than 20 years now. Today’s HR functions are facing a new set of challenges. Organizations now expect HR not only to be efficient in delivering core services but also to set a talent agenda for driving performance and engagement. HR must support and drive a range of business initiatives. Thus, the HR operating model must be able to evolve constantly and respond to new business challenges including innovation, transformation, and digital strategies.

HR roles that are a part of a restructured organization
When we conducted the HRT survey in 2012, 43 percent of the respondents indicated that restructuring the HR organization was one of the key activities carried out in HR interventions. Moreover, 57 percent indicated restructuring HR shared services was one of their main areas of work during HR re-organization followed by restructuring the roles of HRBPs and COEs. In this year’s survey, a growing trend toward increasing alignment between business and HR (68 percent) is a key focus area, as seen in Figure 8. Moreover, as seen in Figure 8, CoEs have gained a wider acceptance, and restructuring roles within CoEs (from 32 percent in 2012 to 57 percent in 2016) will grow, as organizations continue to transform HR by focusing capabilities within centers of excellence. CoEs will drive leading practices and processes by embedding deep, functional HR knowledge, strong understanding of the business issues, and market trends.

Figure 8: HR roles that are a part of the restructured organization

<table>
<thead>
<tr>
<th>Role</th>
<th>Survey 12</th>
<th>Survey 16</th>
</tr>
</thead>
<tbody>
<tr>
<td>HRBP Generalists</td>
<td>68%</td>
<td></td>
</tr>
<tr>
<td>HR Centers of Excellence</td>
<td></td>
<td>57%</td>
</tr>
<tr>
<td>HR Shared Services</td>
<td></td>
<td>41%</td>
</tr>
<tr>
<td>HRIT Part of HR Shared Services</td>
<td></td>
<td>14%</td>
</tr>
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</table>

Building HR capability and HR Service Delivery Effectiveness are key components of the next phase of HR Transformation

The imperatives of efficiency and cost reduction have always been part of the HR mandate. Initially focused on making HR operations more efficient and effective through process standardization and technology, the next generation of HR transformation is more tightly linked to business strategy, results, and impact. It is an enabler to create business value through HR initiatives that address a company’s most pressing strategic challenges. That means anticipating critical workforce trends, shaping and executing business strategy, identifying and addressing people-related risks and regulations, enhancing workforce performance and productivity, and offering new HR initiatives to help a company improve and grow. Typical HR challenges revolve around overlapping HR processes, systems and structure that are not comprehensive in nature and are not designed to support the global organization and its planned growth.

What are the top three challenges HR functions face today?

According to the 2016 Global Human Capital Trends: India Report, over 75 percent of the Indian organizations are optimistic about the future. With 46 percent respondents witnessing a growth of more than 10 percent this year, India’s economy appears to be on track to be one of the fastest growing economies in the world in the coming year. Resilient domestic demand, limited reliance on the external sector, continual growth in consumer spending, fostered by favourable demographics, moderate inflation, and strengthening investments are expected to fuel continuing growth. These organizations exhibit confidence in their HR capabilities relative to survey respondents globally; however, the state of complexity in terms of the work environment, business practices are still discouraging.

In this year’s survey, when asked about current challenges being faced by organizations, the top three emerging challenges (Figure 9): “developing leaders”, ‘productivity and performance management’ and ‘data management and analytics’ are in line with the global findings of the 2016 Deloitte Human Capital Trends Report.

Developing leaders: Still a recurrent issue

The leadership challenge in organizations has grown to a crisis level. Increasingly companies rate this issue as important or very important. Nor is this surprising, as the challenges are immense.

Leadership challenge remains: In 2016, 68 percent of respondents across India are still not confident on their leadership bench strength.

In the India Human Capital Trends Report 2016, 88 percent of the respondents still believe building a leadership pipeline is a continued strategic priority, with only 50 percent ready to tackle this challenge. 68 percent respondents across India are still not confident about their leadership bench strength. The majority of respondents have not reviewed or are currently reviewing their leadership development strategy with only 30 percent having made high value investments.

Data Management and Analytics: Gaining speed

People analytics refers to using people-related data to bring together HR and business data from different parts of the business – as well as external data – addressing various HR challenges: performance management, compliance risks, employee engagement, leadership pipeline and culture. Analytics can now be embedded in most ERP and talent management systems. Driven by competition for both customers and talent, organizations now are aggressively investing in data management and analytics.

In Deloitte’s 2016 Global Human Capital Trends Report only 5 percent rate their organizations HR performance as ‘excellent’ globally.

HR organizations are largely being operated and managed like any other business function and leaders want to know how they are performing. This requires the use of a variety of measurement tools to monitor the effectiveness and efficiency of HR organizations and a drive for continuous improvement efforts. Organizations are using performance metrics and Service Level Agreements as governance and management tools. It is interesting to note that 83 percent of organizations have pre-defined SLAs and KPIs for process performance management even though 68 percent of them indicate productivity and performance management is a challenge.

In Deloitte’s 2016 Global Human Capital Trends report, 77 percent rate people analytics as a key.

To meet these challenges companies must reinvent their HR practices and relook at people management and evaluation through new strategies for leadership, talent, and data analytics.
Where are we on the HRT journey?

Out of the companies surveyed, 70 percent have undertaken HRT initiatives in the last 5 years, suggesting that HR organizations are realizing the value that HR can provide to business in terms of cost savings and improving operational effectiveness; this has largely been the result of a focus on standardizing HR systems and processes, implementing shared services, and outsourcing and getting started on analytics and new digital platforms and applications.

Among the rest, more than 60 percent respondents have indicated plans to initiate HR transformation initiatives over the next two years. It is interesting to note that 72 percent of the respondents are managing their transformed HR processes internally in comparison to only 46 percent in 2012. The increase can be contributed to the specialized, home grown infrastructure and facilities that these organizations have invested in to manage their HR systems. Organizations have identified avenues for optimization through employee self service, shared services, outsourcing and hybrid delivery models.

One in five respondents (21 percent) have selectively outsourced certain transactional, lower-value add activities to ensure core HR teams remained focused on key strategic imperatives. Organizations are now re-evaluating the services they are willing to retain versus those that they are outsourcing based on their organizational capabilities as they better understand the service delivery implications. Organizational dynamics and culture will often significantly drive the types of services that can be successfully integrated into the retained organization.

Beyond back office basics

The survey shows that HR transformation efforts are more geared toward specific HR operational priorities rather than larger strategic plans. The scope of HR transformation initiatives has evolved, where most of the organizations are focusing on reinventing the HR function. In 2016, 79 percent of the respondents commented that restructuring HR specifically is one of the most important triggers to transformation as opposed to redefining the company as a whole (43 percent in 2012) or standardizing HR activities (86 percent in 2012).

Of the organizations who have undertaken HR transformation in the past 5 years, only six percent organizations believe that the transformation efforts have not reached the expected satisfaction levels (Figure 12). These organizations face impending challenges in defining the SLA / KPIs around productivity and performance management, along with managing data effectively. Organizations cited inefficiency in the current model, lack of ability to effectively scale to meet organization needs, along with increased complexity, and poor vendor management as reasons for not being able to meet the desired objectives.

It is interesting to note that organizations (30 percent) that have not undergone any HR transformation face slightly different challenges than those organizations that have commenced a transformation. Productivity and performance management (79 percent) is the top concern for organizations who have not undergone any transformation initiative (Figure 15). Moreover, simplification of work (43 percent) and employee attrition (36 percent) are other areas that require attention. Furthermore, development of the leadership pipeline (Figure 14 and 15) continues to remain the most pressing challenge faced by all organizations.

Figure 11: Have you undertaken any HR Transformation initiatives in the past 5 years?

Figure 12: What is the level of satisfaction achieved from the transformation initiatives?

Figure 13: When is the next planned HR Transformation initiative in your organization?

Figure 14: Key challenges faced by organizations after commencing HR transformation

Figure 15: Key challenges faced by organizations that have not commenced any HR transformation

Figure 16: Nature of HR transformation undertaken
Human Resource Transformation: What’s next?  | Realizing the impact of HR as a Business Enabler

**Growth of Shared Services to improve HR service delivery effectiveness**
Organizations originally implemented HR Shared Services in response to optimizing HR service delivery and enhancing customer experience. As we move toward globalization, a virtual workforce, and the need to support global talent strategies, the role of HR Shared Services also has begun to evolve. There are numerous benefits cited by organizations for implementing Shared Services. In Deloitte’s Global Shared Services Survey (2011), over 85 percent of organizations agreed cost reduction, level of controls, and process efficiencies were the top three benefits of adopting a Shared Services Centre (SSC). However, in the recent Global Shared Services survey (2015), majority of respondents recognized that cost savings are not the sole focus of a SSC adoption, while business units continue to focus on basics, they are also facilitating transition into higher value added services including leveraging Six Sigma, Lean Methodologies, Predictive Analytics, etc., to improve performance and results—not simply lower costs.

**What are the key drivers for HR Transformation going forward?**
HR Shared Services expands upon the traditional model to include the delivery of inquiry, transactional, and specialty services with a focus on customer service, operational excellence, and continuous improvement. In this survey, improving service delivery effectiveness (65 percent) and building HR capability (55 percent) have retained their positions as the top two primary goals for initiating HR transformation. However, there is a drop in percentage compared to 2012, where a larger percentage of organizations (over 80 percent) agreed that these two drivers were most vital.

Also, it is interesting to note some changes among the other key drivers. 42 percent of the surveyed companies are looking at transforming HR as a part of corporate restructuring and 36 percent of organizations feel rapid growth and efficiency in cost are other key goals of initiating HR transformation interventions (Figure 17). Moreover, compliance which was another key driver in the 2012 survey, shows a drop by 29 percent this year. This indicates that the HR function is largely moving toward increasing alignment with the business objectives. The next phase of HR transformation necessitates achieving higher efficiency on enhanced service levels. From being compliance driven and ensuring cost efficiency HR services are now a part of larger corporate efforts, which are more strategic in nature leading to enhanced customer (employee) experience.

As Shared Services organizations mature over time, organizations have moved to combine other functional areas into one comprehensive shared services strategy and approach. This allows organizations to reduce their operating costs further and help provide a consistent employee experience across all functions, regardless of the source of the inquiry or transaction. HR Shared Services has traditionally focused on highly transactional services, but has recently evolved to incorporate interactive and knowledge-oriented services. The skills and experiences required for HR Shared Services staff have also evolved to successfully deliver a more robust suite of services to the business.

**Obstacles in the current HR service delivery model**
HR Shared Services key roles must be organized in a way that optimizes the delivery of service and enhances the employee experience.

Over 80 percent organizations in the survey cited ability to effectively scale to meet the needs of their organization as the most important challenge in implementing an effective HR service delivery model. Moreover, the increased complexity (75 percent) and reduced efficiency (59 percent) with increased cost of operations (52 percent), are other barriers to a successful HR service delivery. Increasingly, substandard service provided by third party vendors is another area that requires attention (23 percent).

**Initiatives undertaken in the short term to improve HR service delivery effectiveness**
Organizations are already undertaking several initiatives to improve their HR service delivery models. 61 percent of the organizations are re-engineering the key HR processes along with building line manager’s people management capabilities. Over 50 percent of organizations re-focused the HR business partner role, and some have changed the scope of CoE within HR (23 percent). Implementing a new HRMS technologies, along with user-friendly self-service portals for better delivery of HR processes are other initiatives taken to improve the HR service delivery effectiveness.

**Figure 17: Key drivers for HR transformation**

<table>
<thead>
<tr>
<th>Effective - Service</th>
<th>Build HR Capability</th>
<th>Corporate Restructuring</th>
<th>Rapid Growth</th>
<th>Efficiency - HR Cost</th>
<th>Free HR For Strategic Work</th>
<th>Part of Larger Corporate Effort</th>
<th>Compliance</th>
<th>New Executive</th>
<th>M&amp;A</th>
<th>Drive Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>55%</td>
<td>55%</td>
<td>42%</td>
<td>36%</td>
<td>36%</td>
<td>33%</td>
<td>18%</td>
<td>12%</td>
<td>6%</td>
<td>3%</td>
<td>3%</td>
</tr>
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</table>

**Figure 18: Barriers in HR service delivery model**

<table>
<thead>
<tr>
<th>Able to effectively scale to meet the needs of your organization</th>
<th>Degree of complexity</th>
<th>Lack of efficiency in current model</th>
<th>Cost of Operations</th>
<th>Poor service being provided by third party providers</th>
<th>Lack of strategic inputs from HR professionals</th>
<th>Others</th>
<th>Collaboration among CoEs, HRBP, Shared Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>80%</td>
<td>77%</td>
<td>69%</td>
<td>59%</td>
<td>52%</td>
<td>23%</td>
<td>9%</td>
<td>5%</td>
</tr>
</tbody>
</table>

**Figure 19: Initiatives taken in the short term to improve HR service delivery effectiveness**

<table>
<thead>
<tr>
<th>Re-engineered Key HR Processes</th>
<th>Improved Line Managers’ People Management Capabilities</th>
<th>Focused / Re-Focus on the Role of HRBP</th>
<th>Implemented A New HRMS / Tool</th>
<th>Implemented Self Service Portal</th>
<th>Evaluated / Updated Cost Allocation</th>
<th>Across HR (Organization Structure)</th>
<th>Changed the Scope of CoE Within HR</th>
<th>Introduced New Tool for Delivery of HR Processes</th>
<th>Implemented a Shared Services Model</th>
<th>Outsourced HR Activities</th>
<th>Brought Back Services Previously Outsourced to a Vendor</th>
<th>HR Analytics</th>
</tr>
</thead>
<tbody>
<tr>
<td>61%</td>
<td>61%</td>
<td>52%</td>
<td>43%</td>
<td>36%</td>
<td>27%</td>
<td>23%</td>
<td>18%</td>
<td>16%</td>
<td>11%</td>
<td>2%</td>
<td>2%</td>
<td>1%</td>
</tr>
</tbody>
</table>
Considering the move to HR Shared Services?

Four primary factors are driving the migration of work across HR operating models to Shared Services.

- Improvements in technology and accessibility to knowledge management tools for all HR Shared Services roles has increased the amount of information available to research and resolve issues faster and at lower levels.
- The economy has allowed HR organizations to better retain their people across all levels; improving the existing knowledge and experience as well as allowing some organizations to hire higher quality people at lower costs.
- Organizations want to resolve inquiries within first contact to achieve a higher customer satisfaction rating, therefore, they are investing in training, tools, and hiring the right skill set in their contact centers.

Center of Excellence (COE) functions are realizing that to provide consultative and design services to the business, there is a need to shift more of the program administrative and high-volume repetitive delivery work to the Functional Specialists—and where possible, to self-service and automated services as well.

HR shared service is an enabler to move administrative and transactional services into dedicated separate setups. 30 percent of the organizations in the survey have stated that their HR service delivery is taken care of by HR shared services (Figure 20). The survey results also revealed that 38 percent of the HR shared service centres were relatively young—over 60 percent had more than 2 years of experience (Figure 21). The majority of the respondents (over 65 percent) indicated that their shared services have met or exceeded desired objectives. A few organizations could not meet the expected satisfaction levels due to increased degree of complexity in setting up a shared service, others agreed inefficiencies around the current model and inability to effectively scale to meet the needs of their organization led to lower satisfaction levels.

Organizations believe better resources, stronger governance, faster decision making, and increased change management could have led to improved HR service delivery effectiveness. Moreover, most respondents suggested that they could leverage shared services as a strategic asset in order to improve quality of services provided in addition to just being a cost centre.

Figure 22: HR challenges faced with HRSSC operating for 6 months till 2 years

Figure 23: HR challenges faced with HRSSC operating for 2 to 4 years

Figure 24: HR challenges faced with HRSSC operating for more than 4 years

Figure 25: Degree to which it has met the objectives?

Figure 26: Benefits from shared services
Lead time for setting up shared services

In our survey, 54 percent of the organizations reported setting up their HR shared services in a period of 6 months to a year. Typically, an MNC takes 6 months to 18 months for setting up a shared service, compared to a GIC's which takes a shorter lead time as they have established procedures in place. The majority (77 percent) of the respondents indicated that they should first standardize processes and then opt to move to shared services.

Main challenges in HR shared services

Since HR shared services is a relatively new organizational form for 40% of companies in India, there are still several challenges that have not been sufficiently explored. Out of the surveyed respondents, majority of organizations believe process re-engineering (92 percent), automation (67 percent), gaps in communication, and reduced transparency (58 percent) are key problems in implementing HR shared services. In line with the global results from the Deloitte Shared Services Survey, 2015, the above findings can be well correlated with the maturity of HR shared services today. It is understood that the more mature the HR shared services are, they are more likely to expand their business offering to include other processes within the shared services setup.

Better alignment between process change and technology change (67 percent) along with increased change management (67 percent) and faster decision making (50 percent) are considered as the top three drivers that will improve shared services growth.

The use of different performance metrics varies across organizations depending on the objectives and design of HR Shared Services.

Appropriate measurement can increase the return on investments from the HR Shared Services through alignment with business objectives and by identifying opportunities for continuous improvement. Some organizations are using scorecards and dashboards to help them effectively communicate the overall health of the HR Shared Services Organization.

Scope of Outsourced services

Payroll administration (58 percent) continues to be the key HR process outsourced. Additionally, processes like Manage Employee Engagement and Satisfaction (33 percent), Manage Shared Service Customer Delivery (25 percent), Manage Employee Health and Safety (25 percent), and Manage Benefits (25 percent) have emerged as key processes that are being considered for outsourcing other than payroll. There were four new HR processes identified that are being outsourced in this year’s survey.

Manage Shared Service Customer Delivery, Manage Time & Attendance, Establish and Maintain HR Processes and Policies, and Manage Global Employment.

The grass is always greener on the other side

As per the Deloitte India survey, 36 percent of the respondents have selectively or
Key HR Processes Outsourced

<table>
<thead>
<tr>
<th>Process</th>
<th>2012</th>
<th>2016</th>
<th>Trend</th>
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</thead>
<tbody>
<tr>
<td>Manage Payroll</td>
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<td></td>
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<tr>
<td>Manage Training &amp; Development</td>
<td>2</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Manage Talent Acquisition</td>
<td>2</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Manage Benefits</td>
<td>3</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Manage HR Records</td>
<td>4</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Manage Compensation</td>
<td>4</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Manage Employee Health &amp; Safety</td>
<td>5</td>
<td>3</td>
<td></td>
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<tr>
<td>Manage Induction &amp; On-boarding</td>
<td>5</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Manage Employee Separation</td>
<td>6</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Manage Employee Engagement</td>
<td>6</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Manage Performance</td>
<td>7</td>
<td>4</td>
<td></td>
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<tr>
<td>Manage Talent/Workforce Planning</td>
<td>8</td>
<td>5</td>
<td></td>
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<tr>
<td>Manage Competency</td>
<td>8</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Manage Career &amp; Succession Planning</td>
<td>8</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Manage Employee Relations</td>
<td>8</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Manage Shared Service Customer Delivery</td>
<td>3</td>
<td>-</td>
<td>+New</td>
</tr>
<tr>
<td>Manage Time &amp; Attendance</td>
<td>4</td>
<td>-</td>
<td>+New</td>
</tr>
<tr>
<td>Establish and Maintain HR Policies &amp; Processes</td>
<td>5</td>
<td>-</td>
<td>+New</td>
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<tr>
<td>Manage Global Employment</td>
<td>5</td>
<td>-</td>
<td>+New</td>
</tr>
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completely outsourced their HR processes compared to 54 percent in the 2012 survey. The drop in the percentage of people opting to outsource could be due to various reasons. Both buyers and providers of full HR Outsourcing (HRO) arrangements would agree that there is uncertainty regarding the effectiveness and viability of the full HRO approach based on numerous challenges they have encountered and continue to experience.

In our survey, 42 percent of the respondents consider lack of responsiveness of the outsourcing provider as a major inhibitor to seamlessly execute their outsourcing contracts. Moreover, 33 percent organizations indicate that the existing approach adopted by outsourcing providers is reactive impacting the execution of these contracts negatively. Also, gaps in communication is another crucial factor in this regard. Other factors including the inexperienced resources staffing these contracts may lead to delivering reduced benefits with increased costs. Thus, organizations that are currently in a full outsourcing contract are considering their strategy and investigating alternatives of outsourcing selective administrative tasks while building capability for other processes in-house.

Figure 32: Problems faced by Outsourcing partners/providers

<table>
<thead>
<tr>
<th>Problem</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of Responsiveness</td>
<td>42%</td>
</tr>
<tr>
<td>Reactive Vs Proactive</td>
<td>33%</td>
</tr>
<tr>
<td>Communication Barriers</td>
<td>33%</td>
</tr>
<tr>
<td>Unqualified Resources</td>
<td>17%</td>
</tr>
<tr>
<td>Poor Service Quality (Deloitte Achieving SLA)</td>
<td>17%</td>
</tr>
<tr>
<td>Ineffective Issue Resolution</td>
<td>17%</td>
</tr>
<tr>
<td>Costly</td>
<td>17%</td>
</tr>
<tr>
<td>Failure to Meet SLA</td>
<td>8%</td>
</tr>
</tbody>
</table>
Revelinize employee experience through digital

HR Technology landscape, usage and benefits

HR technology improvement is also a key focus area for HR transformation. Adoption of HR technologies has continued to increase as organizations take advantages of an evolving marketplace and experiment to improve the value delivered by investing in new solutions. Organizations have traditionally used them to automate processes and drive operational efficiencies, but are now using enabling technologies to also improve the overall customer experience and foster a more connected workforce.

Current State of HR technology in India

As seen in Figure 33, almost one-third of the organizations use home grown technology to enable HR service delivery. Additionally, almost 50 percent of the organizations use major ERP packages including SAP (21 percent), Oracle (14 percent), PeopleSoft (5 percent), and Megasoft (5 percent); the rest of the market is very fragmented. This implies that the technology landscape is a fast growing market now, exploding with innovation solutions. The key objective now is to deliver seamless employee experience in addition to increasing transparency of HR processes, enabling computer and mobile based performance monitoring and generating useful insights to analyse HR data and respond accurately to emerging business priorities.

It is interesting to note that even though there are multiple players in the market, the satisfaction levels amongst organizations adopting these technologies is not very high. Figure 34 shows only 26 percent of the respondents are ‘very satisfied’ with the adoption of such technologies. Moreover, under half of these organizations report that the current HR technology being used is not user friendly (Figure 35). In fact, 71 percent of organizations are also using or planning to use mobile technology based solutions for the HR processes and services.

Scope of HR technology

There is a clear shift in the scope of HR technology. The traditional view of implementing HR technology was limited to administrative and transactional services and has been challenged in recent years to more knowledge based services.

Although payroll and HRIS form the core items within the scope of HR technology initiatives in both the 2012 and the 2016 Deloitte HRT surveys, there is an increased investment in Learning Management Systems (6 percent) and in HR Data warehouses (19 percent) in comparison to the 2012 HRT survey. Moreover, 26 percent of the organizations have recently started to invest in core HR solutions in line with shifting business priorities and future human capital trends.

Technology enablement in the future?

Figure 39 indicates that 74 percent of the organizations have plans for further technology enablement in next 1-2 years. Over one-third of surveyed HR professionals indicate that they plan to replace their HR software in the near future (Figure 40). 50 percent of the organizations cited limited functionality of these technologies, along with low utilization levels as key reasons for dissatisfaction. 33 percent of the participants also cited unfriendly user interfaces and limited choice of employee and manager self service as other reasons for dissatisfaction. These clearly indicate that organizations are keen to adopt better, more integrated, user friendly, innovative solutions with greater functional capabilities.

Figure 37: Scope of HR technology

<table>
<thead>
<tr>
<th>Technology</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll</td>
<td>86%</td>
</tr>
<tr>
<td>HRIS</td>
<td>74%</td>
</tr>
<tr>
<td>LMS</td>
<td>50%</td>
</tr>
<tr>
<td>HR Data Warehouse</td>
<td>48%</td>
</tr>
<tr>
<td>Enterprise HR Portal</td>
<td>45%</td>
</tr>
<tr>
<td>Talent Management System</td>
<td>33%</td>
</tr>
<tr>
<td>Core HR Solution</td>
<td>26%</td>
</tr>
<tr>
<td>HRIS</td>
<td>74%</td>
</tr>
<tr>
<td>Payroll</td>
<td>86%</td>
</tr>
<tr>
<td>LMS</td>
<td>50%</td>
</tr>
<tr>
<td>HR Data Warehouse</td>
<td>48%</td>
</tr>
<tr>
<td>Enterprise HR Portal</td>
<td>45%</td>
</tr>
<tr>
<td>Talent Management System</td>
<td>33%</td>
</tr>
<tr>
<td>Core HR Solution</td>
<td>26%</td>
</tr>
</tbody>
</table>

Figure 38: Dissatisfied with the current HR technology?

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited integration ability with other technology packages</td>
<td>17%</td>
</tr>
<tr>
<td>High maintenance cost</td>
<td>17%</td>
</tr>
<tr>
<td>User interface is not friendly</td>
<td>33%</td>
</tr>
<tr>
<td>Not many options of Employee/ Manager self Service</td>
<td>33%</td>
</tr>
<tr>
<td>Utilization levels low</td>
<td>50%</td>
</tr>
<tr>
<td>Limited functionality</td>
<td>50%</td>
</tr>
</tbody>
</table>

Figure 39: Future plans for HR technology enablement?

<table>
<thead>
<tr>
<th>Plan</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Replace existing systems</td>
<td>38%</td>
</tr>
<tr>
<td>Retire or replace existing systems</td>
<td>62%</td>
</tr>
<tr>
<td>No</td>
<td>74%</td>
</tr>
</tbody>
</table>

Figure 40: Future plans to retire or replace existing systems

<table>
<thead>
<tr>
<th>Plan</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Replace existing systems</td>
<td>38%</td>
</tr>
<tr>
<td>Retire or replace existing systems</td>
<td>62%</td>
</tr>
<tr>
<td>No</td>
<td>74%</td>
</tr>
</tbody>
</table>
Analytics driven, science-based solutions
According to the Deloitte Global Human Capital 2016 trends report, organizations are no longer “stuck in neutral” in their deployment of people analytics. With analytics moving into the corporate mainstream, organizations are keen to adopt or are in early stages of adopting technology and building capabilities to “datafy” their HR organizations. Companies that “datafy” their HR systems and processes are seeing 2 to 3 times better results in their quality of hire, leadership pipelines, and employee turnover. HR organizations have shifted today toward implementing analytics solutions that drive decision making and value.

Is your solution driven by data analysis?
Our survey findings report almost half of the respondents are now engaged in this area and almost 60 percent of the organizations feel the data provides meaningful insights driving right decisions (Figure 43). The majority of the organizations use dashboards, spreadsheets, excel based reporting and analytics to collect data, report, and present it to executive leadership (Figure 41) and have indicated the usability of data / report generated is generally reliable (Figure 43).

However, it is interesting to note that even though the HR analytics is widely used among these organizations and is highly reliable in generating meaningful insights only 2 percent of these organizations are currently using HR analytics as an initiative to improve HR service delivery effectiveness. This implies that understanding of HR and data analytics is limited at present and is not being fully utilized to generate meaningful insights to drive decision making to enhance HR service delivery effectiveness.

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**Figure 41: How data is collected, reported on and presented to executive leadership**

- Dashboards: 60%
- Spreadsheet: 48%
- Excel Based: 48%
- Analytics: 38%
- ERP Solutions: 24%
- Reporting Tools (SQL Based / SSRS/ SSIS/ Microsoft BI): 14%
- IT Enabled: 12%
- Homegrown Software: 12%

**Figure 42: Are you using HR Analytics to address the HR related issues?**

- Yes: 52%
- No: 48%

**Figure 43: What is the reliability / usability of the data generated?**

- Highly Reliable: 43%
- Moderate: 27%
- Not Reliable: 10%
- Highly Reliable: 10%
- Moderate: 10%
Conclusion: From efficiency to business enablement to digital (HR) business

In India, and around the world, the focus of HR transformation programs has evolved. This year’s India HRT survey, our earlier survey in 2012, and our research on global Human Capital trends in 2016—including the rise of digital HR and people analytics—help tell the story of this evolution.

The picture of what is next in HR transformation, even beyond business enablement, is coming into focus. In this year’s 2016 Global Human Capital Trends report we outlined what we expect to see next in HR transformation and a major emerging focus is on digital HR—combining the opportunities of mobile, cloud, analytics, social, automation and real time operations.

Looking across the HR transformation journey, we can now recognize three critical phases which HR teams are moving through. The challenge today, perhaps, is to accelerate the journey.

• Phase I: Highly efficient HR shared services and operations—with administration and transactions driven by self-service, efficient HR operations, technology, and where appropriate, outsourcing.

• Phase II: HR focused on business impact and results with an emphasis on HR business partners, Centers of Excellence to provide insightful external and internal perspectives.

• Phase III: Digital business (and HR) leveraging digital technologies, mobile, social, real time HR operations and embedded people analytics. The shift is on to the next level of efficiency and freeing resources to focus on business priorities including new workforce models, innovation, and business—and HR—automation.

Perhaps by starting with the end in mind, Indian companies embarking on HR transformations can focus, and accelerate, their efforts to have an impact on HR efficiency, employee experience, and business impact and sustainability.

Figure 45: Comparison of current HR service delivery models and digital HR

<table>
<thead>
<tr>
<th>Current HR service delivery</th>
<th>Digital HR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transactions and processes</td>
<td>Integrated HR platform (policy, process, systems, operations)</td>
</tr>
<tr>
<td>Systems with web browser access</td>
<td>Mobile-first apps</td>
</tr>
<tr>
<td>Paper-based forms moved to web forms</td>
<td>Digital design</td>
</tr>
<tr>
<td>Process-based design</td>
<td>Human-centered, experience-driven design</td>
</tr>
<tr>
<td>SLAs (service level agreements)</td>
<td>Real-time (once and done)</td>
</tr>
<tr>
<td>HR (and shared) service centers</td>
<td>Operations centers</td>
</tr>
<tr>
<td>Periodic reports</td>
<td>Real-time interactive dashboards</td>
</tr>
<tr>
<td>Analytics add-ons</td>
<td>Integrated analytics platform and dashboards</td>
</tr>
</tbody>
</table>

Deloitte’s Human Capital Practice

Deloitte offers a full range of Human Capital services including strategy, program and delivery design, program management, process and operations, implementation, and change management. Deloitte’s global Human Capital consulting practice helps clients transform their HR functions by aligning their human capital strategies with business strategies and objectives. Our global HR Transformation practice assists with the development of HR strategies, creation of new service delivery models, design and implementation of shared services models, outsourcing advisory, and the implementation of core and enabling technologies.

Deloitte Human Capital Consulting Practice

Deloitte Human Capital Consulting practice in India has over 1,200 professionals with a strong national presence and wide reach with 13 regional centers. In India, Deloitte offers its complete range of HR services offerings which include:

• HR Transformation
• Organization Transformation and Talent
• Actuarial, Rewards & Analytics

Proven HRT Methodology

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71,800
New Hires

244,400
Total Headcount

$36.8B
Revenue In Us$

674
Offices

$225M
Societal Impact Contributions In Us$

120
years of successful client service

India

India clientele (November 2015 BT500*)

Consumer business

Serves 48 of 89 companies in BT500 list

Financial services

Serves 59 of 109 companies in BT500 list

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*BT500 - Business Today publication about India’s top 500 performing companies
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Bringing global, integrated and cross-industry perspectives to help our clients anticipate and meet their greatest challenges both globally and in India.

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<th>Enterprise Risk Services</th>
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<td>• M&amp;A Transactions Services</td>
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<td>• Valuation Services</td>
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<td>• Transfer Pricing</td>
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Assurance services
- Financial statement audit
- GAAP compliance
- Internal control review
- Corporate governance

Human Resource Transformation: What’s next? | Realizing the impact of HR as a Business Enabler

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