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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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Content

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.
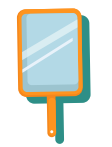
6 Essential High-Impact HR Design Principles

1 Start with foundation inclusive of analytics and empowerment culture in HR
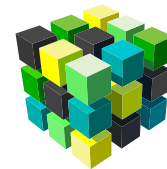
2 Build structure that optimizes business embedded design and delivery while leveraging HR specialist expertise

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	Legislative changes
Heightened emphasis on quality and standards		
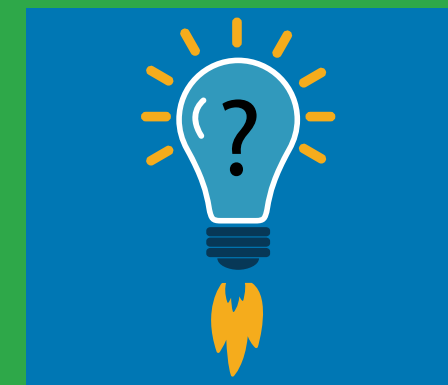
Key Considerations For Organizations

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?	What will it take to improve middle/back office operations?
How am I charged for service?		

Desired Outcomes

Financial savings | Compliance | Business continuity plan | Flexible Infra

Strong Customer Relationships | Access to trained resources

BPR | Leaner processes and policies | Integrated systems

Survey Demographics

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 & Health Care	4%
Lifesciences and healthcare	2%
Banking & Securities	2%
Transportation	2%

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.
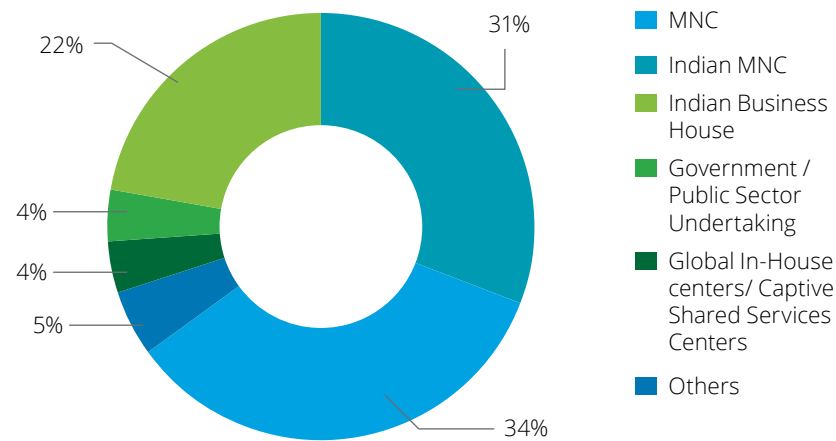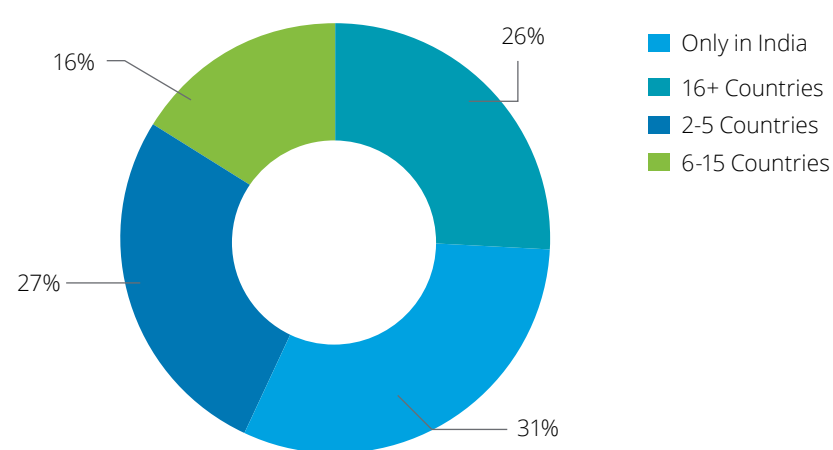
Figure 1: Organization type

- MNC — 31%
- Indian MNC
- Indian Business House — 22%
- Government / Public Sector Undertaking — 4%
- Global In-House centers/ Captive Shared Services Centers — 4%
- Others — 5%, 34%

Figure 2: Geographic Presence

- Only in India — 26%
- 16+ Countries — 16%
- 2-5 Countries — 27%
- 6-15 Countries — 31%

Figure 4: Company Annual Revenue

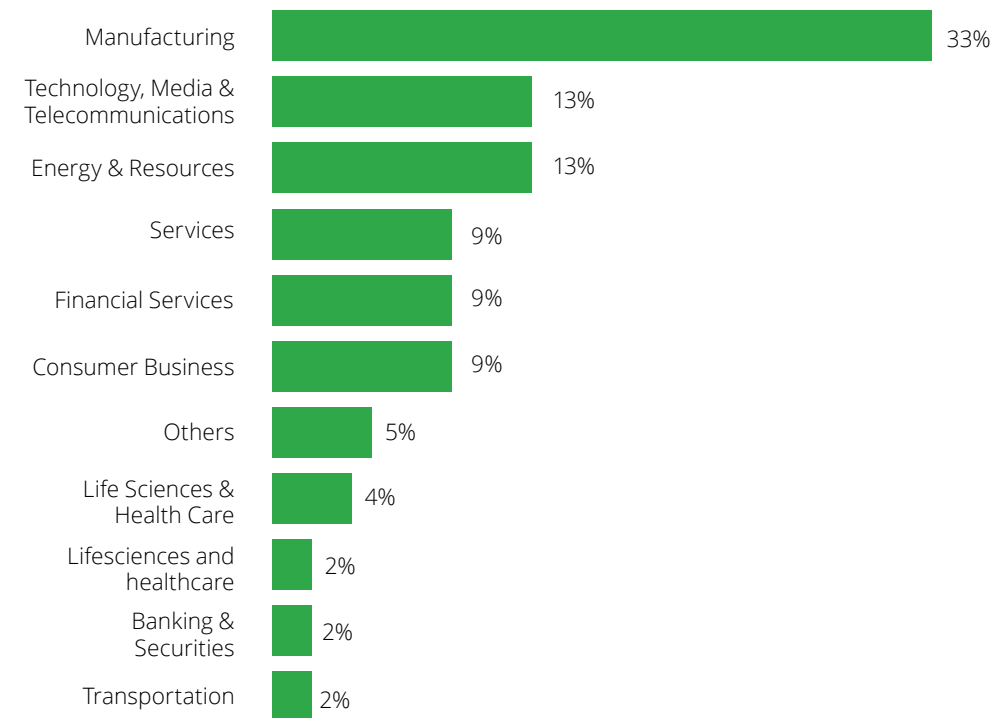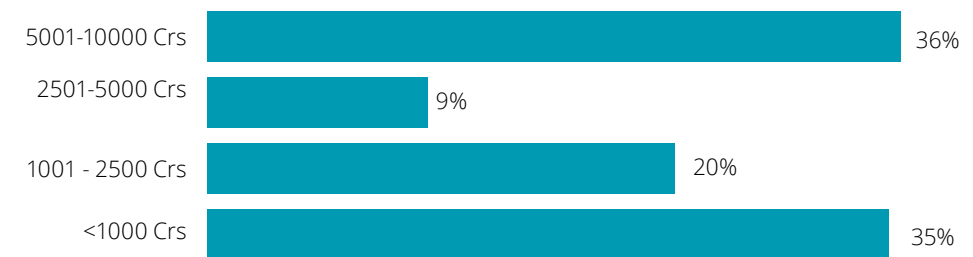|	
5001-10000 Crs	36%
2501-5000 Crs	9%
1001 - 2500 Crs	20%
<1000 Crs	35%

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.

HR Transformation

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, 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

79% Organizations have **initiated HRT efforts** around restructuring HR organizations

61% Organizations have a focus on **changing organization culture**
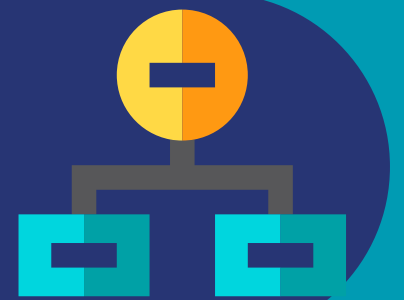
New Mandates

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

Figure 5: HR professionals have a strong understanding of the business, competitors, and the external business environment
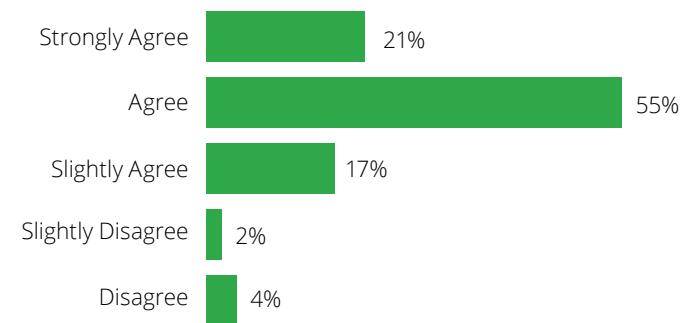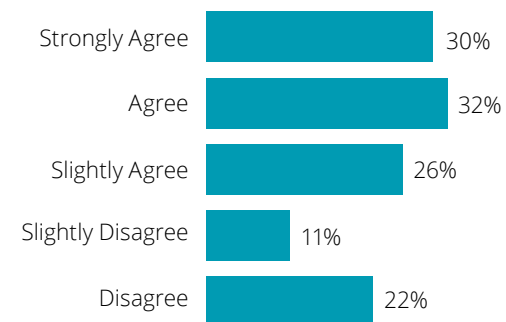
Strongly Agree	21%
Agree	55%
Slightly Agree	17%
Slightly Disagree	2%
Disagree	4%

Figure 6: HRBPs partner well with the business

|	
Strongly Agree	30%
Agree	32%
Slightly Agree	26%
Slightly Disagree	11%
Disagree	22%

continue to struggle to understand how HR business partners should contribute to the business. According to the 2015 Deloitte HR Business Partnering Report[2], 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 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 reported HR shared services should further expand their business

Figure 7: CoEs focus solely on strategic initiatives

Strongly Agree	30%
Agree	32%
Slightly Agree	26%
Slightly Disagree	11%
Disagree	22%
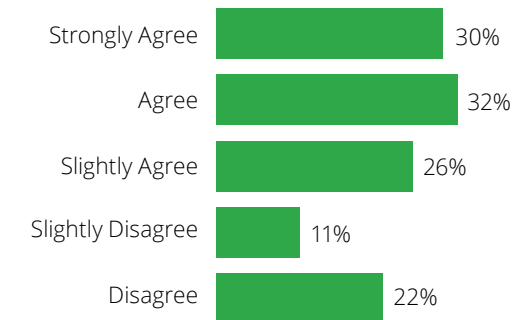
offerings, eliminating and transitioning as much operational work as possible. Organizations realize that if the traditional scope of HR shared services is limited to administrative work, it will be destined to focus on the lower value efficiency gains. There is a need to transition administrative work to shared services and operations centers and then proceed to find ways to digitize, automate, and streamline these activities to the fullest extent possible.

[2] Deloitte HR Business Partnering Report, 2015 http://www2.deloitte.com/content/dam/Deloitte/za/Documents/financialservices/za_human_resources_business_partnering_20_jan_2015.pdf
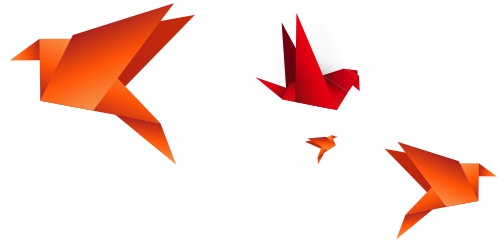
HR Operating Models are in a state of flux

Deloitte's focus since 2014 has been on an approach we refer to as High-Impact HR operating models[3] - 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.
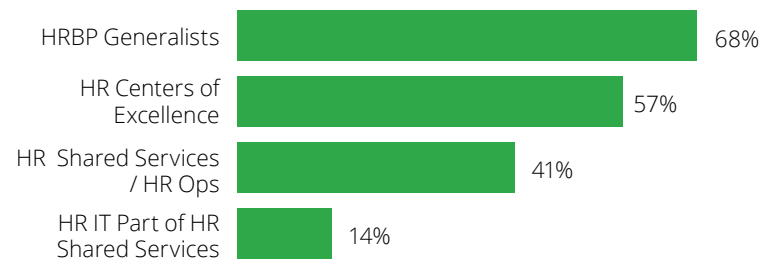
HR roles that are a part of a restructured organization

When we conducted the HRT survey in 2012[1], 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[1] 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

HR Role	Percentage
HRBP Generalists	68%
HR Centers of Excellence	57%
HR Shared Services / HR Ops	41%
HR IT Part of HR Shared Services	14%

[3]Deloitte High Impact HR Operating Model Report, 2014 http://www2.deloitte.com/content/dam/Deloitte/global/Documents/HumanCapital/gx-hc-high-impact-hr-pov.pdf
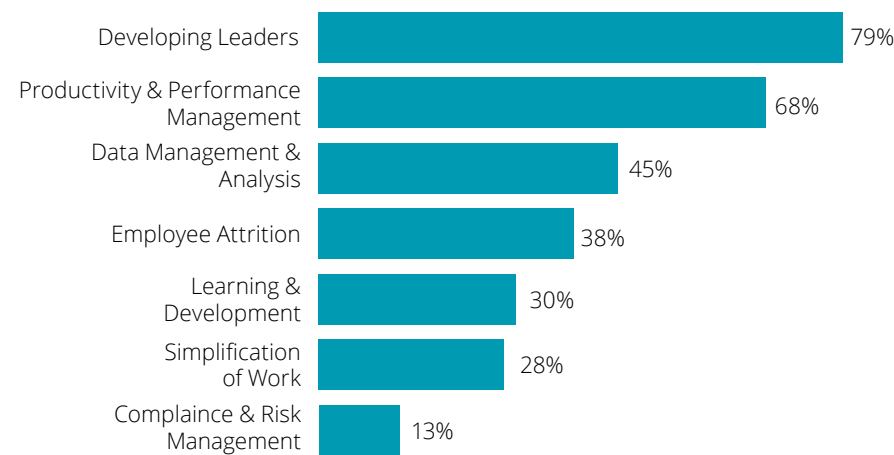
Building HR capability and HR Service Delivery Effectiveness are key components of the next phase of HR Transformation

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.

This survey revealed several HR challenges as seen in Figure 9, the top three challenges have been elaborated below.

Figure 9: HR challenges faced today

Challenge	%
Developing Leaders	79%
Productivity & Performance Management	68%
Data Management & Analysis	45%
Employee Attrition	38%
Learning & Development	30%
Simplification of Work	28%
Complaince & Risk Management	13%

What are the top three challenges HR functions face today?

According to the 2016 Global Human Capital Trends: India Report[4] 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[5].

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[4], 68 percent of respondents across India are still not confident on their leadership bench strength

In the India Human Capital Trends Report 2016[4], 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.

Fig 10: SLA / KPI for process and performance management

No 17%

Yes 83%
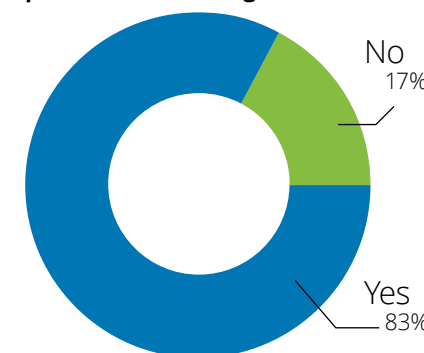
Productivity and managing performance: Reinventing HR

In Deloitte's Global Human Capital Trends Report 2016[5], the percent of the respondents rating HR's performance as 'good' or 'excellent' has been trending upwards over the past few years. 60 percent of the respondents believe HR is innovating and beginning to reskill in order to deliver greater business impact and drive business innovation.

In Deloitte's 2016[5] 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.

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[5] 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[1]. The increase can be contributed to the specialised, 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 outsource based on their organizational capabilities as they better understand the service delivery implications. The tailored strategy will result in a more pragmatic approach, a more realistic solution and better HR outsourcing outcomes. Organizational dynamics and culture will often significantly drive the types of services that can be successfully integrated into the retained organization.

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.

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 restructuring the company as a whole (43 percent in 2012[1]) or standardizing HR activities (86 percent in 2012[1]).

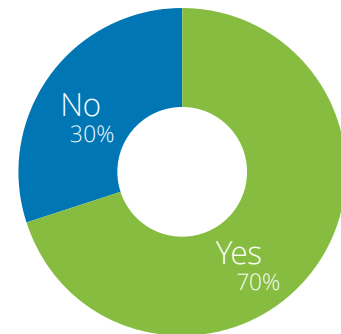**Figure 11: Have you undertaken any HR Transformation initiatives in the past 5 years?**

No 30%

Yes 70%

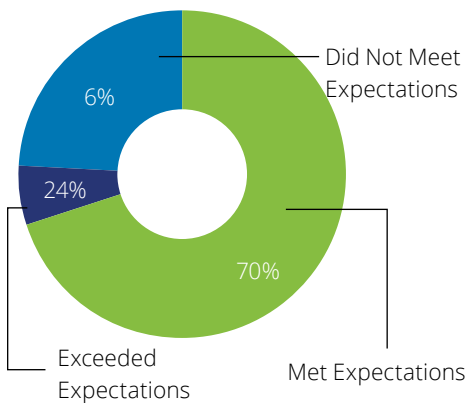**Figure 12: What is the level of satisfaction achieved from the transformation initiatives?**

Did Not Meet Expectations 6%

24%

70%

Exceeded Expectations

Met Expectations

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

Planned in Next 24 Months 14%

Planned in Next 36 Months 36%

Planned in Next 12 Months 50%
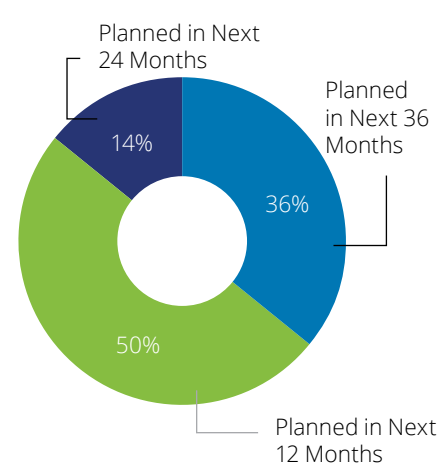
Figure 14: Key challenges faced by organizations after commencing HR transformation

Developing Leaders	82%
Productivity & Performance Management	64%
Data Management & Analysis	52%
Employee Attrition	39%
Learning & Development	33%
Simplification of Work	21%
Complaince & Risk Management	9%
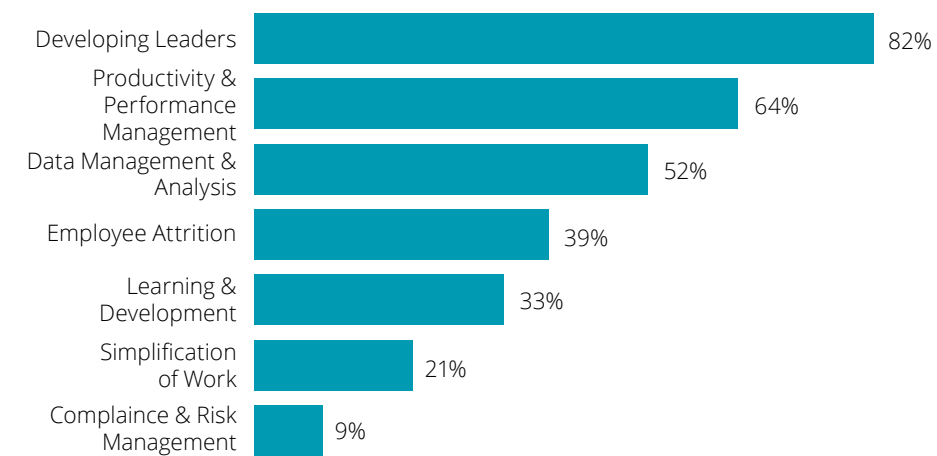
Figure 15: Key challenges faced by organizations that have not commenced any HR transformation

Productivity & Performance Management	79%
Developing Leaders	71%
Simplification of Work	43%
Employee Attrition	36%
Data Management & Analysis	29%
Learning & Development	21%
Complaince & Risk Management	21%
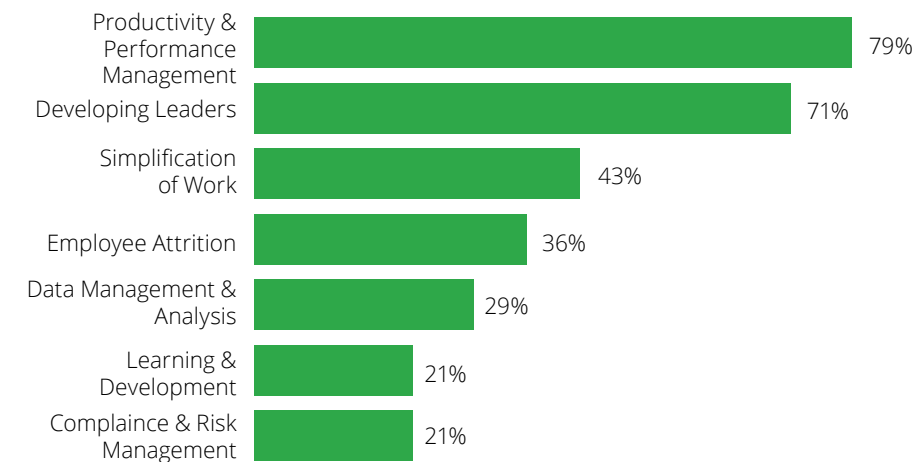
Figure 16: Nature of HR transformation undertaken

Restructure HR Organization	79%
Standardize HR	70%
Change Organization Culture	61%
Implemement IT Platform	55%
Upgrade HR Staff	36%
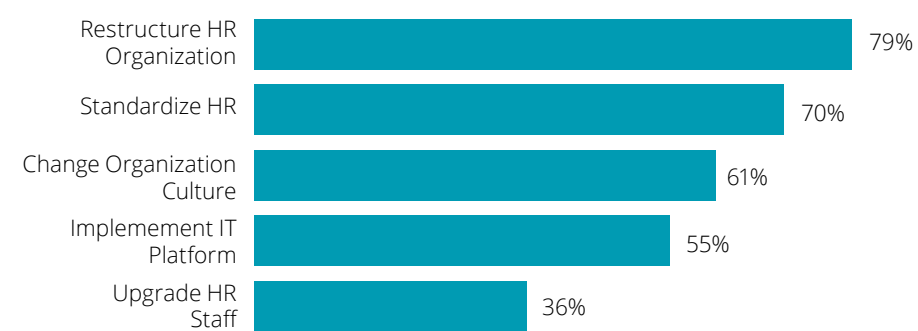
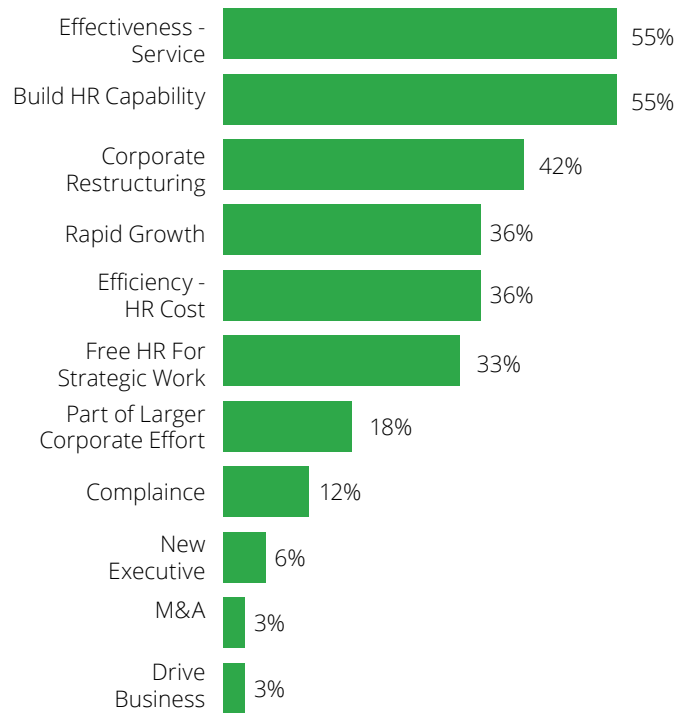## Growth of Shared Services to improve HR service delivery effectiveness

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)[6], 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 (55 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[1], 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 organizations feel rapid growth and efficiency in cost are other key goals of initiating HR transformation interventions

Figure 17: Key drivers for HR transformation

Driver	%
Effectiveness - Service	55%
Build HR Capability	55%
Corporate Restructuring	42%
Rapid Growth	36%
Efficiency - HR Cost	36%
Free HR For Strategic Work	33%
Part of Larger Corporate Effort	18%
Complaince	12%
New Executive	6%
M&A	3%
Drive Business	3%

(Figure 17). Moreover, compliance which was another key driver in the 2012[1] 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 helps 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 serviced 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.
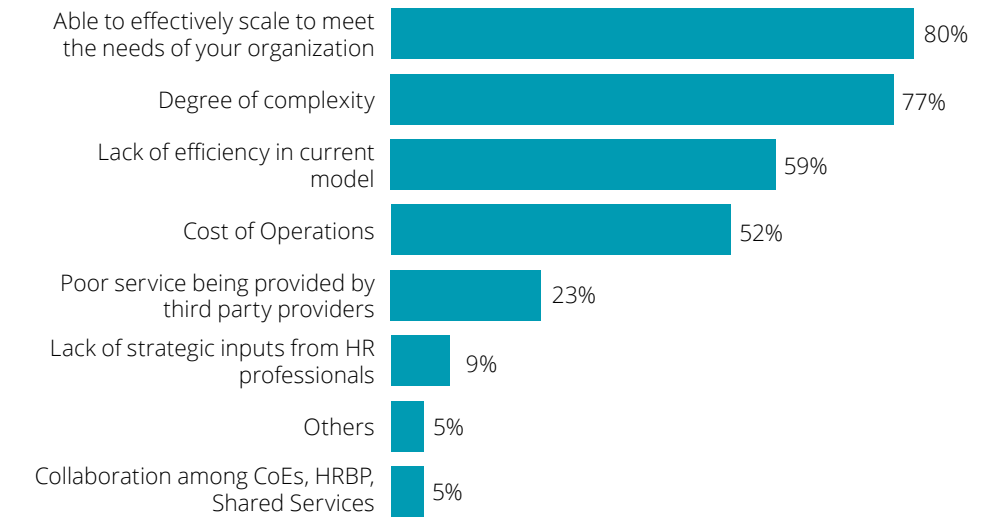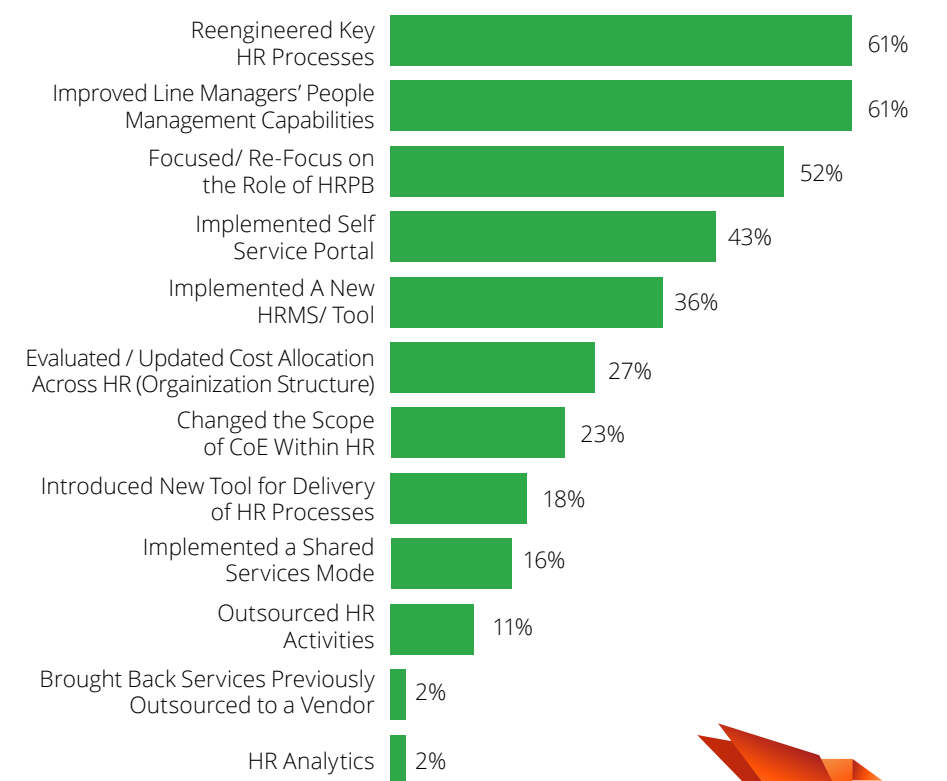
Figure 18: Barriers in HR service delivery model

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

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

Initiative	%
Reengineered Key HR Processes	61%
Improved Line Managers' People Management Capabilities	61%
Focused/ Re-Focus on the Role of HRPB	52%
Implemented Self Service Portal	43%
Implemented A New HRMS/ Tool	36%
Evaluated / Updated Cost Allocation Across HR (Organization Structure)	27%
Changed the Scope of CoE Within HR	23%
Introduced New Tool for Delivery of HR Processes	18%
Implemented a Shared Services Mode	16%
Outsourced HR Activities	11%
Brought Back Services Previously Outsourced to a Vendor	2%
HR Analytics	2%

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

- Developing Leaders — 80%
- Data Management & Analysis — 60%
- Productivity and Performance Management — 60%
- Simplification of Work — 40%
- Employee Attrition — 40%
- Complaince & Risk Management — 20%

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

- Developing Leaders — 100%
- Data Management & Analysis — 75%
- Simplification of Work — 75%
- Employee Attrition — 50%

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

- Developing Leaders — 75%
- Data Management & Analysis — 50%
- Learning & Development — 50%
- Productivity and Performance Management — 50%
- Employee Attrition — 50%
- Simplification of Work — 25%

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 organization to hire higher quality people at lower costs.

Organizations want to resolve inquires 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

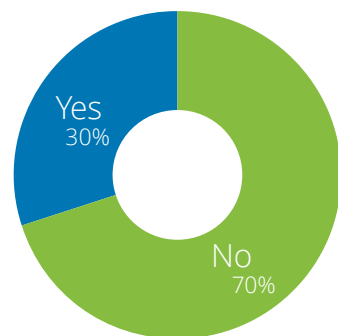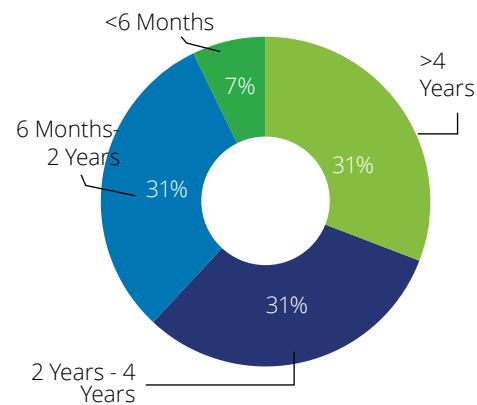**Figure 20: HR Service delivery by shared service**

- Yes 30%
- No 70%

Figure 21: When was it set up?

- <6 Months — 7%
- >4 Years — 31%
- 6 Months- 2 Years — 31%
- 2 Years - 4 Years — 31%
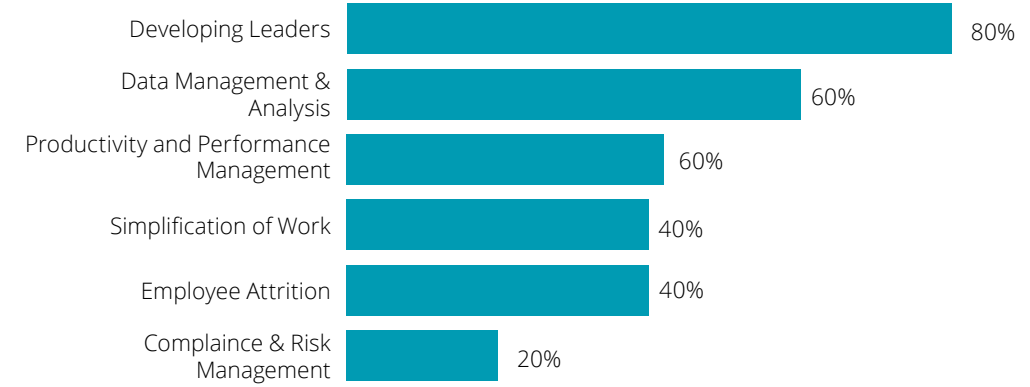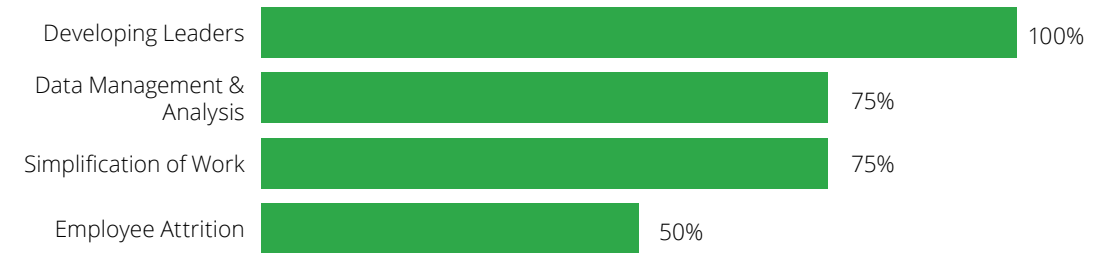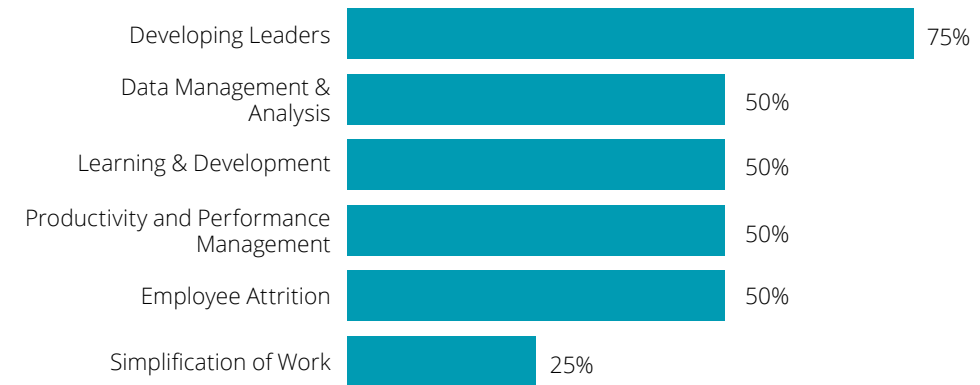
services, others agreed inefficiencies around the current model and inability to effectively scale to meet the needs of their organization led to lower satisfaction levels. Organizations believe better resources, stronger governance, faster decision making, and increased change management could have 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.

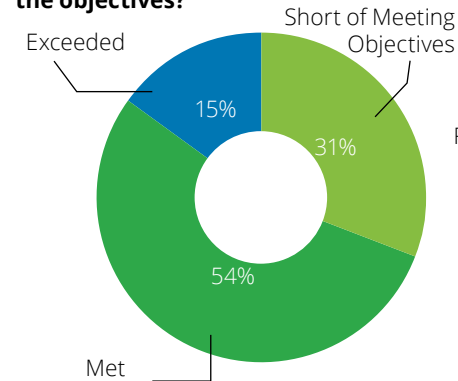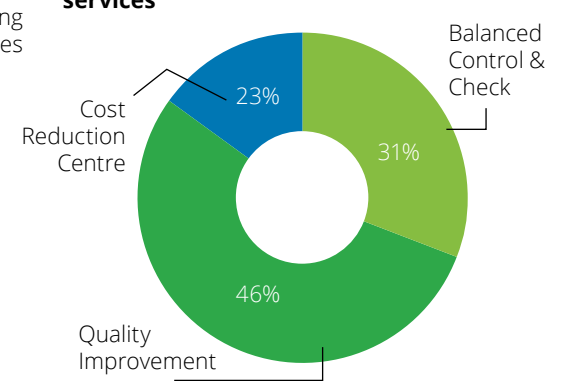**Figure 25: Degree to which it has met the objectives?**

- Exceeded — 15%
- Short of Meeting Objectives — 31%
- Met — 54%

Figure 26: Benefits from shared services

- Balanced Control & Check — 23%
- Cost Reduction Centre — 31%
- Quality Improvement — 46%

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 serrvice, 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

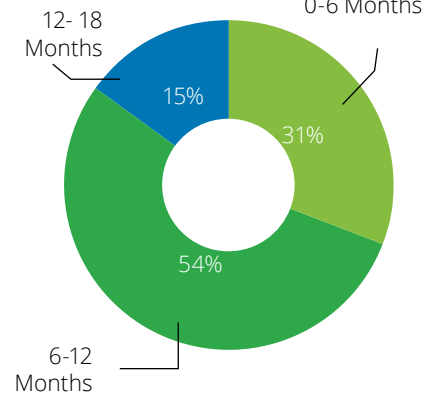**Figure 27: Standardization of processes before or after?**

- 0-6 Months: 31%
- 6-12 Months: 54%
- 12-18 Months: 15%

Figure 28: How long did it take to operationalize?

- First Moved to Shared Services: 23%
- Standardized processes and moved to shared services at the same time: 77%
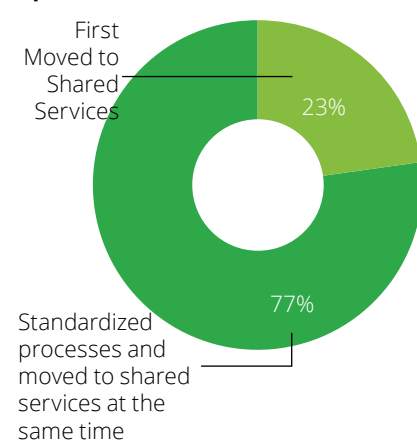
Figure 29: Challenges faced in HR Shared Services

Challenge	%
Improving Business Process Efficiency	92%
Automating Manual Tasks	67%
Reducing Communication and Transparency Gaps	58%
Expanding the Business Offering	50%
Reducing Process Variance	25%
Reducing Cost Per Transaction	8%
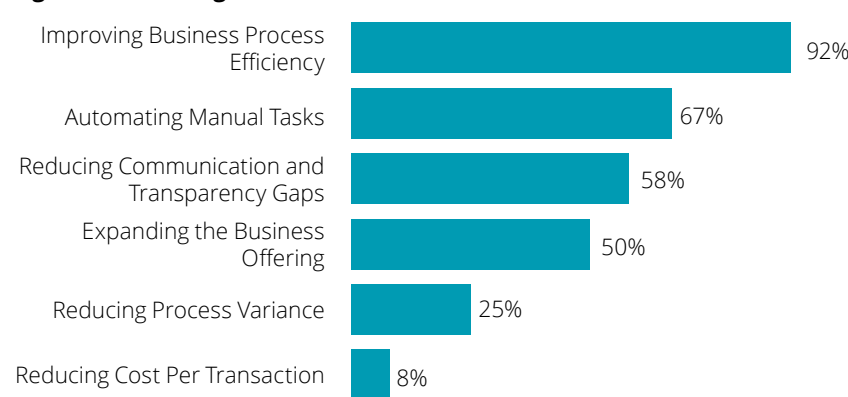
Figure 30: How could the HR Shared Services journey be improved?

	%
Better Align Between Process Change & Technology Change	67%
Increased Change Management	67%
Faster Decision Making	50%
Issue Resolution	42%
Better Resources	42%
Better Reporting	42%
Stronger Governance	33%
Stronger Executive Support	25%
Better Team	25%
Better Analytics Capabilities	8%
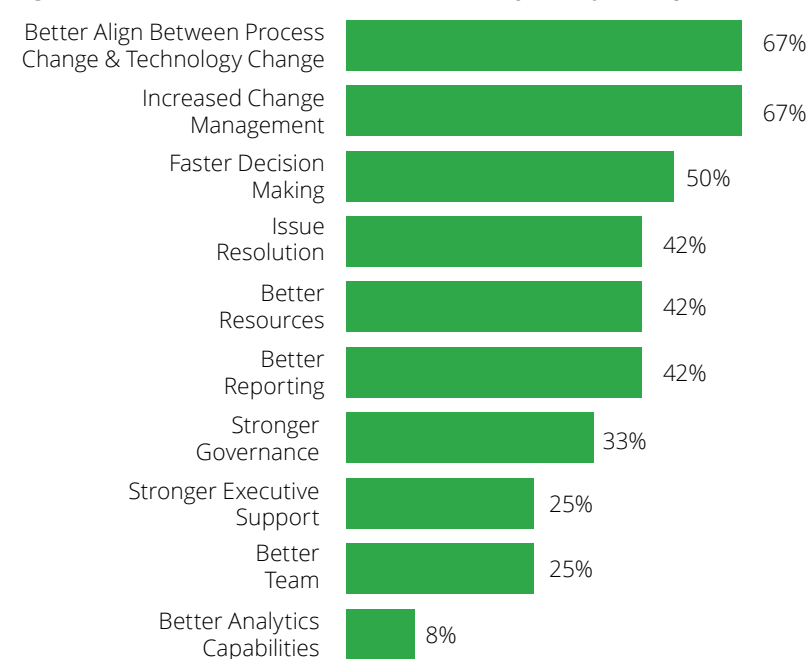
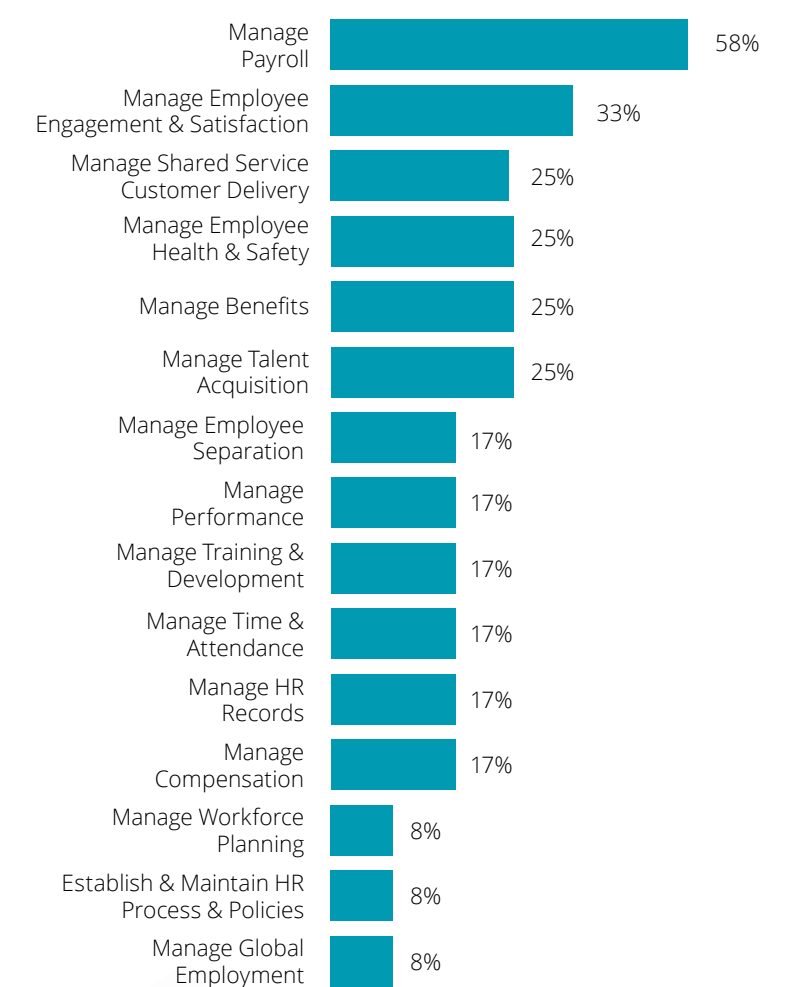communicate the overall health of the HR Shared Services Organization

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
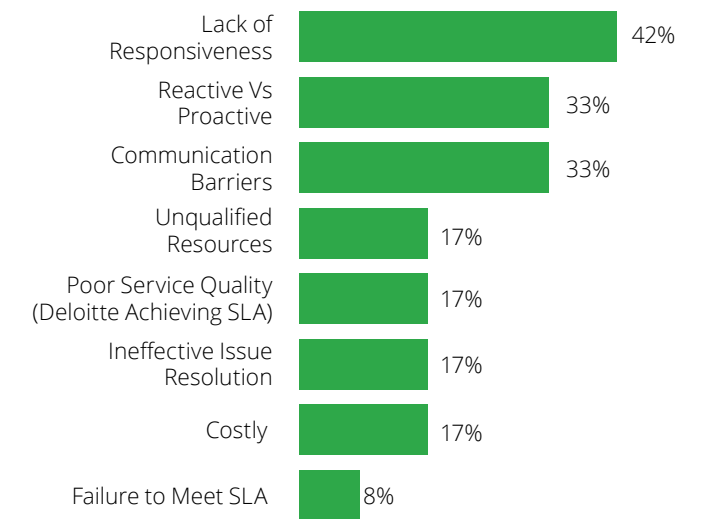
Figure 31: Scope of HR Shared Services

	%
Manage Payroll	58%
Manage Employee Engagement & Satisfaction	33%
Manage Shared Service Customer Delivery	25%
Manage Employee Health & Safety	25%
Manage Benefits	25%
Manage Talent Acquisition	25%
Manage Employee Separation	17%
Manage Performance	17%
Manage Training & Development	17%
Manage Time & Attendance	17%
Manage HR Records	17%
Manage Compensation	17%
Manage Workforce Planning	8%
Establish & Maintain HR Process & Policies	8%
Manage Global Employment	8%

Key HR Processes Outsourced	Ranking		Trend
	2012	2016	
Manage Payroll	1	1	▶
Manage Training & Development	2	4	▼
Manage Talent Acquisition	2	3	▼
Manage Benefits	3	3	▶
Manage HR Records	4	4	▶
Manage Compensation	4	4	▶
Manage Employee Health & Safety	5	3	▲
Manage Induction & On-boarding	5	-	
Manage Employee Separation	6	4	▲
Manage Employee Engagement	6	2	▲
Manage Performance	7	4	▲
Manage Talent/ Workforce Planning	8	5	▲
Manage Competency	8	-	
Manage Career & Succession Planning	8	-	
Manage Employee Relations	8	-	
Manage Shared Service Customer Delivery	-	3	+New
Manage Time & Attendance	-	4	+New
Establish and Maintain HR Policies & Processes	-	5	+New
Manage Global Employment	-	5	+New

completely outsourced their HR processes compared to 54 percent in the 20121 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

Figure 32: Problems faced by Outsourcing partners/providers

Problem	Percentage
Lack of Responsiveness	42%
Reactive Vs Proactive	33%
Communication Barriers	33%
Unqualified Resources	17%
Poor Service Quality (Deloitte Achieving SLA)	17%
Ineffective Issue Resolution	17%
Costly	17%
Failure to Meet SLA	8%

benefits with increased costs. Thus, organizations that are currently in a full outsourcing contract are re-considering their strategy and investigating alternatives of outsourcing selective administrative tasks while building capability for other processes in-house.

Revolutionize 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), SuccessFactor (12 percent), and PeopleSoft (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.

Figure 33: Current technology being used for HR service delivery

- Home Grown
- SAP
- Oracle
- Sucessfactor
- Peoplesoft
- ADP
- Empxtrax
- ESS
- Megasoft
- Adrenalin
- In-House Packages
- Savior
- HR-One

Figure 34: What is the level of satisfaction using current technology?

- Somewhat Satisfied
- Neither Satisfied nor Dissatisfied
- Somewhat Dissatisfied
- Very Dissatisfied
- Very Satisfied

Figure 35: Is the technology user-friendly?

- Moderate
- Very Less
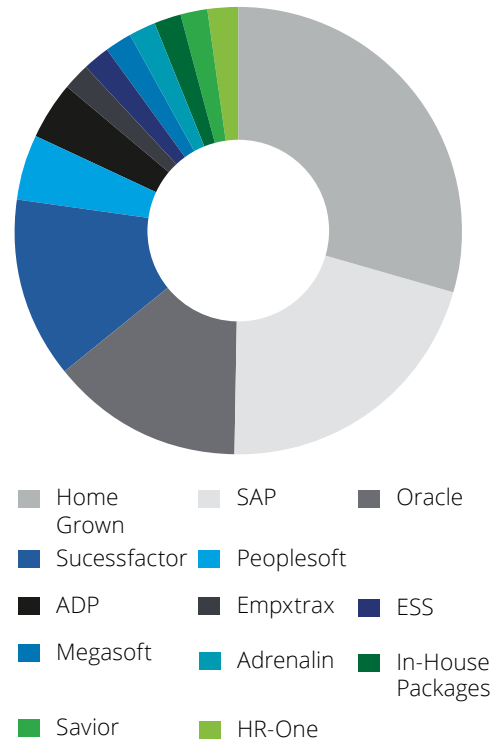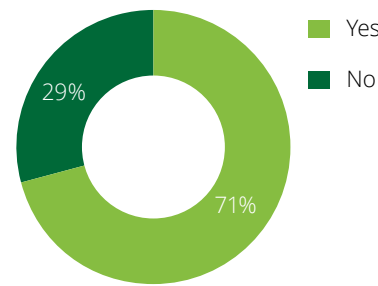- Not At All
- Extremely High
- Very High

Figure 36: Plans to use mobile technology?

- Yes
- No

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[1] and the 2016 Deloitte HRT surveys, there is an increased investment in Learning Management Systems (8 percent) and in HR Data warehouses (19 percent) in comparison to the 2012[1] 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 along with limited capabilities of integration with other modules/technology packages and increased maintenance cost. These clearly indicate that organizations are keen to adopt better, more integrated, user-friendly, innovative solutions with greater functional capabilities.
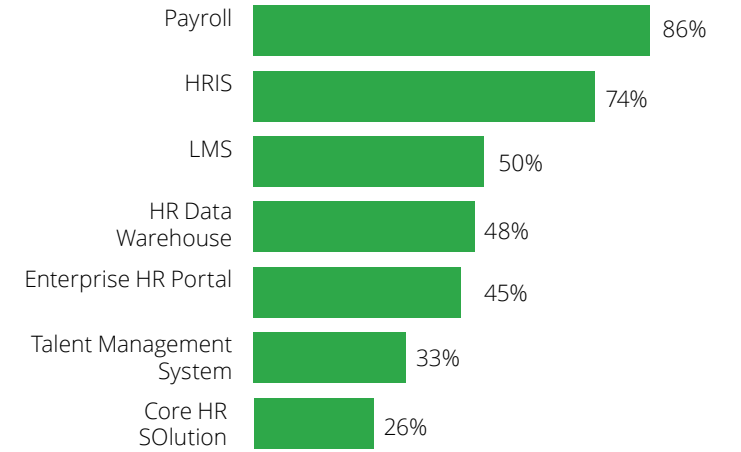
Figure 37: Scope of HR technology

Payroll	86%
HRIS	74%
LMS	50%
HR Data Warehouse	48%
Enterprise HR Portal	45%
Talent Management System	33%
Core HR SOlution	26%

Figure 38: Dissatisfied with the current HR technology?

Integration with other modules	17%
Limited integration ability with other technology packages	17%
High maintenance cost	17%
User interface is not friendly	33%
Not many options of Employee/ Manager self Service	33%
Utilization levels low	50%
Limited functionality	50%
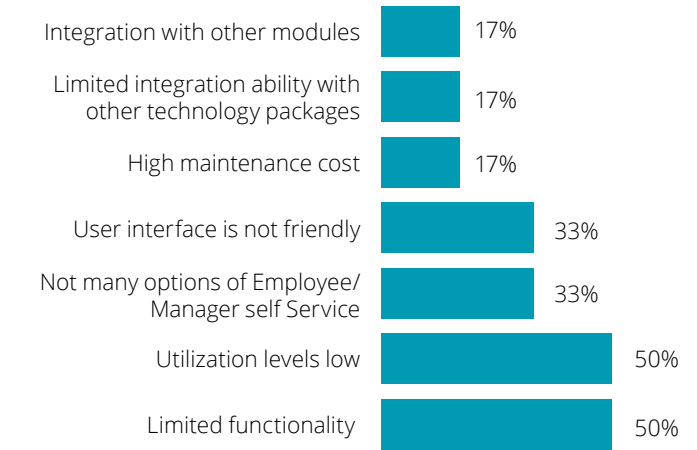
Figure 39: Any future plans for HR technology enablement?

- Yes
- No
- 26%
- 74%
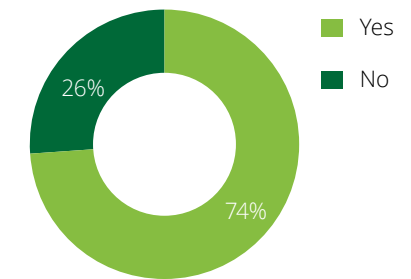
Figure 40: Future plans to retire or replace existing systems
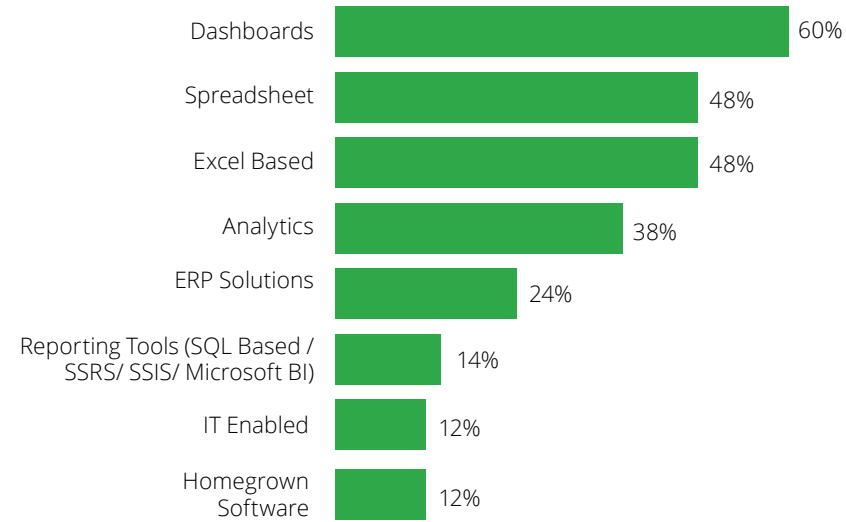

- Yes
- Yes
- 38%
- 62%
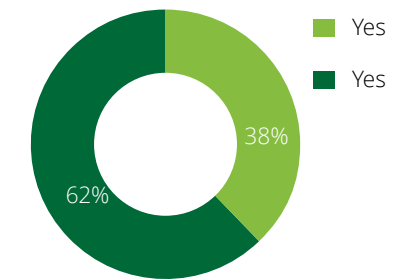
Analytics driven, science-based solutions

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[7]. 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 44). 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.

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

Method	%
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 48%, No 52%
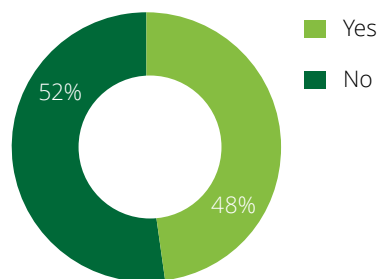
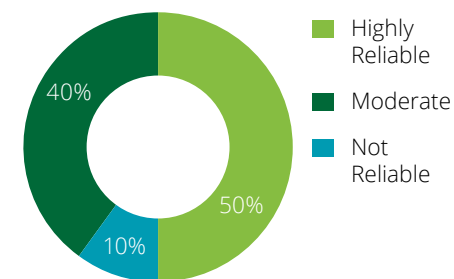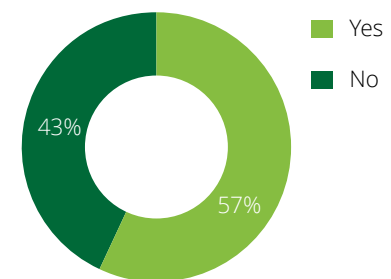**Figure 43: What is the reliability / usability of the data generated?**
Highly Reliable 50%, Moderate 40%, Not Reliable 10%

Figure 44: Does the data generated provides enough insights to make the right decisions issues?
Yes 57%, No 43%

[7]The Datafication of HR, Deloitte Review issue 14 by Bersin http://dupress.com/articles/dr14-datafication-of-hr/

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[1], 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[5] 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) levering 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

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

Deloitte's Human Capital Practice

Deloitte's Global Human Capital Consulting Practice
Deloitte's Human Capital consulting practice is a recognized leader in the HR consulting market with more than $1.8 billion in revenues. Our global network, of approximately 8,000 Human Capital professionals, serves 100 countries. We have global HR support through more than 4,000 specialist HR professionals in the Americas, 2,300 specialist HR professionals in Europe as well as nearly 1,800 specialist HR professionals in Asia-Pacific.

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 their 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 in India
Deloitte's 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:

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- Organization Transformation and Talent

- Actuarial, Rewards & Analytics

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Plan	HR Service Delivery
Design	HR Organization & Governance
Build	HR Sourcing
Deliver	HR Process & Policy
Operate	HR Technology & Infrastructure
	Location Regulation & Tax
	People Dimension of HR Transformation
	Project Management

Deloitte's Human Capital Eminence and Research

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Named a leader in **Business Technology Transformation** by Forrester Inc.

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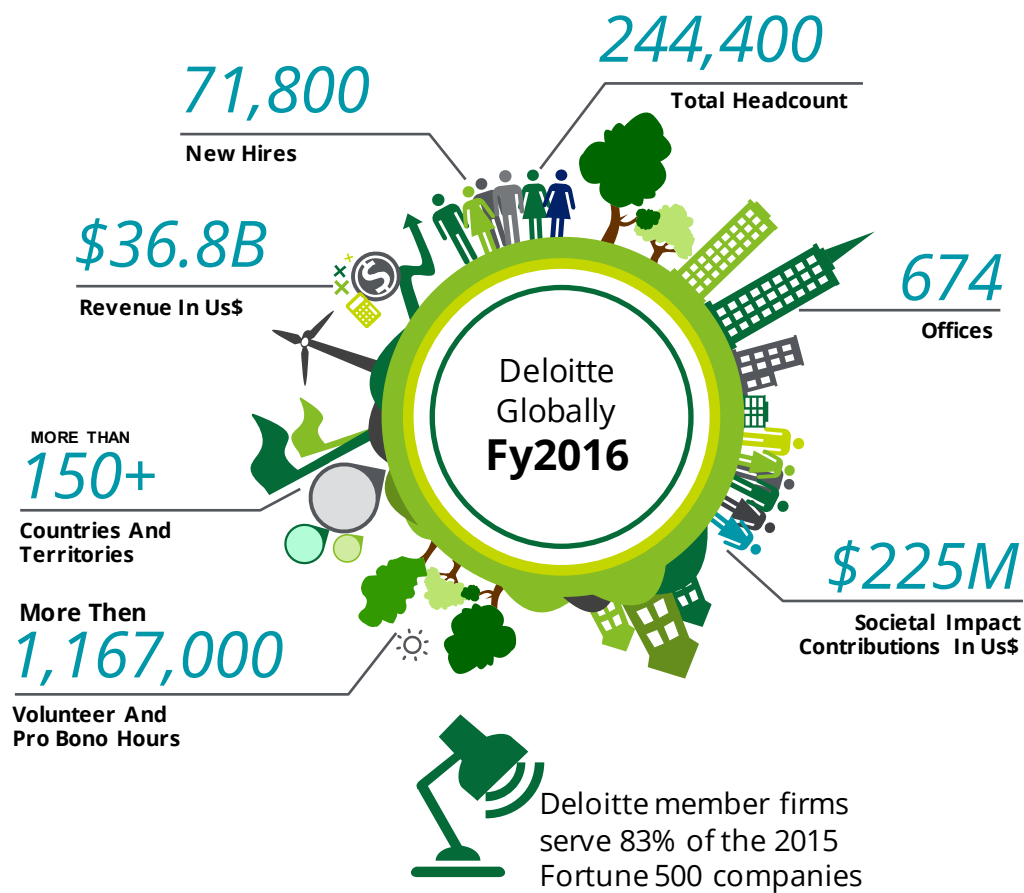Named a global leader in **Business Analytics Services** by Gartner

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71,800
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244,400
Total Headcount

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Revenue In Us$

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Baroda
Kolkata
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Pune
Hyderabad
Goa
Bengaluru
Chennai
Kochi
Coimbatore

30,000+
professionals

spread across 13 locations

120
years
of successful client service

India clientele (November 2015 BT500*)

Serves 48 of 89 companies in BT500 list	Consumer business
Serves 59 of 109 companies in BT500 list	Financial services
Serves 33 of 52 companies in BT500 list	Energy & resources
Serves 24 of 45 companies in BT500 list	Life sciences & healthcare
Serves 38 of 58 companies in BT500 list	Tech, media & telecom
Serves 84 of 140 companies in BT500 list	Manufacturing

*BT500 - Business Today publication about India's top 500 performing companies

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