



The future of HR: Lessons from the Pathfinders

**How are some of the world's foremost
HR organizations driving value in the
face of double disruption?**

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Foreword

When I started out in human resources (HR), or personnel management as it was back then, the function aspired to be strategic but was, in truth, administrative and transactional. HR's strategic value could best be described as "all show and no go."

Next came the 'war for talent' in the late 1990s. This is the age of forced distribution of appraisals; competencies; nine-box talent grids; streaming into A, B, and C players; and, of course, the Ulrich Model. While these concepts have certainly delivered benefits for some, for others it has been a defeating journey. Some will argue that HR has not evolved much since then and is still seen as an "administrator."

Why might this be? One way to look at HR's fortunes is to compare it to the finance function. Unlike finance, there is no universally accepted model for how the HR function adds value to the business. Finance has profit and loss, revenue growth, and cost management. HR doesn't have anything that is universal beyond the belief that people are the most important asset. Yet the function that is responsible doesn't get to make decisions that impact the people and their work. The impact of HR is often filtered through the lens of management and leadership judgments or the

experience of the processes that it designs; for example, HR's influence is often indirect. But we don't believe that the function is consigned to being a one-step-removed "enabler." Far from it. What we have learned is the importance of being the architect who designs the building that shapes the experience of those living within it.

It is my belief that if the HR function is to achieve a true competitive advantage through people, then it needs to build something *unique*. I had a great conversation with **Laurie Ruettimann, HR Blogger and Author**, about this exact topic. She said, "Every organization, while they can use standard ways of operating, must ultimately create something unique to their circumstance to get work done in a way that brings meaning and purpose." She describes a new philosophy and mindset for the leadership of people functions, as do the leaders who were interviewed.

HR needs to operate in a more boundaryless way, responding to what the "signals in the noise" are saying. This requires what we have termed a '[Digital Mindset](#).' HR needs to be open to experimentation, challenge the status quo, collaborate across functional boundaries, and apply design-thinking

techniques, especially as we are navigating a new reality with the pandemic. Finally, and most importantly, it should take ownership to understand, and plan for, the whole workforce: permanent, contingent, gig, part-time, ***both for today and for the workforce of the future.***

This report shares the lessons and stories from the people leaders interviewed over the past several months. The core message is about building something unique, smart, and enduring that has heart and soul. Something that will survive and thrive in both the current and foreseen waves of disruption.



Robert Bolton

Head of Global People and Change Center of Excellence
KPMG International



Executive summary

It's not news that automation, coupled with the profound impact of COVID-19, has changed how work gets done. The World Economic Forum calls this the 'double disruption,'¹ and it sent many well-laid-out plans spinning. Literally overnight, companies shut their physical offices and enabled employees to work remotely.

Many organizations struggled in this transition, but others used the disruption as a catalyst for change, reimagining the workforce and the organization's operating model.

"We've been catapulted into this future of work, whether people like it or not," says **Linda Aiello, EVP, Employee Success Business Partner at Salesforce**. "With that, of course, is going to come different styles of working."

KPMG's Future of HR research in 2019² found that, while many business leaders view HR as an administrator, there is a group of HR organizations, about 10 percent of that global sample, who are considered value drivers within their enterprises. We coined the term 'Pathfinders' for this cohort.

In mid-2020, after continuing to explore the Pathfinder concept³ it became apparent that Pathfinding HR organizations tended to be more positive about the future and were more likely to adopt leading technologies than their peers. They also responded more quickly to the pandemic than non-Pathfinding HR organizations.

To build on the 2020 research, this year KPMG professionals conducted in-depth interviews with 18 HR leaders from across the globe that we believe showcase characteristics of Pathfinders. This report shares the insights on how the interviewed organizations are navigating the double disruption of COVID-19 and digital transformation, and how they are shaping the workforce for the future.

The findings reveal that today's Pathfinders are:

- Tackling head-on the evolving challenges around **inclusion, diversity and equity (IDE)** in the workforce, and understanding what this means for **employee experience, culture, and the talent pool** of the future.
- Challenging existing approaches to talent management and embracing a new **'total workforce' philosophy** that fills talent gaps, going beyond the high-performers, and focusing on everyone for both current and future skill needs.
- **Experimenting with new ways of working** and emerging technologies to help employees adapt to a disrupted reality, while rethinking preconceived notions of how work gets done.
- Questioning HR's own strengths and opportunities and using **data and analytics** to explore how the function can work better with other business functions to **shape the workforce of the future**.

¹ The future of jobs. *World Economic Forum*, 2020.

² *Future of HR 2020: Which path are you taking?* KPMG International, 2019.

³ *The Future of HR in the New Reality*. KPMG International, 2020.



We've been catapulted into this future of work, whether people like it or not."

— **Linda Aiello**, EVP, Employee Success Business Partner at **Salesforce**

Who are the Pathfinders?

HR organizations who are focusing on integrated and mutually reinforcing **capabilities** such as **employee experience, data and analytics, workforce shaping and digital HR and learning**.

Based on our 2019 and 2020 research, this cohort makes up approximately 10% of the sample in both years.



We would like to thank the following individuals for participating in our 2021 Future of HR research:

Linda Aiello

EVP, Employee Success Business Partner, **Salesforce** (US)

Claire Ainscough

Chief People Officer, **Ocado Group** (UK)

Dena Almansoori

Group Chief Human Resources Officer, **Etisalat Group** (UAE)

Alexandra Brandao

Global Head of Human Resources, **Santander** (Spain)

Sharon Choe

Global Head of Workforce Planning, People Technology & Operations, **Dropbox** (US)

Amy Coleman

Corporate Vice President of Human Resources and Corporate Functions, **Microsoft** (US)

Lynne Graham

Human Resources Director, **Thames Water** (UK)

Danny Harmer

Chief People Officer, **Aviva** (UK)

Tamara Hassan

Human Resources Director, **Mars Wrigley Asia** (Hong Kong (SAR), China)

Marta Machicot

Chief People Officer, **Telefónica** (Spain)

Isabelle Minneci

Global Vice President of HR (Luxe Division), **L'Oréal** (France)

Pamela Ries

Chief Human Resources Officer, **Spectrum Health** (US)

Laurie Ruettimann

HR Blogger and Author (US)

Lainie Tayler

General Manager — People, **Carman's Kitchen** (Australia)

Mike Theilmann

Chief Human Resources Officer, **Albertsons Companies** (US)

Dean Tong

Head of Group Human Resources, **United Overseas Bank Limited** (Singapore)

Vicky Wallis

Chief People Officer, **Direct Line Group** (UK)

Cristina Wilbur

Chief People Officer, **Roche** (Switzerland)



Part 1

The 'S' in ESG

What is ESG?

ESG (**E**nvironmental, **S**ocial, and **G**overnance) refers to the sustainability and impact of a company beyond that typically covered by financial reporting



More and more chief executive officers (CEOs) are investing heavily in environmental, social and governance (ESG) initiatives with 3 in 10 (30 percent) senior executives looking to invest more than 10 percent of their companies' revenues on ESG initiatives over the next three years.⁴ The pandemic has caused their focus to shift towards the social component of ESG with inclusion, diversity and equity (IDE) being among the top concerns to address.⁵

HR Pathfinders are embracing this shift. They recognize that IDE brings tremendous value to the organization and its culture and, therefore, it needs to be an integral part of the strategy. CEOs support their sentiment and agree that a truly diverse and inclusive organization helps attract talent, including Gen Z and millennials.⁴

"The success of a business depends on the success of diversity in all its forms: gender, race, age, physical abilities, sexual orientation and so on," says **L'Oréal Isabelle Minneci, Global Vice President of HR (Luxe Division)**. "It's not just about hiring, but also involves developing an IDE mindset and culture across the workforce."

Digging into IDE data

Already proficient in using data to target and recruit the future workforce — as a key principle of Pathfinders — HR leaders are using analytics to shape their IDE strategies. They are identifying hidden biases that can hinder performance and drive attrition.

Those solutions go beyond 'check the box' diversity activities; they require significant investment and management efforts to shift the way the company operates. Organizations need to challenge the culture

and organizational norms to enable diverse talent to progress and accelerate careers.

When **Spectrum Health** recognized that their recruiting pipeline lacked diversity, they discovered that many of the universities that they recruit from didn't have significant populations of diverse students or faculty. That led **Spectrum** to launch a multipronged diverse-hiring strategy. This includes requiring that diverse candidates are considered for leadership roles, panel interviews made up of diverse decision-makers, and sourcing for talent differently.

To source differently, there was need for investment in building a diverse pipeline for talent. For example, paid apprentice and internship programs, establishing an endowment program for certain health-related degree programs, exploring tuition-free opportunities for students of color, offering their own staff as faculty, and working with other universities known for attracting diverse student populations. "As a result of paying more attention to data insights, we have increased the number of diverse hires in physicians, leaders, nurses and other roles. We have a long way to go, but are committed to the journey," says **Spectrum Health Chief Human Resources Officer (CHRO) Pamela Ries**.

Ries notes that taking a long-term approach to IDE and partnering with universities to build a broader talent pool can help companies get beyond short-term solutions to generate lasting changes in the organization and the community. "We need to be part of the solution if we want to draw the best talent," she says.

Case study

Direct Line Group uncovers potential hidden biases

Pathfinders recognize the link between IDE, employee engagement, and business results. This is why **Direct Line Group** tracks the impact of their IDE initiatives, to find new opportunities for improvement. "Monitoring is an important element of any social listening program, particularly in large companies where needs of the minority go unnoticed," says **Vicky Wallis, Chief People Officer**.

Wallis points to an inclusion survey her team recently conducted, which at a headline level showed high inclusion. But when they dug deeper into data based on specific employee populations, they found Black and Sikh colleagues felt less included. The findings encouraged the gaining of a deeper understanding of the experience of these employees through diversity networks and listening sessions, ensuring that these colleagues felt their voices and concerns were heard and actions planned.

Such actions have taken the form of enhanced recruitment principles to protect against bias, the launch of a reverse-mentoring program and education for managers. **Wallis** notes that the commitment to using data to inform IDE was key to improving the culture.

But, ultimately, organizations need to be willing to look for opportunities to talk more freely and then take action occurring on the back of those conversations. "If you get that right, the targets will come," she suggests.

⁴ 2021 CEO Outlook, *KPMG International*.

⁵ 2021 CEO Outlook Pulse, *KPMG International*.



Diversifying talent

"Inclusion is about making everyone feel like they belong," says **Microsoft's Coleman**. This ambition became more challenging with employees working remotely during the pandemic, but Pathfinding HR organizations were inspired to focus on inclusion to enable diversity and build that sense of belonging.

"We have been finding incredible talent that we may not have seen before, because we had a fixed mindset about what our candidate base was," **Coleman** says. "Looking for talent outside of our geographic hubs or traditional recruiting sources helps us find talent with diverse ideas and backgrounds."

Linda Aiello, Salesforce's EVP, Employee Success Business Partner, has had a similar experience. "We no longer need to hire for location. We have the opportunity now to tap into markets that we wouldn't have otherwise touched and really change the face of who and how we hire."

Nearly 3 in 4 CEOs⁶ (73 percent) confirm that the ability for people to work remotely has widened their potential talent pool and led to positive results.

If there are any upsides to the new reality, then this is certainly an exciting one. Previously inaccessible talent — due to location, experience or background — is now more accessible. The opportunity for organizations to reach a new level of innovation because of more diversity is immense.

Changing hearts and minds

HR Pathfinders recognize that significant change occurs only if every employee, manager and leader acknowledge their own biases and adapts their behavior in response. We are seeing organizations that are actively reassessing key leadership capabilities to encourage greater diversity of thought and experience.

Mike Theilmann, CHRO, points to **Albertsons Companies' Leading with Inclusion** program, through which leaders study recent analyses of national race relations as a framework for discussions about IDE and bias.

"It is one of the most heartfelt experiences I've been through in corporate America," he says.

More than 8,000 leaders have now gone through the program, and it's having a profound impact and, in a sense, rejuvenated the organization. "We can't tell people how to think and act and what their principles are. We can just open their minds and hearts and souls to different ways of thinking."

Many CEOs and CHROs alike agree that they have personal responsibility to be a leader for change on societal issues and need to uphold their stated organizational purpose and values to retain and attract employees.⁷



The pandemic highlighted the criticality of humanity in the workplace."

— **Amy Coleman**, Vice President of HR and Corporate Functions at **Microsoft**



Heart and soul matter and in their absence can hold an organization back, regardless of how strong its capabilities are."

— **Dean Tong**, Head of Group Human Resources at **United Overseas Bank Limited**

⁶ 2020 CEO Outlook: COVID-19 Special Edition, *KPMG International*.

⁷ 2020 CEO Outlook, *KPMG International*.



Case study

Dropbox's Virtual First model

"In terms of corporate strategy, we think of IDE not just as a talent metric, but as a business metric," says **Sharon Choe, Global Head of Workforce Planning, People Technology & Operations at Dropbox**.

That perspective guides many of the decisions **Dropbox's** people team makes and the metrics they use to track business results. She points to the company's decision to embrace Virtual First as its new workforce model to redefine their talent strategy to further IDE aspirations.

Rather than having employees flow in and out of the office in a hybrid model, **Dropbox** is repurposing all offices into collaborative spaces and studios. There are no desks or spaces reserved for individual work. "The offices will only be used for team collaboration, networking, community building, and culture building," she says. The company plans to open studios as they build hubs in new geographies.

The solution creates a more level playing field for distributed workers in terms of visibility, which leads to project opportunities and career growth. Virtual First has also dramatically expanded the talent pool, because they are no longer limited by their existing office locations, and it is helping the business meet diverse hiring goals, attract different talent profiles, and hire non-traditional candidates.

Since announcing the Virtual First model, the company's applicant volume has grown threefold. "We're already seeing a 15 percent increase in speed to hire, and a 16 percent increase in diversity," **Choe** reports. She believes the intentional collaboration model, coupled with remote work perk allowances (e.g., health, childcare, ergonomics) will also aid in retention of talent, which her team will continue to monitor in the months ahead.

Case study

Albertsons Companies achieves 60,000 hires in 6 weeks

Albertsons Companies is the second-largest supermarket chain in the US, with 2,278 stores and 290,000 employees. When the pandemic hit, these workers were thrown onto the front line and tasked with keeping thousands of families fed through the crisis. "We saw vertical spikes in our business, and we needed to hire a huge number of people very quickly," says **Albertsons Companies' CHRO Mike Theilmann**.

Theilmann met with his executive team, who gave him the freedom to do whatever he thought was needed to reinvent the hiring process and find novel ways to increase recruiting velocity and throughput. "We quit thinking like a big company, and just figured it out," he says.

One of **Theilmann's** most innovative solutions was to reach out to hotels, airlines, and other hospitality companies that were facing mass layoffs and offer to take those employees temporarily off their hands. "We pretty quickly established partnerships with 35 or 40 companies, who advertised open Albertsons jobs on their internal platforms," he says. Then, **Theilmann's** team fast-tracked those applicants through interviews and got them on the floor, knowing that, when demand ebbed, most could easily return to their former jobs. "We hired roughly 60,000 people in 6 or 7 weeks and helped a lot of people," he says.



Part 2

The 'total workforce' approach



In our conversations, HR leaders indicated that they are embracing a new 'total workforce' approach to talent. This strategy involves becoming more employee-centric, rethinking performance management, improving digital enablement, and helping employees build the skills they need — not only for today, but also for the years to come. They are also zeroed in on promoting a more inclusive and diverse working environment.

The employee-centric model

We know that employee experience can directly influence customer experience and centricity. Those who deliver superior customer service also tend to focus more on creating tailored and personalized experiences for their own employees.⁸ It's no surprise then that we have seen an increase in CEOs' prioritization of culture and employee experience.⁷ Subsequently, HR is getting more attention. The pandemic has only accelerated this focus.

Establishing the right organizational culture and owning the employee experience are both key characteristics of HR Pathfinders. **Salesforce's Aiello** stresses that within her organization, culture is seen as their greatest competitive advantage. "Our founders were as intentional about the culture they created as they were about the products."

"There is no shortcut to building culture and the vision must be clear," adds **Dean Tong, Head of Group Human Resources** at Singapore's **United Overseas Bank Ltd (UOB)**. "Organizations are constantly emitting signals about what is important to them, such as through review processes, criteria for promotion, their sourcing strategy, and so on. To change the culture, change the signaling."

³ [The Future of HR in the New Reality](#). KPMG International, 2020.

⁷ 2020 CEO Outlook, KPMG International.

⁸ [Customer experience in the new reality](#). KPMG International, 2020.

Laurie Ruettimann, HR Blogger and Author, explains that the modern HR function links everything, including culture, back to the employee experience — which calls for a 'radical shift' for HR. "Pathfinder organizations look at employee experience from talent attraction through to exit and are rethinking every part of that lifecycle," she says. "They may have a calendar of things that they need to do for compliance reasons, but how does that fit with the *employee* lifecycle and the *employee* calendar? How can they put the employee at the center of the conversation?"

The backbone of employee-centricity

Leading-edge technology, implemented wisely, provides the foundation for more employee-centric processes and seamless experiences. **Amy Coleman** from **Microsoft** talks about their focus on perfecting self-service and striving to create engaging apps for employees through all phases of their day, from entering time to COVID-19 health checks, collaboration, and getting relevant information for your specific employee profile.

In the 2020 Future of HR research³, 60 percent of Pathfinders ranked investing in new learning and development platforms and virtual working technologies as among leading investment priorities. These technologies can also help create a more personalized consumer experience.

"Employees are getting what they need, they're seeing what they need to see, and they're given an opportunity to enjoy what they're doing," says **Ruettimann**. "They are working at that intersection of purpose and meaning without the noise, without the paperwork, without the chaos that normally accompanies anything pushed out by HR."

Etisalat Group, one of the world's leading telecom groups in emerging markets, recently deployed blockchain technology as part of its HR digital transformation.

"**Etisalat** has always been at the forefront of driving the digital future and now in HR we are focused on taking the latest technologies that we've been applying as an organization to our clients and customers and bringing that reality internally to empower our employees, increase engagement, enhance the employee experience and revolutionize the way we work" says **GCHRO Dena Almansoori**. They use blockchain to store employee records and training certificates securely, manage recruiting, support payroll automation, and conduct background checks.

"It is important to ensure this data is secure, and that employees are empowered to access it whenever they want to, without any manual intervention from our side," she says. The company is also implementing machine learning and sentiment analysis to predict and respond to skills gaps and talent needs.

This doesn't mean HR leaders have to be technology experts, but they do need to understand how technology supports the employee experience and how to choose the right solutions to support the business strategy. "There's so much incredible technology out there, so it's important to be mindful and purpose-driven during the selection process," **Almansoori** adds.



There is no shortcut to building culture and the vision must be clear."

— **Dean Tong**, Head of Group Human Resources at **United Overseas Bank Limited**



Rebuilding the workforce

With the cost pressures of recruitment and the impacts of the pandemic on talent pipelines, reskilling and upskilling have become top priorities for the C-Suite.

At the height of the pandemic, talent risk jumped 20 places⁶ to become a top threat to long-term growth for CEOs. It was the first time in the history of this survey that the 'people agenda' has been a top priority for the CEO. They also believe that a top success factor today includes investing in digital training, development, and upskilling to ensure employees' skills remain future- focused.⁴

With that in mind, HR leaders needed to find more efficient ways of identifying and solving skill gaps. During the height of the pandemic, **Alexandra Brandao, Global Head of Human Resources, Santander** closed many brick-and-mortar offices while developing new ways for customers to interact virtually with the bank. But rather than laying off branch teams and hiring new digital support staff, **Santander Spain** reskilled 1,500 employees so they could move over to **Santander Personal**, a virtual banking environment.

"The best jobs 3 years from now probably don't even exist yet," notes **Salesforce's Aiello**. "So, building skills in this digital world has become hugely important."

At **Ocado Group**, Chief People Officer **Claire Ainscough** explains, "one of the things that we continue to look at is how we can take people who are in roles that are at risk of displacement and reskill them to be engineers, either on the software or the hardware side."

⁴ 2021 CEO Outlook, *KPMG International*.

⁶ 2020 CEO Outlook: COVID-19 Special Edition, *KPMG International*.

L'Oréal's Minneci notes that her team is constantly evaluating which skills of the future will be necessary and which roles may require new skills to remain relevant. "We shape our learning program to make sure we can upskill and reskill our staff, so they move up in this transformation."

That includes reinforcing soft skills training for leaders and managers, as well as deploying more training around data science, digital trends, and ecommerce. "All of these skills will be absolutely key to our organization," **Minneci** affirms.

Bringing back retired alumni has also been gaining traction. There are several benefits of this sourcing approach, such as reduced time to fill and time to productivity, improved market insight, reduced likelihood of culture misfit and leaving.

United Overseas Bank (UOB) hires retirees who, motivated by a sense of purpose and such benefits as healthcare, are invited back to the bank as gig workers. **Dean Tong** explains that this "allows **UOB** to retain its people, enmeshing them with the rest of the organization, while reducing time spent on reskilling."





The new currency: skills and capabilities

Skills today are constantly evolving. This is one reason we may be seeing less use of traditional competence frameworks, which are based on analyzing jobs and what high performers do in those jobs. They simply can't keep up with the fluidity of jobs today. According to World Economic Forum⁹ research, every 5 years the value of skills decrease by 50 percent. For many skills, the shelf life is even shorter.

Technology and analytics providers such as, but not limited to, Degreed, Simply Get Results and Workday Skills Cloud have developed technologies to help organizations understand the capabilities and skills of their organization. Through machine learning, skills and experiences are collected and analyzed to create a 'skills ontology,' or put simply, a characterization of skills into a common language and how the relationships between skills and other factors such as learning content, roles and jobs are mapped out.

Just one example of how this works in practice: An ontology can be used to infer the skills that a person has, which the person can then verify and update. Modern skills ontologies do not rely on employees inputting their skills into the core system of record — they are self-learning. As work changes over time, so does the ontology. Modern strategic workforce planning and learning solutions embed this capability.

Skills ontology: a categorization of skills to build a common language of skills and their relationships between one another.

A major application of this is to support 'talent marketplace' tools for people to promote their skills and for others to define what they need to fulfill jobs, projects and tasks.

We truly are in a world where we have moved from *matching people to jobs* to one where we can also *match skills to tasks*.

At **Roche**, Chief People Officer **Cristina Wilbur's** team created its Opportunity Marketplace as a place where employees can post their skills, experiences and certifications for everyone in the company to see. This makes it easier for leaders to find the right talent for projects and gives employees more opportunities to move up through the organization, showcase their accomplishments, and identify meaningful development opportunities.

Wilbur notes that **Roche's** Opportunity Marketplace has brought new agility and empowerment when it comes to talent development. "Our people can leverage all different ways to grow and to gain new experiences in-country, as well as across the world."

A total workforce approach requires the organization to focus on the needs of everyone — not just the top performers. "My fundamental belief is that every single person has potential," says **Wilbur**. "If you leverage people's potential collectively, versus only concentrating on your high-potentials, it creates a stronger organization."

This, coupled with learning initiatives, is a powerful combination and makes it easier to find talent throughout the organization, identify skills gaps, connect employees to projects based on skill requirements, and empower employees to identify meaningful development opportunities.

⁹ "Accelerating Workforce Reskilling for the Fourth Industrial Revolution." *World Economic Forum*. (27 July 2017).



Case study

Thames Water — Reskilling for a better future

Thames Water is the largest water and wastewater services company in the United Kingdom with more than 6,000 employees serving 15 million customers.

In 2020 the HR team launched a series of new collaborations, educational opportunities, and employment entry points to build the quantity and quality of future talent in the workforce, while supporting the communities that **Thames Water** serves. To ensure they invested their resources in programs that deliver the biggest impact, they created a dedicated skills and emerging talent team that works closely with the wider HR function and business areas to ensure a robust future talent pipeline. The team has analyzed the skill requirements for the next 5 to 10 years and are now using it to support a series of targeted talent acquisition and development programs.

These programs include hiring and upskilling people who are currently unemployed through identifying 75 new work opportunities to take advantage of the UK government's Kickstart Scheme. "We targeted 75 because this enabled us to create 'an above and beyond' infrastructure to ensure candidates have genuine opportunities to secure quality employment opportunities at the end of their Kickstart placements," **Lynne Graham, HR Director**, explains.

The company is also building strategic partnerships and working in collaboration to co-create solutions with educational establishments across London and the regions to build a sustainable legacy for future generations. "By launching these partnerships now, we can utilize their capability to support our scale strategy, while influencing education in the longer term," **Graham** says. "We are giving them our skills requirements and working with them to build learning journeys that match our industry needs."

"We believe we have taken a strategic approach to our skills agenda. One that will meet economic and industry requirements, tackle real issues such as in-work poverty, under-employment and 'level up' many of our communities and in doing so support **Thames Water** and our supply partners to create a more equal and diverse workforce of the future" she says.

Case study

At Telefónica, reskilling is part of every business conversation

Pathfinders prioritize training by making it part of every business plan. "We are not just speaking about cost and overheads, but the skills and capabilities that will be needed," says **Marta Machicot, Chief People Officer of Telefónica**. To inform those conversations, **Machicot's** team built internal analytics tools in 2020 to: 1. define critical skills needed to accomplish the strategic plan; 2. identify individual skills of the workforce, and 3. build up the plan to close skills gaps.

By July 2021 more than 20,000 of the company's 113,000 employees uploaded their skills in the system, with new employees added daily. "It gives us a dynamic view of where we are in terms of gaps, which becomes part of the conversation within the business," she says. Linking skills data to business goals helps managers recognize the value of training and reskilling programs. That has helped her team win support for more focused reskilling and upskilling programs.

This includes academies for high-priority skills around information technology (IT), analytics and cybersecurity. The academies include independent courses and live virtual sessions led by subject-matter experts to help employees build skills and complete certifications. They align with the company's ongoing automation and digital evolution plans, and management sees the connection between training and business goals.

"Now, every business presentation includes information about what they need to close capability gaps on their teams," **Machicot** explains.



The talent of 'many' versus the talent of 'one'

Another shifting trend is the approach to performance management as organizations recognize more and more that organizational performance is positively connected to teaming and collaboration. Companies that foster collaboration are five times as likely to be high performing.¹⁰

The main premise of traditional performance management, as most of us know, is based on the heroic individual, the team of one, the A Player. What appears to be happening in the marketplace and having heard from conversations with HR leaders, like **Dropbox**, **Microsoft** and **Ocado**, is that organizations are evaluating their performance management strategy to ensure they have a strengths-based, agile and 'just in time' approach focused on objectives and key results.

Claire Ainscough, from **Ocado Group**, explained that even the word 'performance' can have a negative connotation. "It should really be about how do we collectively do better together."

While there is appetite for change from leaders and employees, there is hesitancy because this is the way it has always been done. A move to overhaul performance management requires significant coaching and change management.

Dropbox has been focused on shifting to a more agile and continuous approach to performance management with quarterly check-ins and transparent, real-time feedback in place of two heavyweight cycles at mid-year and year-end.

⁴ 2021 CEO Outlook, *KPMG International*.

⁷ 2020 CEO Outlook, *KPMG International*.

¹⁰ Samdahl, Eric. "Top Employers are 5.5x more likely to reward collaboration." 2017 joint study between the Institute for Corporate Productivity (i4cp) and Rob Cross and Edward A. Madden, Professor of Global Business at Babson College, on over 1,000 organizations. *The i4cp Productivity Blog*. (22 June 2017).



“

The traditional 'how am I doing? I'm a three.' Well that doesn't tell anybody anything."

— **Claire Ainscough**, CPO, **Ocado Group**

They also experimented with different approaches to performance ratings. **Sharon Choe** talks about the importance of testing the concept, gathering feedback through various avenues (e.g. surveys, interviews, pilots), and providing solid evidence to show why changes should be made. This also can't be done successfully without leadership buy-in and manager coaching.

Performance management is complex and it's a controversial topic as it requires us to really rethink that strong, deep-rooted link between compensation and performance. In **Laurie Ruettimann's** opinion, pay is so much more than individual performance. Even just within the last year, CEOs have drastically increased their focus on looking at how employees are rewarded and incentivized.^{4,7}



Part 3

Reimagining HR for the new world of work



COVID-19 forced companies to abandon their strict philosophies about where and how work gets done. Organizations needed strategic HR leaders with the capability and authority to inspire senior management, empathy and emotional intelligence to engage workers, and resilience to take risks on behalf of the people they serve.

HR Pathfinders sought innovative ways to create a positive employee experience within that new environment. This meant figuring out how to manage and support an entirely remote workforce, while others were faced with hiring thousands of new frontline workers and reinventing training and safety strategies for a socially distanced work environment.

There's no playbook

In this new reality, there is no guide. The solutions to the pandemic's people-related issues are, by their nature, experimental.

"Waiting to find the perfect solution before you move ahead would have put us at a competitive disadvantage," says **Tamara Hassan, HR Director for Mars Wrigley Asia**. Instead, HR Pathfinders embraced an agile mindset that **Hassan** refers to as "making practice the new perfect." That agility gave them the freedom to test new ideas, even if risky. "We had the courage and support to fail and it allowed us to have the opportunity to try some really innovative things and learn from them. We see that as success."

For example, HR leaders started to experiment with controversial concepts like the traditional work week. "We are trying to reinvent the notion of what work means. We are moving away from '9 to 5' and trying to promote flexibility in the form of 'core collaboration hours' for synchronous collaboration combined with a nonlinear workday. You don't have to work from 9 to 5, if you get your work done and you have impact," says **Sharon Choe** from **Dropbox**.

CEOs are generally supportive of experimentation. Almost 8 in 10 (79 percent) believe in empowering their workforce to innovate without worrying about negative consequences for them if the initiative fails.⁷

⁷ 2020 CEO Outlook, *KPMG International*.

Case study

HR leads pandemic response at Spectrum Health

"HR has traditionally been afraid to take risks," says **Pamela Ries, CHRO** at **Spectrum Health**. But, if HR professionals want to be viewed as strategic leaders, then they need to be willing to try bold ideas and respond to feedback — good or bad. "Pivot if you need to, or scrap it if it doesn't work," she summarizes.

This attitude helped **Ries's** team to adapt rapidly when COVID-19 hit the community.

When COVID-19 patients began flooding hospitals, **Ries** put most of the HR department's ongoing projects on hold and committed 75 percent of her team to the 'incident command center,' where they worked side by side with organizational and clinical leaders to meet the needs of healthcare workers.

Her team was involved in everything from identifying staff who could be quickly redeployed to areas of clinical need and training them into those roles, to practical solutions like assembling boxes of snacks and PPE and delivering them to staff who had no time to take breaks.

They also created new resources to support employees' mental health, which included producing cards with QR codes on them that employees could scan with their phones to access wellness information on the move. "We just kept looking for ways to make it simpler for them to navigate all of their needs," **Ries** says.

That agility and willingness to do whatever was necessary to protect their workforce helped **Spectrum Health** navigate this extremely difficult time while addressing the mental and physical health of every employee.



The art and science of listening

The HR leaders that were interviewed all highlighted the importance of listening to their workforce to tailor talent solutions, especially during the early stages of the pandemic when quick decisions had to be made.

“When we all went remote, we wanted to help our employees understand how to continue to connect and engage with their teams – on many levels,” reflects **Microsoft’s Coleman**.

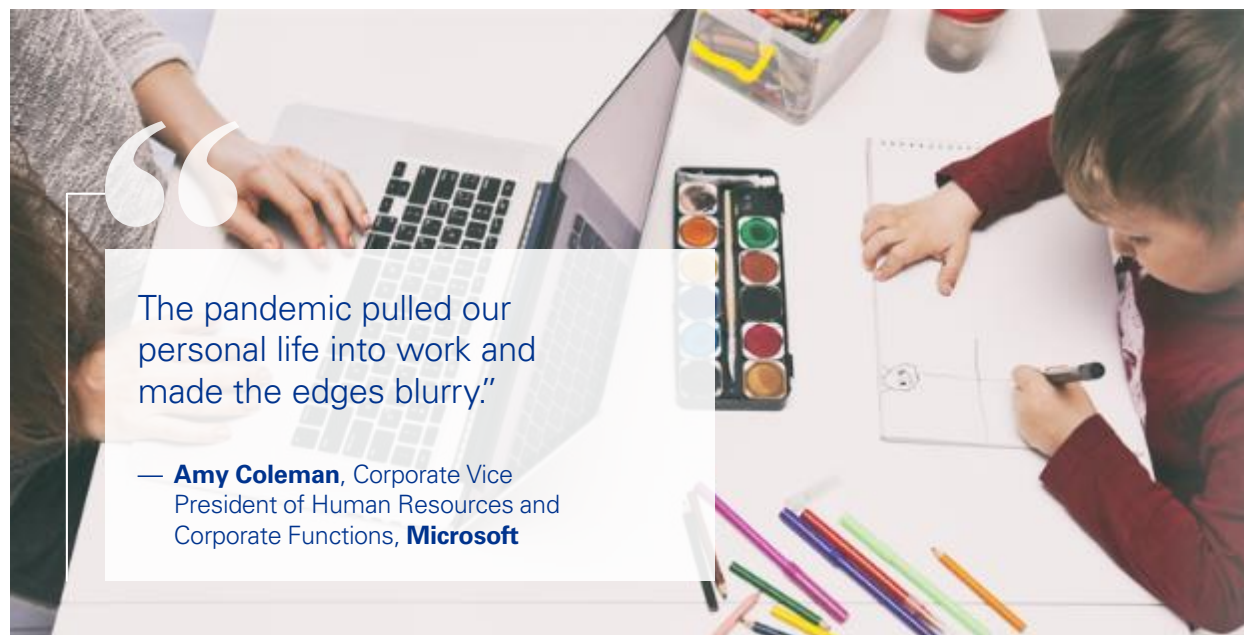
“We saw the need to help our leaders be business-focused ‘managers’ while also caring for a team member who might be going through a difficult time. The pandemic pulled our personal life into work and made the edges blurry.”

“Since we had to take a pilot approach for almost everything that we introduced, it was important to give employees an opportunity to provide feedback and to have a two-way dialogue. We took a learning mindset and a willingness to iterate based on feedback,” says **Dropbox’s Choe**.

The interviewees shared stories of how they use continuous feedback to inform decisions and create stronger communication between leaders and the workforce. **Santander’s Brandao**, for instance, deployed an app to support the company’s continuous listening strategy, which allows employees to provide anonymous feedback, answer questions, and engage in conversations with leaders. They also mentioned the frequent use of roadshows, focus groups, and listening campaigns targeted to specific employee populations.

The concept of the ‘feedback loop’ and empowering people to challenge is core to **Carman’s Kitchen’s** culture and strategy. **Lainie Tayler, General Manager of People** of the popular Australian muesli brand, explains that the insight they collect and the voice they provide to their workforce is what enables them to compete with the bigger organizations. It is also what allows them to avoid getting stuck in process and policy. Their way of understanding employee views is highly personal, but they are also disciplined about it. Their feedback practices extend beyond the workforce to suppliers, thus taking a ‘total system’ approach to feedback.

Real-time pulses of the employee experience, coupled with predictive algorithms, can indicate potential experience gaps and talent risk. In turn, employee motivations are better understood, their needs are more accurately predicted, and issues can be resolved before people even know they have them.



“The pandemic pulled our personal life into work and made the edges blurry.”

— **Amy Coleman**, Corporate Vice President of Human Resources and Corporate Functions, **Microsoft**



The data-driven outlook

Organizations have a goldmine of data and Pathfinder HR organizations understand how to use it most effectively to assess all aspects of workforce performance and the total employee experience.

But data alone is not the answer to good decision-making.

As the Nobel Prize-winning author, Daniel Kahneman, explains in *Thinking, Fast and Slow*¹¹, there are two ways that humans make decisions. 'System 1,' as Kahneman describes, is based on past experiences,

making it fast, instinctive and emotional. 'System 2' decisions, on the other hand, are based on facts and logic. While it may take more time, workforce insights that are based on current facts — not the memories and experiences of days gone by — generate practical and actionable decisions that improve performance.

As **Aviva's Harmer** pointed out, evidence-based decision-making is not only about data, but the insights that can be drawn from it to continuously improve performance.

"Good data combined with critical analysis makes it much easier to be objective about your decisions," she says. As an example, she describes a recent concern about the attrition rate of a particular function that was rumored to be abnormally high. The data and critical analysis proved otherwise, showing that the attrition rate was, in fact, in line with benchmarks. The evidence told the real story.

Pathfinder HR organizations are using a marketing-like approach to understand employees as consumers by using data to personalize and streamline their experiences and making sound evidence-based decisions that relate to the workforce.

Case study

Salesforce harnesses data for a better employee experience

Salesforce believes that creating an excellent employee experience is just as important as delivering great customer experiences — and the company uses workforce data to help make it happen.

Linda Aiello explains that her team collaborates with data analytics experts across the organization to continually inform and improve the experience of working at **Salesforce**. "By analyzing data from engagement surveys, employer review sites, and employee interactions with HR, we are constantly assessing the data to anticipate where problems may begin to bubble up," she says.

Those insights inform new programs and provide **Aiello** with a baseline from which to track the impact of their efforts. For example, the data analysis of employee interactions with HR showed that employees who report that they are going on parental leave typically come back to the HR platform with the same five follow-up questions.

In response, the HR team now automatically delivers that information to new parents in the weeks leading up to their leave. "We're helping to address our employees' problems before they even know that they have them," **Aiello** says.

New skills for a new world

By analyzing nearly 900,000 HR job postings across seven* major markets between 2017 and 2021¹², **Simply Get Results** found more than 200,000 job post references for future workforce planning and associated skills.

Salesforce's Aiello explains the importance of this skillset. "While my team must be deeply knowledgeable and engaged with the business, they are also incredibly excited about having the capability to use analytics and insights to help predict the composition of our future workforce."

"It gives the business the agility to scale rapidly in response to market changes," **Claire Ainscough of Ocado Group** adds. "What do we need to do if our organization doubles in size? What do we need to do if it halves?"

Scenario-based workforce planning — powered by predictive analytics — helps organizations make informed decisions about the workforce size, makeup, and capabilities they need for the future.

¹¹ Kahneman, Daniel. 2013. *Thinking, fast and slow*.

¹² Analysis by www.simplygetresults.com using data from Emsi Burning Glass (2021).

*Australia, Canada, France, Germany, Hong Kong (SAR) China, UK, US



A new perspective on HR — from the outside in

At **UOB**, **Dean Tong** has set up a special community within his HR team called “Strategic HR.” The team is made up of ex-consultants with limited or no HR background, and they work solely on big projects that affect **UOB’s** people agenda. **Tong** sees this group as a steppingstone to becoming aligned as a strategic business partner — focused on people issues — in designated parts of **UOB**.

Similarly, **Ries**, from **Spectrum Health**, built a unique team focused on capability building made up of nontraditional and traditional HR talent, including experts in agile, behavioral change management, and culture change. The talent was recruited outside of **Spectrum Health’s** HR function.

Simply Get Results also found in their analysis that around 70 percent of the skills and capabilities that are deemed Pathfinding are more commonly found outside of the HR function, particularly among IT and marketing professionals.¹²

“Skills such as workforce planning and problem-solving are now considered mainstream in HR, while more technical skills such as agile and digital transformation are clearly emerging among Pathfinding HR functions,” explains **Simon Haines, Founder and CEO of Simply Get Results**. “You then see a ‘long tail’ of ultra-specific skills such as design thinking or data and visual storytelling, which are still very rare in the market, yet likely to be signals of truly disruptive or Pathfinding behavior.”¹²



“Some of these sought-after skills were likely forged over this past year and associated with the urgent need to change — ‘agile,’ ‘change management,’ ‘experimentation,’ ‘growth mindset,’ ‘innovation’ and ‘risk taking.’ ‘Resilience’ and ‘adaptation’ have been two of the most referenced requirements in HR job postings since 2020 — another indicator that there is consensus across the world that “HR is officially changing,” adds **Haines**.

While Pathfinding HR organizations are seeking talent beyond traditional HR talent pools, they are also increasingly partnering with other parts of the business. “The HR director of the future is an IT leader and a people leader,” says **Ocado Group’s Ainscough**. “The technology/human intersect is critical.”

¹² Analysis by www.simplygetresults.com using data from Emsi Burning Glass (2021).



Becoming a Pathfinder





Whatever the business does, it's due to the performance of every single one of its people. And therefore, as an HR function, it is our job to align people to what the organization needs to achieve and help them be better in reaching that. So clearly, we're a critical function."

— **Danny Harmer**, Chief People Officer, **Aviva**

When the concept of Pathfinders in the KPMG 2019 research was first explored, it was found that Pathfinders approach each of their priorities areas, such as workforce shaping, data & analytics, digital service/employee experience and learning, as one part of a systemic whole.

The last 3 years of the Pathfinder research has provided some consistently dominant themes and 'signals' for organizations to explore and experiment with, in beginning their pathfinder journey.

1 Define your value

What is the value that you can deliver in *your* situation?

"The HR function needs to work with the business to define, with precision, how the people agenda can drive business value," **Robert Bolton, Head of Global People and Change Center of Excellence at KPMG International** says. "This means engaging in new conversations *with both leaders and employees* about what they need to be more successful, engaged and purposeful."

Here are some of the strategic conversation starters to consider:

- In what ways will our workforce shape, size, organization and skills be different in 3 years?
- How can we engage Generation Z so that they experience a great early career as well as the benefits of hybrid working?
- And perhaps the biggest question of all: What does building back better look like for us?

Here's the silver lining: HR leaders now can experiment outside traditional corporate boundaries.

As **Telefónica** found, involving employees in the Employee Experience design and piloting initiatives can be a good way to test an idea and get their feedback before progressing to the next phase or making large upfront investments, especially when data analytics are applied to prove the validity of the initiatives. "The business took this approach when experimenting with a 4-day work week, starting with a pilot to try out different flexibility models," says **Telefónica's Machicot**. "The future world will be absolutely flexible, and we need to be prepared to adapt to personal and business needs."

2 Deliver more

Building the capability to deliver analytical insights and evidence is critical to finding answers to the business's most burning questions. Pathfinders interviewed in the 2021 research indicate that they are using data analytics to better understand their workforces and — crucially — prove how people issues influence business strategy.

Analytics capability is the map and compass for successful Pathfinders, allowing more experimentation, silo busting, and promoting a total workforce approach.

A dedicated team of data scientists is not required. HR Pathfinders own the data-collection and analysis processes and take the lead on delivering insights across the enterprise.



3 Build end-to-end capabilities

There are four interconnected and end-to-end capabilities that are seen in Pathfinders:

1

A disciplined approach to working with the business to unearth the questions and hypotheses that need to be explored and potentially conducted by business partners if they have the skills to engage in far-reaching conversations.

2

Data integration and insight analysis that includes integration of data sources (internal and external, qualitative, and quantitative) combined with predictive analytical techniques and enabling technology such as artificial intelligence and machine learning.

3

Storytelling and data visualization techniques to help turn insights into action on the ground.

4

Agile project delivery teams that make the changes to policy, process, and practice.

4 Become the architect of the new operating model

One of the most important findings from the interviews emphasized the need to design a new HR architecture that is:

- **More integrated:** moving from siloed Centers of Excellence to Communities of Practice, such as 'talent and learning' (recognizing that learning enables talent development and gives employees ownership of their own development).
- **Less process driven.**
- **More focused** on purpose, experience centrality, and business results.
- **More holistic** in building the total workforce by ensuring it is the right shape, size and organization and armed with the right skills. This includes a move away from focusing on 'top talent' to 'enabling all talent' to thrive and provide rewarding opportunities for diverse segments of the workforce.

Some Pathfinders, for example, spoke about how they have stitched together findings from their analytical insights to make informed decisions about improving the everyday experience of workers, using those same insights to define the new skills that will be required, and refining the way in which 'learning in the flow of work'* is delivered to individuals and teams.

* Microlearning or bite-size learning that is quickly accessible while performing a work task.





Conclusion

More waves ahead

“

There is a clear need for innovation at the enterprise level. For the sake of the planet and for the societies we live in, we cannot afford to return to the way things used to be. Current ESG challenges demand we change almost everything about how we meet our needs today. This then requires enormous levels of innovation, which humans are in fact quite capable of delivering. That is, if we set up our work environments in a conducive way. Sustainability thus touches the world of work just as much as other aspects of the ESG agenda. Innovation won't come from a top-down instruction but from collaboration, engaging the ideas and creativity of the entire workforce in new forms of dialogue. This will not only help society address its current sustainability problems; it will engage and invigorate us at work more than ever before.”

— **Gaya Herrington**, Author and Director, Sustainability at **KPMG in the US**

With the newfound zeal to promote the ESG agenda, a general shift in the future of work, and the desire to “build back better,” there is hope that organizations are being transformed and building even greater resilience for the future.

It's clear that they recognize the need to adapt to continue to survive — which is also putting an increasing focus on HR to prepare and build both the workforce *and* the workplace of the future. It means horizon scanning, constantly updating workforce-shaping scenarios, being curious about the causes of new market disruptions, and accepting that the disruptions will

continue. It will require an employee-centric, purpose-driven culture, underpinned by ESG values for organizations to continue to thrive in such a dynamic environment.

There is consensus among the HR leaders who participated in the interviews that an experimental approach is vital. Pathfinding is a way of reinventing the world of work and building the capability to survive and thrive into the future.

The traditional playbook is gone, and it's time for HR leaders to chart the new way forward.



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