



The Future of HR in the New Reality

**It's time to start playing
the long game**

October 2020

KPMG in Ireland

kpmg.ie



“ There has never been a better time to be in HR. Issues such as flexible working, reskilling and upskilling, and digital transformation were important before—now, they are critical. ”

Roberto Di Bernardini,
Chief Talent Officer at
Banco Santander (Spain)

Foreword

The 2020
lesson for HR:
**Think big and play
the long game**



Welcome to the 2020 HR pulse survey!

Only a few short months ago, the people agenda in Ireland, like many parts of the world, was dominated by the steadily increasing role of digital technology and the advancing integration of humans and machines in the workplace. We now find ourselves in a post-Covid world whereby priorities have had to urgently shift towards remote ways of working, the retaining of our sense of connectedness and simple assuredness around our people's home internet connection in a country that is still on its own broadband journey.

The consequent effect is that the people strategy in organisations has had to either accelerate or pivot depending on circumstance, as many business models have become upended by the pandemic. As part of this change, HR leaders have been thrust into the foreground to help organisations navigate this massive level of fundamental disruption.

As always, insight is the foundation for action. This year's survey has captured the perspectives of almost 1,300 HR executives from many of the world's largest companies, including representation from Ireland. The findings reveal the way HR leaders have shifted priorities, investments, and mindsets—along with some areas that have remained firmly consistent with past findings.

Our thanks to the HR executives who participated in our survey, especially those in Ireland. Their insights are invaluable in helping understand the concerns, priorities and ambitions of those leading on the people agenda in many of our most successful businesses.



Conor McCarthy
Head of People & Change
Director, KPMG in Ireland

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Introduction

Since 2015, digital transformation, including the application of automation and artificial intelligence, started to reinvent the world of work.

KPMG developed a blueprint for the capabilities required by a digitally transformed enterprise. We call this the **KPMG Connected Enterprise**. Now, because of COVID-19, we see digital transformation not as a choice, but an imperative. How an organization is configured to exploit digital technologies is a fundamental source of competitive advantage.

Due to the atomizing impact of automation and AI, we already saw, pre-pandemic, the need for a reshaped workforce—different in size, skills, and composition. As one client observed: “We’re moving from a world where we matched people to jobs to a world where we match skills to tasks.”

Typically, our clients would say their horizon of concern was about five to eight years out. This was the “zone of foggy uncertainty.” In response, KPMG introduced a new discipline: *workforce shaping*. This provided a way to build a future workforce based on horizon scanning, business scenarios, and evidence-based dialogue with business unit leaders.

With COVID-19 ambiguities, the zone of uncertainty has collapsed to 6 to 18 months. The disciplines of workforce shaping are needed now more than ever. The **KPMG 2020 CEO Outlook** bears this out. The survey reveals that when CEOs are asked about the greatest challenge to accelerating digital transformation, the single biggest factor reported was a lack of insight into future operational scenarios. In short: it’s hard to predict what the post-pandemic workplace will look like. On top of this, the same survey places talent risk as the biggest threat to long-term growth—rising 11 places in just one year.

This Future of HR report emphasizes the need for HR functions to bring lasting business value by building the workforce needed to compete in a digital future. One of our key findings emphasizes the need to retrain workers in essential new skills. Seventy-seven percent of respondents plan to upskill up to 30 percent of their workforce in digital capabilities over the next two to three years.

A digitally transformed enterprise requires a new kind of HR function—one that is more connected, that drives a culture of innovation, and enables new ways of collaboration. A small group of HR leaders, we call them Pathfinders, has found how to make that connection and become true value drivers. Their actions and higher levels of performance are spotlighted in this report.

The future is uncertain, but the need to move toward it is greater than ever. This is the paradox that only the most capable HR leaders are likely to overcome. This report can help steer you and your organization capably into the future.

I wish you every success on your journey.



Miriam Hernandez-Kakol
Global Head of Management
Consulting, KPMG International

Executive summary

The COVID-19 pandemic has rapidly made people the number one priority in nearly every organization around the world. As a result, HR leaders are now at the forefront of reshaping the way work gets done. This has created a new opportunity for the HR function to switch from firefighting immediate pressures to strategically engineering a successful future.

HR was already facing a dilemma before the pandemic. More than half of all leaders surveyed in summer 2019 for the [KPMG Future of HR 2020](#) report said that the HR function would rapidly become irrelevant unless it modernized its approach to planning for the future needs of the workforce.

Those results were published in November 2019. Within a few months, the demands on HR had been transformed. As offices across the globe shut their doors and millions of employees were forced to work from home, executives looked to HR to provide the guidance and training they would need to operate remotely. This was an opportunity for HR leaders to show they could be strategic leaders in a crisis.

Yet, when KPMG conducted its HR pulse survey in July and August 2020—to understand how COVID-19 was affecting HR—it found that most executives continue to question HR’s strategic value to the organization.

2020 HR pulse survey: findings in brief

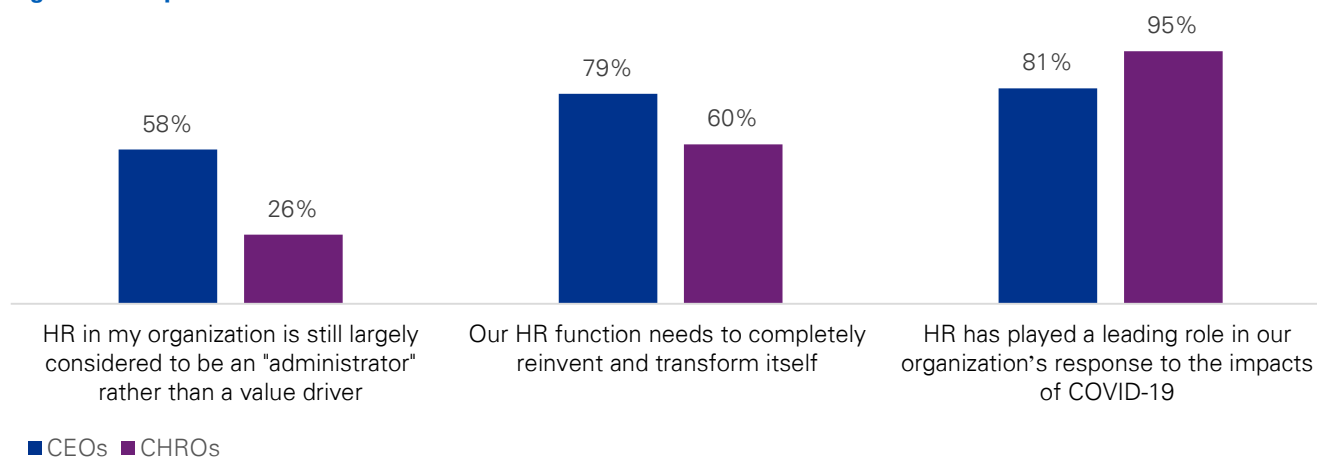
- **CEOs and chief HR officers (CHROs) disagree about the role of HR.** About 60 percent of CEOs and executive vice presidents (EVPs) surveyed say that their organizations consider HR to be an “administrator” rather than a value driver; 74 percent of CHROs disagree with that statement. This disconnect between HR and the C-suite shows that HR needs to be bolder in proving its strategic worth to senior decision makers.
- **Some organizations are adapting more effectively to the crisis.** In the survey, “Pathfinders,” which KPMG defines as HR functions that demonstrate superior performance across a number of areas, are more positive about the future and are more likely to be adopting leading technologies than their lower-performing peers. They also anticipate fewer COVID-19 related layoffs (10 percent of the workforce versus 17 percent among the rest of the sample).
- **HR is seen as a value driver in 100 percent of Pathfinder organizations.** That acknowledgment by leaders in Pathfinder organizations that HR is more than just an administrator makes it possible for HR in those firms to drive systemic change, engage the workforce, and create positive employee experiences.
- **The workforce is set to change dramatically over the next two years.** On average, companies are likely to make 17 percent of the workforce redundant; they also say that approximately 35 percent of employees are expected to need to be reskilled or upskilled, and that 39 percent are likely to continue to work remotely.

How will HR respond?

HR leaders know that the work they do adds strategic value, but it often occurs in the organizational shadows and is difficult to tie directly to business results. The survey results suggest that HR leaders must do more to prove the value they bring to the organization.

COVID-19 is giving them an opportunity to do this. More than 80 percent of CEOs say HR has played a leading role in responding to the impact of COVID-19, proving the C-suite depends on HR to rally the workforce through disruptive times.

Figure 1. Perspectives on the HR function: CEOs versus CHROs



Source: KPMG 2020 HR pulse survey

However, the data also suggests HR has some fundamental gaps to close to be considered a true strategic partner. About four in five CEOs and EVPs say the HR function needs to completely reinvent itself to respond more effectively to future disruptions. This transformation includes modernizing HR processes, governance, information management, technology, and its own delivery model.

Pathfinders are already well on their way to achieving this transformation and can offer a roadmap for other HR leaders to follow.

“ In our crisis management drills, we had focused on big geopolitical crises, terrorist attacks, and great business disruptions. But we had never really considered a crisis in which the main asset affected by the crisis are employees themselves. COVID-19 has put HR at the heart of how we understand crisis management and the kind of disruptions we have to be ready for. ”

Arturo Gonzalo Aizpiri,
Executive Managing Director of
People and Organization, Repsol (Spain)

Lessons from Pathfinders

To rise in the strategic ranks, HR needs to move on from just firefighting to planning for the new reality. Rather than focusing exclusively on the short-term issues, it should look to the more strategic challenge of shaping the workforce to drive competitive advantage over the medium and long term.



The Pathfinders in our research are already on their way. Their long-term focus and purpose-driven priorities made them strategic leaders before COVID-19; now, it is helping them to get through the pandemic with greater agility than their peers.

Who are the Pathfinders?

Our research identifies a group of organizations (approximately 10 percent of the sample, with variation across geographies) whose HR functions demonstrate excellence across several key areas. These Pathfinders:

- Agree that HR is considered within their organization to be a value driver rather than an administrator
- Play a vital role in establishing the right culture across the enterprise
- Own the entire employee experience for their organization
- Are proficient in using data and analytics to target and recruit the future workforce
- Are confident that their organization can attract, retain, and develop the talent it needs to meet its growth objectives.

The Pathfinders report better outcomes across a number of areas. They have higher levels of employee trust and morale, a more positive outlook for the future, and play a leading role in the organization's response to COVID-19. They are also more likely to be in the "New Reality" stage of dealing with the impact of the pandemic (see Figure 2).

HR functions in Pathfinder organizations do not wait for problems to arise before they step in; they look for opportunities to strengthen the organization and its workforce.

They understand that their success depends on their ability to shape the workforce of the future, nurture a purpose-driven culture, and design a "consumer grade" employee experience, and they are embracing analytics and evidence-based insights to achieve these goals.

These focal points provide a framework for excellence in HR leadership and enable the Pathfinders to navigate crises more effectively.



What we learned from the survey data and interviewing CHROs is that in moving to the new reality, HR functions are pivoting their priorities and ways of working. The table below highlights some of these pivots.

HR: Thriving in the new reality

From	To
Analogue mindset	Digital mindset
Follow long-standing practices, and “this is how it’s always been done” approaches	Question long-held assumptions and use evidence and predictive analytics to validate decisions
Prioritize process compliance	Prioritize architecting a workforce high-performance system, but step back from mediating the line manager–employee relationship
Referee conflict	Coach leaders on conflict resolution
Support hierarchical management structures	Support peer-to-peer training and flat leadership models
React to problems as they arise	Proactively troubleshoot future needs and implement projects to address
Focus on individual talent management	Focus on the whole workforce capability and performance
Operate as if there is a “right answer”	Operate in the spirit of experimentation informed by evidence

“ I am very lucky that the HR function within Canada Goose has always been seen as an invaluable resource to the business. ”

Kara MacKillop

EVP, Chief of Staff for Canada Goose,
which is headquartered in Toronto

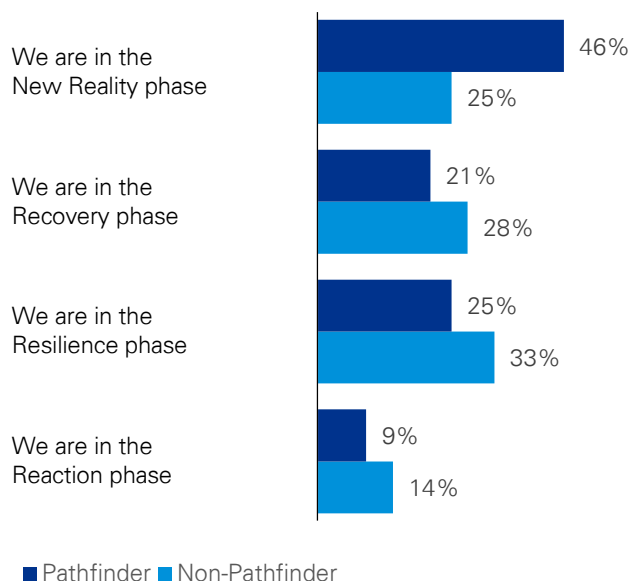
That alignment made it possible for MacKillop’s team to be a part of every major decision that occurred as a result of the pandemic, including temporarily shutting down factory stores, sending 4,000 employees home in just two days, launching employee support programs, and subsequently recalling hundreds to begin manufacturing personal protective equipment. “Our leaders are so close to operations that if any pivot has to happen, we are able to see it and address it quickly,” she says. “None of that would have been possible without HR’s strategic partnership with the business.”

Companies like Canada Goose can achieve that kind of partnership because their HR functions are proactive instead of reactive. In many Pathfinding HR companies, this proactive mindset is underpinned by their use of data and analytics to predict new workforce needs such as engaging remote workers, reskilling managers to lead from afar, and building or buying new skills through training, automation, and new hires.

HR leaders who want to become strategic advisers to the business can follow the lead of these Pathfinders in becoming more future focused and purpose led. Survey data from the Pathfinders shows that HR can drive the most value by investing in three main activities that will help their organizations become more resilient:

1. Improve the **culture** and employee experience in a remote-working environment
2. Take the lead on **reskilling** the organization
3. Use data **analytics** to measure and improve productivity, understand talent needs, and design the future workforce.

Figure 2. Stage of dealing with the impacts of COVID-19: Pathfinders versus non-Pathfinders



Source: KPMG 2020 HR pulse survey



Build culture with purpose

Companies have long relied on face-to-face interaction and in-person management to build an authentic culture and engaging workplace. Now, the workplace is defined by long hours of solo work and management through online meetings. If HR does not take steps to engage the workforce, the organization's carefully curated culture will dissolve into an environment of isolation, anxiety, and video fatigue. That puts productivity, on-the-job learning, and employee retention at risk.

Executives also recognize the importance of creating a positive employee experience if they want to attract and retain the best talent. Even before the pandemic, in [KPMG 2019 HR research](#), executives ranked "employee experience design" among their top three HR initiatives, and that need has only been heightened during this crisis.

Employee experience is a defining factor of a company's corporate culture. While 79 percent of CEOs agree that HR plays a vital role in establishing the right culture for the company, only 52 percent say that it owns the employee experience. That compares with 98 percent of Pathfinders, showing once again that Pathfinding organizations understand that HR is the shepherd of culture. The current environment offers an opportunity for reinvention, not only of the workforce, but also the workplace. There is a critical need for HR leaders to step up and shape the experience of employees in a world that is radically altered by hybrid work models, and replace the experience of culture that comes from being in a physical office environment with something that is both enduring and adaptable.



“The COVID-19 crisis has shifted how the business engages with and perceives the HR function.”

Darren Cornish,
People Services Director, Aviva (U.K.)

Case study

How Aviva stayed true to its purpose and values throughout the crisis.

The survey data shows that companies that are very confident about their growth prospects are far more likely to say that their corporate purpose and values have played a central role in shaping how they respond to COVID-19. Consider Aviva, the British multinational insurance company with thousands of employees worldwide.

In the months leading up to the pandemic, Aviva's leadership team had been working on a new organizational purpose statement: "With you today, for a better tomorrow." When the pandemic started, they saw it as the first opportunity to show that that statement was more than just a line on a poster. "It became the springboard for how we as a company would face the unfolding situation with COVID-19, and how we would prioritize colleagues first," says Darren Cornish, Aviva's people services director.

As soon as the company's offices closed in March, the HR team communicated to everyone that they would remain on full pay throughout the crisis, and that the company would find flexible ways to meet their needs. They adapted working hours to accommodate the thousands of employees who were doubling as homeschooling parents, and to support those who were unable to fulfill their contractual hours. They also encouraged employees with National Health Service (NHS) experience to go back into the healthcare workforce if they chose, with full pay, as a way to support the health and well-being of the whole community. "We moved very quickly to say, 'Here's a set of proof points that give our people absolute clarity in terms of them being our priority,'" says Cornish.

Aviva has seen the benefits of prioritizing employee well-being. Cornish says that productivity levels have remained roughly the same, and that employees are proactively finding ways to be more flexible with their working patterns in order to get their work done, while meeting the needs of their colleagues and teams.

It has also helped Cornish and his team prove their value to the organization. "Through the crisis, the HR function has gained a stronger seat at the top of the house and has a stronger reputation and brand within the broader organization," says Cornish. "It has shifted how the business engages with and perceives the HR function."

Reskill for the future

Senior executives now see talent development as key to future success, particularly in markets where transformation is viewed as the new normal. Overall, reskilling is ranked in this year's HR survey as the most important factor in shaping future workforce composition (72 percent of respondents say that it is important), and on average, respondents believe that 35 percent of employees are expected to need reskilling in the next two years.

"Talent risk" ranked near the bottom of the list of CEO concerns pre-COVID-19; however, the KPMG 2020 CEO Outlook research shows that since the pandemic began, it has jumped 11 places to the number one threat to long-term growth. CEOs recognize that keeping their people feeling trained, engaged, and productive is critical to surviving the crisis.

That includes training managers in how to lead remote teams, which was ranked as a priority for 38 percent of HR survey respondents, making it the second-biggest priority for the HR function overall (after safeguarding employee well-being).

Many companies are also looking at ways to upskill non-tech talent with technical skills as a way to fill knowledge gaps and create a more agile workforce. In the [KPMG post-COVID-19 CIO survey](#) (conducted in June and July 2020), 62 percent of respondents say a skills shortage is preventing their organization from keeping up with the pace of change, and the top priority for the organization's data strategy is scaling data analytics skills (53 percent).

Lack of technology skills among non-IT staff is also a critical challenge. Only 19 percent of respondents to the KPMG 2020 CIO survey say that their organization is very effective or extremely effective at ensuring non-IT staff have the right technology skills. Though even before COVID-19, the [KPMG 2019 CIO survey](#) found that most advanced technology leaders were three times more likely to be upskilling non-IT people with IT skills as a way to better support cross-functional teams.

Such tech-focused upskilling programs are helping them build a more agile workforce and address critical skill shortages around artificial intelligence, data analytics, and cyber security. The 2019 CIO survey found these skills were among the hardest to find in the current talent pool.

Executives recognize that talent development is not going to be easy. Reskilling in the pandemic is difficult: managers and team members need to be retrained rapidly in how to work and lead effectively in a remote environment, but traditional face-to-face training formats are no longer an option. This is forcing HR leaders to embrace digital learning solutions. They are offering live training events via online platforms such as Zoom or MS Teams, deploying platforms of digital content from e-learning providers, and adapting their own custom courses to create a virtual asynchronous or live learning environment.

Learning is critical for employees and employers alike—but it doesn't come without its challenges. In the traditional approach, you must "go" somewhere to learn, you have to navigate a system that takes too long to get there, and once there, you can't find anything.

Enter a new approach called "learning in the flow of work." It takes learning out of the (virtual) classroom and embeds learning directly into the desktop experience of day-to-day working. It places learning into work applications such as email, collaboration software, IM, and search functionality. The search bar on your desktop can provide learning results, your HR chatbots can provide learning advice and your inbox can do your scheduling.

Example of upskilling in the flow of work¹: A level 1 IT service desk representative has worked with her manager to establish the goal of moving into asset management (a level 2 responsibility). Her goals are documented in the performance management system and she has completed "awareness level" digital training in the learning management system. Shortly thereafter, she receives a service desk call requesting assistance acquiring Microsoft Project. Voice-enabled technology recognizes the request and interfaces with the learning system to recognize the employee, her performance goals, and that she's completed baseline training. A chatbot then pops up in her Service Management tool and a microlearning checklist appears to help walk her through the steps in the asset management request process. She is able to support the caller with his request and provide him with Microsoft Project.

Example of microlearning in the flow of work²: A new hire account manager is capturing customer information in a customer relationship management (CRM) application but is unsure how opportunity stages are defined within her new company's sales process. Microlearnings seamlessly embedded into the CRM can coach the new hire on capturing opportunity stages accurately along with every other data point within the CRM. These microlearnings can be pushed to the new hire including a "short how-to" video on classifying sales opportunities. Usage of the microlearning can be reported back through the learning ecosystem to provide additional data that can drive continuous improvement of the learning experience.

Source: ¹ & ² "Future of Learning," KPMG LLP (U.S.), 2020

“The pandemic has accelerated everything—particularly the need to digitalize.”

Roberto Di Bernardini,
Chief Talent Officer at Banco Santander (Spain)

Case study

How Banco Santander is putting technology at the heart of reskilling.

Financial services companies were already facing disruption when the pandemic hit. Online banking, shifting regulations, and demand for a seamless customer experience were forcing the industry to reinvent itself and its workforce for a more agile and digital environment.

“Pre-COVID-19, the financial industry had already embarked on a program of digital change,” says Roberto Di Bernardini, chief talent officer at Banco Santander, which is headquartered in Boadilla del Monte in Spain. That included making sure that skills in the workforce could adapt to the new technology-driven environment. Then 2020 came. “The pandemic has accelerated everything,” he says. “Particularly the need to digitalize.”

The pandemic has put reskilling at the top of Banco Santander’s priorities list. With employees working remotely, formal classroom training and peer-to-peer coaching are no longer an option, and that is unlikely to change. The pandemic caused the bank to shut down 70 percent of its branches, and the expectation is that they will not all reopen because clients have adjusted to online banking. “This will inevitably lead to restructuring,” says Di Bernardini. “And this is where reskilling and upskilling workers is important.”

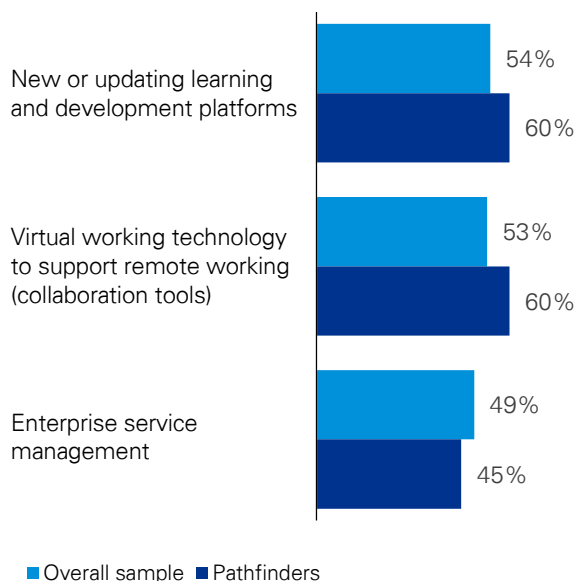
For example, cashiers who worked in branches will now need to be retrained as contact center agents, and those services will likely need to be brought back in house to provide a more customer-centric banking experience. “The need to reskill and upskill affects the entire workforce, not just those at the bottom,” he says. “Everyone will need to understand and use the digital space in a different way.”

In response, Santander has used its digital expertise to create a platform that can host all training content digitally. “The only frustration is that it wasn’t done earlier,” says Di Bernardini. “Because upskilling and reskilling are now critical.”

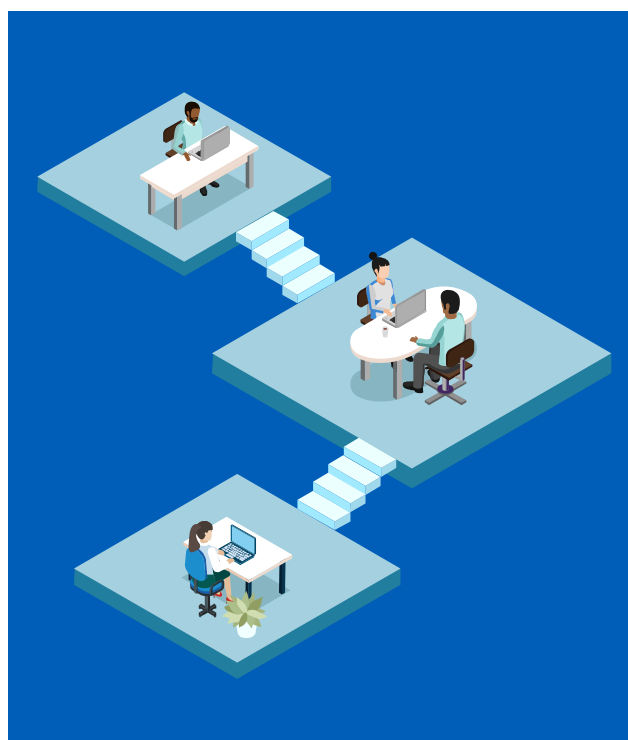
Di Bernardini sees the need for change as an opportunity for HR leaders to expand their impact and demonstrate their value to the organization. “There has never been a better time to be in HR,” he says. “Issues such as flexible working, reskilling and upskilling, and digital transformation were always important before—now, they are critical.”

The need to reskill is also causing HR to rethink its technology investments. In last year’s [Future of HR report](#), 56 percent of Pathfinders (and 38 percent overall) identified “enhancing analytics capabilities” as among the top three HR technology investment plans. Now, those investment priorities have changed. In the current survey, 60 percent of Pathfinders (54 percent of all respondents) ranked investing in new learning and development platforms and virtual working technologies as two of the top three technology investment priorities (see Figure 3).

Figure 3. Top areas for HR tech investment over the next 12–24 months



Source: KPMG 2020 HR pulse survey



Harness analytics

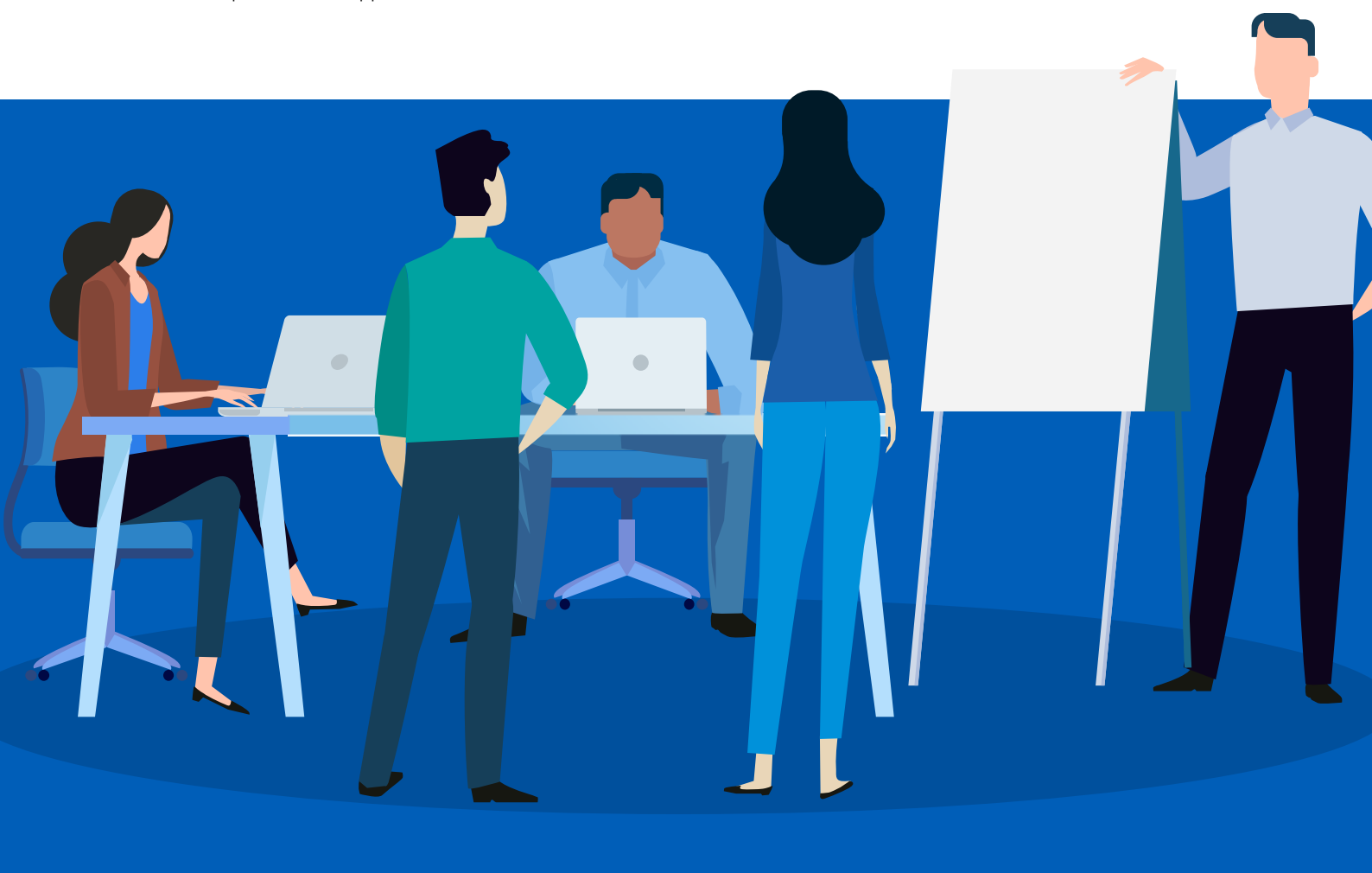
“Conducting workforce forecasting” and “managing performance and productivity” continue to rank among the top five skills required by the HR function, but “applying analytics and data science” is now a much lower priority.

This could be a costly oversight: if HR does not continue to invest in workforce analytics, it may hinder the success of their near-term investments. Technology to support learning and remote working is key to addressing current demands, but HR needs to be able to monitor the impact of those efforts. Data and analytics will also help the function to identify which activities to automate and what skill gaps it will need to fill through new hires or partnerships.

“Applying analytics and data science is a prerequisite to conducting workforce forecasting, and pretty much any evidence-based decision the HR function needs to make,” explains Kate Holt, a KPMG partner in the U.K. “You cannot have one without the other.” Shifting to an evidence-based approach is vital for the HR function to ensure that it is focused on activities that deliver the most value—and to demonstrate the value of these initiatives to the wider business. (See “Evidence-based HR” for more information on how to implement this approach.)

“Since the beginning of the pandemic, the ability to use data analytics has been critical in order to make decisions, drive engagement through the leadership teams, and justify our proposed approaches.”

Darren Cornish,
People Services Director, Aviva (U.K.)



Evidence-based HR – How to get started

Evidence-based HR uses data, analysis, and research to understand the connection between people management practices and business outcomes, such as profitability, productivity, customer satisfaction, and quality. Below is a step-by-step guide on how companies can put this approach into practice.

01 Identify a business challenge

For example, measuring productivity of remote employees

02 Develop your hypothesis

For example, traditional measures of productivity are based on “old world” models of presence and participation; there could be a new model of productivity based on mindset, formal virtual collaboration processes, and engagement through the freedom to choose work patterns. HR and senior leaders can then work together to formulate the right hypothesis to test.

03 Understand your data

Identify what data you have and what you need. For example, we have HR and workforce data; we need financial performance and collaboration data from participation on a crowdsourcing platform.

04 Analyze the data

What is the data telling you? Think about the most engaging way to visualize the analysis so leaders can understand and remember the implications. Key here is that the data must be revealed through stories just as much as with “fancy graphics.” The metaphor is the front page of a newspaper and the aim is to ensure executives “feel” the insights at an emotional level just as much as they may comprehend them intellectually. This is genuine “data artistry.”

05 Validate the data and findings with internal and external sources

If the data is validated, move on. If not, go back to step two. Senior leaders in HR and line managers can work together to develop and test any new hypotheses.

06 Leverage the insight into business decisions

Run a pilot to test conclusions before going company wide. A pilot in this scenario might include a requirement for all employees to regularly participate on a crowdsourcing platform for idea generation and issue exploration.

07 Continuously leverage an evidence-based HR approach

To bridge the “knowing-doing” gap, adapt the HR Operating Model to incorporate evidence-based practices. This includes reimagining decision structures, e.g., who gets to see what information; information flows between HR and business unit leaders; roles and responsibilities; and skills of senior people leaders in understanding data, storytelling, and moving from insight to action using persuasion and data artistry.



At the same time, HR can use automation to improve the speed and accuracy of administrative tasks such as answering employee benefits questions and running weekly reports. This will free up employees to focus on activities that drive greater agility and productivity in the workforce. It will also enable HR to spend less time overseeing mechanical processes and more time meeting the organization's core purpose.

The Pathfinders already understand this. Not only are they using technology platforms to engage with remote employees and meet their reskilling needs, but they are also using data analytics to measure and improve productivity, understand talent needs, and design the future workforce.

Arturo Gonzalo Aizpiri, executive managing director of People and Organization for Repsol in Madrid, is one example. He uses a workforce-planning tool, built in house, that predicts future workforce demands using artificial intelligence and human capital data.

"It is allowing us to anticipate what the requirements will be in our industry in say, five years' time, and how our workforce is going to evolve," says Aizpiri. The tool takes into account business scenarios, demography, attrition, and other factors to identify where skills gaps will emerge so that Repsol can proactively address the shortfall. "This is a proprietary technology which is core in our response to the future," he says.

Most organizations already capture much of the data they need to effectively analyze productivity and predict future requirements through their recruiting platforms, HRIS, and performance management systems. However, they often lack the technical expertise and effective data management processes they need to conduct meaningful analytics. This may be an area that aligns with reskilling or acquiring new talent to fill skills gaps.

As HR leaders plan for the future, they should look for opportunities to make the most of their human capital data and pilot small analytics projects to monitor workforce development and link productivity to reskilling efforts. Tying analytics to reskilling and remote-working projects will help the function prove the impact of its learning and development investments. It will also reinforce the importance of using analytics to support future talent development efforts.

From process-led to purpose-led: How automation can liberate the HR function

The HR function that automates administrative and highly repetitive tasks can free resources to focus on longer-term "macro" activities such as shaping organizational culture, building the workforce of the future, and addressing the needs of its people—particularly in critical areas such as diversity and inclusion.

That shift to a more purpose-led approach is a key finding in the KPMG 2020 CEO Outlook. More than three-quarters of CEOs surveyed (77 percent) saw the primary objective of their organization in purpose or societal terms, with only 23 percent subscribing to a narrow "managing for shareholder value" view of the world. And 79 percent of CEOs said they have had to reevaluate their purpose as a result of COVID-19, while the same number reported that they feel a stronger emotional connection to their organizational purpose since the crisis began.

That transition presents a major opportunity for the HR function to guide and support the business as it evaluates and evolves its values, and ensures they are reflected in all the organization's actions—with its customers and employees.

As Canada Goose's Kara MacKillop explains, values can be incredibly powerful if they are used as a touchstone for decision-making. "Everything ties back to our five key values," she says. "It really does. If we are doing something that doesn't align with one of our values, we question why we are doing it."



Conclusion: The new reality demands a long game from HR

This year's survey results show most HR functions are contending with uncertainty and complexity, as they address fundamental dilemmas that will shape the future of their companies.

To successfully navigate this crisis, HR leaders must:

- 01 Create a cohesive employee experience in a remote work environment
- 02 Encourage productivity and engagement among employees facing unprecedented personal and professional disruption
- 03 Rebuild and reskill the workforce for a changing and uncertain future.

They are daunting challenges, but for those who can succeed, the benefits are clear. The new reality requires that the C-suite lean in the reinvention of the workforce and workplace, which is a chance for HR to prove its value beyond any doubt. To do that, HR leaders must move beyond just reacting to existing needs and start addressing future goals.

Pathfinders are already well on their way, thanks to their ambitious approach to rethinking the future of work. These HR leaders are adapting to an ambiguous and unpredictable future by exploiting data and analytics to answer questions about future talent needs, adopting agile solutions to test new approaches, and rapidly course correcting based on observed outcomes.

Our CHRO interviews showed us that the only way to join the ranks of Pathfinders is to play the long game.



HR leaders who aspire to Pathfinder status should focus on six areas to build their plan:



Purpose and digital mindset

Organizational purpose and digital mindset are often treated as separate areas to address. However, in the most successful businesses, the digital mindset connects the core purpose and environmental, social, and governance (ESG) agendas to create a powerful architecture that uses real-time analytics and behavioral economics to nudge behavior and keep the organization on track to meet its objectives.



Workplace and experience

Businesses can begin the journey to an outstanding employee experience by identifying “moments of truth” for different employee types and architecting authentic experiences that meet their needs. Crucially, the employee experience should mirror and reinforce the organizational culture and purpose—yielding engagement across the workforce.



Workforce insights and analytics

In early stages of adoption, workforce insights and analytics provide information about what is happening in different areas of the workforce at a specific time. Yet, at a mature stage, analytics can connect people data with business outcomes—enabling new ways of measuring and managing productivity and predicting future needs with greater accuracy.



Enabling technology

Many HR organizations are hindered by disparate software, systems, and tools that are heavily dependent on manual intervention. Instead, businesses need to transition to an ecosystem of applications that connect data from across the business, enabling greater agility and more informed decision-making. Additionally, HR functions should seek to automate a high proportion of administrative tasks (for example, by using chatbots), which will free them to focus on value-adding activities.



Workforce shaping

At the most basic level, workforce shaping focuses on identifying priority skills and roles, often in a way that is siloed from the development of the wider business strategy. HR organizations that want to become Pathfinders should be aiming for a “Total Workforce” model that connects workforce shaping with business insights, employee experience design, and agile workforce management.









HR organization of the future

Rather than taking an “inside-out” approach, characterized by policing adherence to policies, the HR function of the future will operate an “outside-in” model, which removes the boundaries between HR and the rest of the enterprise. In this new reality, the HR function has automated the more administrative tasks (see point 5) and is using business insights to continuously transform the employee experience while nurturing the wider purpose and culture of the organization.

To achieve any of these areas, the dominant mindset in HR needs to change. Those HR functions that embrace analytical insights, digital tools, whole workforce shaping, and purpose-driven practices, will have the opportunity to reinvent work and drive value in the post-pandemic enterprise.

Are you building enduring capabilities in the new reality?

Check KPMG new reality HR maturity assessment below to explore where you are on that journey.

	Level 1	Level 2
Purpose and digital mindset 	Digital mindset is not clearly defined. Purpose and ESG all treated as separate initiatives. Inconsistent behavior across leadership, no clear model for “the right” behaviors.	A baseline definition of “good” is in place as well as a fix on where the enterprise (as well as HR) is relatively strong and weak in both mindset and behaviors. HR has developed its improvement plan as a role modeling opportunity.
Workforce insights and analytics 	Diagnostic capability: What is happening? Established reporting drawing on multiple data sources. The core HCM is the main analytics tool.	Predictive capability: What will happen? Insightful data analysis undertaken by a dedicated Workforce Insight team using analytics tools beyond the core HCM.
Workforce shaping 	A plan to build workforce shaping capability is in place, pilot groups, and priority skills/roles identified. No formal integration between workforce shaping and business strategy/planning.	Workforce shaping activity is in place on ongoing basis using scenarios sponsored by the business. A workforce shaping capability model is in place that connects relevant activities and information across the business.
Workplace and experience 	HR is PR Enhance or build the talent reputation with employee communications across different channels and technologies.	HR the marketer Employee journey mapping used to identify “moments of truth” for different types of employees and solutions developed. Themes from overall brand inform HR practice.
Enabling technology 	Multiple systems, tools, and manual interfaces.	Standard systems, interface layer, and recommended data models. Some connections between HR data and wider business data, e.g., customer experience. “Data lake” in place.
HR Organization of the future 	HR largely acts by policing adherence to policies. Ulrich model is the dominant mindset. HR initiatives based on HR best practices with inside-out mindset.	Customer-centric, applying design thinking to meet the real needs of the business and customers of HR. Greater integration across CoEs so that a total system of workforce performance is created.

Level 3

HR nurtures and grows both digital mindset and culture using the levers at hand such as performance management and reward for team based collaboration, as well as an agile matching process (marketplace) of skills available to the tasks that need doing.

Prescriptive capability:

What should we do about ABC?

Hypothesis-based research on business issues affected by the people agenda. A detailed process for turning insight into action.

Business scenarios regularly updated by HR and the business, e.g., with business strategy function. Workforce shaping insights discussed at the leadership level and flow into initiatives and actions.

HR the designer

Architect authentic experiences that reinforce multiple employee value propositions (EVPs). Design thinking capability embedded in HR. Begin to use apps to augment experience, e.g., first year onboarding app.

Standard tools/applications, on multiple occurrences. Apps operate as an ecosystem to enable a total experience of people performance in a virtual/hybrid workplace model.

“Outside-in HR” delivering workforce: insights, shaping, experience, and delivery. Agile and project-based working based on business issues. Prescriptive challenge taken to business leaders.

Level 4

Digital mindset has taken root and links core purpose, digital, and ESG agendas as a whole architecture of powerful connections using real-time analytics—including adaptive initiatives and behavioral economics—to nudge behavior.

Adaptive capability:

Superior returns by X percent

Insight that connects people data to business outcomes. New ways of measuring and managing productivity.

A “Total Workforce” model is used by the business. It integrates workforce shaping with insights, experience design, and agile workforce management. An optimal balance of employee types can evolve over time.

HR the architect

Sustain the ExD in the new reality so that it yields engagement across the “Total Workforce.” App development on ongoing basis. ExD mirrors and an exemplar of culture and purpose.

AI and machine learning moving from pilot to scale. Level 1 of HR service is automated using voice and chatbots. AI enablement of learning and recruitment.

“Boundary-less enterprise and HR” fully enabled by digital and cognitive automation with a focus on insight-driven employee experience. HR uniquely configured to drive business value and nurture core purpose and culture.

Purpose and digital mindset



Workforce insights and analytics



Workforce shaping



Workplace and experience



Enabling technology



HR Organization of the future



Acknowledgments and demographics

Demographics

The survey data published in this report is based on a survey of 1,288 HR executives from 59 countries and territories with majority representation from the largest economies in the world.

The survey was conducted in July and August 2020. The HR executives operate in 31 industries including asset management, automotive, banking, consumer and retail, energy, healthcare, insurance, life sciences, manufacturing, technology, and telecommunications.

Of those surveyed, approximately 30 percent are from organizations with revenue of over US\$1 billion. Approximately 50 percent are from companies with headcount greater than 5,000, and approximately 60 percent with over 1,000. Note: some figures may not add up to 100 percent due to rounding.

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1,288

HR executives

33%

C-suite (CEO/CHRO)

29%

EVPs/SVPs

20%

Senior HR Manager

19%

Other

59

Countries and territories

30%

Americas

40%

EMEA

30%

ASPAC

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