HR Transformation in India
A case for Business Driven HR
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 Touche 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.
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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.

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 (75 percent), 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.

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 7: Processes in scope for outsourcing

<table>
<thead>
<tr>
<th>Process</th>
<th>Internal</th>
<th>Outsourced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manage Payroll</td>
<td>16%</td>
<td>84%</td>
</tr>
<tr>
<td>Manage Training &amp; Development</td>
<td>59%</td>
<td>41%</td>
</tr>
<tr>
<td>Manage Talent Acquisition</td>
<td>59%</td>
<td>41%</td>
</tr>
<tr>
<td>Manage Benefits</td>
<td>70%</td>
<td>30%</td>
</tr>
<tr>
<td>Manage HR Records</td>
<td>78%</td>
<td>22%</td>
</tr>
<tr>
<td>Manage Compensation</td>
<td>78%</td>
<td>22%</td>
</tr>
<tr>
<td>Manage Employee Health &amp; Safety</td>
<td>81%</td>
<td>19%</td>
</tr>
<tr>
<td>Manage Induction &amp; OnBoarding</td>
<td>81%</td>
<td>19%</td>
</tr>
<tr>
<td>Manage Employee Separation</td>
<td>84%</td>
<td>16%</td>
</tr>
<tr>
<td>Manage Employee Engagement</td>
<td>84%</td>
<td>16%</td>
</tr>
<tr>
<td>Manage Performance</td>
<td>86%</td>
<td>14%</td>
</tr>
<tr>
<td>Manage Talent Planning</td>
<td>89%</td>
<td>11%</td>
</tr>
<tr>
<td>Manage Competency</td>
<td>89%</td>
<td>11%</td>
</tr>
<tr>
<td>Manage Career and Succession Planning</td>
<td>89%</td>
<td>11%</td>
</tr>
<tr>
<td>Manage Employee Relations</td>
<td>89%</td>
<td>11%</td>
</tr>
</tbody>
</table>

Figure 8: Emerging business issues driving future HR transformation

1. Training next generation leaders  71%
2. Entering New Markets  43%
3. Building & managing global workforce  38%
4. Global Mobility  26%
5. Improving or Starting Service Business  24%
6. Product Innovation  19%
7. Ageing Workforce  12%
8. Mergers & Acquisitions  12%
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

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 9: Industry wise break up of respondents

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>19%</td>
</tr>
<tr>
<td>Information Technology</td>
<td>17%</td>
</tr>
<tr>
<td>Life Sciences and Health Care</td>
<td>17%</td>
</tr>
<tr>
<td>Consumer Business &amp; Retail</td>
<td>12%</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>9%</td>
</tr>
<tr>
<td>Energy &amp; Resources</td>
<td>5%</td>
</tr>
<tr>
<td>Financial Services</td>
<td>5%</td>
</tr>
<tr>
<td>Other</td>
<td>14%</td>
</tr>
</tbody>
</table>
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