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## Optimize Human Capital Management with HRO Services

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**2008 Human Capital Forum**



- ❑ Key challenges in human capital management
- ❑ Major trends addressing the challenges
- ❑ Scope of HRO services
- ❑ HRO plays a significant role in human capital management
- ❑ HRO trend worldwide
- ❑ HRO industry in China
- ❑ HRO brings benefit from hiring to retiring
- ❑ Information & technology from HRO help optimize human capital management
- ❑ Summary
- ❑ About ADP

# HR professionals are facing great challenges in human capital management

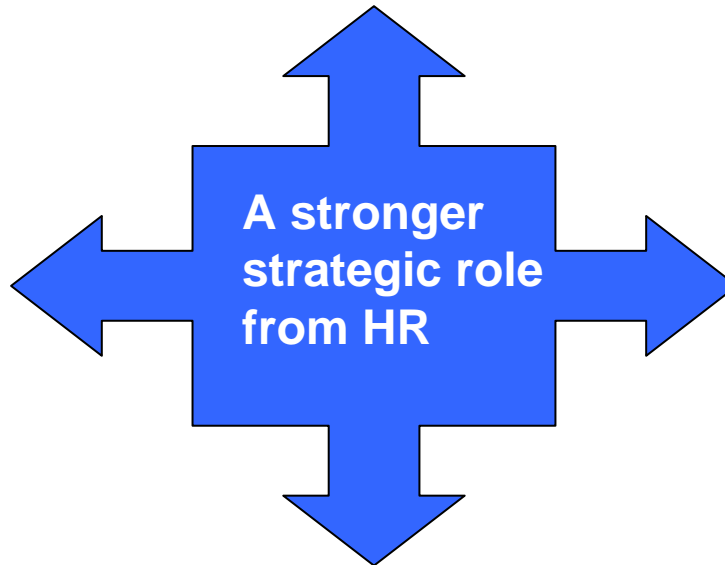
- ❑ Shortage of trained talents, especially those with a good combination of international exposure and local expertise
- ❑ Diversity of employees (characteristic, cultural background)
- ❑ High attrition rate of key staffs
- ❑ Employees' increasing needs for development and career path pose challenges to companies' organization growth as well as compensation incentive policies
- ❑ The proliferation of information technology requires innovation of human capital management
- ❑ Compliance issues are becoming increasingly complex
- ❑ Competitive and highly dynamic marketplace prompts constant strategy review and adjustment, which in turn calls for more strategic involvement from HR

# A few trends are prevailing to address these challenges



- Long-term investment in talent development and succession planning
- People-oriented management to inspire a cooperative but also diversified working environment

- More attention on employer branding practices to attract and retain talents



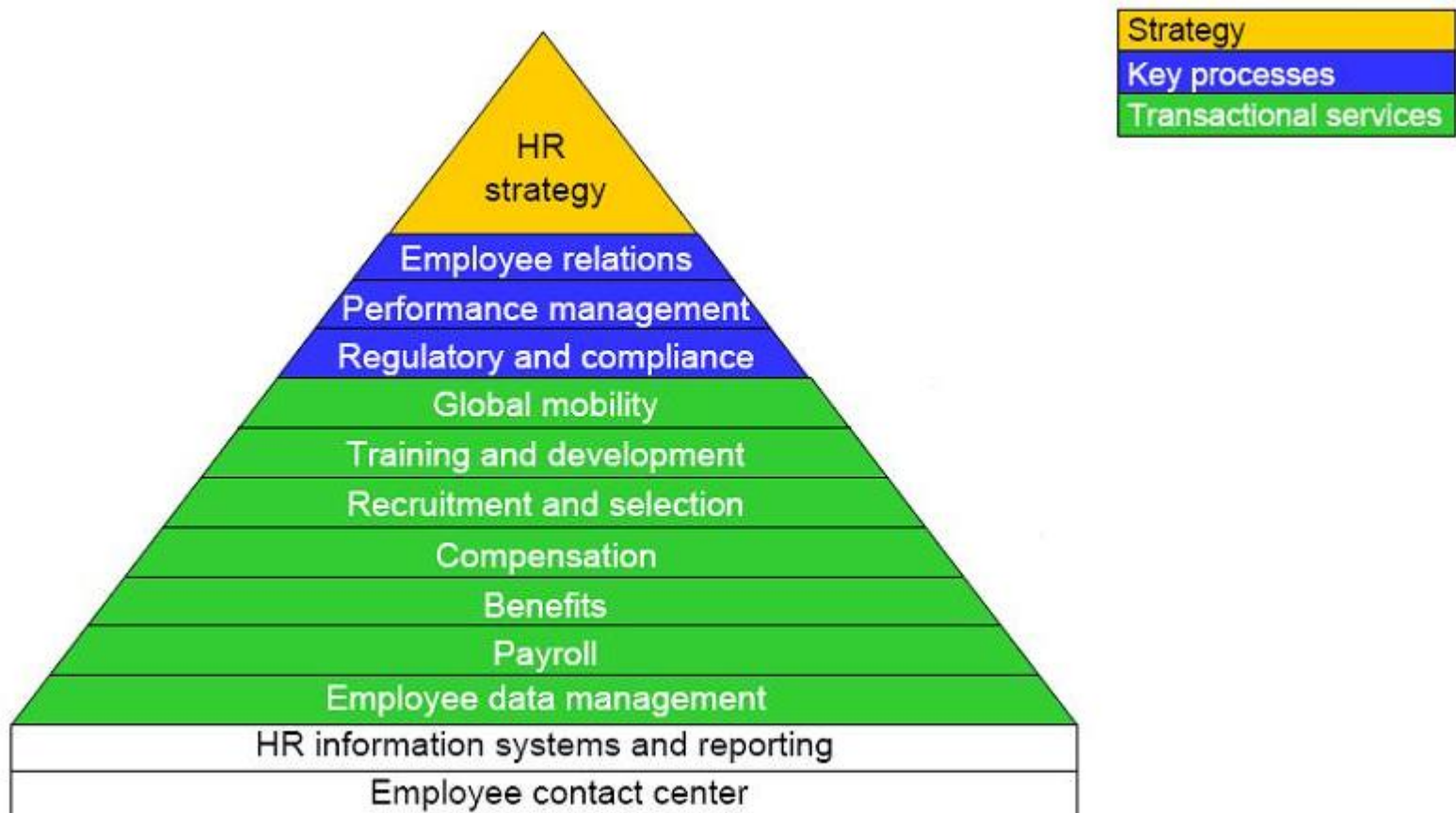
- Human resource outsourcing (HRO) is increasingly leveraged to help HR focus more on business growth

- Technology and process innovation are valued

# Scope of HRO Services

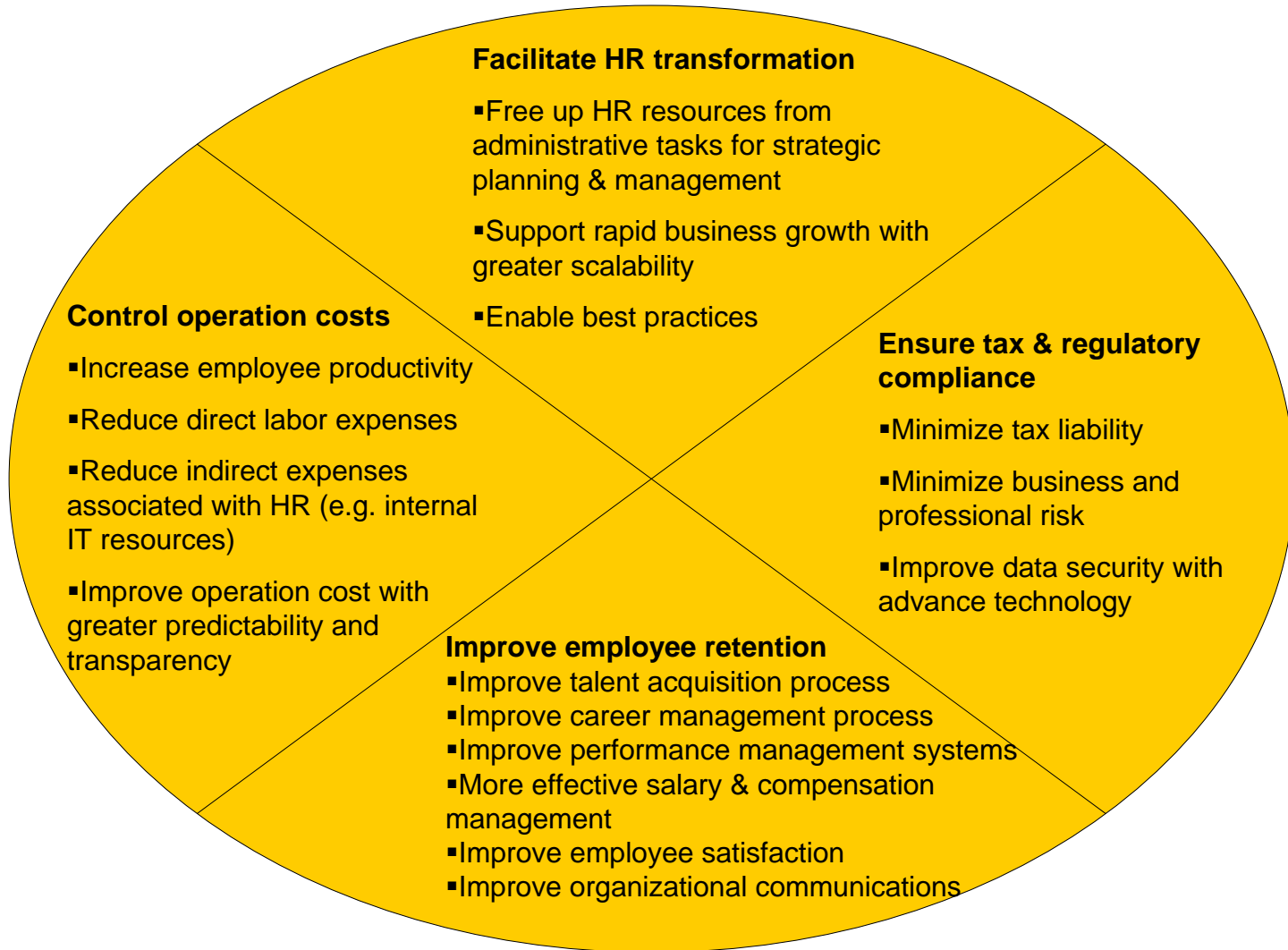


- ❑ HRO is the contracting out of a company's internal HR processes to specialists, so that organizations can focus on their core businesses
- ❑ HRO today covers a broad range of HR services and processes\*



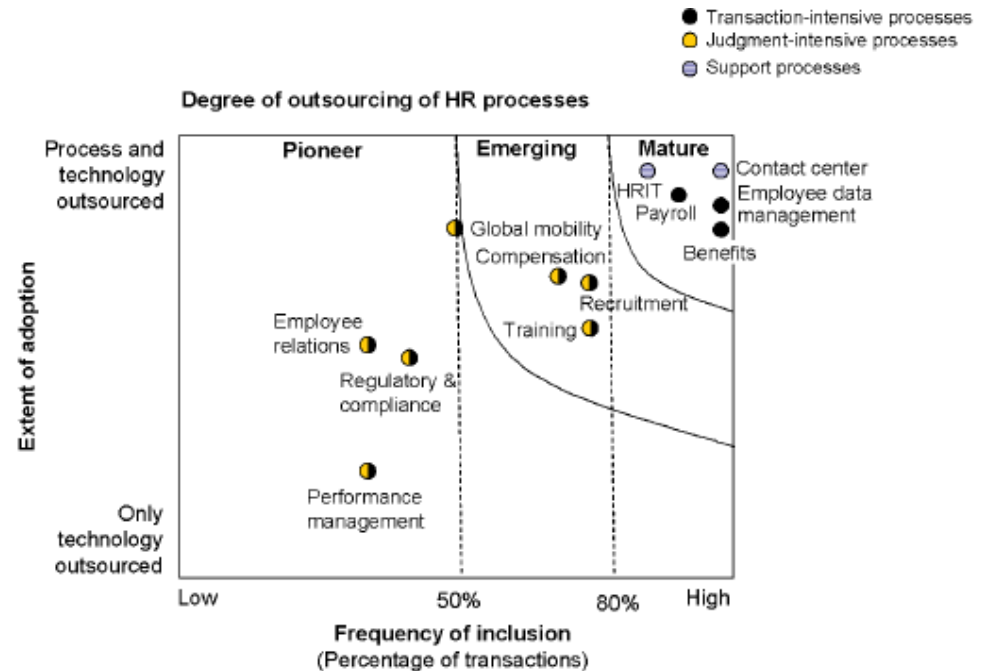
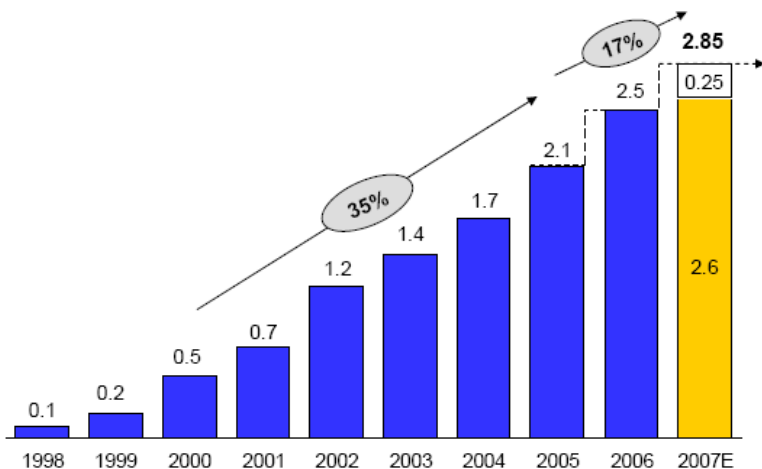


# HRO plays a significant role in human capital management





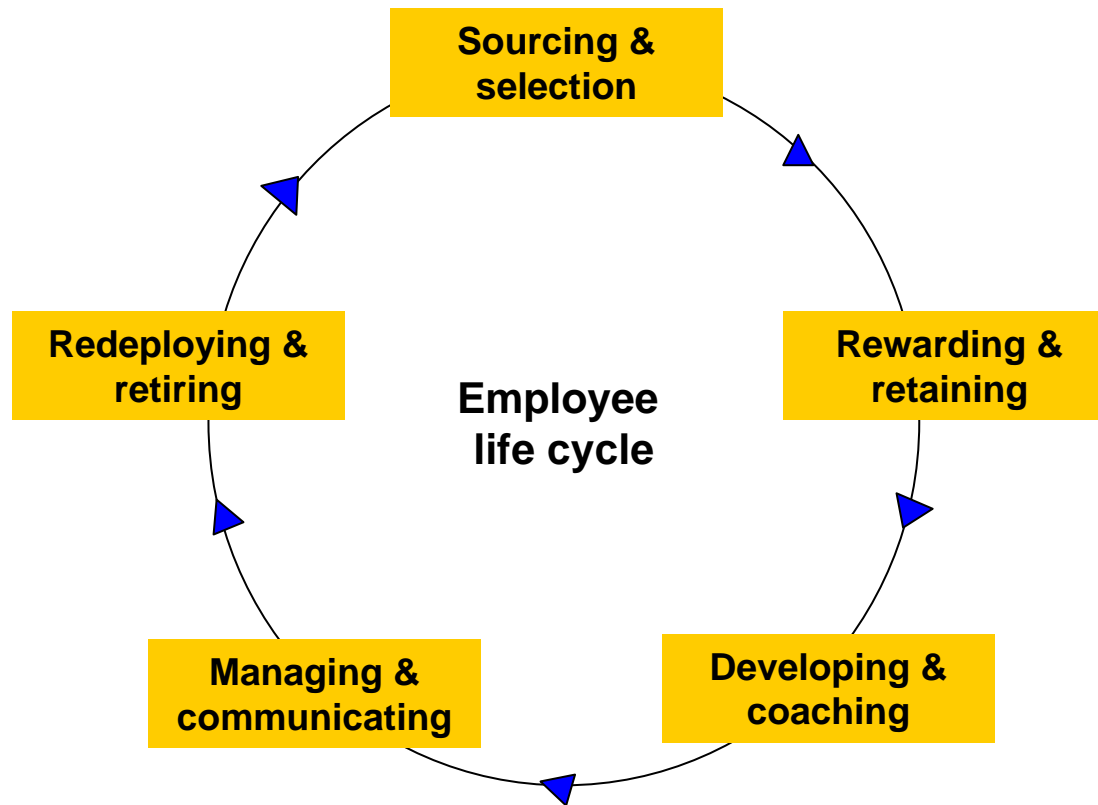
- ❑ The HRO market is estimated at US\$2.85 billion in 2007\*
- ❑ Transaction-intensive and support HR processes are outsourced more than judgment-intensive processes\*



# HRO is an emerging industry in China but growing fast

- ❑ HRO is an emerging industry in China with great growth potentials
  - People's overall understanding of HRO is still limited to basic concepts such as dispatching, personal files management, personnel administration etc.
  - An increasing number of employers are turning to HRO to help transform HR from an administrative role to a strategic partner
  - A significant proportion of HR administration functions are expected to be outsourced in the next 3-5 years
  - Both national and local governments are keen in developing the outsourcing industry
  - According to IDC forecast, the Chinese HR BPO market will increase to almost US\$ 1,542.5 million by 2010, while maintaining a five-year Composed Annual Growth Rate (CAGR) of 19.3%
- ❑ HRO market in China today annotates a broad range of distinctive services
- ❑ Market adoption of HR outsourcing in China today varies across different services and employers
  - Recruitment and related services prosper as the war for talent intensifies
  - Labor dispatching is widely used by employers across China to control headcount and mitigate risks.
  - Payroll/benefits processing outsourcing is adopted predominantly amongst foreign invested enterprises in China
- ❑ More international HRO service providers are entering into China, bringing global best practices into Chinese market

- ❑ The comprehensive scope of HRO brings benefits across the entire human capital management cycle



# Information & technology from HRO help optimize human capital management

- ❑ Information and technology are critical components of HRO that enable:
  - Process automation and innovation, especially for transactional HR
  - Effective cost control
  - Service capability and scalability to support business growth
  - Organizational security and employee privacy
  - Regulatory compliance
  - Increasing accessibility to information at remote locations
- ❑ Solution integration adds strategic value to the human capital management cycle
  - Integrated HR functions and services provide more operational efficiency
  - Centralized, integrated data sharing becomes the core source for measuring business progress through metrics and analytics
  - Data collection across the entire employee lifecycle provides full insight and drives effective HR analysis & planning (e.g. certification, training and performance data for succession planning)
  - The capabilities, goals and expectations of the employees could be aligned with the goals and plans of the business



- ❑ An increasing number of employers are turning to HRO to:
  - Transform HR from an administrative role to a strategic partner
  - Optimize the human capital management cycle
  
- ❑ Information and technology are critical facilitators that:
  - Enable process automation and better cost control
  - Provide effective tools to ensure comprehensive compliance
  - Provide more visibility to information across employee lifecycle to enable effective HR analysis and planning



# About ADP



One of the world's leading providers of technology-based outsourcing solutions to companies

Only HRIS provider to serve the entire business community

Pay 1 out of 6 working Americans every payday



Founded in 1949  
Went public in 1961

## FY 2008 Financial Results

- Revenue of nearly ***\$8.8 Billion***
- Earnings of over \$1.1 Billion

- R&D Investment of ~\$600 Million annually
- Market Capitalization > \$23 Billion

46,000+ Associates

600,000 clients globally

1 of 6 AAA Rated Global  
(by Standard & Poor's & Moody's)

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**Thank you !**