

HR Transformation: A case for business driven HR

Technology, Media & Telecommunications (TMT)

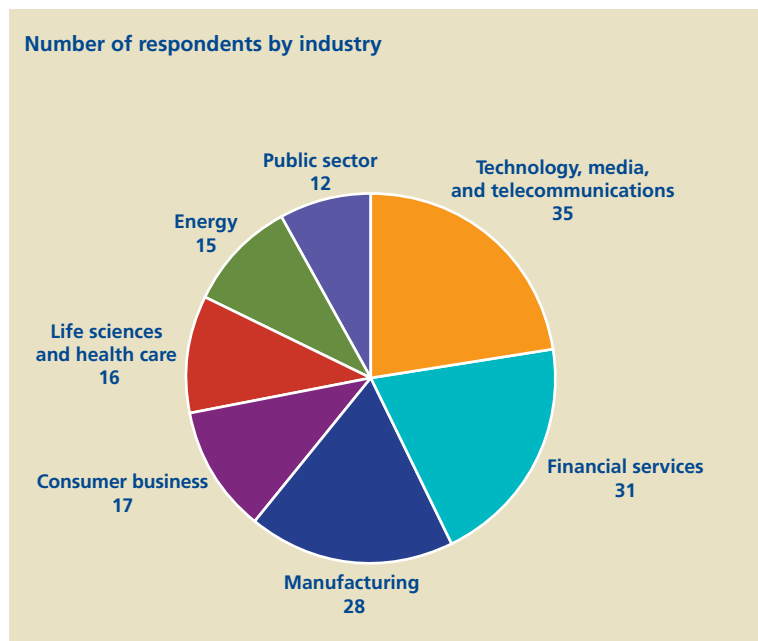
The percentage of global TMT companies currently involved in HR transformation (71.4 percent) is somewhat smaller than that of companies in all industries (84.4 percent). However, TMT companies are much more involved in transforming HR so that it can become a strategic business partner than are firms 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. Half of TMT companies say transformation is driven by the need to free HR to undertake a more strategic role, and 54 percent of TMT companies say it is driven by the need to build HR capability.

Given this greater focus on making HR a strategic business partner, it is not surprising that TMT 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, 32 percent of TMT firms are using HR BPO for transformation.

In addition, when asked about future concerns, TMT HR leaders were more likely than HR leaders over all 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; 45.7 percent for TMT HR leaders); M&A (30.5 percent overall; 45.7 percent for TMT); and global mobility (25.3 percent overall; 40 percent for TMT).

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

TMT Response:

- 71.4% of the respondents have attempted to improve their HR operations in the past three years;

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%
- 5+ Years 20%

TMT Response:

76% of the respondents are engaged in a multi-year transformation initiative

- 0 – 1 years 32%
- 1 – 2 years 8%
- 2 – 3 years 24%
- 3 – 4 years 12%
- 5+ Years 16.2%

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%

TMT Response:

- Transformation Complete 4%
- Still Transforming 84%
- Have Not Begun 12%
- 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

TMT Response:

- 92% of respondents indicate that change is being driven at the Corporate/Global level
- In all other instances change is being driven by the business units
- As may be expected, regional or country leadership is not actively driving these transformation initiatives

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%

Note: Respondents selected more than one option in many cases

TMT Response:

The CHRO is the key sponsor for most transformation initiatives

- CHRO 72%
- CFO 4%
- COO 12%
- CEO 0%
- Other 16%

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

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

TMT Response:

Responses were similar to general market data, but with greater emphasis on building HR capability and free strategic work

- Efficiency – HR Cost 72%
- Effectiveness – Services 68%
- Build HR Capability 52%
- Free Strategic Work 48%
- Compliance 24%
- Other 16%

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%

TMT Response:

A greater percentage of transformations are part of a stand alone effort (72% of respondents) as compared to the general market data

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%

TMT Response:

Almost double the rate of any other response, most transformation initiatives are triggered by bringing on a new executive

- New Executive 40%
- Corporate restructuring 16%
- Merger & Acquisition 20%
- Other 24%

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%

TMT Response:

Industry data suggests that many of our clients continue to operate their own HR systems, call centers and shared service centers, however there are greater rates of acceptance regarding the outsourcing of this work

- Internal Selected Outsource 68%
- HR BPO 32%

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

Note: Respondents selected more than one option in many cases

TMT Response:

Results consistent with general market trends, with significantly higher emphasis on Standardizing HR

- Standardize HR 82.4%
- Implement IT Platform 58.8%
- Restructure HR Organization 41.2%
- Change Organization Culture 29.4%
- Upgrade HR Staff/Build Capability 35.3%
- Other 17.6%

Note: Respondents selected more than one option in many cases

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:

• Basic HR Administration Inquiry	54.6%	• Talent Management	36.1%
• Compensation / Benefits	47.4%	• Global Mobility	23.7%
• Payroll	43.3%	• Employee Relations	18.6%
• Recruiting / Staffing	38.1%	• Other	5.2%
• Training & Development	36.1%		

TMT Response:

Trends are consistent with general market responses, with significantly higher emphasis on Basic HR Administration Inquiry, Recruiting/Staffing, Employee Relations

• Basic HR Inquiry	76.5%	• Employee Relations	41.2%
• Compensation / Benefits	58.8%	• Talent Management	35.3%
• Payroll	58.8%	• Global Mobility	23.5%
• Recruiting / Staffing	58.8%	• Other	5.9%
• Training & Development	52.9%		

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

Overall Response:

• HRIS	48.5%	• HR Data Warehouse	24.7%
• Payroll	38.1%	• Talent Management System	16.5%
• Enterprise HR Portal	32.0%	• Other	9.3%
• Learning Management System	24.7%		

TMT Response:

Significantly greater emphasis placed on Learning Management system as compared to general market data, although overall data trends similar to general market data

• HRIS	58.8%
• Payroll	35.3%
• Enterprise HR Portal	35.3%
• Learning Management System	35.3%
• HR Data Warehouse	17.6%
• Talent Management System	11.8%

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

Overall Response:

• HR Shared Services / HR Ops	53.6%
• HR in the Business; HRBP Generalists	51.5%
• HR IT Part of HR Shared Service	44.3%
• HR Centers of Excellence	38.1%

Note: Respondents selected more than one option in many cases

TMT Response:

Effectively allocating internal resources in both the business and in shared services to improve service delivery is a primary objective in the transformation

• HR Shared Services / HR Ops	64.7%
• HR in the Business; HRBP Generalists	58.8%
• HR IT Part of HR Shared Service	47.1%
• HR Centers of Excellence	17.6%

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

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

TMT Response:

On average, the HR organization has a headcount of approximately 400. Some positions will be eliminated as a result of the HR Transformation

- 20% of clients reduced HR headcount as a result of HR Transformation

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

TMT Response:

A similar number of clients have increased HR staff as a result of HR Transformation

- 23.5% of clients upgraded staff as a result of HR Transformation

What are they selectively outsourcing?

Overall Response:

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

TMT Response:

Data indicates that clients are looking to selectively outsource only the highest volume, routine transactions

- | | | | |
|---------------------------|-------|--------------------------|-------|
| • Compensation / Benefits | 41.2% | • Compliance | 5.9% |
| • Payroll | 17.6% | • Training & Development | 5.9% |
| • Recruiting / Staffing | 17.6% | • Other | 11.8% |
| • Global Mobility | 11.8% | | |

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% |

TMT Response:

- Most clients (35.3%) performed internal analysis to determine to selectively outsource
- Only one client elected to rely on outside counsel and advice to determine to selectively outsource

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% |

TMT Response:

Aligned with the desire to improve cost effectiveness and efficiency, most rated the business case as the key factor in deciding what to outsource

- | | |
|------------------------------------|-------|
| • Business Case / Cost Analysis | 41.2% |
| • Industry / Peer Benchmarking | 23.5% |
| • Technology / Capability Analysis | 11.8% |

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

What is our role?

Overall Response:
 Our primary roles have been as SMEs and HR Strategy Advisors to our transforming clients.

- Specialized SME Role 28.9%
- HR Strategy Advisor 22.7%
- No Role 21.6%
- Lead Systems Integrator 13.4%
- Shared Service Center Ops 11.3%

TMT Response:
 Our primary roles have been as HR Strategy Advisors and Lead System Integrators to our transforming clients. More significantly, for nearly a quarter of the respondents we did not play any role in the insourcing transformation.

- HR Strategy Advisor 29.4%
- Lead System Integrator 23.5%
- No Role 23.5%
- Shared Service Center Ops 11.8%
- Specialized SME Role 11.8%

Section 3: Clients that are Outsourcing

Where are they in the outsourcing journey?

Overall Response:
 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%
- In Transition to HR BPO Partner 27.3%
- HR BPO Partner Selected 24.2%
- Developing Strategy/Approach 15.2%
- Advisor Selected 9.1%
- Business Case Developed 9.1%
- RFP Issued 6.1%

TMT Response:
 Of the 25 respondents, more than 30% have or are outsourcing, with the majority of respondents having completed their outsourcing. However, limited ability to assess and confirm trends due to low response rate

- Outsourcing Completed 50%
- HR BPO Partner Selected 25%
- Develop Strategy / Approach 12.5%

Did they transform HR before outsourcing?

Overall Response:
 The majority of clients did not transform their organization prior to outsourcing.

- No 8.8%
- Yes 21.2%

TMT Response:
 The majority of clients did not transform their organization prior to outsourcing

- No 62.5%
- Yes 37.5%

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

What processes are in scope for the outsourcing initiative?

Overall Response:

• Compensation / Benefits	93.9%	• Recruiting / Staffing	36.4%
• Basic HR Administration Inquiry	93.9%	• Compliance	36.4%
• Shared Service Center Ops	87.9%	• Talent Management	27.3%
• HRIS	87.9%	• Global Mobility	21.2%
• Payroll	84.8%	• Employee Relations	12.1%
• Training & Development	42.4%	• Other	6.1%

TMT Response:

The key processes in scope for outsourcing is Shared Service Center Ops and Compensation / Benefits

• Shared Service Center Ops	100%	• Talent Management	50%
• Compensation / Benefits	100%	• Global Mobility	50%
• HRIS	88%	• Training & Development	38%
• Payroll	75%	• Compliance	38%
• Basic HR Admin Inquiry	75%	• Employee Relations	13%
• Recruiting / Staffing	63%		

What is the scope of the technology?

Overall Response:

• PeopleSoft or SAP HRIS	93.9%
• Enterprise or HR Portal	81.8%
• HR Data Warehouse	60.6%
• Learning Management System	24.2%
• Talent Management System	18.2%
• Other	9.1%

TMT Response:

Nearly 50% higher investment in Learning and Talent Management Systems than the overall responses.

• PeopleSoft or SAP HRIS	100%
• Enterprise or HR Portal	75%
• HR Data Warehouse	63%
• Learning Management System	38%
• Talent Management System	25%
• Other	0%

What components of the HR organization will be outsourced?

Overall Response:

HR Shared Services and Technology are the functions most likely to be outsourced.

• HR Shared Services / HR Ops	93.9%
• HR Technology	75.8%
• HR in Business HRBP	21.2%
• Centers of Excellence	21.2%

TMT Response:

Although HR in Business is least likely to be outsourced, there is nearly a 100% increase in the number of respondents in TMT versus the general population who will include Centers of Excellence in the outsourcing effort.

• HR Shared Services / HR Ops	100%
• HR Technology	88%
• Centers of Excellence	38%
• HR in Business HRBP	13%

Section 4: Future Plans

Does the client have a formal process to do future HR planning?	<p>Overall Response:</p> <p>The majority of our clients actually do not have formal plans to do future HR planning.</p> <ul style="list-style-type: none">• Yes (Count) 62• Yes (%) 40.3% <p>TMT Response:</p> <p>Trends are consistent with general market data</p> <ul style="list-style-type: none">• Yes (Count) 13• Yes (%) 37%
Does the client intend to improve HR services?	<p>Overall Response:</p> <p>Improving HR services however, is also top of our client's minds.</p> <ul style="list-style-type: none">• Yes (Count) 107• Yes (%) 69.5% <p>TMT Response:</p> <p>The majority of the respondents intend to improve HR services</p> <ul style="list-style-type: none">• Yes (Count) 25• Yes (%) 71%
Does the client plan to improve HR technology?	<p>Overall Response:</p> <p>Improving HR Technology is a goal for the majority of our clients.</p> <ul style="list-style-type: none">• Yes (Count) 91• Yes (%) 59.1% <p>TMT Response:</p> <p>Slightly more than half of our clients identify improving HR Technology as a goal</p> <ul style="list-style-type: none">• Yes (Count) 20• Yes (%) 57%
If yes, please describe.	<p>Overall Response:</p> <ul style="list-style-type: none">• Improve Reporting 36.4%• More Services 30.5%• Improve Portal 28.6%• Implement SAP or Oracle Fusion 22.7%• Other 13.6% <p>TMT Response:</p> <ul style="list-style-type: none">• Improve Reporting 34%• Improve Portal 34%• More Services 26%• Implement SAP or Oracle Fusion 23%• Other 14%

Section 4: Future Plans, *cont.*

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%

TMT Response:

Similar to general market data, many clients who have not yet outsourced are considering a HR BPO solution

- Yes (Count) 12
- Yes (%) 34%

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

Overall Response:

Supporting business issues is an emerging trend in HR Transformation.

- | | | | |
|--|-------|--|-------|
| • Training Next Generation Leaders | 39.6% | • Aging Workforce | 26.6% |
| • Building and Managing Global Workforce | 33.1% | • Global Mobility | 25.3% |
| • M&A | 30.5% | • Product Innovation | 16.2% |
| • Entering New Markets | 27.3% | • Improving or Starting Service Business | 11.7% |
| | | • Other | 11.0% |

TMT Response:

Although the top three trends are consistent with general market responses, there is increased importance placed on the ability to address Product Innovation (80%), Global Mobility (60% increase), and M&A (50% increase) within TMT.

- | | | | |
|--|-------|--|-------|
| • Training Next Generation Leaders | 45.7% | • Product Innovation | 28.6% |
| • M&A | 45.7% | • Aging Workforce | 22.9% |
| • Building and Managing Global Workforce | 45.7% | • Improving or Starting Service Business | 20.0% |
| • Global Mobility | 40.0% | • Other | 14.3% |
| • Entering New Markets | 31.4% | | |

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