Deloitte.

HR Transformation in India
A case for Business Driven HR

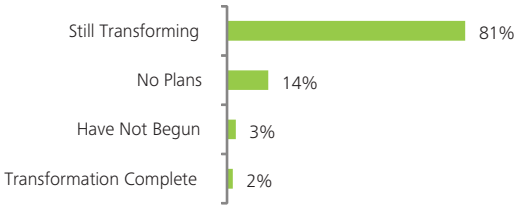
Summary Report
September 2012
www.deloitte.com/in

Human Resource Transformation (HRT) focuses on maximizing the efficiency and effectiveness of HR service delivery models and HR functions through – reengineering processes, restructuring, implementing new systems or a new HR service delivery model, outsourcing or insourcing with the specific intent of enhancing HR's contribution to the business strategy. Global trends suggest that with the impending challenges and issues that organizations are facing with HR Service Delivery, there is a need to redefine how HR operates and delivers its services to the employees. In the Indian scenario, HR Transformation is the current buzz word being used by HR and business leadership striving to improve HR services and keep pace with the developments in more mature markets. Keeping this in mind, Deloitte Touché Tohmatsu India Pvt. Ltd (Deloitte India) has conducted a dip stick survey to understand how companies are bringing HR into the 21st century and to understand how HR functions and leaders are approaching transformation in Indian context.

Key Findings

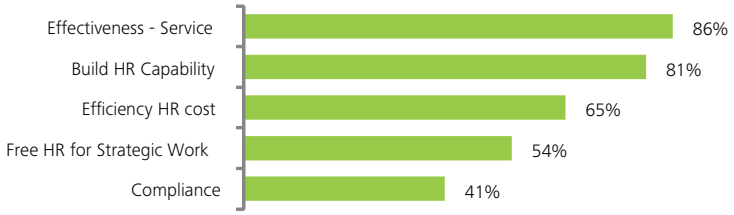
HRT is Top of the Mind – Overwhelming 83 percent organizations across industry verticals have indicated that they have initiated a HR Transformation initiative in the last 5 years [Figure 1]. Interestingly, 65 percent of these companies suggested that these initiatives are being driven by the corporate or global leadership.

Figure 1: HR Transformation is Top of the mind



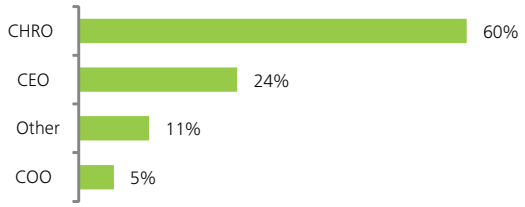
HRT Focusing on Value Creation – Effectiveness of HR services and HR Capability drive the case for HRT. 86 percent cite "service effectiveness" and 81 percent cite "building HR capability" as a transformation driver as compared to "Efficiency - HR Cost" - the traditional hallmark of the HR function [Figure 2]. This clearly shows a shift in focus of organizations from cost savings (in an area that accounts for less than 1 percent of corporate revenue), towards determining how HR can help support and align with business strategy.

Figure 2: Factors that drive HR Transformation



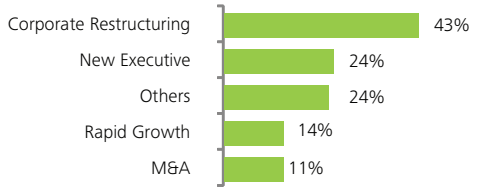
Empowered CHROs – CHROs are the key decision makers and sponsors for these initiatives (60 percent) [Figure 3]. This indicates that CEOs are empowering CHROs to bring HR into the 21st century and take responsibility for business – HR alignment. At the same time over 58 percent of the respondents conduct HRT as part of larger corporate efforts rather than stand-alone initiatives

Figure 3: The Key Sponsors of HR Transformation



Business events trigger HRT – Survey results indicate that most transformation efforts are more likely to be launched in response to specific business events, rather than as part of a strategic plan. Two business events trigger more than 60 percent of the initiatives to transform HR [Figure 4]. A significant number of Indian organizations (14 percent) also indicated Rapid Growth as an impetus to initiate HRT interventions.

Figure 4: Events that trigger HRT

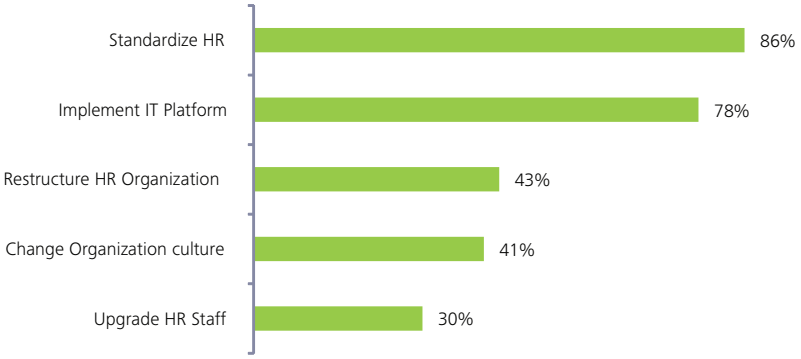


Focus of HR Improvements – With a view to increase service efficiency, organizations are focusing increasingly on standardizing their HR processes (89 percent) and implementing IT platforms (81 percent) to enhance employees' experience [Figure 5]. As in the past, in Deloitte's experience most HR improvement programs still center on tactical initiatives, rather than providing solutions for strategic business issues.

Process standardization is the key scope for HR Transformation and for the organizations which chose 'Standardize HR' as their scope of HRT, Manage Compensation (75percent), Manage Talent Acquisition (75 percent) and Manage Performance (72 percent) emerge as the top three processes.

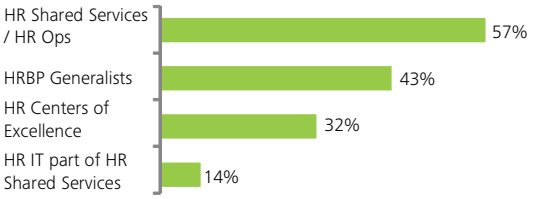
Transformation and Shared Services – HR shared services is a global trend which is gaining acceptance in India as an enabler to move transactional and administrative activities to a separate setup. This is marked by the fact that 45 percent organizations in the survey have stated that their HR service delivery is managed by a shared services center.

Figure 5: The Key activities that form a part of HR Transformation initiatives



Out of the 43 percent of the respondents who indicated that restructuring the HR organization was part of the scope of activities for HRT interventions [Figure 5], the majority of respondents (57 percent) indicated that restructuring HR shared services was one of their main areas of work [Figure 6].

Figure 6: HR Roles that are part of restructured HR organization



Transformation and Outsourcing – Human Resources Business Process Outsourcing (HR BPO) offers organizations multitude opportunities. However, HR BPO is a complex business arrangement, and it is not the solution for every HR business objective. As per the Deloitte India survey, 54 percent of the respondents have selectively or completely outsourced their HR processes. The primary considerations for organizations to outsource are: reducing operating costs, cost avoidance, improving customer service, and refocusing HR on more value-added activities directly supporting business strategy.

A vast majority of respondents are outsourcing various HR administrative/operational processes whereas outsourcing of strategic HR activities is riskier and less common which is visible from the survey findings [Figure 7]. However, 41 percent of the organizations who decided to outsource their processes to an external partner did not transform their HR function before outsourcing the processes. This is one of the main

reasons why most of the outsourcing initiatives do not reach the effectiveness and efficiency levels as broken processes are shifted As – Is into the outsourced units.

Most of the organizations end up outsourcing their pain areas without finding solutions for the same.

What the future may hold – A small but growing number of respondents identified the key business issues that they need to support in order to support business strategy. We see this as an indication that business-HR alignment is an emerging and important business issue and that Business Driven HR may be the wave of the future. In most cases, that will mean focusing on three key areas: operational excellence, revenue growth, and talent strategies. HR transformation in the future will focus on aligning HR's services and capabilities with the strategic needs of the business to create business value.

Figure 8: Emerging business issues driving future HR transformation

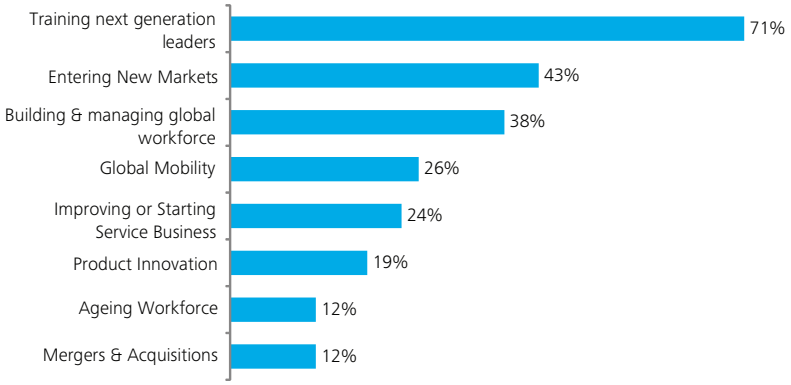
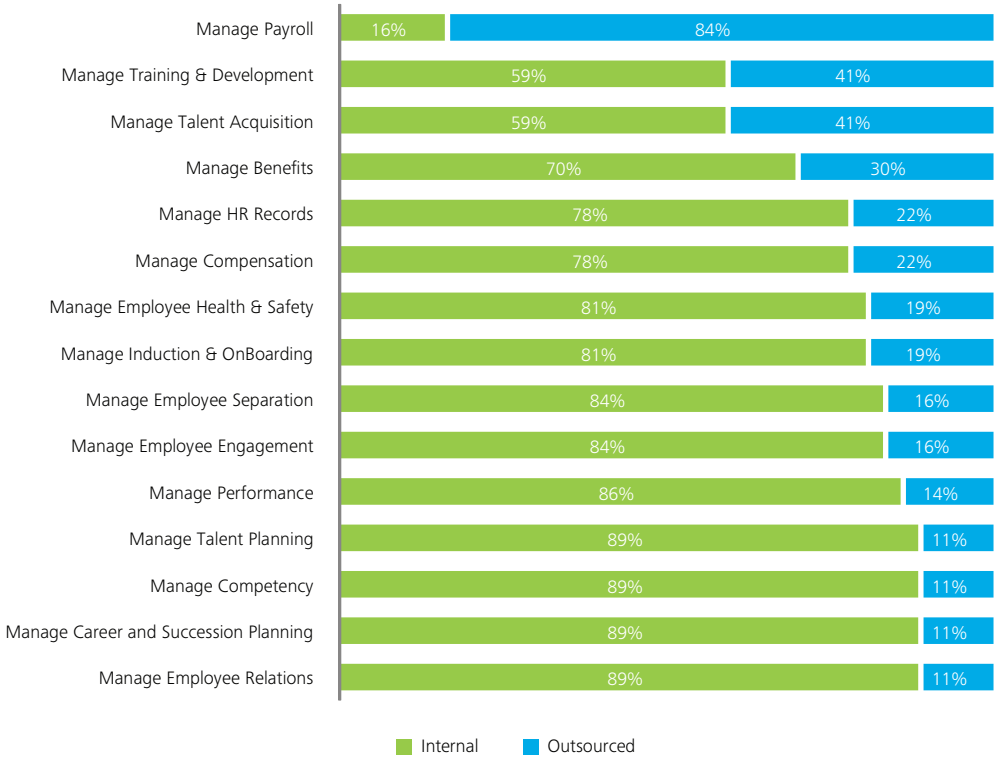


Figure 7: Processes in scope for outsourcing

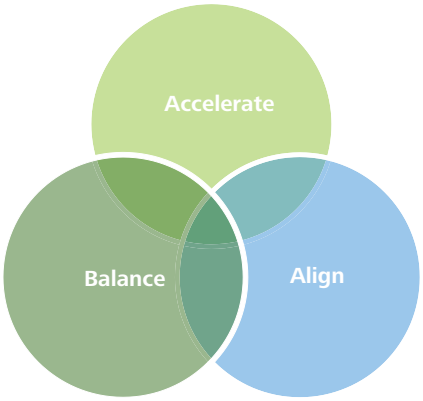


Moving Forward – In our experience, HR transformation is gaining momentum slowly in India, while market forces are moving much more quickly. A more complete perspective of transformation is necessary for HR to assume the role forward-looking C-suite executives want HR to play and act as a strategic business "partner" within the company.

Here are some actions for HR leaders to move forward:

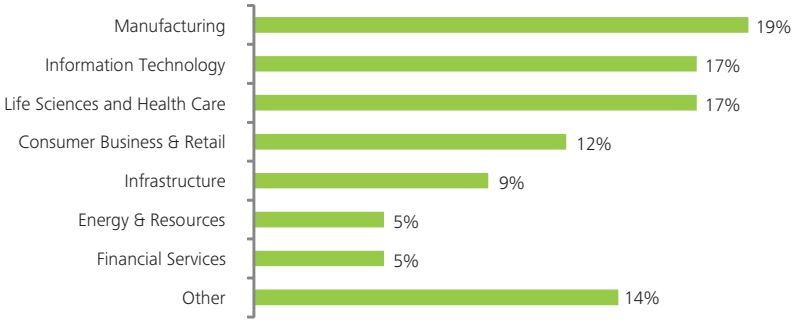
- Accelerate the transformation of core services
- Balance HR's portfolio to address strategic people issues
- Align HR's portfolio with organizations strategic objectives

Figure 9: Industry wise break up of respondents



Methodology and Demographics – Deloitte India conducted a pan India survey companies operating out of India and received participation from 42 top companies. The objective of the research was to understand how HR functions and leaders are approaching transformation. The following industries were represented in the survey results.

Figure 10: Industry wise break up of respondents



Authors

Thought Leadership

Mr. P Thiruvengadam
Senior Director, Bengaluru
Email: pthiruvengadam@deloitte.com

Dr. Vishalli Dongrie
Senior Director, Mumbai
Email: vdongrie@deloitte.com

Ms. Sucheta Hota
Director, New Delhi
Email: suhota@deloitte.com

Mr. Shivram Sethuraman
Director, Chennai
Email:shsethuraman@deloitte.com

Authors

Mr. Saurabh Dwivedi
Manager
Email: sdwivedi@deloitte.com

Ms. Anshul Jain
Senior Consultant
Email: ansjain@deloitte.com

Mr. Prateek Roy
Consultant
Email: proy@deloitte.com

Key Contributors

Ms. Guneet Jolly
Senior Consultant
Email: gujolly@deloitte.com

Ms. Pallavi Tandon
Senior Consultant
Email: paltandon@deloitte.com

Ms. Ramya Madhavan
Senior Consultant
Email: mramya@deloitte.com

Mr. Amit Kumar
Consultant
Email: amitnkumar@deloitte.com

Global Human Capital Leadership

Global

Global Human Capital Leader
Brett Walsh
+44 20 7007 2985
bcwalsh@deloitte.co.uk

Global Marketing, Eminence & Brand Leader
Jeff Schwartz
+1 202 257 5869
jeffschwartz@deloitte.com

Strategic Change & Organization Transformation Leader
Simon Holland
+44 20 7007 1922
siholland@deloitte.co.uk

HR Transformation Leader
Jason Geller
+1 212 618 4291
jgeller@deloitte.com

Talent, Performance & Rewards Leader
Lisa Barry
+61 3 9671 7248
lisabarry@deloitte.com.au

Actuarial & Advanced Analytics Leader
Dave Foley
+1 212 618 4138
dfoley@deloitte.com

Americas

Americas HC Leader
Jaime Valenzuela
+56 27298016
jvalenzuela@deloitte.com

United States Leader
Barbara Adachi
+1 415 783 4229
badachi@deloitte.com

Canada Leader
Heather Stockton
+1 416 601 6483
hstockton@deloitte.ca

Brazil Leader
Henri Vahdat
+55 11 5186 1747
hvahdat@deloitte.com

LATCO Leader
Veronica Melian
+598 2916 0756 ext. 6134
vmelian@deloitte.com

Mexico Leader
Jorge Castilla
+52 55 50806110
jocastilla@deloittemx.com

Asia Pacific

Asia Pacific HC Leader
Richard Kleinert
+2035632523
rakleinert@deloitte.co.nz

Australia Leader
Nicky Wakefield
+61 2 9322 5799
NWakefield@deloitte.com.au

Japan Leader
Kenji Hamada
+80 4358 7073
kehamada@tohmatsu.co.jp

China Leader
Jungle Wong
+86 10 85207807
junglewong@deloitte.com.cn

India Leader
P. Thiruvengadam
+91 80 6627 6108
pthiruvengadam@deloitte.com

Korea Leader
Seok Hoon Yang
+82 2 6676 3644
seoyang@deloitte.com

South East Asia Leader
Hugo Walkinshaw
+65 9836 8991
hwalkinshaw@deloitte.com

Europe, Middle East & Africa

EMEA HC Leader
Brett Walsh
+44 20 7007 2985
bcwalsh@deloitte.co.uk

United Kingdom Leader
David Parry
+44 20 7007 2988
davidparry@deloitte.co.uk

South Africa Leader
Trevor Page
+27115174263
trepage@deloitte.co.za

Austria Leader
Christian Havranek
+43 1537002600
CHavranek@deloitte.at

Belgium Leader
Yves Van Durme
+32 2 749 59 97
yvandurme@deloitte.com

Central Europe Leader
Evzen Kordenko
+420 246 042 883
ekordenko@deloittece.com

Denmark Leader
Kim Domdal
+45 30 93 63 51
kdomdal@deloitte.dk

France Leader
David Yana
+33 1 58 37 96 04
dyana@deloitte.fr

Germany Leader
Udo Bohdal
+49 69 97137350
ubohdal@deloitte.de

Luxembourg Leader
Gilbert Renel
+352 45145 2544
grenel@deloitte.lu

Middle East Leader
Ghassan Turqieh
+961 1 366844
gturqieh@deloitte.com

Netherlands Leader
Ardie Van Berkel
+31 882881834
AvanBerkel@deloitte.nl

Spain Leader
Enrique de la Villa
+34 607989675 ext. 72328
edelavilla@deloitte.es

This Report contains analyses that are intended to provide high-level information on the subject and are not an exhaustive treatment of the subject hence should not be used directly in connection with matters related to Human Resource. The analyses in the Report are limited by the study conducted, the time allocated, information collected by DTTIPL (including the observation of the people / organization whom DTTIPL met in connection with the survey conducted during the study) and are heavily dependent upon the assumptions specified in this Report. It should be noted that a different set of assumptions will lead to a different analyses. DTTIPL accepts no responsibility, liability or warranty to any party in respect of this Report. The information obtained and collected from the various primary and secondary sources has been used on an "as-is" basis without any independent verification by DTTIPL. This Report is not intended to be relied upon as a basis for any decision and the reader should take decisions only after seeking professional advice and after carrying out their own due diligence procedures, detailed analysis to ensure that they are making an informed decision. This Report is not and should not be construed in any recommendations by DTTIPL to the reader or any other party. The reader shall be solely responsible for any and all decisions (including the implications thereof) made by them on the basis of this Report.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

This material and the information contained herein prepared by Deloitte Touche Tohmatsu India Private Limited (DTTIPL) is intended to provide general information on a particular subject or subjects and is not an exhaustive treatment of such subject(s). None of DTTIPL, Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this material, rendering professional advice or services. The information is not intended to be relied upon as the sole basis for any decision which may affect you or your business. Before making any decision or taking any action that might affect your personal finances or business, you should consult a qualified professional adviser.

No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this material.

©2012 Deloitte Touche Tohmatsu India Private Limited. Member of Deloitte Touche Tohmatsu Limited