

 WHITE PAPER

The Digitalization of HR



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Executive Summary

According to Gartner's 2017 CEO Survey, "CIOs Must Scale Up Digital Business," the idea of shifting toward digital business was speculative for most CEOs a few years ago. In 2017, it has become a reality.

Yet successful digitalization often hinges on the least digital part of an organization: people. This paper examines what digital transformation means for an organization's people, why the HR function sits at the heart of any digital transformation, and how the right technology can power HR's success.

Introduction

Digital transformation is the realignment of, or new investment in, technology, business models, and processes to drive new value and experiences for customers and employees and more effectively compete in an ever-changing digital economy. Executives in all industries are using digital advances such as analytics, mobility, social media, smart embedded devices and both new technologies and traditional technologies to change customer relationships, internal processes, business models and value propositions. Digital transformation is high on the business agenda for good reason. The world is changing and it's changing fast. According to the Boston Consulting Group, in the last 50 years the average life span of the major corporation shrunk from 60 years to just 15—a decrease of 75 percent. From globalization and rapid technological advances to the ever-evolving instant gratification requirements of consumers, the message is simple: go digital or go bust.

Everyone must undertake digital transformation or risk being left behind. Yet there is disparity between the obvious need to digitalize and the current state of progress. For example:

- According to Cisco, 40 percent of Internet traffic is driven by seven billion mobile devices², yet HR teams remain far behind in the deployment of mobile solutions.
- The 2016 Bersin by Deloitte study on Human Capital Trends shows that 92 percent of companies are trying to reorganize in a way that allows them to build this new digital culture, yet only 14 percent are sure they know how.

People Critical

It would be easy to assume that the successful digitalization of an organization would center on the investment in and deployment of the latest technology, perhaps replacing manual processes with automated, IT-driven solutions. While there is plenty of speculation about how digital technologies, especially artificial intelligence, will soon replace humans in the workplace, we're simply not there yet.

Average life span of major corporation has decreased by **75%**

40% of Internet traffic is driven by seven billion mobile devices

What truly sits at the heart of any successful business is people. For now, and the foreseeable future, behind every innovation and organizational change there are still people. The more talented these people are, and the more relevant their skills to the task at hand, the more successful the digital transformation will be.

For some “digitally native” companies such as Google, Amazon, Netflix, and Airbnb, the recipe for digital success is easy. They are already well-positioned to attract and retain the best new digital talent, pay them handsomely, and inspire them with the opportunity to be part of cutting-edge work.

Yet the challenge for the “digitally migrant” companies is substantial. How are financial institutions, manufacturing plants, airlines, going to make digital transformation work?

Human capital is leading digital transformation in three key ways:

1. Innovation

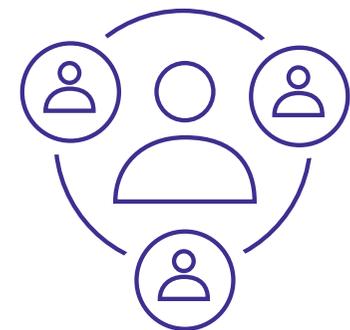
Innovation requires people—supported by technology—to think critically and be creative. The technology will not succeed without those who use it strategically.

2. Soft Skills

According to PwC, 77 percent of CEOs worry that skills shortages could impair their company's growth. What's more, it's the soft skills—creativity, innovativeness, and emotional intelligence—they value most but are hardest to find. It's this soft skill set that can't be replicated by machines. Soft skills trump technology knowledge in driving digital transformation: When asked about the most important skill for leaders to succeed in a digital environment, only 18% of respondents listed technological skills as most important. Instead, they highlighted managerial attributes such as having a transformative vision (22%), being a forward thinker (20%), having a change-oriented mindset (18%), or other leadership and collaborative skills (22%). A similar emphasis on organizational skills above technical ones for succeeding in digital environments was also reported for employees.

77%

of CEOs worry that skills shortages could impair their company's growth



3. People

Organizations leading digital transformation are posting higher profits. Leading digital companies generate better gross margins, better earnings, and better net income than organizations in the bottom quarter of digital adopters, according to Harvard Business School.

But what are the effects on human capital? The common perception is that digital transformation leads to job loss, but the rise of digital transformation is actually increasing the need for human capital. Only 16 percent of CEO's plan to cut headcount over the next 12 months—and only a quarter of them say it's because of technology. Conversely, 52 percent plan to hire more employees. CEOs clearly see the value of marrying technology with uniquely human capabilities.

HR Opportunity

Business leaders are grappling with unprecedented change driven by technology disrupting business models and radically changing the workplace experience. The HR function can take the lead and deliver sustainable value to their businesses and the teams that serve them.

Digitalizing HR can support businesses in three key ways:

1. Digital learning - keeping the organization's digital skills abreast with the always-changing environment. Keeping pace is a critical success factor in a digital world which makes digital learning more of an imperative than an option. HR teams can ensure it is owned, measured, and optimized.

79%

believe technology will cause job losses over the next five years

16%

of CEOs plan to cut headcount over the next 12 months

2. Digital workplace - empowering and connecting the workforce with a modern, digital experience. From scheduling to requesting time off, people expect self-service tools and automatic integration. Having workforce management, talent, and learning all in one platform, working in tandem, makes it easy for managers and employees alike to be transparent and efficient.

3. Digital talent - developing a digital-ready worker and organization. Digital transformation affects an organization's ability to attract top talent and drive employee engagement. After all, top digital talent is attracted to modern workplaces where they can be fulfilled by the work. The digital landscape moves fast, so organizations must fluidly adapt to ensure positive employee experiences.

Digital HR Strategy

So, what does a digitalized HR environment look like? This falls into three key areas:

1. **Technology** - leveraging technology to improve efficiency and effectiveness.
2. **Mobile** - making information accessible anytime, anywhere.
3. **Modular** - using bite-sized content that can be configured in a variety of ways to deliver the most relevant insight.

Of course, supporting this will be a single platform that supports and simplifies this new HR mission and a stepped approach to the digital transformation program. However, before specifying or choosing such a system, it is important to ensure the strategy is sound.



Review the Digital HR strategy

Work with specialized external consultants to review the existing strategy and vision and align on the new digital transformation objectives. This should be an exercise of mindset alignment as well as delivering a roadmap to align strategy to execution—for example, assessing organizational readiness, governance structure, and change management considerations.

A workshop can also be used to create a tactical, execution-oriented project plan. This will detail elements such as timing, resource requirements, cost, and risk that underpin HR's ability to deliver on the new strategy.

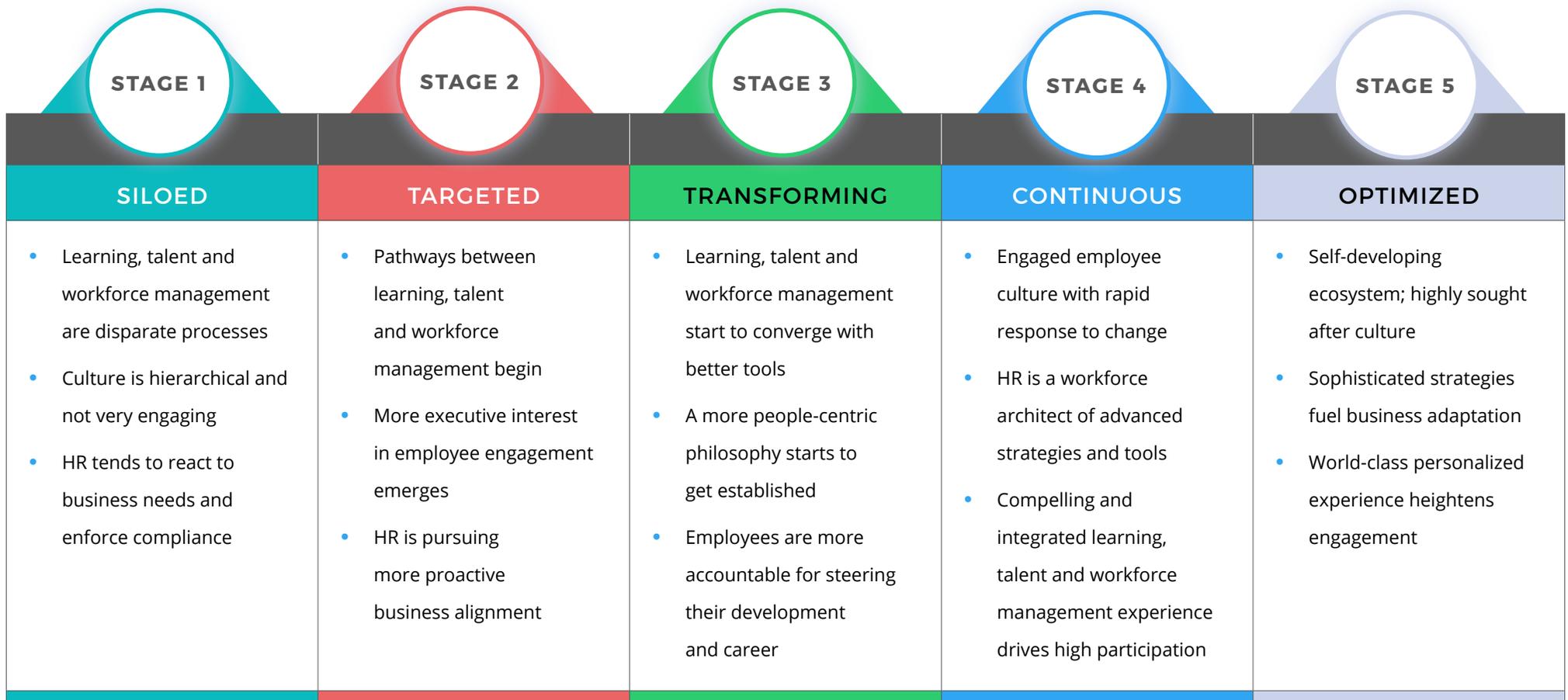
A good workshop should cover the nine essential indicators of organizational culture:

- HR's role and strategy
- Governance
- End user experience
- Technology infrastructure
- Funding
- Learning and talent ownership
- Elective participation rate
- Measurement

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The Stepped Approach

As an organization evolves through the transformation program, the HR strategy becomes more adaptive and the workforce becomes more agile, resulting in stronger business performance. The five key stages of digitalization look like this:



Five key stages of digitalization

Choosing the Technology

A good technology platform will help an organization attract, know, mobilize, develop, progress, and reward its workforce. It should equip leaders with the insight they need to lead their teams and engage in productive activities, while fostering collaboration and continuous development to drive business outcomes. Here is a checklist of potential features, functionality, and considerations for this critical element of the digital HR vision:

Unification, Personalization and Insight

- Is there a holistic view through unified information and actions, including from third-party systems?
- Would easily configured dashboards and personalized learning recommendations based on each user's preferences be useful?
- Does the onboarding experience connect managers, teams, and mentors to new employees, immerse new hires into the company culture, show individual and company goals, link recommended learning, and provide pre-boarding and day-one resources?
- Are managers equipped with visibility into team strengths and gaps and easy access to key actions for direct reports to effectively coach their employees?
- Can employees explore their fit for current and desired jobs by identifying skills, learning, and behavior gaps and be offered the precise learning needed to resolve those gaps?
- Does an enterprise search facility enable employees to search for and find jobs based on their competencies and skills?
- Are analytics and insights real-time, easy to consume with visualization, and capable of automated report delivery?

Learning

- Are learning plans adaptable and actionable with a visual timeline of priorities and tasks and individualized insight into learning progress?
- Are learning recommendations personalized?
- Is learning accessible with engaging and responsive mobile design and notifications for on-the-go or from remote locations, whether online or offline?
- Do delivery options cater to different audiences and support everything from instructor-led and blended learning programs to micro-learning and flipped classroom?
- Is learning and curated content connected to critical development measures like goals, skills, competencies, and role expectations?
- Does it feature social ratings and feedback, including tools for agile creation of content by subject matter experts?
- Can administrators determine the cost of activities based on audience, the currencies they are sold in?
- Do tools connect learning and curated content to critical development measures like goals, skills, competencies and role expectations?



Talent

- Is it simple to balance and align the goals of individuals and the organization to help leaders support strategic initiatives, while ensuring individuals see their contributions to success?
- Are there features such as cascading goals, role-based configurable dashboards to monitor progress, and unified development planning to balance company and personal goals?
- Is it possible to proactively recommend the learning activities and content people need to build the precise skills and competencies?



- Do individualized development paths help every person in the organization better understand the expectations of their role and focus on resolving the capability gaps?
- Do people not only have the ability to work towards their next position, but see career recommendations based on criteria found in their resumes, explore their competencies for current and future roles, and identify gaps?
- Is there seamless connection to the development and learning opportunities they need to progress their career with contextual recommendations?
- Is there a comprehensive view of the employee in one place, providing insight to make decisions regarding work assignments, performance, and career planning, while enabling employees to keep an up-to-date record of their skills, experiences, and plans?

Workforce Management

- Can employees automatically ensure they have the current certifications they need to be both safe and compliant?
- Are there pre-set rules to help to stay in accordance with regulatory laws?
- Is there mobile access to real-time information and self-service access to time clocks and schedules for mobile workers to track and monitor schedules, locations, accruals, time, expenses, and more?



Get Connected

Digital transformation is a big change for many organizations which requires a significant amount of talent development. During this important transition, it is important for employees to operate at peak performance and to continue their personal development. Neither individual contributors nor managers can be at their best if their productivity and morale is hampered by separate and disconnected HR processes, such as learning, performance feedback, compensation, succession planning, and tracking time and attendance. Further, HR itself can't possibly enable employees in the ways needed for digital transformation if every talent development process exists in a silo. Custom integrations between separate systems simply don't work. They lead to a talent development infrastructure that is fragile, resistant to change, and rife with the risk of error and data latency at a time when it should be accurate, fast, flexible, and the very life blood of talent development for digital transformation.

The solution for both the organization and its HR team is a unified set of processes and a unified technology platform to power all of them. Every time an employee, manager, or HR professional has to jump from system to system to accomplish parts of what should be one seamless process, digital transformation is at risk. Talent development for digital transformation that is fragmented, inefficient, or a point of frustration fails to empower and support. It is time for HR to catch up with the digital transformation imperative. The outcome can be a sustainable and agile HR that meets the expectations of the business and of the workforce by continuously addressing disruptions. The risk is unmistakable.

The HR mission therefore is to rewrite the rules to reflect the shifts in mindset and behavior required to lead, organize, motivate, manage, and engage the 21st century workforce. HR must take advantage of disruptor-driven changes and this means delivering a new message and a new sustainable vision.

How can SumTotal help?

SumTotal Systems, LLC, a Skillsoft Company, is the world's only unified Human Capital Management Solution. SumTotal's award-winning Talent Management Suite enables companies to attract, know, mobilize, develop, progress, and reward their workforce. SumTotal is continuously innovating to best meet the market challenges of attracting, retaining, developing and engaging the multi-generational workforce. The Talent Expansion Suite includes three key components—Talent, Learn, and Work, all of which can be deployed either in the Cloud or on premise. SumTotal enables organizations to address challenges in several critical areas of impact that are known to contribute to the organizational health and sustainable success. Examples of business challenges our solutions address include, but are not limited to:

- Driving cost efficiency & operational effectiveness
- Promoting digital transformation in HR
- Improving total cost of ownership control
- Reducing uncertainty with data-driven decision-making
- Reducing risk of project failure & risk of constrained ROI

Our customers include a range of Fortune 500 companies, and smaller, high-growth companies spanning nearly 160 countries. Today our customers, including several of Fortune's "Best Places to Work," rely on SumTotal's on-premise and cloud-based Talent Expansion applications to enable their employees.

About the Author

Morne has been responsible for leading innovation and driving product strategy with more than 20 years of experience in enterprise-wide HR Technology products and services. He has a passion for building higher-performing organizations by optimizing the effectiveness of people, process, information, and technology.



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