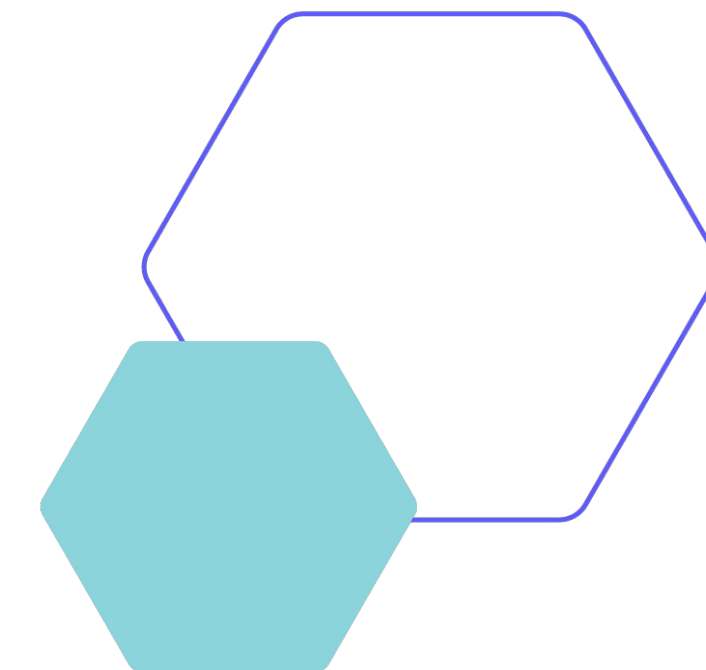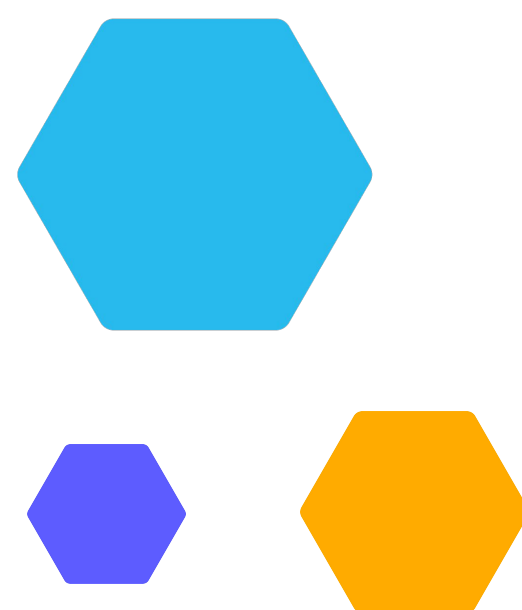# HR DIGITAL TRANSFORMATION

THE PRACTICAL GUIDE

AIHR | ACADEMY TO INNOVATE HR

Introduction

Embracing transformation

From automation to AI, HR's work is increasingly digitalized. This frees up time for HR teams to move from mundane and repetitive tasks to more productive and value-adding ones. It allows HR to become a key driver in solving pressing business problems.

However, leveraging digital in HR is not as simple as implementing a few technologies here and there. It is a complicated process that requires time, effort, and resources.

So how do we approach a project of this magnitude? Let's find out!

How to use this guide

Every organization engaging in digital transformation will go through six stages of transformation.
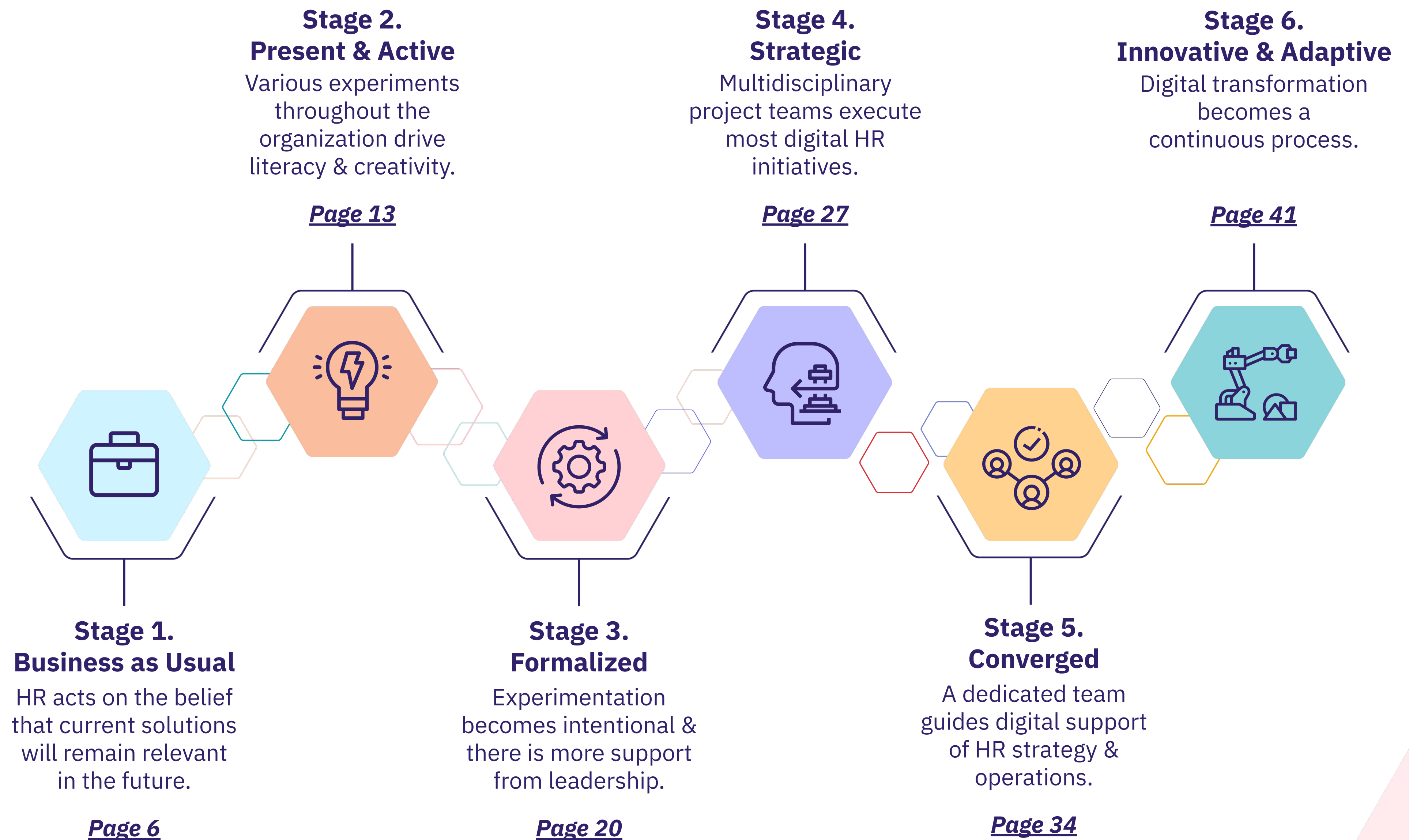
At each stage, there are six key components of Digital HR for you to consider and address.

In this guide, we'll take you through each transformation stage and describe concrete action points to improve on every component of Digital HR until you have successfully transformed your organization.

Good luck!

The six stages of Digital HR Transformation

Stage 2.
Present & Active
Various experiments throughout the organization drive literacy & creativity.

Stage 4.
Strategic
Multidisciplinary project teams execute most digital HR initiatives.

Stage 6.
Innovative & Adaptive
Digital transformation becomes a continuous process.

Stage 1.
Business as Usual
HR acts on the belief that current solutions will remain relevant in the future.

Stage 3.
Formalized
Experimentation becomes intentional & there is more support from leadership.

Stage 5.
Converged
A dedicated team guides digital support of HR strategy & operations.

Each stage has six components

Together, these six components form the foundation of your successful digital transformation.

Strategy & Leadership

With a strategy in place, you can put all of your digital HR activities under one umbrella with a shared vision. Encourage your HR leaders to lead by example and stimulate experimentation.

HR Technology

Technology isn't an end in itself. What is important is that your selected HR technology supports your main business priorities, both within HR and beyond.

Innovation

A culture of (digital) innovation is essential. You will need an agile HR function, a thought-out plan for acquiring and developing digital solutions, and a culture that fosters innovation.
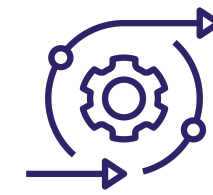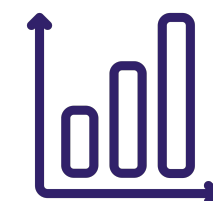
HR Processes

A successful transformation requires automating HR processes. This will not only save you time, but also reduce complexity and errors, and improve your EX.

People

People can make or break your digital transformation. You need people with specific skills, guided by strong leadership, who can collaborate effectively for the project to be successful.

Data & Analytics

Data will be a cornerstone of your digital transformation. Having access to (real-time) HR data is essential for making informed decisions about the organization and its people.

STAGE 1

Business as Usual

Right now, your HR function might still see technology as a supporting element in their work. Many team members probably believe your current solutions will be in place for the near future.

Strategy & leadership

Your first step is to start building awareness with leadership and other key stakeholders on the need for change and a shift towards digital. You can use inspiration to get them on board while also creating a sense of urgency.

Tips

- Invite an inspirational outside speaker, such as an expert from another organization or a consultant.

- Organize a brainstorm on digital HR focusing on whether digital transformation is something your organization needs to be aware of.
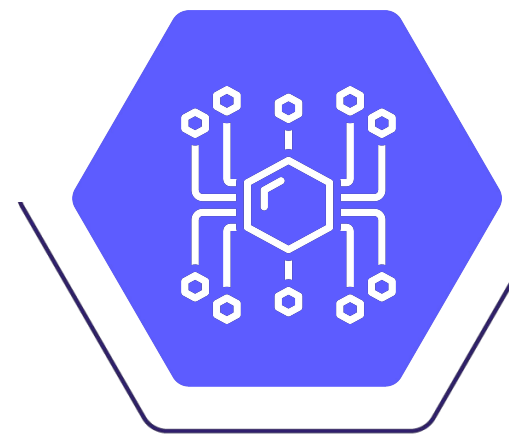
HR technology

Current situation

At this stage, technology barely has any impact on business and HR processes. Your HR technology landscape is most likely scattered. Point solutions are not connected to the HRIS.

What should happen

HR technology is most valuable when it connects to business needs. Therefore, make sure your technical infrastructure supports your people in their journey through your organization to reduce challenges your workforce faces.

Tips

- Assess the current HR technology landscape on its ability to support the business on people challenges.

- Encourage incremental improvements where possible & pilot new innovative solutions.

- Interview key HR tech users to understand the current match of HR technology to business needs.

- Hire an external expert to benchmark current business needs and determine HR tech fit-gap.
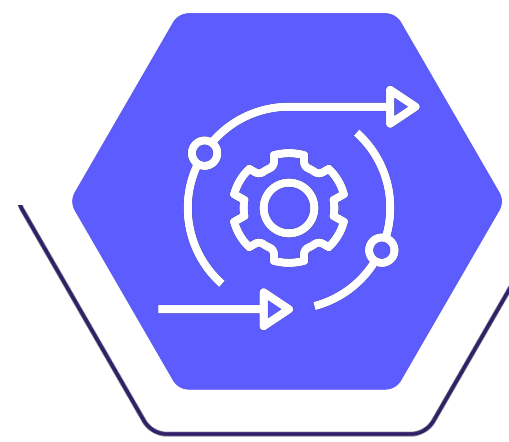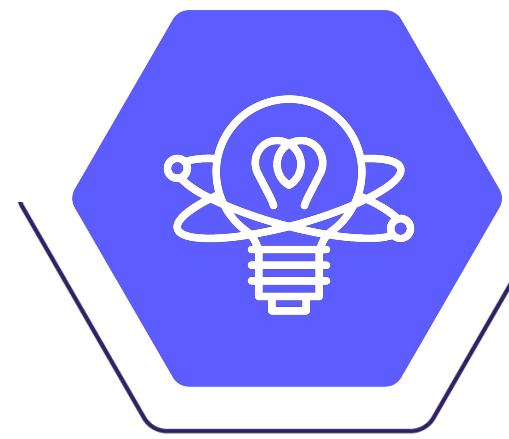
Innovation

There is no one-size-fits-all solution for digitizing an HR department. To find what works best for your organization, you'll need to adopt an experimentation mindset and learn to test different solutions.

Tips

- Talk to co-workers from other departments or people outside of your organization who are already experimenting with innovative methods (agile working, lean, or design thinking) and technology.

- Be specific on your quest for knowledge and advice.

- Identify why innovation is important within your organizational context.

HR processes

How to improve

Having HR processes is key to streamlining and standardizing employee-related functions. Ideally, these processes should work flawlessly to create a positive employee experience.

When you begin with digital transformation, your HR processes are probably not yet streamlined or standardized. To get a clear view of where you stand, you can create an overview of your HR processes and assess their level of formalization and standardization. After that, you can see if there is potential to digitize standard processes and improve your employee experience.

Tips

1 Write down the HR processes present in your organization, then go through the steps needed to complete these processes.

2 Seek help from domain experts in your organization for this and an HRIT expert (internal or external).

3 Discuss this result with IT and brainstorm on possible (digital) improvements.
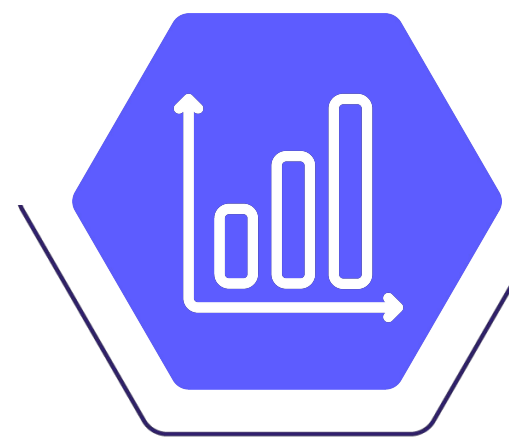
People

How to improve

Change doesn't happen in a vacuum — so it's important to get the buy-in of key people within your organization.

You can start talking to a small group of potential change agents to build enthusiasm for digital transformation. At the same time, see if you can gather people with digital capabilities to start experimenting.

Tips

- Organize meetings with people inside your team with digital capabilities.

- Discuss and note any first ideas on integrating new digital HR elements in HR strategy and operations.

- Use these ideas as talking points in the session with leadership (see "Strategy & Leadership" on page 7).

- Talk to people in your network who might be interested to join the team.

Data & analytics

How to improve

To make accurate decisions about which HR processes to improve, you'll need reliable data.

Your first step is to assess your current HR data availability and quality. After that, you can gather reporting and analytics requirements from the business. Discuss this with HRIT and HR analysts to see what you need to do to improve on data and reporting.
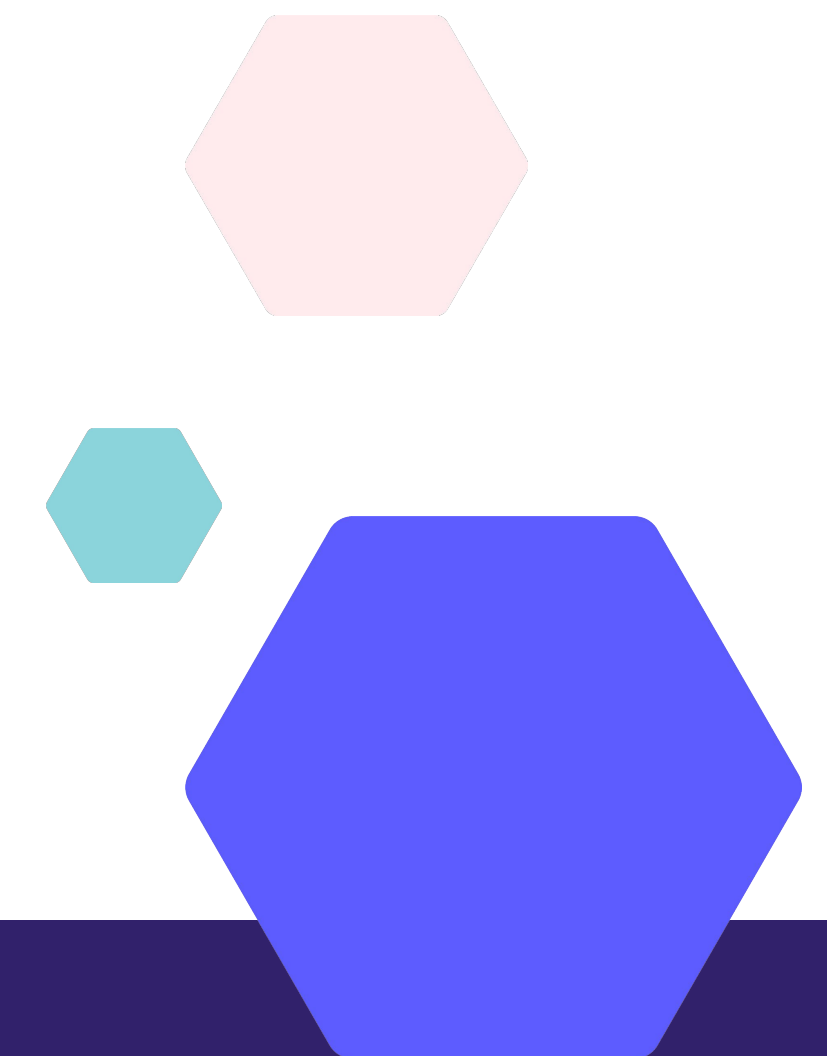
Tips

- Work with an HRIT expert (or system administrator, or external IT or data analytics expert) to go through data fields and perform a high-level assessment on data availability and quality, which can be high, medium, or low.

- Interview business stakeholders to identify current reporting and analysis needs.

- Brainstorm with domain experts to identify data and analytics that would improve people processes and business impact.
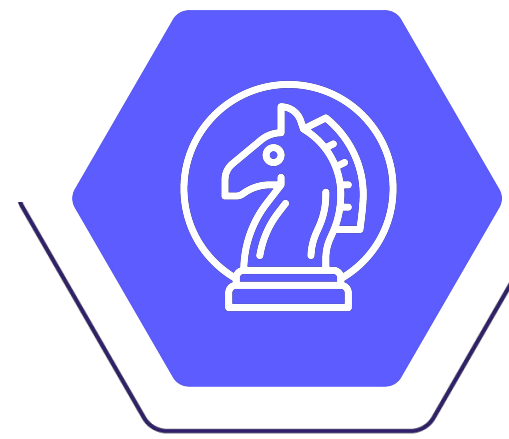
STAGE 2
Present & Active

At this stage, you will probably notice different pockets of experimentation driving digital literacy and creativity in your HR organization. Some people connect over their shared passion for innovation and try to experiment together.

Strategy & leadership

How to improve

Now that you've created awareness among leadership, it's time to develop a shared vision on digital HR. You'll need to:

- Partner with leaders to experiment with different digital solutions for key people challenges.

- Create enough buzz so executives take notice.

A high-impact business case is an excellent way to do this.

Tips

1 Identify a critical business area that needs to change to create clear value for the organization.

2 Find an urgent people issue (e.g. a dramatic increase in absenteeism) and propose a digital solution.

3 Partner with corresponding business management to test the case and work out the details.
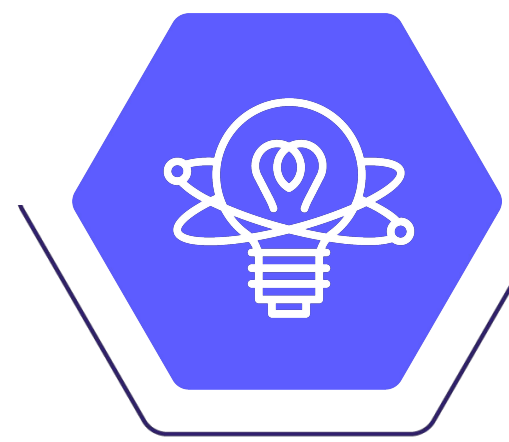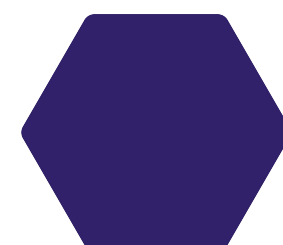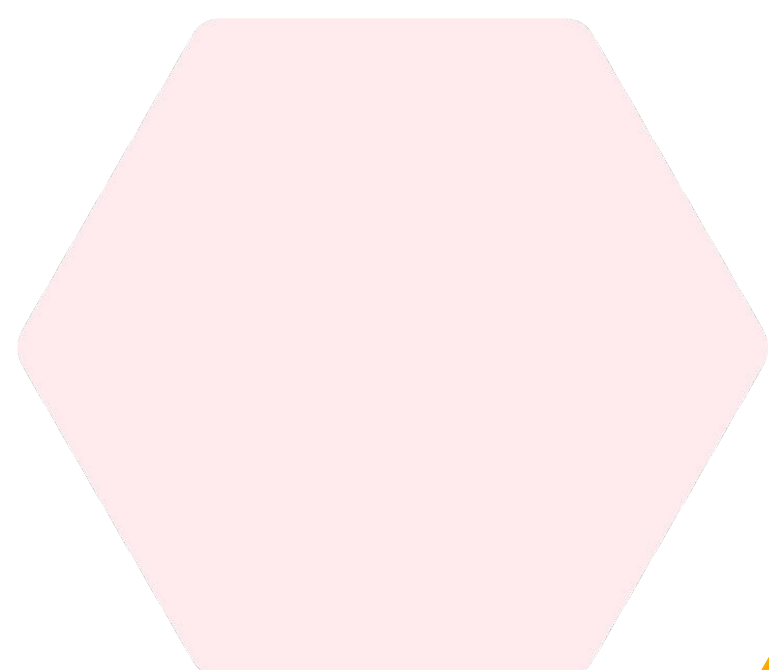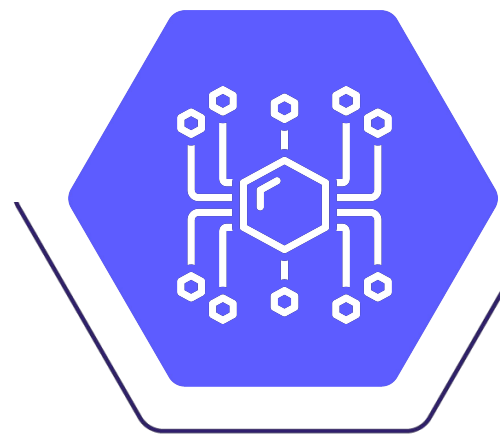
HR technology

Start building a roadmap of HR technology for the future. This includes supporting standard HR processes using technology, data management, data integration, service delivery models, and reporting and analytics.

Tips

- Create a document detailing the business needs and the needed HR technology.
- Discuss the possibility of replacing HR technology that doesn't meet the current (or future) needs.
- Involve at least business and IT stakeholders when designing the roadmap.

Innovation

Find out which methods could benefit the HR department and the best ways to train the department on these methods.

Tips

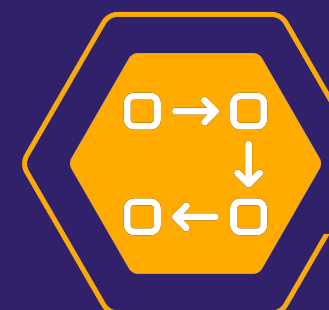Discuss the possibilities with leadership and partner up with L&D to create an option for everyone.

Set up pilot projects to evaluate changes and find out what works and what doesn't.
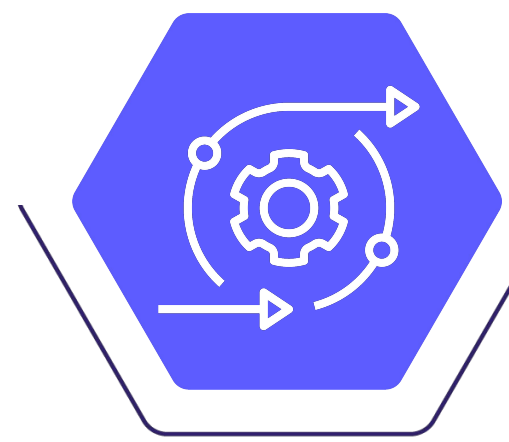
Gradually introduce new methods and give people room to adjust instead of overselling it.

Introduce a culture of experimentation within the HR department.

HR processes

How to improve

To redesign your HR processes, you need to start with identifying your key objectives, which could be:

- Excellent employee experience

- Process integration

- Business impact

You will also need to find out which technology is best suited to meet the technical and functional needs of your design.

Tips

- Create a high-level employee journey map.

- Collaborate with domain experts, IT, and possibly external consultants to decide on the preferred employee experience, level of integration of processes, and potential improvements in business impact.

- Create ambition statements to plan gradual steps for improvement (e.g. fewer steps in the onboarding process, or shorter time-to-hire for key roles).

- Check with current vendors how these improvements can be achieved.

- Discuss options with new vendors if your existing HRIT landscape cannot provide what you need.
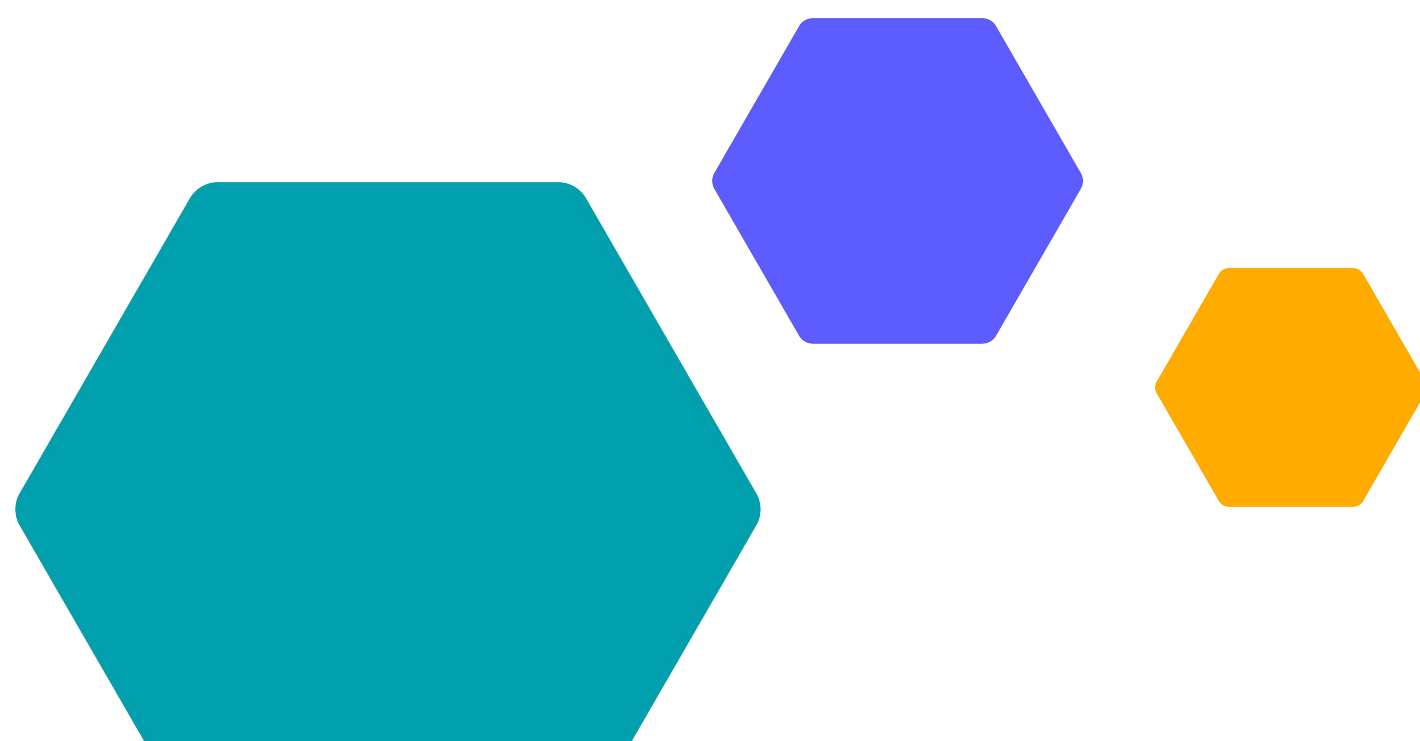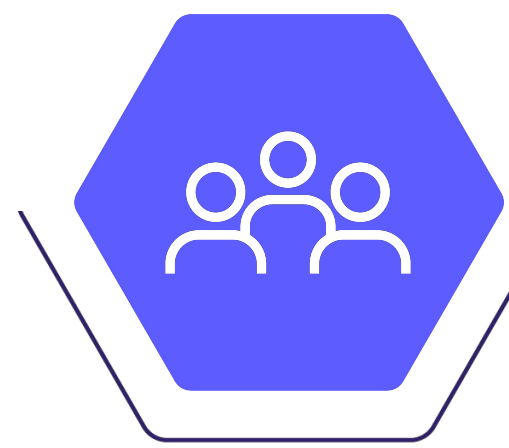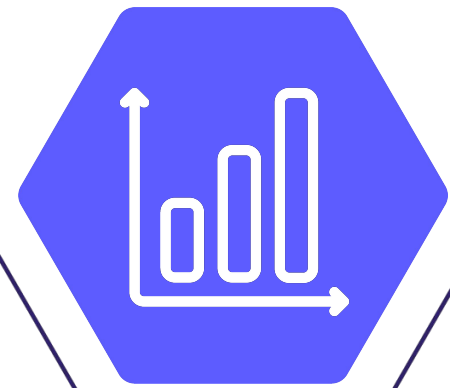
People

How to improve

To execute your desired improvements, you will need to train and/or attract people with digital capabilities, such as HRIT specialists, HR analysts, technical consultants, or software developers.

Work with other departments to implement new approaches where possible. This could be a data warehouse, a KPI dashboard, or collaboration tools.

Tips

- Hire 1 or 2 digital talents for short-term success (might be interim) & train selected few for future skills.

- Identify business issues & create an impact-effort matrix. Focus on high-impact, low-effort issues.

- Learn by doing & form a few multidisciplinary project teams to achieve small changes with big impact.

Data & analytics

You can team with a data scientist from another department to create customized reports with key insights, or perform an advanced analysis on people data. Make sure to focus on actionable insights and data that are crucial for decision-making.

Tips

- Team up with a business manager and data analyst, and decide on a specific and current challenge they are facing.

- Collect relevant insights from a people perspective, and build a report with actionable insights.

- Identify what data is missing but is crucial for decision-making and achieving better business results.
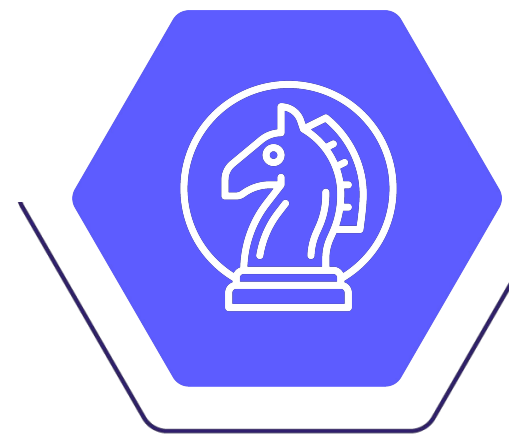
STAGE 3
Formalized

This stage is all about intentional experimentation. You will notice initiatives becoming bolder, which requires executive support for new resources and technology.
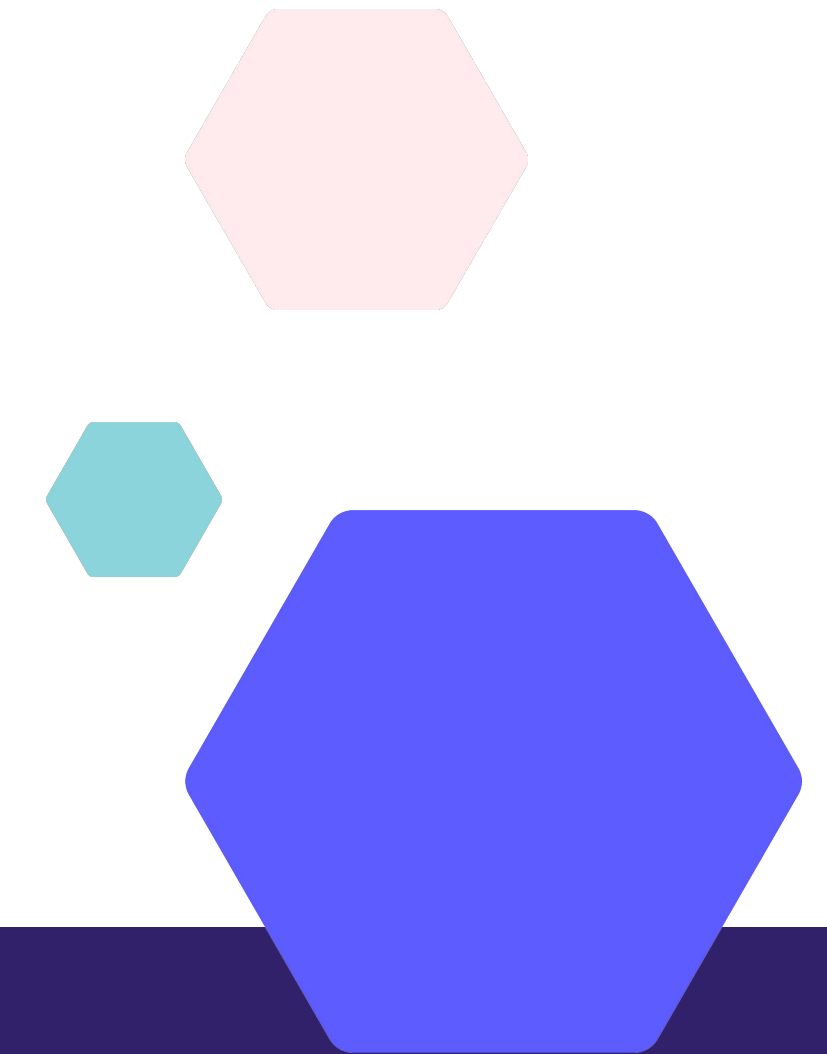
Strategy & leadership

Support from executive leadership is crucial at this stage to gain access to resources to start building a formal digital HR strategy. Make use of internal and external examples to get the resources you need. After that, it's time to start transforming your HR operating model to your desired new situation.
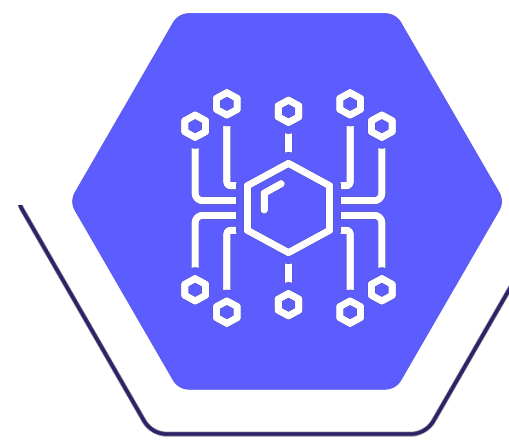
Tips

1 Use examples to make a compelling case for resource allocation.

2 Identify relevant stakeholders and sponsors.

3 Be specific about what you need from leadership and why.

4 Create a rough timeline for clarity.

HR technology

How to improve

It's time to buy and/or build new technological solutions to replace legacy systems. When you select replacements, make sure to be specific about business and user requirements before deciding on your exact strategy. If you're implementing key technology, consider working with an implementation partner.

Don't forget to keep experimenting with new tools! This is how you can improve collaboration, dashboarding, employee experience, and project management.

Tips

- Be specific about business and user requirements if you want to replace or buy new technology.

- In large key technology replacements, choose a capable implementation partner.

- Make sure to be precise about data requirements and data collection protocols for every technology replacement or addition. This can affect the future functionality of your tools.
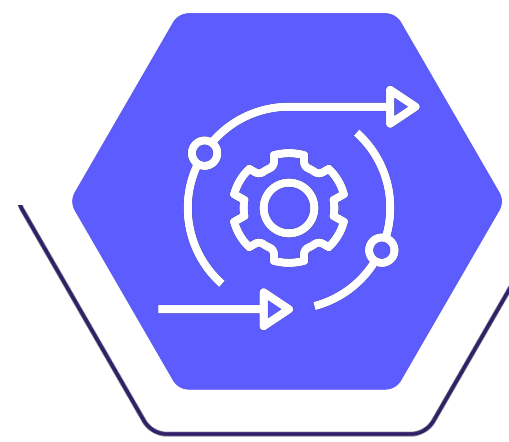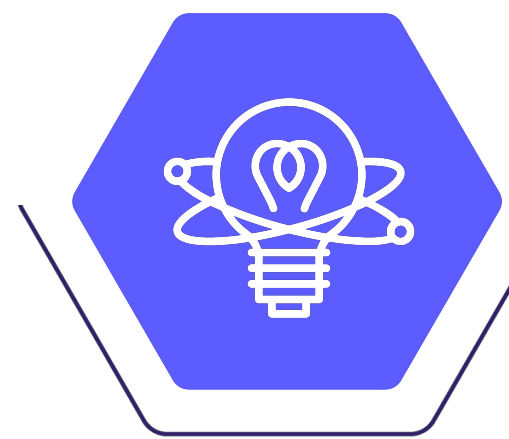
Innovation

How to improve

At this stage, you'll need to start thinking about how you can integrate innovation into the work of your department.

Tips

- Formalize methods that work for your department.

- Enable specific teams to act as change agents by training them on a selection of innovation methods.

- Be clear to your trainees why it's useful to learn this new method. For example, explain that design thinking will help you be more creative in your recruitment strategy.

- Prepare yourself for change. You'll need to build a powerful coalition to gain support from your team. Don't forget to communicate your message and plan short and long-term wins!

HR processes

How to improve

Start systematically cleaning up HR processes. This means you'll need to:

- Eliminate non-essential time-consuming steps.
- Automate essential time-consuming steps (if technologically possible and permitted by privacy laws).

From there, you can continuously assess the employee experience and implement potential improvements.

Tips

- Continuously measure process efficiency and employee experience by analyzing system data and the time necessary to complete each step.
- Regularly discuss process efficiency and impact with domain experts and managers: Where do they think improvements can be made, and how can automation help?
- Communicate and train people involved in the process to execute the new and improved process properly.
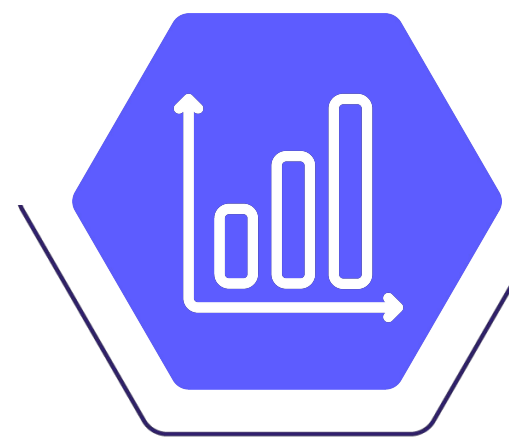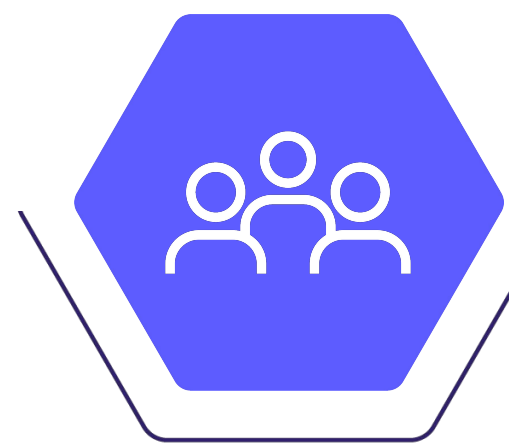
People

How to improve

Once you have a clear understanding of the digital skills gap in your organization, it's time for action. Start building new training programs to improve digital literacy. Make sure your colleagues understand and can apply these new skills.

If there are certain skills you can't train for in your organization, identify what digital expertise you currently have and what you will need to outsource or hire new people for.

Tips

- Identify the skills gap.

- Train for digital expertise, design thinking, and customer-centricity to enable people to get the most out of technology and innovation.

- Explain and communicate the added value of these digital skills for the organization and the employees.

- Actively build data skills among your strategic HR Business Partners.

- Implement data practices and awareness to promote consistent high-quality data (entry).

Data & analytics

How to improve

You can create a service delivery model to deliver HR information, insights, and advanced analyses. Team up with IT and other departments to systematically enrich and improve data. You can also consider building a prototype dashboard (using a tool such as Tableau or PowerBI) for a key strategic theme.

When you create a plan for any new dashboards, processes, and roles, keep in mind that your goal is to deliver people insights that support the business.

Tips

- Collect business needs for structural delivery of people insights.

- Decide with your team what needs to happen on the following topics to meet these business needs:

    - Dashboards and reporting

    - Data

    - Skills

    - Processes and governance

    - Roles and responsibilities

- Align with HR services (or a similar department) as they might already have a service delivery model.
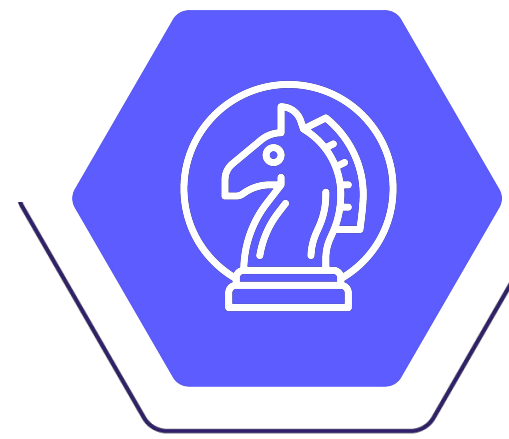
STAGE 4

Strategic

In this stage, HR teams recognize the strength in collaboration. This is because their research, work, and shared insights all contribute to digital transformation, ownership, efforts, and investments.

Strategy & leadership

How to improve

It's time to partner with executive leadership to reach an agreement on a solid digital HR strategy and transformation roadmap. You will need to define short and long-term goals and allocate your resources accordingly. Make sure to clearly communicate how this will benefit your business in the long term to secure the resources you need.

In this phase, you will need visible and active support from HR leadership. But don't forget about IT: a strong relationship with IT executives is also crucial.

Tips

- Take the lead in proposing a Digital HR roadmap and be bold in doing so.

- Invest in mapping employee journeys and touchpoints for HR.

- Create a set of compelling reasons to invest in Digital HR, focusing on boosting future growth & competitiveness.

- Get buy-in from IT executives & build a solid relationship with them as you will need them, a lot.
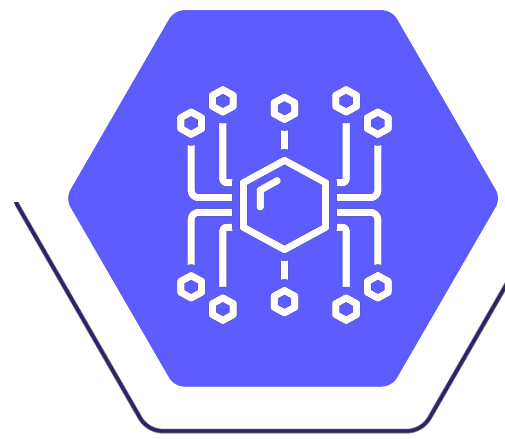
HR technology

How to improve

Align the HR technology roadmap with the organization's overall digital roadmap. You can partner up with IT to integrate your systems with other organizational programs, knowledge bases, and data platforms. This will ensure your success when creating value with HR tools, such as dashboarding and collaboration tools.

Tips

- Work with IT to build connections from HR technology solutions to an existing business data warehouse or data lake.
- Develop a process to combine and extract data from the data warehouse or data lake in a uniform way.
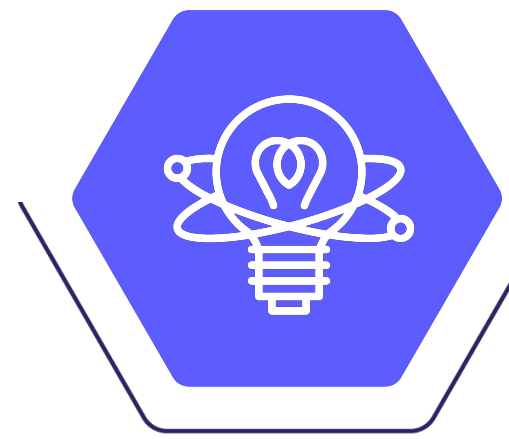
Innovation

How to improve

Make methods such as design thinking and the lean startup experimentation methodology mandatory in your HR training, at least for specific groups. You can partner up with L&D and select colleagues to build a learning program that can encourage continuous learning.
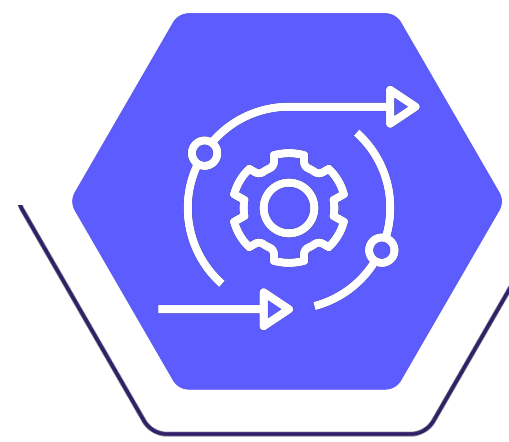
In the meantime, challenge HR leadership to set the right example by leading programs using innovative methods.

Tips

1 Work with L&D and a selection of early adopters to create an inspiring continuous learning program for HR innovation.

2 Challenge HR leadership to set the right example through suggestions & quick sparring sessions.

3 Move away from classical Excel & language learning into relevant fields with the potential to cross-pollinate & spur innovation.

HR processes

How to improve

Start looking for ways to have HR processes 'communicate' with each other to optimize business impact, the employee journey, and employee experience. To this end, you will need to create in-depth employee journey maps.

Work with domain experts and business stakeholders to determine how to best add value by linking HR processes. For example, you can directly link performance management goals with L&D offerings, and let strategic workforce planning goals feed into talent acquisition efforts.

Tips

- Create highly detailed employee journey maps.
- Discuss this integral approach with domain experts and business stakeholders to determine the best way to add value by linking HR processes.
- Involve vendors and IT to plan for a first experiment where two HR processes are linked and add value.
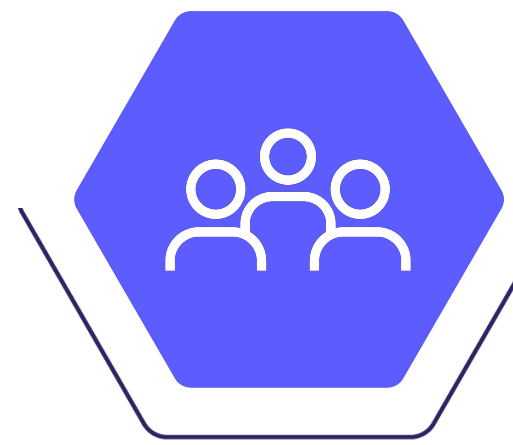
People

How to improve

By this point, digital literacy should be a mandate across all groups working within HR, including executives. Integrate digital skills within all roles in HR and plan for the future by attracting key digital talent.

Help new digital HR initiatives flourish with regular follow-ups and inspiration. Make sure to celebrate successes and discuss lessons learned.

Tips

- Provide regular inspiration & follow-up on new initiatives (e.g. weekly live updates, newsletters, posters/infographics).

- Celebrate successes, and discuss lessons learned from failures.

- Integrate a digital skill set in all HR recruitment profiles.
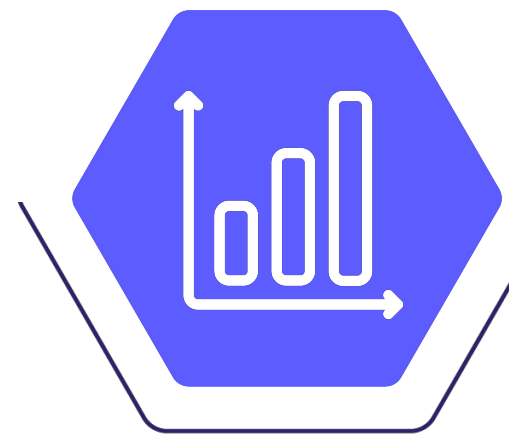
Data & analytics

How to improve

Make sure to communicate to all stakeholders how information requests should be handled. You can start implementing proper tools so any request, from simple to advanced, can be processed. This can be done either by self-service dashboards or a dedicated team of analysts who can quickly provide the right HR insights based on a solid dataset.

Tips

- Build and pilot reports or dashboards.

- Hire or train team members to improve information delivery.

- Create simple and straightforward communication materials. They should include which channel people can use for which information request, and how they can make their requests.
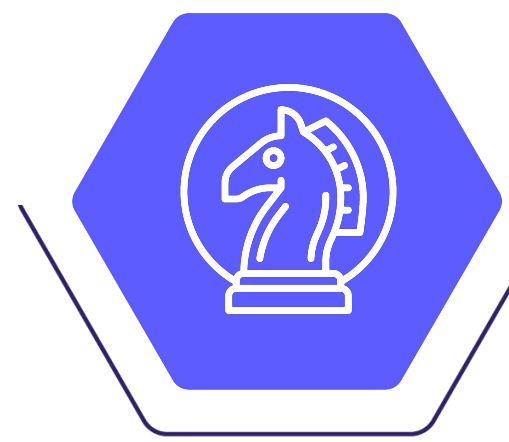
STAGE 5
Converged

It's time to form a dedicated digital transformation team to support HR strategy and operations. Make sure to focus your activities on business and customer-centric goals. The new infrastructure of the department will take shape as you determine the roles, expertise, models, processes, and systems needed to support digital transformation.

Strategy & leadership

How to improve

Be sure to regularly align with business developments and needs within your new HR operating model to boost digital transformation. You will need to integrate these new digital components into your people strategy. Don't forget to also team up with IT leaders on new plans for the future.

You can consider creating temporary cross-functional teams to experiment with new ways of working and innovative ideas.

Tips

- Stay in touch with internal and external customers through HR business partners and/or HR advisors. They need to gain input on business developments and align people challenges and solutions accordingly.

- Once business developments require a new approach to the organization of people, you can create a nimble team to tackle that challenge with a custom solution.

- Consciously work towards enabling individual customization to achieve the workforce of one.
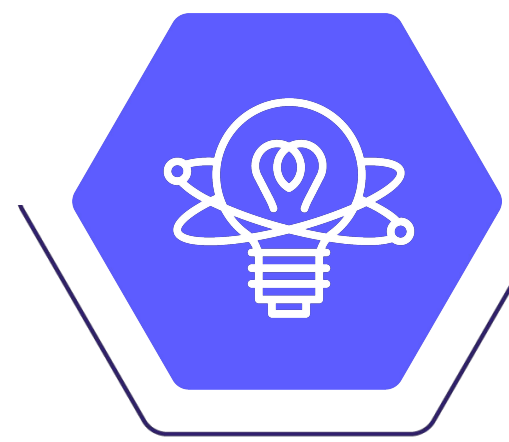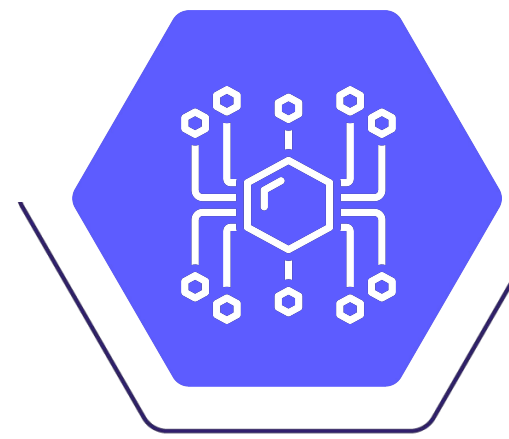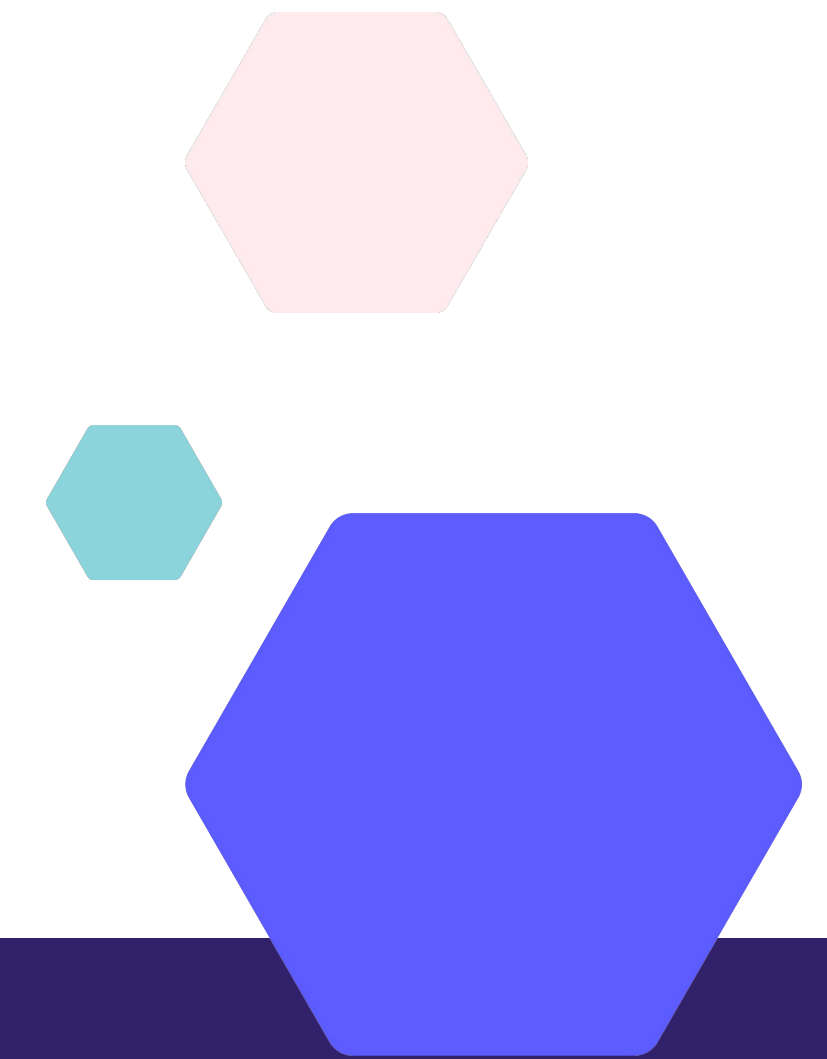
HR technology

Work towards an integrated set of platforms and tools to suit every need on people issues. Make sure all relevant HR tools are easily accessible for employees, management, and executives. These tools should provide real-time information fed by one single data source. You can partner up with IT and vendors to make this possible.

Tips

- Exchange of data is crucial to deliver value for the organization and employees, so work with IT and vendors to create a situation where any data can (safely) be accessed by any HR-related app or solution.

- Estimate the value of data and the cost of gathering data for both existing and non-existing data sources.

- Develop smart algorithms (with data scientists and vendors) that combine information from different apps and platforms to deliver suggestions and custom HR services to both employees and teams.

Stage 5. Converged

Innovation

How to improve

Although innovation might be more streamlined and formalized at this stage, pockets of experimentation are still important and crucial to keep it new and fresh.

Encourage working in hybrid teams to solve specific people issues. It's a good idea to form teams around HR thought leaders to stimulate their ideas. You should also make sure that there is time for people to come up with and work on new ideas.

Tips

- Leverage Organizational Network Analysis as a tool to spot opportunities for collaboration and networking.

- Prompt internal communication between departments through events and liaison roles.

- Identify innovative thought leaders within the department & form teams with them to pilot ideas.

- Encourage people to make good use of their time to be creative, develop, and pilot ideas.
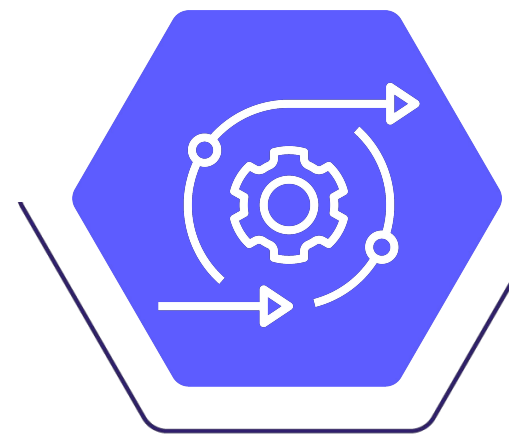
HR processes

Use quick pulse surveys to gather feedback from employees and business stakeholders on the effectiveness of your processes. You can then use this input to optimize HR processes, HR effectiveness, and employee experience.

Another place where you can find more input is your HR systems. Here, you can get access to L&D suggestions for courses, or suggestions from algorithms to further optimize your processes.

Tips

- Use quick pulse surveys to gain input for process effectiveness.
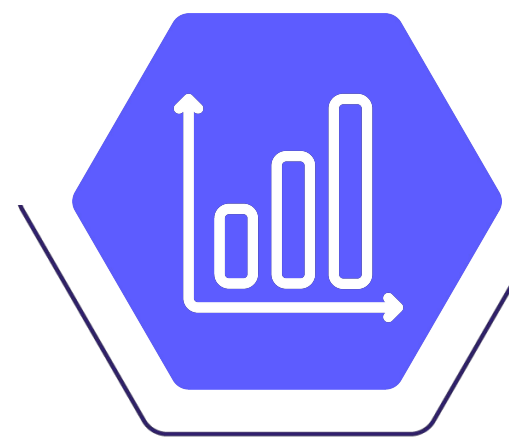- Optimize HR processes with suggestions from existing HR systems.
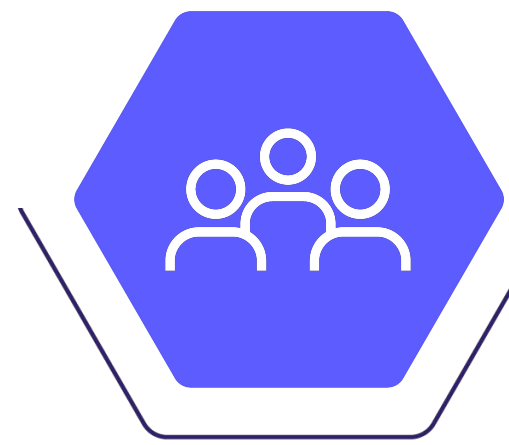
People

How to improve

As data analytics becomes increasingly important and complex, you will need to train or hire more data-savvy people. Make a business case for hiring specialists, such as data scientists with HR affinity, to work on advanced analyses, or developers to build in-house software solutions. But be aware: talent is in high demand, so make sure to build an attractive employer brand!

Tips

1 Identify a clear business case for bringing data-savvy people and developers in, or cooperate with other business lines for this expertise.

2 Make yourself attractive to outside talent by emphasizing digital ambitions for the future.

3 Explore the added benefits of Centers of Excellence to foster unique and hard-to-come-by skills.

Data & analytics

How to improve

Team up with other departments to decide on data definitions and formats for your entire business. After that, you can start building integrated dashboards and reports across multiple departments, starting with Finance. Combine business (customer) data with employee data to deliver rich analyses with business impact.

Encourage HR business partners to provide research questions, and proactively provide the business with advanced analyses based on these.

Tips

- First and foremost, align on data definitions and formats with IT, Finance, Control & Business before you start building integrated dashboards.

- Challenge your HR business partners to be creative and come up with research questions that address pressing business issues.

- Ensure you have the capability to analyze data and answer these research questions.
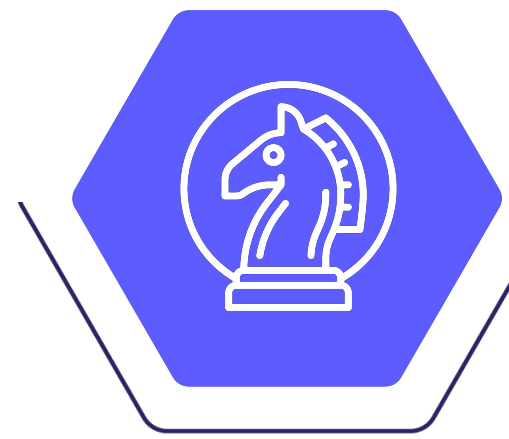
STAGE 6
Innovative & Adaptive

Digital transformation is now a continuous process in your organization. Your business relies on HR to provide the best digital solutions for their challenges. You will need to establish a new ecosystem to identify and act upon technology and market trends.
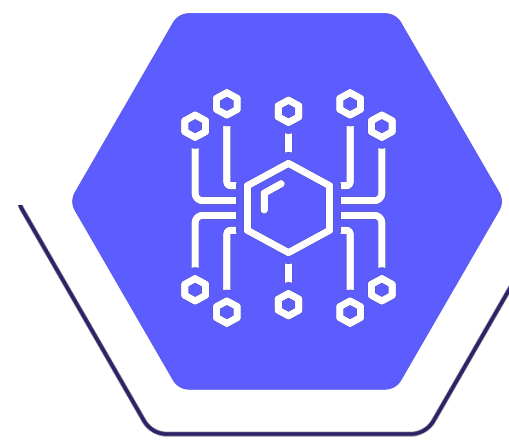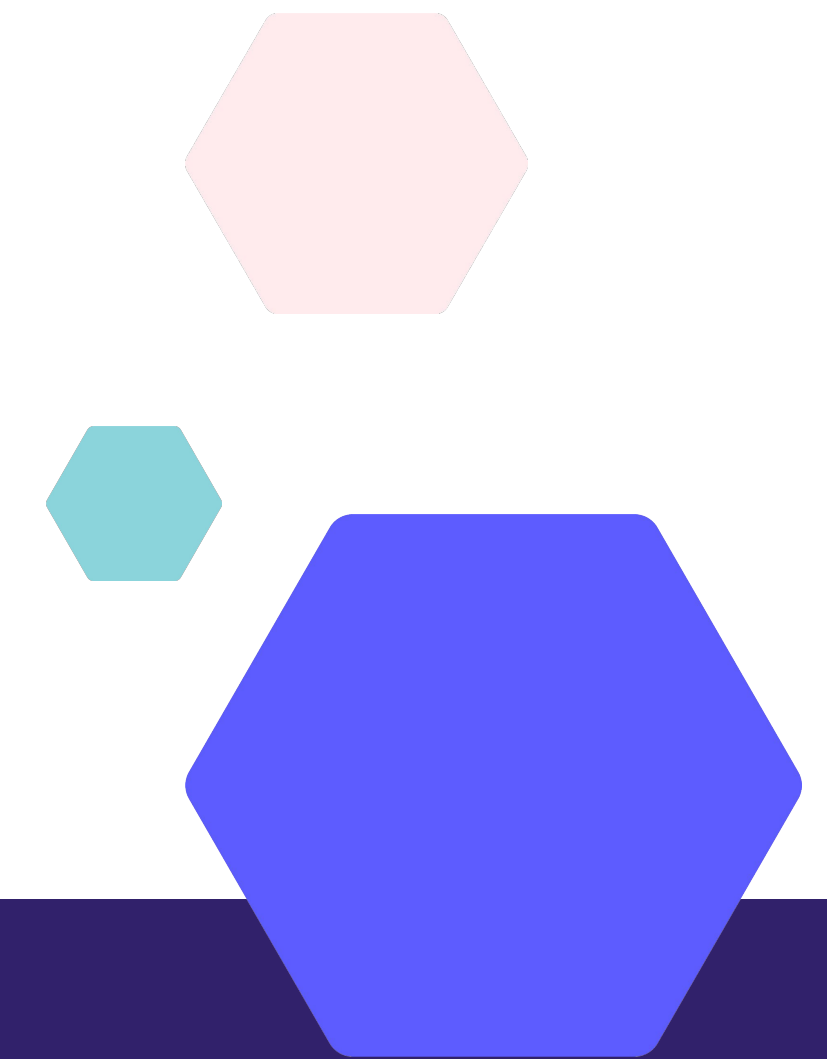
Strategy & leadership

Use feedback from data and analytics to finetune the digital components in your people strategy. These should be components that work and impact business success. And don't forget to allocate significant budget and resources for experimentation and pilot programs. Pick those which can bring value to your overall business strategy.

How to improve

- Build methods for continuous listening in HR and business processes.

- Map critical points in the employee journey and align them with your continuous listening/data capturing capabilities to capture critical data points.

- Connect these data in a data warehouse.

- Fully implement the workforce of one.

- Build KPIs that provide the necessary feedback on the added value of digital components (e.g.frequency of use and effectiveness of a recruitment game on the website).

- Track key business outcomes and relate the input data to the output data through analytics.

- Structurally optimize the HR input that impacts business outcomes.

HR technology

How to improve

In the final phase of your digital transformation, set up your HR technology so that you can create a continuous feedback loop for employee experience and business impact. You can work with IT and vendors to achieve this and continue to finetune your configuration over time. What works now might not be enough in the (near) future.

For that reason, you will need to either make sure that your current solutions are enough, or replace them to achieve your goals.

Tips

- Train algorithms with behavioral data to continuously learn from the organization's actions, preferences and other input.

- Link these data to business measures & identify patterns that work in your specific business contexts.

- Set up intuitive user interfaces for your HR tech so people can find the best way to boost their development, happiness & effectiveness.
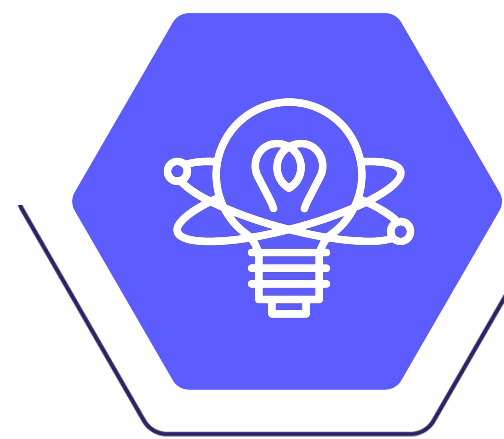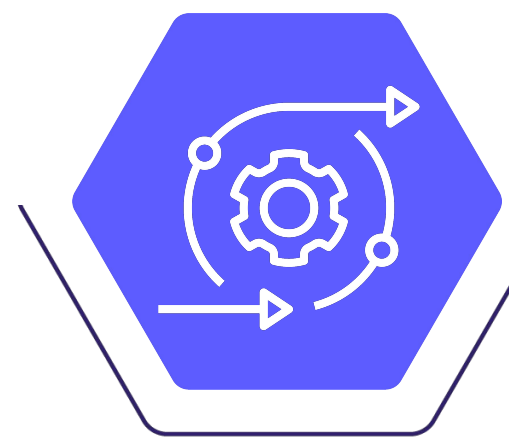
Innovation

It's now time to make HR innovation a continuous process rather than a one-off program.

To achieve this, you should encourage an innovative mindset by creating time and resources for new approaches and collaboration. Keep everyone focused on the right goal by identifying value-adding innovation KPIs and driving intrapreneurship.

Tips

- Create extra roles for those delivering outside-in inspiration, connection, innovation, and ideation. Networking will help them gain access to promising startups and frontrunners in the HR innovation field.

- Identify relevant innovation KPIs that add long-term value to the business. Commercialize your innovative capacity.

- Stimulate intrapreneurship and tolerate failures (to a certain extent).

HR processes

How to improve

Think about how you can optimize your EX in such a way that HR processes are practically invisible. This will ensure that users of digital solutions enjoy their interactions and your employees are happy to share data. Analyzing data will also help you understand organizational patterns and profiles.

Customize your HR processes and continuously measure how tweaks and customization of HR processes can impact business outcomes. Remember: what works for one department might not work for another.

Tips

- Analyze system and business data to discover distinguishing patterns and profiles in the organization.

- Find out how to customize HR processes to meet the needs of different groups within the organization.
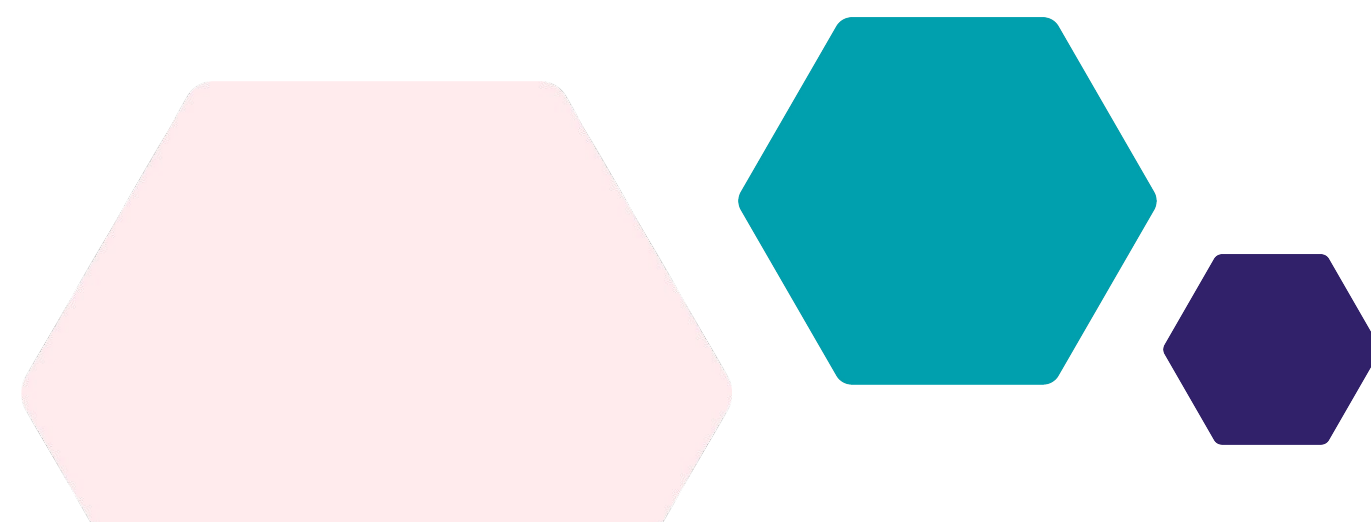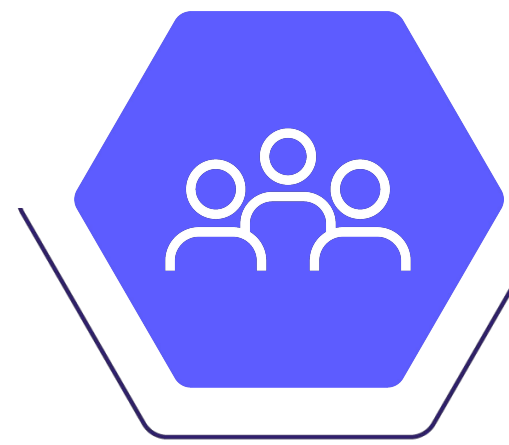
People

Make a person or small team responsible for the continuous delivery and growth of innovation within HR. You can do this by networking with interesting third parties, suggesting innovative ideas for people challenges, and challenging current solutions.

Regularly ask for your innovators for input on skills that will be needed within HR in the future. Continuously review the talent gap for digital skills within HR.
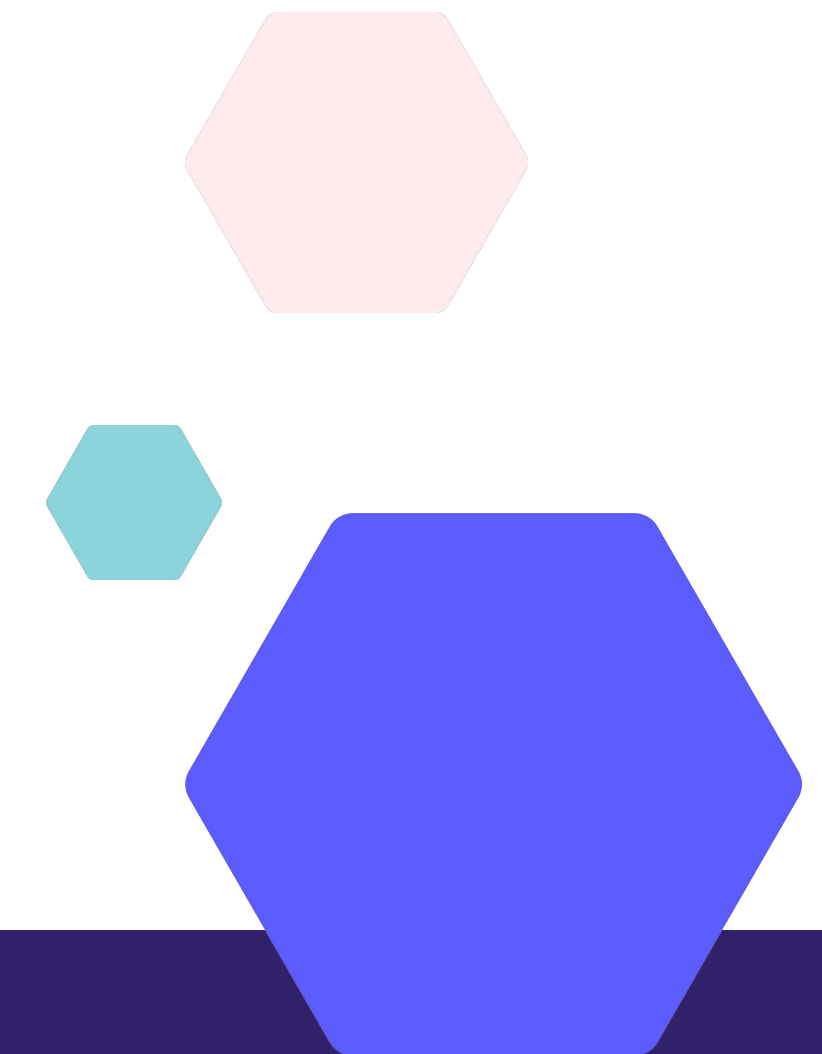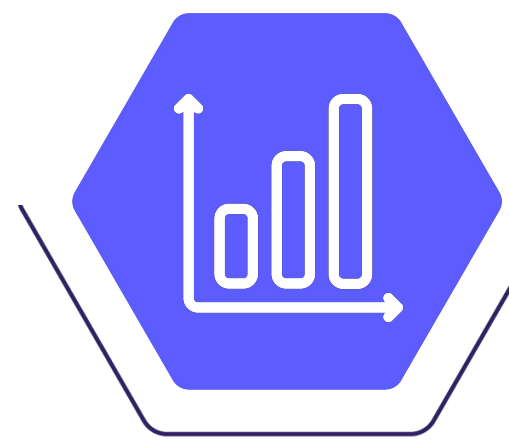
Tips

1 Select business-savvy innovators to implement solutions and commercialize new ideas that are generated in the organization.

2 Ask your innovators to identify skills needed within HR in the future (e.g. blockchain developer to manage exchange of personal HR data).

Data & analytics

How to improve

Make real-time data analysis by setting up proper architecture and processes. You need to ensure that your analytical tools are lean and actionable. Design thinking would be ideal for this. You will also need to create self-service dashboards for all HR employees and provide quick and actionable custom advanced analytics for more complex people challenges.

It's also vital to keep asking HR business partners and domain experts about what analytical insights they need to add value.

Tips

1 Regularly ask for input from HR business partners and HR domain experts about their data and analytics needs.

2 Use design thinking to make analytical tools as lean and actionable as possible (e.g. highlight outliers from a KPI dashboard instead of a flat list of results).

3 Ensure your analytics unit can handle multiple projects and initiatives and deliver constant business value.

AIHR | Academy to Innovate HR

At the Academy to Innovate HR (AIHR), it is our mission to make HR future-proof by offering world-class, online education programs available anywhere, anytime.

Any HR professional who is committed to lifelong learning can expand their skill set with relevant and in-demand skills. AIHR is the place to learn the skills you need to advance your career and secure a job at the forefront of HR.

Browse our programs at **AIHR.com**

ACADEMY TO INNOVATE HR