THE THOUGHTFUL APPROACH TO **HR DIGITAL TRANSFORMATION**

The Emergence of HR Leadership

Without exception, businesses across all industries have undergone massive changes in the last decade – largely driven by the emergence of the cloud, mobile, IoT, and AI revolutions. New technologies have enabled new business models to thrive and have fundamentally changed how organizations work and interact with customers, suppliers, and employees.

This technical revolution has resulted in millions of new jobs that didn't exist 20 years ago. Almost all these new jobs have some element of "knowledge work". New types of work and new ways of working have converged with very significant changes in the labor force, including demographic and cultural shifts, the rise of the digital native generation, and the growth of the gig economy.

Over the last decade, these macro trends have driven the emergence of HR as a strategic function in business. The COVID-19 pandemic accelerated this shift, and HR immediately became the most critical function in virtually every business around the world. Sudden transitions to remote work, new dimensions to workplace safety, huge workforce furloughs and layoffs, the "great resignation", and the unclear path to return to in-person work have left many organizations reeling. These were and are massive HR challenges, and HR leaders are rising to meet them. There is now no doubt that HR leaders have taken their rightful place in the C-Suite.

HR Digital Transformation

The scope and scale of HR responsibilities are extensive, impacting every employee in multiple dimensions across their employee lifecycle. Figure 1 illustrates the wide scope of responsibilities for HR teams in most organizations.
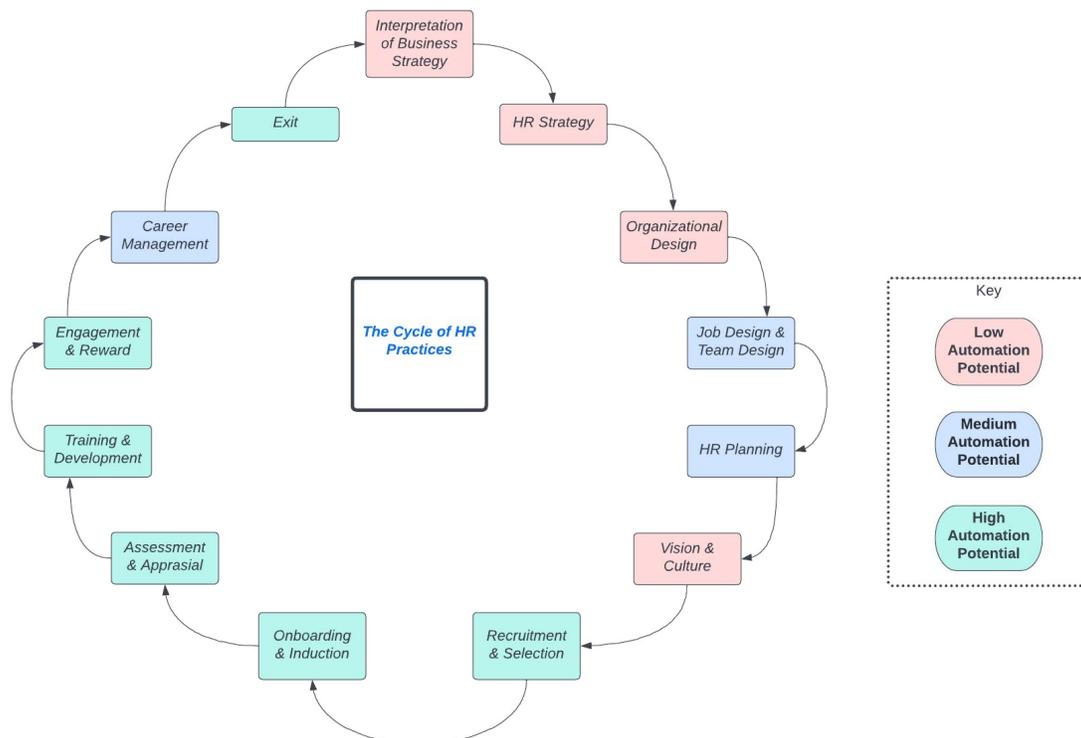

Figure 1:   E. Vulpin, "The HR life cycle in 13 steps" based on Storey, Wright & Ulrich (2019), "Strategic Human Resource Management A Research Overview", 2019, https://www.aihr.com/blog/hr-life-cycle/

Each element in the HR lifecycle impacts organizational performance, competitiveness, costs, culture, and employee experience. While historically, the role of HR has not been heavily tied to technology, this is no longer the case. Many HR functions have the potential for technology enablement and automation that can increase capabilities, improve experiences, and reduce costs. A key objective for most HR leaders is to ensure HR strategies, systems, processes, and technologies serve as competitive advantages that are fully aligned and support overall business strategy.

HR scope is broad, covering everything from talent acquisition, learning management, performance management, compensation and total rewards, workforce management, and more. It's not uncommon for companies to have 20+ applications in their HR Tech Stack and several additional integrated external services such as payroll and benefits administration. How these applications and services work together in an efficient and orchestrated manner can have a massive impact on how well HR performs.

As we emerge from the pandemic, there is a newfound appreciation for how technology influences employee experiences, productivity, culture, learning, and safety. HR leaders are taking stock of their HR processes and systems and initiating broader digital transformation initiatives. These initiatives build upon lessons learned during the past two years, with the intention of creating HR app ecosystems that are resilient, flexible, comprehensive, and better aligned with business objectives.

The DEEP approach to HR Digital Transformation

There are literally thousands of HR-related applications and services that all promise to improve HR performance. The pace of innovation in HR-tech has rapidly accelerated, with almost 17 billion dollars of venture capital investment in workplace technology start-ups in 2021. This level of investment is exciting, but it also has created a significant amount of confusion about which technologies drive meaningful positive results. In some cases, there is growing concern that some new technologies may actually introduce negative effects.

While it is valuable to stay informed on state-of-the-art technology in the HR field, it's not the place to start an HR Digital Transformation journey. In many cases, you can achieve significant improvements by redesigning HR business processes, reconfiguring existing systems to meet new business requirements, and building integrations and automated workflows that connect applications together. We recommend introducing a formalized methodology and data-driven approach to HR Digital Transformation. For HR Digital Transformation to be successful, it must involve the organization as a whole and focus on data-driven improvement and automation across all operational HR processes.

At Dispatch, we use a methodology called DEEP to help organizations ensure their digital transformation in HR is anchored with the right strategy and focus. This DEEP methodology works hand in hand with our DIVE methodology that we use to successfully implement your plan.

DEEP is an acronym for:

Define your HR Strategy and KPIs	**Evaluate** your existing HR processes and technology/services stack to identify gaps	**Engage** with software vendors once you have clearly identified your business requirements	**Plan** your HR Digital Transformation
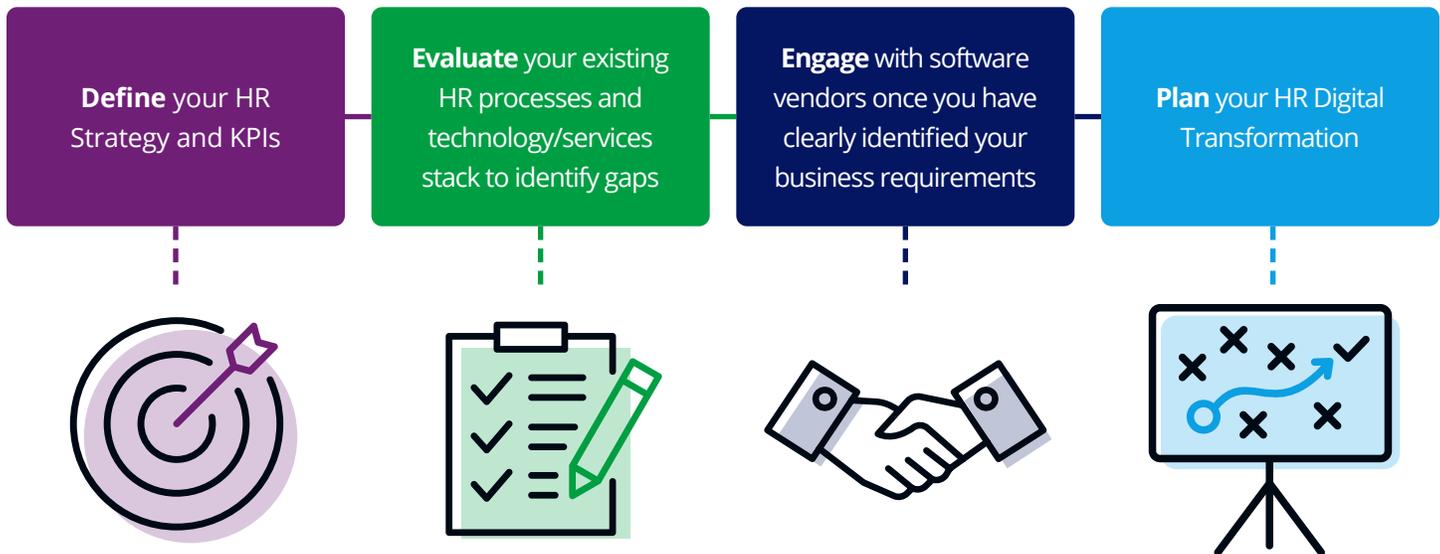
Define your HR Strategy and KPIs

HR Digital Transformation begins with a clear understanding of how HR strategy is aligned with the overall strategic imperatives of the business, and how your HR tech stack supports the execution of your HR strategy. Every company has a unique HR strategy geared to its operational needs, employment markets, and business context. HR systems and processes should be configured to deliver on this strategy, and appropriate key metrics and priorities should be established to measure the operational effectiveness of these HR systems.

There are two broad categories of metrics that each have quantitative and qualitative attributes:

1. Stakeholder Experience Metrics across the employee lifecycle (from candidate to employee to alumni) that measure the quality and effectiveness of each employee's interaction with the company.

2. Business Metrics that measure the efficiency, effectiveness, speed, scalability, and quality levels of key HR business processes.

While there are potentially hundreds of different HR-related metrics, what to measure and their priorities are defined by your business and HR strategies. For example, a high-growth company may prioritize talent acquisition metrics, while more established companies may focus on productivity and engagement.

The following is a non-exhaustive list of common HR metrics:

Area	Common Metrics	Why Measure
Foundational HR Metrics	• Headcount and growth rate • FTEs by region, function, and employment type • Demographics • Work types/classes • Revenue per FTE • Rate of change • Workforce costs vs industry benchmarks	These foundational metrics are helpful to provide overall context for your HR strategy and the fundamental nature of your workforce.
Talent Acquisition and Onboarding	• Recruitment Spend / Cost per hire • (Qualified) applicants per posting • Time to hire • Time to Productivity • Recruiting Effectiveness (offer acceptance rate, new hire voluntary/involuntary turnover) • Candidate Experience	These metrics are particularly helpful for high-growth companies (e.g., tech companies), naturally high turnover companies (e.g., retail), and companies that need to compete for very specialized talent. Assessing the success rates for internal applicants vs. external candidates is also a good measure of how well the organization creates upward mobility and career advancement opportunities.
Productivity & Performance	• Absenteeism rate • Overtime rate • Performance management scores and goal achievement	These metrics can be helpful to measure employee engagement and effectiveness. These often are defined jointly between business functions and HR and can be helpful in assessing your ability to attract, retain and engage top talent.
Wellbeing & Inclusion	• Employee Happiness/Satisfaction/Net Promoter Score • Diversity metrics • Grievance rate • Safety metrics	These metrics can help you assess engagement, turnover risk, organizational culture, management effectiveness, and systemic issues.

Area	Common Metrics	Why Measure
Training & Development	• Training cost per employee • Training hours per employee • Training effectiveness (from employee and management perspectives) • Internal promotions • Speed to acquire new skills	Measuring training costs and effectiveness helps you understand the return on investment for your skills development initiatives
Retention & Turnover	• Internal promotion / lateral moves • Attrition rate • Voluntary turnover • Involuntary turnover • Exit drivers	Some attrition can be healthy. However, too much attrition is costly and disruptive. Understanding the level of attrition at your organization by role and type of employee can help you identify policies and procedures that can reduce turnover and improve the retention of your top performers.
HR Functional Efficiency	• HR to FTE ratio • HR Error Rates • HR Infrastructure Costs	These metrics can help you benchmark and identify where there are opportunities to optimize HR processes. HR administration tasks are often great candidates for automation.
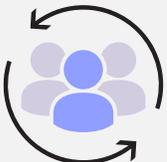
The following list summarizes some key questions to ask in this phase.

1. What is your business strategy, and what HR imperatives are required to support the achievement of this strategy?

2. How does each HR function (e.g., talent acquisition, onboarding, training & development, performance management, total rewards, etc.) support your HR Strategy?

3. What are the right KPIs to measure HR performance overall and relevant HR processes based on the priorities of your HR Strategy?

4. What data and formulas will be used to measure each KPI?

5. What are the benchmarks of success for each metric?

6. What changes in processes, systems, and organizational design may be needed to achieve these benchmarks?

Evaluate your existing HR processes and technology/ services stack to identify gaps

After your HR strategy and KPIs are established, you will be well equipped to assess your existing HR systems and services and identify how well they will support your overall strategy.

1. Map your essential HR business processes focusing first on those that you identified as most strategic:
    *   In many cases, this mapping exercise will uncover process inefficiencies that drive delays, errors, and costs that can be addressed quickly. For example, if you find employees or HR staff need to enter the same information into different systems, that could be a good candidate for an automated integration that will eliminate this effort and improve data quality.

2. Map your technology/services stack:
    *   Develop a visual representation of how each system and service are interrelated. An important element of this step is to identify which are the "systems of truth" for various types of HR data.

3. Identify the current costs of your existing tech stack:
    *   This should include license, maintenance, and support costs.

4. Describe the stakeholder experiences for key HR business process. For example, what is the typical candidate experience through your hiring process? How variable are these experiences? What are the causes and impacts of negative experiences?

5. Identify gaps:
    *   What elements of your tech stack may be insufficient to meet the needs of your HR strategy, even after process improvements are implemented? Wherever possible, articulate the gaps in ways that can be measured.

Engage with software vendors once you have clearly identified your business requirements

There are hundreds of HR-targeted applications and thousands of ways these applications can be structured into an app ecosystem optimized for a given company's strategy. Each HR-targeted application vendor will articulate value propositions that may sound compelling on their own. It's only after defining your strategy and KPIs and evaluating your needs that you will be equipped to assess each vendor's offerings in an objective manner and in the context of what is critical for your business.

If your evaluation leads you to conclude that you have deficiencies in one or more of your existing application and services that prevent you from achieving your objectives, you can start to engage with software and services vendors that may be able to close these gaps. Even if you are confident about what solution you would

like to implement, we generally recommend initiating a formal vendor selection process. The intensity of this process is dependent on the criticality of the solution, costs, risks, and urgency. In general, a formal process will ensure your decisions are well-informed and defendable. We recommend following a standardized vendor selection process as follows:

1. Vendor Search and Research:
   - In this step, you develop a long list of vendors that may have software solutions that meet your needs and enhance your ability to hit your KPIs. This step also helps inform your understanding of the state-of-the-art and how new technologies may be able to address targets in novel ways. This is a desk-research phase that should result in a long list of potential solutions, and a high-level assessment to shorten the list to a manageable number to allow for further assessment.

2. Vendor Assessment Matrix and Outreach:
   - Once you have established a shortlist of vendors, you can reach out to them to advise them of your intentions to undertake a vendor selection process and invite them to participate in this process. In this initial outreach, you will outline the characteristics of your business, describe your requirements, provide your evaluation and selection process, and lay out your expected timeline to reach a decision and implement the solution.

   - A vendor assessment matrix should include a ranked and weighted list of criteria linked directly to your KPIs and HR strategy. By formally evaluating a shortlist of vendors based on your process requirements and KPIs, you will have a decision-making methodology that helps ensure your selection process is as objective as possible. Vendors tend to appreciate this process, because it gives them clear guidance about how they will be evaluated, and what matters to you.

   - In addition to your core evaluation criteria, additional criteria should include information about implementation processes and costs, what kind of training and change management would be required, and the ability for the vendor to support your needs after implementation.

3. Shortlisted Vendor Briefing:
   - We recommend inviting representatives from each vendor to a single briefing session. These briefings save time instead of holding individual meetings and ensure all vendors receive the same information. During the briefing, you will be describing your organization and your needs in more detail. You will also be relaying information about your selection process and criteria and defining a timeline for the vendors to respond formally to your requests for information. This session provides a forum for vendors to ask clarifying questions and establishes right from the start that vendors are following your process, instead of you getting slotted into their processes.

4. Vendor Questionnaire and Response Review:
   - We recommend sending all vendors a questionnaire that contains questions that link directly to your identified gaps and KPIs. It's important to design the questions with input from the primary stakeholders plus secondary or supporting stakeholders to ensure the questionnaire is comprehensive. Each question should be weighted based on your strategic priorities. Keeping in mind that vendors will tend to always want to answer "yes" to the question "can you do X?", it's important to include space for the vendor to answer "how" they do X. Include questions about pricing models, implementation and support methodologies, and background questions to assess the characteristics of the vendor themselves and not just the product being considered.

   - Whenever possible, you should be looking for vendors to provide references that are particularly relevant to you–similar industries, company sizes, positioning, etc. Speaking to these references can be extremely helpful but recognize that the references offered by each vendor will very likely be positively biased. It can be beneficial to ask these references specific questions about what their selection criteria were, and where the solution did not meet their initial expectations.

5. Initial Assessment and Ranking:
   - Based on the results of the questionnaire review, you may be able to eliminate some vendors that clearly won't meet your critical requirements. You may also find that some vendors remove themselves from selection if they believe they won't be able to meet your needs. As a result, at this stage you should have a short list of vendors that warrant further investigation.

6. Individual Vendor Meetings, Demos and POCs:
   - In this part of the process, you conduct deep dives with each short-listed vendor. The intention of this phase is to become very familiar with the way each application works, the user experiences, basic and advanced functionality, and non-functional elements of the solution. In this step, you will often invite a cross-section of your team who are process performers that would use the application daily.

   - You should also ask to see the application from the perspective of an employee or manager who may need to interact with it to do specific tasks. This is critical to ensure you have feedback regarding ease of use, amount of training required, and employee experience.

- In some cases, you may ask for a tailored proof-of-concept demo, especially if you believe the standard implementation of the solution would need to be modified to meet your needs. Be careful though – software that needs to be significantly modified from the "out of the box" configuration will likely have higher implementation and support costs. It is natural to want new software to fit within existing processes and therefore request modifications. But often the processes themselves should change to take advantage of new capabilities and potential for automation.

- Vendors will always want to show off the best attributes of their solution and prefer to show canned, pre-rehearsed demos. You should view demos and POCs as an essential way to prove the "how" questions asked in the questionnaire and gather input from a cross section of the HR team and other stakeholders to refine requirements.

7. Final Evaluation and Selection:
   - At this point in the process, you should have sufficient information to determine if the solutions presented will support your business objectives; a sense of pros and cons for each potential solution, and a clear set of criteria by which you may make a final decision. It is at this point that you enter negotiations with the vendor(s).

   - In some cases, you may find several vendors that would meet your business criteria, in which case, negotiations may provide an incentive to go one way or another.

Plan your HR Digital Transformation

In practical terms, there are two components of Digital HR Strategy:
1. What are the right HR systems and digital services for the organization?
2. How can these systems and services be orchestrated, automated, and optimized to meet both current and anticipated needs?

By starting with strategy and KPIs, focusing on processes, and using a formalized approach to assessing potential new solutions, you should have a good sense of what your future-state catalog of systems and services will be, and feel confident about the impact of your transformation initiatives on overall strategy.

The transition from the current state to the future state should be thoughtfully planned. For each application or service in scope, consider the following:
- Data quality assessment and cleansing: If there are worries about data quality in advance of a new significant systems implementation, you may need to initiate a data cleansing exercise in advance of this change, get to root cause about why data quality is inadequate, and introduce business processes and system controls to ensure quality will be maintained in the future.

- Stakeholder map: Who will use the new system(s)? What kinds of training, orientation, and support will be needed for these stakeholders?

- Implementation plan and risks: Who is responsible for implementation and configuration to meet your unique business needs? What are the roles of the vendor, 3rd party systems implementers, and the different business functions? How will the implementation quality and quality assurance be monitored?

- Will historical data be transitioned to the new system, and if not, how will legacy data be handled?

- What changes in your processes must be implemented in advance of the system change? What process changes must be implemented due to the introduction of new technologies?

- What change management is required? Does the future state process shift responsibilities between people and functions? What is the impact to the organization?

- Where does the new application get its data? What other applications and business processes will depend on data from the new application? What kinds of integrations with other systems will be required?

- How do you decommission legacy systems when no longer required?

- What is the short, mid, and long-term support model for the new systems?

- How are KPIs collected and monitored by the new system? How will you be sure the systems and processes meet your business requirements?

This is a lot to think about, even if there is only a single system being changed. In many cases, multiple systems may be upgraded or replaced, which makes this planning effort even more complex–and important. Keep in mind that technology vendors are experts in their own systems, but they are not experts in your business and processes. Nor do they typically understand the upstream or downstream impacts their system may have on other applications in your HR app ecosystem.

We highly recommend you avoid doing too much at once in a "big bang" approach. This approach often stacks risks to an unacceptable level, which increases the potential for project delays or failure. We recommend a phased approach with rapid deployments and continuous improvement iterations. This manages risk, shortens time to initial value, and provides a feedback loop to ensure enhancements are prioritized. To further reduce project implementation risks, we recommend using a risk mitigation tool called a Failure Modes and Effects Analysis (FMEA). A FMEA approach helps project teams and stakeholders identify risks early in your planning process which helps you create risk reduction strategies right from the start.

The DEEP approach in action

Being an HR leader in a modern organization means taking on one of the broadest and most complex mandates in an organization. Rapid changes in the workforce and the evolution of work itself have caused major shifts in the role of HR. These shifts have been further accelerated by the global pandemic.

While HR technology often wasn't considered a priority for many organizations, it is now a fundamental pillar in most companies that helps define employee experiences as well as overall HR and business performance. New digital HR technologies promise great outcomes and often can deliver transformative value, but they need to be considered carefully in the context of your own business needs and HR strategy.

At Dispatch, we help companies build enterprise-grade workflow automation solutions and data integrations, with a focus on HR and digital transformation. Due to the nature of our work, we have a process orientation, and we work with hundreds of different types of applications across dozens of organizations. This experience has given us a unique perspective on how to think strategically when undertaking a significant change in HR infrastructure. The DEEP methodology has emerged from our work with companies of all sizes, across many different industries, and all with unique HR app ecosystems.

Whether you are considering a single application, or a fundamental shift in your HR app ecosystem, we can provide guidance and support through your HR Digital Transformation journey to ensure your strategy and plan is sound. Next, we can help you bring this plan to life with our DIVE methodology, which focuses on the successful execution of your plan.

Dispatch Integration can assist you in developing a future state vision and digital transformation roadmap for automated HR workflows that save you time, prevent errors, and provide excellent end-user experiences. We build scalable integrations that span across HR applications including Workday, Salesforce, Slack, and more to ensure you're getting the most out of these applications.

To contact a representative from Dispatch Integration, send an email to sales@dispatchintegration.com. We are available for support Monday through Friday from 8:30 am to 8 pm ET.

You can also visit our knowledge base on our website for additional information and resources on specific integrations, industries, HR functions and more.