Digitalizing HR to Improve the Employee Experience
Business Leaders Focused on Digitalization

Q: "If My Company Does Not Become Significantly More Digitalized by 2020, It Will No Longer Be Competitive."

Percentage of business leaders

- **67%** Agree
- **20%** Disagree
- **13%** Neutral

Earnings calls referencing digital at least once

- 20% growth year over year
- 2010: 437
- 2011: 524
- 2012: 674
- 2013: 849
- 2014: 1,018
- 2015: 1,304
- 2016: 1,645
- 2017: 1,804

Definition of Digitalization

Deploying digital technologies and practices to enhance the existing business model (via products, channels and operations) or to create new business or operating models.

Source: Gartner

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Improve Performance With Digitalization

CEO quotes on the goals of digitalization

“Industry in the future will be 100% digitalized and networked via the cloud. It will be able to develop and manufacture new products many times faster than at present, and all perfectly tailored to individual customer requirements.”

Jan Mrosik
Formerly CEO, Digital Factory Division, Siemens AG

“We continue to tightly manage costs and improve efficiency even as we invest to grow and drive our digital transformation. Over the longer term, we believe we will continue to achieve gradual efficiency improvement, driven by growth and digital productivity gains.”

Richard D. Fairbank
Founder and Executive Chairman, CEO & President, CapitalOne Financial Corporation

“Digital conversion improved at a double-digit rate via better customer experiences on smartphones and smartphone apps. Technology improvements are beginning to have a significant positive impact on the customer experience and on our cost to providing that improved experience.”

Kevin Mansell
Formerly Chairman, CEO & President, Kohl's Corporation
Digitalizing the Employee Experience

Top CHRO Priorities for 2018

1. Digitalize HR
2. Performance Management
3. Create a People Analytics Team

Top Areas CHROs Expect Digitalization to Impact the Business

1. Employee Experience
2. Competency Models in the Workforce
3. Talent Pools We Recruit From
4. Organizational Structure
5. Business Model

“We’re increasingly focused on improving the employee experience. We see a growing disconnect between their experience inside versus outside of the organization. Employees are frustrated.”

Senior VP of HR
Hospitality Industry

“My employees feel they’re wasting time doing things that should be a lot faster and easier these days.”

VP of HR
Financial Services Industry

Employee Experience:
Employees’ perceptions and related feelings caused by the one-off and cumulative effect of interactions with their employer’s customers, leaders, teams, processes, policies, tools and work environment.

Source: Gartner
High Expectations at Work

Impact of Digital Age on Workplace Expectations

Q: “Compared to three years ago, today I expect more intelligent systems that anticipate my needs.”

- 10% Disagree
- 69% Agree
- 21% Neutral

Q: “Compared to three years ago, today I expect easier options for completing routine tasks.”

- 8% Disagree
- 77% Agree
- 15% Neutral

Q: “Compared to three years ago, today I expect more personalization in communications.”

- 9% Disagree
- 69% Agree
- 22% Neutral

n = 5,873 employees
Source: Gartner
Digitalization From Two Perspectives

How executives and employees view goals of digitalization

Difference in How Executives and Employees View Goals of Digitalization

CEO's want improved performance, specifically a workforce that can:
• Perform work faster
• Perform more work in the same period of time

Employees want their daily work experience to be improved, including:
• Relevant, personal tools and resources
• Access to better data and information
• Fast support

How much time and frustration did this initiative save me?
How did this initiative improve my work life?

Source: Gartner
How can we digitalize HR to improve the employee experience in a way that also drives employee performance?
Focus on Technology to Improve Performance

Q: “How Many Technologies Does Your Organization Need to Invest More in Across the Next Two Years?”

Percentage of CHROs

- **11%** Two or fewer
- **88%** Three or more

Average Annual Expense on Technology

The average HR function is spending between 3.5% and 9.5% of its HR budget on technology.

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n = 171 HR leaders
Note: Percentages may not add up to 100% because of rounding.

n = 87
Note: Percentages may not add up to 100% because of rounding.

Source: Gartner
Technology Alone Has Its Limits

Impact of Technology on Employee Performance

Q: “Has your organization made a significant technological change or adoption in the past three years?”

Investing in technology alone has no significant impact on employee performance.

Impact of Technology on Employee Performance

Organizations With a Tech Transformation

Organizations With No Tech Transformation

Contribution of Technology to Employee Experience

Median employee satisfaction with HR experience

4.0

3.8

n = 171 HR leaders

n = 5,873 employees

The performance score is the average score on three inventories of survey questions that measure: 1) HR’s contribution to employee performance, 2) discretionary effort and 3) self-reported employee performance.

Source: Gartner
Digitalization Is a Consumer-Centric Experience

Components of a Digitalized Experience

- **Fast**
  “I receive products and services almost as soon as I ask for them.”

- **Interactive**
  “I can interact with service providers easily and quickly.”

- **Personalized**
  “The products and services I purchase meet my specific needs when I need them.”

- **Technology-Enabled**
  “I can receive products and services almost as soon as I ask for them.”

- **Connected**
  “The products and services I use ‘talk’ to one another.”

- **Transparen**
  “I can easily access data about myself and the products and services I purchase.”

Examples of Digital-Age Consumer Experiences

- **Starbucks**
  “Hi Phil! You are near Starbucks Oxford st. Currently 50% off on your favorite drink: Vanilla Latte!
  slide to open”

- **Check**
  “Position check to fill in the entire dotted frame. Hold steadily, and we'll take the photo for you. Or tap the camera icon to take it yourself.”
Think of Employees as Consumers

Consumer Criteria for Purchasing Products

Consumers’ Logical Decisions
- “Does this product meet my needs today?”
- “Does this product offer better features than others?”
- “Is this product worth the monetary cost?”
- “Is this product worth the time investment?”

Consumers’ Emotional Decisions
- “How does this product make me feel?”
- “Is everyone around me using this product?”
- “How will this product make me look to others?”

Source: Five Psychology Tactics That Will Help Retailers Win Customers’ Hearts and Minds, Linaz Margilit

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Shifting to a Consumer-Centric Approach

Shifting From a User to a Consumer Perspective in a Digital World

User-Centric

**Prioritize**
Prioritize according to the experiences that employees need.

**Design**
Design *enduring solutions* of the highest quality possible to alleviate critical employee challenges.

**Deploy**
Improve how HR solutions are deployed to provide employees with “on demand” access.

Consumer-Centric

**Empathize With What Employees Value**
Prioritize solutions by also empathizing with what employees value in their experiences.

**Design Solutions That Evolve Easily**
Center the design process around experimentation to create products that improve progressively over time.

**Deploy Solutions Through an Effortless Experience**
Deploy effortless HR solutions by guiding actions through constrained choice and “nudging.”

Source: Gartner

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Outcomes of a Consumer-Centric Approach

Difference in Impact of a User-Centric Versus Consumer-Centric Approach on Employee Performance

<table>
<thead>
<tr>
<th>User-Centric Approach</th>
<th>Consumer-Centric Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>3%</td>
<td>17%</td>
</tr>
</tbody>
</table>

n = 5,873 employees; 171 HR leaders

User-Centric Approach to Employee Experience

Q: “How satisfied are you with your organization’s support of your work and life?”

Percentage of employees

- 41% Neutral
- 56% Satisfied
- 3% Dissatisfied

n = 5,873 employees

Consumer-Centric Approach to Employee Experience

Q: “How satisfied are you with your organization’s support of your work and life?”

Percentage of employees

- 9% Neutral
- 91% Satisfied
- >1% Dissatisfied

n = 5,873 employees

Source: Gartner

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HR Supports Employee Needs

How HR Supports Employees in the Digital Age
Illustrative

Pre-2010s
Optimizing Employees’ Career Needs

Recruit
Onboard
Develop
Retain
Transition

Today
Rethinking Employee Needs Beyond Work

Flexible Work Arrangements
Personalized Benefits Options
Parental Leave and Childcare
Wellbeing Programs

HR’s Ability to Support Employees
Percentage agreeing that HR effectively helps them to perform better

13% Disagree
29% Agree
58% Neutral

n = 5,873 employees
Source: Gartner
Focus on What Employees Value, Not Just Need

Contribution of Technology to Employee Experience
Median employee satisfaction with HR experience

Total impact of prioritizing what employees value: 20%

More than two-thirds of impact is emotional.

Less than one-third of impact is functional.

Supporting Employee Needs

Empathizing With What Employees Value

6%

14%

n = 171 HR leaders; 5,873 employees

Source: Gartner
Designing for All, for the Long Term

Typical Design Process for HR Products and Services (HR Solutions)

<table>
<thead>
<tr>
<th>Start With a Scalable Challenge</th>
<th>Design a Perfect Product</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Start a project only if you have a challenge many employees face.</strong></td>
<td><strong>Combine requirements into a scalable solution.</strong></td>
</tr>
<tr>
<td><strong>Gather requirements needed from across the workforce.</strong></td>
<td><strong>Pilot the solution and implement updates.</strong></td>
</tr>
<tr>
<td><strong>4 months</strong></td>
<td><strong>6 months</strong></td>
</tr>
<tr>
<td><strong>Roll out a final product and move on to the next project.</strong></td>
<td></td>
</tr>
</tbody>
</table>

“Start a project only if you have a challenge many employees face. Gather requirements needed from across the workforce. Combine requirements into a scalable solution. Pilot the solution and implement updates. Roll out a final product and move on to the next project.”

“We want to offer the highest-quality, generalizable HR products and services to every part of our organization and find a way to accommodate the needs of employees from across the organization.”

HR Lead, Government Organization

“We’re making sure that our solutions are future-proofed for as long as possible.”

Head of HR, Europe, IT Industry
Design Process Not Meeting Employee Needs

Two challenges caused by the typical design approach

**Scalable Solutions Aren’t Relevant Enough to Employees’ Needs**
Q: “HR really understands what people like me need and want.”

- **16%** Disagree
- **29%** Agree
- **55%** Neutral

**Perfect Products Aren’t Responsive Enough to Employees’ Changing Needs**
Q: “The HR function has evolved its products and services to accommodate changes in my organization.”

- **9%** Disagree
- **30%** Agree
- **61%** Neutral

n = 5,873 employees
Source: Gartner
Design to Evolve, Not Endure

Mindset Shift From Enduring Solution Design to Evolving Solution Design

**Design Enduring Solutions**

**Start With a Scalable Challenge**
- Start a project only if you have a challenge many employees face.

4 months

**Design a Perfect Product**
- Gather requirements needed from across the workforce.
- Combine requirements into a scalable solution.
- Pilot the solution and implement updates.
- Roll out a final product and move on to the next project.

6 months

**Design Evolving Solutions**

**Experiment First, Scale Later**
- Start with any significantly impactful challenge.
- Quickly test several possible solutions.

1 month

**Design a Progressing Product**
- Iterate, learn and improve.
- Roll out a usable product.

2 months
HR Provides “On Demand” HR Access

Key components of “on demand” access to HR solutions

More Channels
Percentage of HR organizations using 11+ marketing channels to promote HR services

More Information
Q: “Compared to three years ago, people in our organization expect more information on almost all HR services.”

New Platforms
Q: “Adopting new HR technology will enable our function to deliver a better HR experience.”

“To grow our business, I need to have more information at my fingertips for a better sense of what’s going on with my team — what they need and want, how we can help them develop and how we can coach them. I need more from HR to do that.”

Middle Manager, Financial Services

n = 5,873 employees
Note: Most common marketing channels include email, internal communication platforms, videos, voluntary manager communication cascades and posters.
Source: Gartner

n = 171 HR leaders

n = 171 HR leaders
The Result Is Overwhelming, not Empowering

Common employee reactions to “on demand” access

**Exhaustion**
Q: “The effort required from me for routine HR tasks is appropriate.”

- 7% Disagree
- 34% Agree
- 59% Neutral

**Dislike**
Q: “When HR implements new technologies, employees like the new systems better.”

- 9% Disagree
- 29% Agree
- 62% Neutral

Common themes in employee feedback about “on demand” access

- Too Many Hurdles
- Tuning Them Out
- Too Much Effort
- Hard to Keep Up
- Need Direction
- Confusing Information
- Do My Job in Other Ways
- Overloaded
- Too Complex
- Confused
- Tired

n = 5,873 employees
Source: Gartner
Deliver Guided Action, not “On Demand” Access

Differences in the “on demand” and effortless consumer experiences for cable tv and Netflix

- The consumer sees a full menu of options from which he or she can choose and has complete control over what to choose.
- The consumer is largely responsible for navigating the product to determine how best to use it.

“On Demand” Experience

- The consumer sees a constrained set of options from which he or she can choose based on preferences and past viewing behavior.
- The consumer receives specific guidance at designated points to nudge him or her about how best to use the product.

Effortless Experience

Result: Cord Cutting
From 2016 to 2017, the largest pay-TV providers’ subscribers decreased by 3%, the largest dip since 2010.

Result: Binge Watching
From 2016 to 2017, Netflix’s subscribers increased by a record 26%.

Source: Gartner
Guided Action Improves Performance

Maximum Impact of Deployment Drivers on Employee Performance

Only 1 in 3 Organizations Constrain and Nudge:

- Only 32% of employees agree that they understand the **exact next steps and actions they need to take** to use HR products and services.
- Only 35% of employees agree the information they receive from HR is **relevant and timely to them**.

n = 5,873 employees
Source: Gartner
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