

HR Transformation: A case for business driven HR

Life Sciences and Health Care (LSHC)

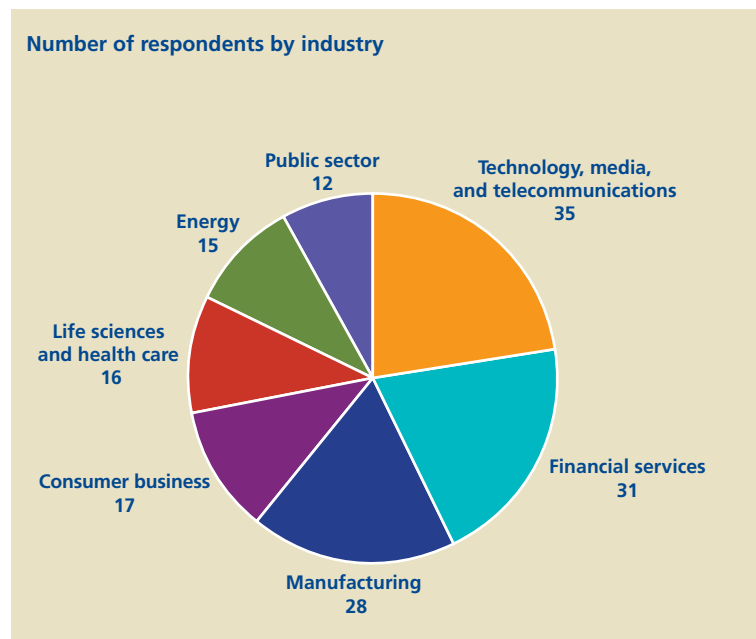
The percentage of global LSHC companies currently involved in HR transformation (87.5 percent) is very similar to the percentage of companies in all industries (84.4 percent). However, LSHC companies are much more involved in transforming HR so that it can become a strategic business partner than are firms in other industries. Overall, only 35 percent of global firms cite building HR capability as a transformation driver, and even fewer (30 percent) say transformation is driven by the need to free HR to undertake a more strategic role. More than half of LSHC companies, on the other hand, say transformation is driven by the need to build HR capability. Almost 36 percent say the need to free HR for strategic work drives transformation.

Given this greater focus on making HR a strategic business partner, it is not surprising that LSHC companies are more likely than others to use outsourcing to free up resources so HR can take on new responsibilities. Only 25.4 percent of all companies that are transforming HR rely on Human Resources Business Process Outsourcing (HR BPO). However, almost 43 percent of LSHC firms are using HR BPO for transformation.

In addition, when asked about future concerns, LSHC HR leaders were more likely than HR leaders overall to cite the need for the HR organization to address emerging strategic people issues. These include building and managing a global workforce (33.1 percent for HR leaders overall; 43.8 percent for LSHC HR leaders); M&A (30.5 percent overall; 62.5 percent for LSHC); and entering new markets (27.3 percent overall; 37.5 percent for LSHC).

Methodology and demographics

Deloitte Consulting conducted a survey of 154 of its most significant global clients with \$2 billion plus in revenue. 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.



Section 1: HR Transformation Overview

Has the client had an initiative to improve the way that HR services are delivered within the past three years?

Overall Response:

HR Transformation is top of our client's minds.

- 84.4% of all GSR clients have attempted to improve their HR operations in the past three years

LSHC Response:

- 87.5% of the respondents have attempted to improve their HR operations in the past three years
- Trends show that organizations with over 10,000 employees have been more likely to attempt improving their HR operations
- 75% of all respondents have received Organizational & Change services over the past three years; 83.3% of these clients bundle their services, typically with HR Transformation (58.3%)

If yes, how long have they been transforming HR?

Overall Response:

HR Transformation is a multi-year initiative.

- 0 – 1 years 21.5%
- 1 – 2 years 21.5%
- 2 – 3 years 23.8%
- 3 – 5 years 15.4%

LSHC Response:

85.7% of the respondents are in engaged in a multi-year transformation initiative

- 0-1 Years 14.3%
- 1-2 Years 28.6%
- 2-3 Years 35.7%
- 3-5 Years 7.1%
- 5+ Years 14.3%

Where are they on their journey?

Overall Response:

The vast majority of organizations are transforming.

- Transformation Complete 11.5%
- Still Transforming 76.2%
- Have Not Begun 8.5%
- Started, Failed and Gave Up 3.1%

LSHC Response:

- Transformation Complete 7.1%
- Still Transforming 85.7%
- Have Not Begun 7.1%
- Started, Failed and Gave Up 0%

At what level is the HR transformation being driven?

Overall Response:

Corporate or Global leadership drives the majority of transformation initiatives.

- Corporate/Global 86.9%
- Business Unit 14.6%
- Regional/Country 13.1%

Note: Respondents selected more than one option in many cases

LSHC Response:

Trends demonstrate that global organizations favor transformations led at the Global or Corporate level

- Corporate/Global 92.9%
- Business Unit 28.6%
- Regional/Country 7.1%

Section 1: HR Transformation Overview, *cont.*

Who is the key sponsor?

Overall Response:

The CHRO is the key sponsor for most transformation initiatives

- CHRO 71%
- CFO 11%
- COO 10%
- CEO 9%
- Other 28%

80% of the respondents that selected "Other" indicate the initiative is being led by senior member of HR Leadership

Note: Respondents selected more than one option in many cases

LSHC Response:

The CHRO is the key sponsor for most transformation initiatives

- CHRO 78.6%
- CFO 14.3%
- COO 28.6%
- CEO 35.7%
- Other 21.4%

Note: Respondents selected more than one option in many cases

What is (are) the key driver(s) for the HR transformation?

Overall Response:

Cost savings and building more effective HR services are the key drivers for HR Transformation.

- Efficiency - HR Cost 84.6%
- Effectiveness - Service 75.4%
- Build HR Capability 35.4%
- Free HR for Strategic Work 30.0%
- Compliance 14.6%
- Other 22.3%

Note: Respondents selected more than one option in many cases

LSHC Response:

- Efficiency - HR Cost 92.9%
- Effectiveness - Service 78.6%
- Build HR Capability 50%
- Free HR for Strategic Work 35.7%
- Compliance 21.4%
- Other 21.4%

Note: Respondents selected more than one option in many cases

Is the HR transformation a stand alone effort or part of a major corporate restructuring?

Overall Response:

HR Transformations are generally part of a stand alone effort at the organization but are also often part of a larger corporate effort.

- Stand Alone Effort 56.2%
- Part of Larger Corporate Effort 43.8%

LSHC Response:

HR Transformations are most often part of a larger corporate initiative

- Stand Alone Effort 35.7%
- Part of Larger Corporate Effort 57.1%

Section 1: HR Transformation Overview, *cont.*

Is there some event that triggered the HRT?

Overall Response:

Transformation is triggered almost equally either by the organization bringing on a new executive or by corporate restructuring.

- New Executive 24.6%
- Corporate restructuring 22.3%
- Merger & Acquisition 9.2%
- Other 43.8%

LSHC Response:

The majority of transformations were a result of redefined business case and/or an initiative to cut costs while sustaining a high level of service levels.

- New Executive 14.3%
- Corporate restructuring 28.6%
- Merger & Acquisition 7.1%
- Other 35.7%

How are they doing the transformation?

Overall Response:

The majority of our clients operate their own HR systems, call centers and shared services centers but more and more clients are outsourcing this work.

- Internal Selected Outsource 74.6%
- HR BPO 25.4%

LSHC Response:

The majority of our clients focus on using shared services solutions with selective outsourcing components. However, HR BPO is becoming increasingly popular and more commonly used

- Internal Selected Outsource 57.1%
- HR BPO 42.9%

85.7% of the respondents that selected HR BPO as their Service Delivery Model are undergoing HR Transformation Services

Section 2: Clients that are Insourcing

What is the scope (key activities) of the HRT effort?

Overall Response:

Most initiatives have multiple goals including standardizing work, implementing new systems and tools and restructuring the HR organization.

- | | |
|-------------------------------------|---|
| • Standardize HR 66.0% | • Change Organization Culture 29.9% |
| • Implement IT Platform 57.7% | • Upgrade HR Staff/Build Capability 29.9% |
| • Restructure HR Organization 45.4% | • Other 18.6% |

Note: Respondents selected more than one option in many cases

LSHC Response:

Implementing a new IT Platform is the main scope for most transformations; Standardizing HR and Restructuring the Organization are also key goals

- | | |
|-------------------------------------|---|
| • Standardize HR 50.0% | • Change Organization Culture 25.0% |
| • Implement IT Platform 75.0% | • Upgrade HR Staff/Build Capability 37.5% |
| • Restructure HR Organization 50.0% | • Other 25.0% |

100% of respondents include Implementing an IT Platform in their transformation scope

Section 2: Clients that are Insourcing, *cont.*

in Question #12, if you selected "Standardizing HR Services", please identify the services that are in scope.

Overall Response:	<u>Overall</u>	<u>LSHC</u>
• Basic HR Administration Inquiry	54.6%	50.0%
• Compensation / Benefits	47.4%	50.0%
• Payroll	43.3%	37.5%
• Recruiting / Staffing	38.1%	50.0%
• Training & Development	36.1%	37.5%
• Talent Management	36.1%	50.0%
• Global Mobility	23.7%	25.0%
• Employee Relations	18.6%	25.0%
• Other	5.2%	0%

LSHC Response:

- Basic HR Administration inquiry, Compensation and Benefits, and Recruiting and Staffing are key activities included in the scope of Standardizing HR Services; 100% of the respondents selected all three activities
- 100% of participating clients that selected "Standardizing HR Services", are going through a transformation that is being driven by a larger corporate initiative

In Question #12, if you selected "Implement IT Platform", please further define the scope.

Overall Response:	<u>Overall</u>	<u>LSHC</u>
• HRIS	48.5%	75.0%
• Payroll	38.1%	75.0%
• Enterprise HR Portal	32.0%	25.0%
• Learning Management System	24.7%	12.5%
• HR Data Warehouse	24.7%	50.0%
• Talent Management System	16.5%	12.5%
• Other	9.3%	37.5%

LSHC Response:

- HRIS and Payroll are key activities included in the scope of Implementing an IT Platform; 100% of participating clients selected both activities; 85.7% of these client receive HR Transformation Services; 71.4% receive Organizational & Change services
- 100% of the participating clients that selected "Implement IT Platform", are going through a transformation that is being driven by a larger corporate initiative

Please identify the HR role(s) that are part of the restructured HR organization.

Overall Response:	<u>Overall</u>	<u>LSHC</u>
• HR Shared Services / HR Ops	53.6%	62.5%
• HR in the Business; HRBP Generalists	51.5%	62.5%
• HR IT Part of HR Shared Service	44.3%	75.0%
• HR Centers of Excellence	38.1%	25.0%

Note: Respondents selected more than one option in many cases

LSHC Response:

- HRIS and Payroll are key activities included in the scope of Implementing an IT Platform; 100% of participating clients selected both activities; 85.7% of these client receive HR Transformation Services; 71.4% receive Organizational & Change services
- 100% of the participating clients that selected "Implement IT Platform", are going through a transformation that is being driven by a larger corporate initiative

Did the client reduce HR headcount as part of HRT?

Overall Response:

Some positions are being eliminated in organizations as a result of HR Transformation efforts.

- 33% of clients reduced HR headcount as part of HR Transformation

LSHC Response:

- The majority of respondents (93.7%) did not perform a reduction in workforce as a result of HR Transformation efforts
- 6.3% of the clients that did reduce their overall headcount are going through a transformation triggered by corporate restructuring and cost pressures

Section 2: Clients that are Insourcing, *cont.*

Did the client upgrade HR staff during the process?

Overall Response:

Alternatively, other clients are actually adding HR staff as a result of HR Transformation.

- 20.6% of clients upgraded staff during the process of HR Transformation

LSHC Response:

- 12.5% of the clients increased HR headcount as a result of the transformation
- Increases in HR headcount were driven by internal promotions as well as by external recruitment strategies

What are they selectively outsourcing?

Overall Response:

- | | |
|-----------------------------------|-------|
| • Compensation / Benefits | 34.0% |
| • Payroll | 18.6% |
| • Global Mobility | 13.4% |
| • Recruiting / Staffing | 11.3% |
| • Training & Development | 7.2% |
| • Basic HR Administration Inquiry | 6.2% |
| • HRIS | 5.2% |
| • Compliance | 5.2% |
| • Shared Service Center Ops | 4.1% |
| • Talent Management | 1.0% |
| • Employee Relations | 0.0% |
| • Other | 15.5% |

LSHC Response:

Compensation, Benefits and Training & Development are key HR functions that are being selectively outsourced; However, limited ability to assess and confirm trends based on the responses

- | | |
|---------------------------|-------|
| • Compensation / Benefits | 25.0% |
| • Training & Development | 25.0% |
| • Other | 12.5% |

How did they decide to selectively outsource?

Overall Response:

Most organizations made the determination to selectively outsource internally rather than relying on outside counsel and advice.

- | | |
|---------------------|-------|
| • Internal Analysis | 42.3% |
| • Outside Advice | 12.4% |

LSHC Response:

- 37.5% of the clients performed internal analysis prior to making the decision to selectively outsource
- 20% of the respondents sought external counsel before making the decision; This client is a multinational organization receiving services from all areas of Human Capital

What were the key factors in deciding what to outsource?

Overall Response:

The business case was the key factor in deciding what to outsource.

- | | |
|------------------------------------|-------|
| • Business Case / Cost Analysis | 30.9% |
| • Industry / Peer Benchmarking | 18.6% |
| • Technology / Capability Analysis | 13.4% |

LSHC Response:

- 12.5% of responses attribute their Business Case / Cost Analysis to their outsourcing decision; However, limited ability to assess and confirm trends based on the responses

Section 2: Clients that are Insourcing, *cont.*

What is our role?

Overall Response:	<u>Overall</u>	<u>LSHC</u>
Our primary roles have been as SMEs and HR Strategy Advisors to our transforming clients.		
• Specialized SME Role	28.9%	25.0%
• HR Strategy Advisor	22.7%	0.0%
• No Role	21.6%	12.5%
• Lead Systems Integrator	13.4%	37.5%
• Shared Service Center Ops	11.3%	37.5%
LSHC Response:		
• Leading Shared Service Center Operations and System Integrations has been our primary roles with clients seeking our transformation services; 85.7% of clients are receiving Organizational & Change services; 85.7 % are receiving HR Transformation services		

Section 3: Clients that are Outsourcing

Where are they in the outsourcing journey?

Overall Response:	<u>Overall</u>	<u>LSHC</u>
40% of our GSR clients have outsourced, are outsourcing or intend to pursue HR BPO. Of the 33 clients that have or are outsourcing, the majority have already completed HR Outsourcing.		
• Outsourcing Completed	54.5%	33.3%
• In Transition to HR BPO Partner	27.3%	66.7%
• HR BPO Partner Selected	24.2%	0.0%
• Developing Strategy/Approach	15.2%	0.0%
• Advisor Selected	9.1%	0.0%
• Business Case Developed	9.1%	16.7%
• RFP Issued	6.1%	16.7%
LSHC Response:		
• The majority of the respondents are transitioning to a HR BPO Service Delivery Model; However, limited ability to assess and confirm trends based on the responses		

Did they transform HR before outsourcing?

Overall Response:	<u>Overall</u>	<u>LSHC</u>
The majority of clients did not transform their organization prior to outsourcing.		
• No	78.8%	
• Yes	21.2%	
LSHC Response:		
The majority of the respondents did not transform their organization prior to outsourcing		
• No	66.7%	
• Yes	33.3%	
100% of the respondents that transformed prior to outsourcing receive services from at least three of Deloitte's Human Capital service lines		

What processes are in scope for the outsourcing initiative?

Overall Response:	<u>Overall</u>	<u>LSHC</u>
• Compensation / Benefits	93.9%	83.3%
• Basic HR Administration Inquiry	93.9%	100.0%
• Shared Service Center Ops	87.9%	83.3%
• HRIS	87.9%	66.7%
• Payroll	84.8%	83.3%
• Training & Development	42.4%	50.0%
• Recruiting / Staffing	36.4%	66.7%
• Compliance	6.4%	16.7%
• Talent Management	27.3%	0.0%
• Global Mobility	21.2%	33.3%
• Employee Relations	12.1%	33.3%
• Other	6.1%	16.7%
LSHC Response:		
The key process in scope for outsourcing is Basic HR Administration Inquiries		

Section 3: Clients that are Outsourcing, *cont.*

What is the scope of the technology?

Overall Response:	<u>Overall</u>	<u>LSHC</u>
• PeopleSoft or SAP HRIS	93.9%	83.3%
• Enterprise or HR Portal	81.8%	83.3%
• HR Data Warehouse	60.6%	50.0%
• Learning Management System	24.2%	24.2%
• Talent Management System	18.2%	33.3%
• Other	9.1%	16.8%

LSHC Response:

- The majority of respondents have PeopleSoft or SAP HR Applications included in their technology scope; 85.7% of these clients cite outsourcing HR operations as their transformation solution

What components of the HR organization will be outsourced?

Overall Response:	<u>Overall</u>	<u>LSHC</u>
HR Shared Services and Technology are the functions most likely to be outsourced.		
• HR Shared Services / HR Ops	93.9%	100.0%
• HR Technology	75.8%	66.7%
• HR in Business HRBP	21.2%	50.0%
• Centers of Excellence	21.2%	33.3%

LSHC Response:

- HR Shared Services is the function that will most likely be outsourced

Section 4: Future Plans

Does the client have a formal process to do future HR planning?

Overall Response:	
The majority of our clients actually do not have formal plans to do future HR planning.	
• Yes (Count)	62
• Yes (%)	40.3%

LSHC Response:

The majority of the respondents actually do not have formal plans to conduct future HR planning

• Yes (Count)	7
• Yes (%)	43.8%

71.4% of the clients that have a formal plan receive HR Transformation services; 60.0% of clients without a formal plan to receive HR Transformation services

Does the client intend to improve HR services?

Overall Response:	
Improving HR services however, is also top of our client's minds.	
• Yes (Count)	107
• Yes (%)	69.5%

LSHC Response:

The majority of the respondents intend to improve HR services; clients that responded otherwise are awaiting survey results to make this decision

• Yes (Count)	12
• Yes (%)	75.0%

Does the client plan to improve HR technology?

Overall Response:	
Improving HR Technology is a goal for the majority of our clients.	
• Yes (Count)	91
• Yes (%)	59.1%

LSHC Response:

The majority of the respondents intend to improve HR services; 60% of these clients include Implementing an IT Platform in their scope of transformation activities

• Yes (Count)	11
• Yes (%)	68.8%

Section 4: Future Plans, *cont.*

If yes, please describe.

Overall Response:	<u>Overall</u>	<u>LSHC</u>
• Improve Reporting	36.4%	50.0%
• More Services	30.5%	37.5%
• Improve Portal	28.6%	37.5%
• Implement SAP or Oracle Fusion	22.7%	25.0%
• Other	13.6%	18.8%

LSHC Response:

- Improving Reporting capabilities is the most common goal for improving organizational technology

If the client has not yet outsourced, is HR BPO in their future plans?

Overall Response:		
Among clients who have not yet outsourced, many are definitely considering a HR BPO solution.		
• Yes (Count)	33	
• Yes (%)	21.4%	

LSHC Response:

Limited ability to assess and confirm trends based on the responses

• Yes (Count)	1
• Yes (%)	6.3%

Is the client planning to address any of the following issues?

Overall Response:	<u>Overall</u>	<u>LSHC</u>
Supporting business issues is an emerging trend in HR Transformation.		
• Training Next Generation Leaders	39.6%	25.0%
• Building and Managing Global Workforce	33.1%	43.8%
• M&A	30.5%	62.5%
• Entering New Markets	27.3%	37.5%
• Aging Workforce	26.6%	18.8%
• Global Mobility	25.3%	25.0%
• Product Innovation	16.2%	18.8%
• Improving or Starting Service Business	11.7%	12.5%
• Other	11.0%	12.5%

LSHC Response:

- M&A and Building & Managing a Global Workforce are emerging focus areas

For more information:

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