



HR Transformation

Which lens are you using?

KPMG International

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Key findings of the 2017 KPMG HR Transformation Survey

- ▶ Three out of four organizations that undertook HR transformation have successfully executed complex initiatives such as implementation of cloud HR technology. Among this group, there were common characteristics such as: changes to operating models alongside their implementation (**72 percent**), building a business case with clear measures for success (**73 percent**) and being viewed as adding strategic value to the business (**89 percent**).
- ▶ Top expected benefits from intelligent automation investments are improved performance (**56 percent**) and freeing resources or staff to perform more strategic work (**54 percent**), while the key challenges to intelligent automation are costs and funding (**47 percent**).
- ▶ Half (**50 percent**) say intelligent automation will drive significant changes for the business and believe process automation will have a significant impact on the HR operating model. Top focus areas for intelligent automation efforts are talent management (**61 percent**) and talent acquisition or onboarding (**57 percent**).
- ▶ Investments focus on data-based insights, HR tech and new talent. The top areas for planned 2017 investment include talent management (**49 percent**) and HR data and analytics (**38 percent**).
- ▶ While most HR initiatives are said to be either meeting expectations (**44 percent**) or exceeding them (**32 percent**), more than half (**59 percent**) of organizations lacked a business case or metrics to measure results.
- ▶ The top HR initiative of the past 18 months was improving line managers' people management capabilities (**63 percent**), followed by reengineering key HR processes (**60 percent**) and refocusing HR business partner roles (**43 percent**).
- ▶ Key challenges to delivering strategic value are shortcomings in supporting HR technologies (**43 percent**) and inadequate change management (**36 percent**).
- ▶ **27 percent** indicate the HR function is viewed as a key business asset. Enabling evidence-based HR was the top cited HR value-add, followed by enabling transition to the workforce of the future.
- ▶ About half (**49 percent**) of organizations site HRMS as the biggest area of investment anticipated in 2017, **27 percent** cloud and **22 percent** on-premise systems. The top expected benefits from new HRMS include HR transaction processing (**63 percent**) and delivering value-added services (**62 percent**), and improved availability of management information (**52 percent**).

The 2017 KPMG HR Transformation Survey reveals a clear dichotomy between today’s ‘enlightened’ businesses — those boldly engaged on the need for strategically managed HR transformation — and those seemingly ‘unenlightened’ organizations that appear stalled amid uncertainty as the digital era continues to unfold around them. The latest findings depict a modern day ‘tale of two cities’ — one half of businesses surveyed precisely mapping out a transformation journey toward ultimate success, the other half yet to define a clear destination or pursue a strategic approach. It’s a tale whose ultimate lesson on HR transformation is perhaps best summed up as shape or be shaped by the inevitable forces of change in the digital age.

The latest survey builds on KPMG’s 2016 report *Cloud HR — The future belongs to the bold*, which called for strategic transformation initiatives to revolutionize the traditional HR function. It provided a timely tale of caution that revealed an uneven change landscape, one dominated by unmet expectations among many HR leaders discovering that simply plugging into cloud systems will not deliver data-based insights, smarter decision-making, real value for the bottom line or anything resembling cloud computing’s vast

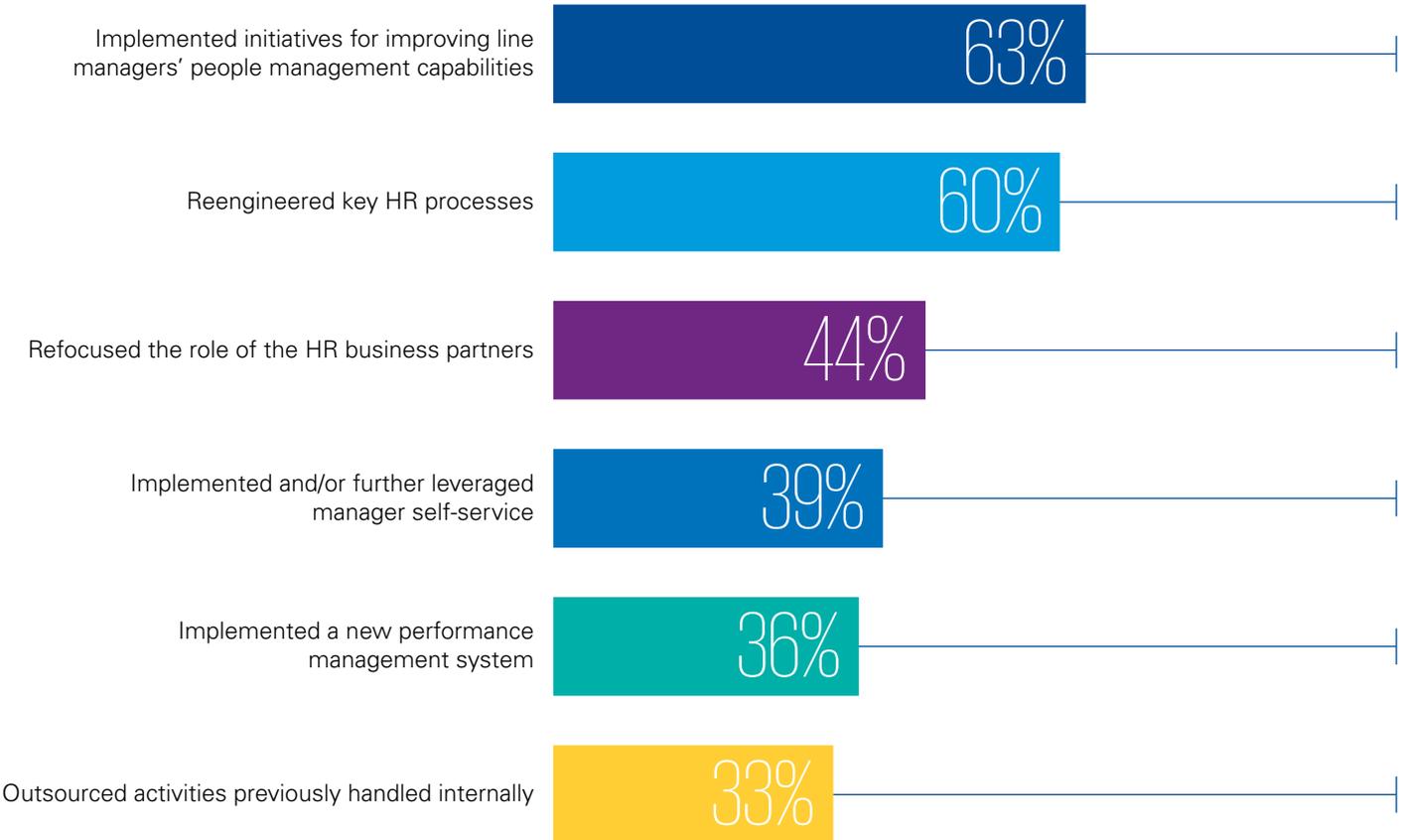
capabilities to redefine HR and engage more effectively with employees.

The message was clear: Rather than taking the path of least resistance, organizations should boldly pursue today’s inevitable journey to redesign the traditional HR operating model via fully integrated change management strategies. Strategically implemented, cloud computing promises game-changing capabilities such as:

- fast and affordable deployment compared to legacy HRMS
- an intuitive user experience and greater potential for employee engagement
- new levels of accessibility for enhanced workforce mobility
- smarter decision-making via data and analytics and cognitive computing
- cost and workforce efficiencies
- a more strategic HR function delivering new value to the bottom line.

HR initiatives (past 18 months)

(n=887)



Source: *HR Transformation: Which lens are you using?* KPMG International, 2017. Chart may not add up to 100 percent due to decimal point round off.

Despite the obvious benefits and competitive advantages to be gained, however, the latest survey shows that just 20 percent of organizations have implemented cloud-based HRMS systems in the last 18 months and just one-third currently plan to do so. Three quarters of organizations indicated they did not achieve ROI targets with their cloud HRMS initiatives.

Businesses in many cases are failing to transcend the gap between *knowing* what's needed and *doing* what's needed for real progress, combining modern technology with new processes and skills to propel HR into the 21st century. Some say they are changing their technology but not their operating model, while others are simply biding their time, apparently poised to see history happening to them, rather than making it happen for them by taking control of their destiny in a digital world. Failing to pursue a strategic, highly proactive approach to change becomes increasingly risky as today's technology megatrends continue to redefine markets, business models, workforces and customer relationships.

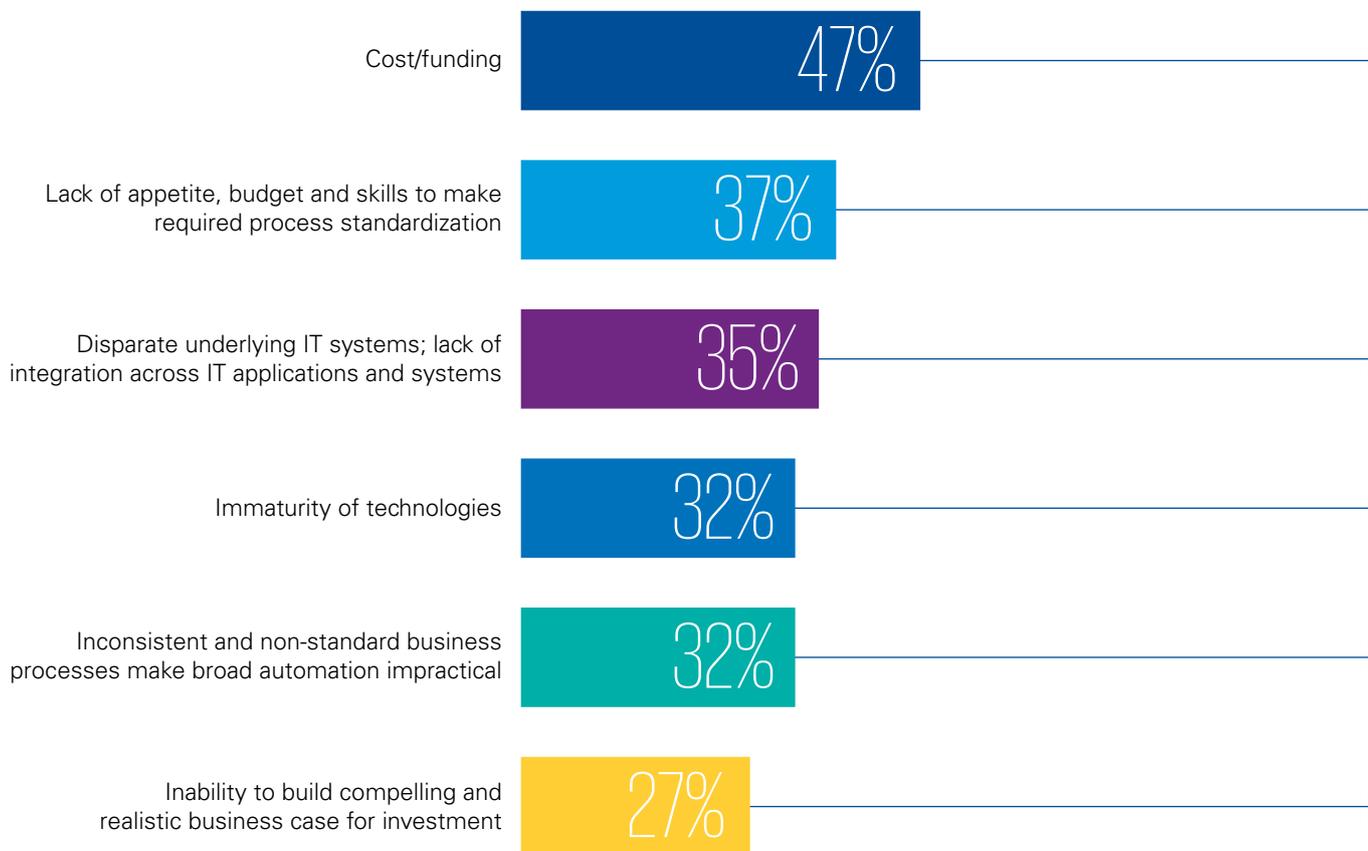
While no one proclaims to have all the answers today for rapid transformation, the choices businesses now face amid the forces of change should be clear: *Drive* change or *be* changed. *Shape* or *be* shaped.

This year's survey underscores KPMG's latest CEO survey findings, most notably that forward-looking leaders view today's disruption and heightened uncertainty as a unique opportunity to transform their business models and drive new levels of growth and success. Three quarters of CEOs say their businesses are capitalizing on the current environment and aiming to be among today's disruptors rather than one of tomorrow's disrupted.¹

Sixty-five percent say they view technological disruption as an opportunity rather than a threat to their businesses, and 68 percent have taken tangible steps in the past year to challenge themselves, often through formal training.² These future-oriented CEOs are active participants in the dramatic changes reshaping their markets, pursuing agile new business models as the most viable route back to growth.

What are the biggest challenges your HR function faces in successfully implementing these technologies?

(n=841)



Source: *HR Transformation: Which lens are you using?* KPMG International, 2017. Chart may not add up to 100 percent due to decimal point round off.

¹ *Disrupt and grow, 2017 CEO Outlook Survey*, KPMG International, 2017.

² *Ibid.*

A call to action on the need for HR transformation — be a disruptor

While digital disruption and rapidly changing business models and markets are clearly creating uncertainty for CEOs and businesses everywhere, those organizations we contacted for this report that are the forefront of HR transformation say they are embracing uncertainty as a valuable new opportunity. They are pursuing innovative technology, skills and capabilities that promise to deliver crucial new competitive advantages in an increasingly interconnected world.

“We see this era as an opportunity for our organization to achieve its full potential — getting everyone completely focused on our strategy, what the opportunity is, and what we expect from our leaders and our people to deliver this strategy,” says Paul Tarlinton, Director, People Services & Business Partnering for AMP, a specialist wealth management company in Australia and New Zealand.

Businesses like AMP, AXA, PotashCorp and others interviewed are well down the HR transformation trail and believe they are closing in on success. They recognize and understand the huge trends that are emerging very rapidly and working hard to respond strategically every step of the way. These forward-looking businesses also acknowledge that being highly proactive on change is closely correlated to stronger returns on investments.

But many have yet to grasp that uncertainty amid unprecedented change is today’s new normal — and that they face significant risk in ignoring the forces of change or merely following the path of least resistance by plugging into cloud technology and hoping for the best.

Being positioned for future success demands action today and there’s no room for delay, according to Jackie Tischler, Senior Vice President HR Operations, Performance Excellence and Business Intelligence for Baylor Scott & White Health, one of the largest not-for-profit healthcare organizations in the US.

“We are in a time of great uncertainty in healthcare. The debate around the future of healthcare continues in Washington, while costs to consumers keep rising at a pace that’s unsustainable,” says Tischler, whose organization operates 48 hospitals and more than 1,000 patient-care sites with more than 5,500 active physicians and 44,000 employees. “Considering it all, we at Baylor Scott & White know our success in the years to come is dependent on our ability to provide higher-value healthcare to our patients and members. And that’s exactly where we are headed.”

While no one proclaims to have all the answers today for rapid transformation, the choices businesses now face amid the forces of change should be clear: **drive change or be changed. Shape or be shaped.**

Leadership, change, transformation management and the case for a business case

In today's era of unprecedented change, business leaders, starting with CEOs and boards, can play an instrumental role as informed and decisive change agents on the road to transformation, particularly in light of the survey's finding that a lack of available funding is the top cited challenge (47 percent) to implementing new and innovative technologies such as process and cognitive automation into the HR function.

Taking on the role of change agent will mean differentiating between how leaders have reacted historically versus how they should respond in today's dramatically different world — while understanding the very real risk of inertia amid their uncertainty. Organizations on the path to transformation are demonstrating strong, proactive, informed leadership. They define themselves as among the *movers* rather than the *followers*, harnessing 'the winds of change' to pursue initiatives that are uncomfortable but inevitable for future success.

Beyond leadership, many organizations are coming up short on change management. While a quarter of businesses told us that they view HR as a key business asset that can add strategic value, the biggest challenges cited in *delivering* strategic value include inadequate change management capabilities (36 percent) and shortcomings in supporting new HR technologies (43 percent).

Strategic change management has been instrumental to the success of transformation initiatives that are well underway at UK-based AXA, according to Julie Scott, AXA's Group HR Chief Operating Officer, particularly in managing dramatic organizational changes that are not always warmly received by employees. "There's always going to be a degree of resistance, a fear of the unknown, when asking people to learn new skills and change their roles. That's where change management comes in — it's not a surprise to us, it's just the biggest battle."

The transformation journey became far more complex than imagined this year for PotashCorp as it took on the unique challenge of transforming its HR function while merging the 5,000-employee organization with Agrium to create a US\$36 billion business of 20,000 employees working in 18 countries.

"This is the rocket ship we strap ourselves to *now* in order to integrate companies, cultures and systems and assure *future* success," says Lee Knafelc, Senior Vice President, Human Resources and Administration, PotashCorp. "Proactive leadership, strategic change management and consistent communication simply must be there. Be decisive, act boldly and communicate, communicate, communicate."

Organizations like PotashCorp and AXA are wisely focused on 'the big picture' for successful transformation, taking a holistic, strategic view that articulates a comprehensive financial analysis, key organizational expectations, anticipated ROI, immediate and longer-term priorities and more.

Unfortunately, the findings show many companies are going forward on transformation initiatives without first creating a business case to precisely define what change and success will actually look like.

Swiss Re Management Ltd. views transformation as a long-term initiative requiring exceptional focus and strategy to position the organization for future success. Improvements to date include new levels of cost efficiency and streamlined processes provided by intuitive new systems easily accessible for managers and employees.

“

This is the rocket ship we strap ourselves to *now* in order to integrate companies, cultures and systems and assure *future* success. ”

Lee Knafelc
Senior Vice President,
Human Resources and Administration
PotashCorp

Next steps

Businesses positioning themselves for successful transformation in the digital age have a clear destination and an intelligently designed strategic roadmap to get there. This includes the following steps.

- A new mindset (HR function overall) that understands the accelerating speed of change in the digital era and how it is dramatically rewriting the rules for future success.
- Redefining the HR function and its value to the business by making it evidence-based, using technology and skills that capitalize on the immense value and competitive advantages of data and analytics. This includes acquiring data acumen — the critical expertise needed to interpret and act on signals that today’s data can deliver for greater business insights and smarter decision-making.
- Gaining a deeper understanding of employees’ skills, strengths, goals and purpose and creating custom-made employee experiences — knowing how to change jobs to suit and which jobs to keep.
- Tailoring the workforce to meet evolving workplace demands rather than fitting people into fixed org chart structures.
- Considering employees as customers in the increasingly digital, global and agile world of work, embracing technology to increase connections and supporting an overarching people agenda as tasks and roles are redefined to include not only individual employees and line managers but intelligent automation, modern cloud HR solutions, third parties, global business services entities and more.
- Understanding how such future talent management will demand a change to design thinking for the many rather than managing and problem solving for the individual.

About this survey

During February to April of 2017, 887 executives from 48 countries participated in the HR Transformation Survey, with representation from 27 industries across Asia Pacific, Europe, North America, Middle East/Africa and Latin America. Two thirds of respondents were from organizations with less than 5,000 employees, 20 percent had 5,001–20,000 employees

and 16 percent had more than 20,000 employees. This year’s survey offers insights into how organizations are responding to the need to reshape the HR function in ways that will deliver new value to the bottom line. It also delivers data on two new categories: HR’s value-add to the business and intelligent automation.

Survey respondents by organization size

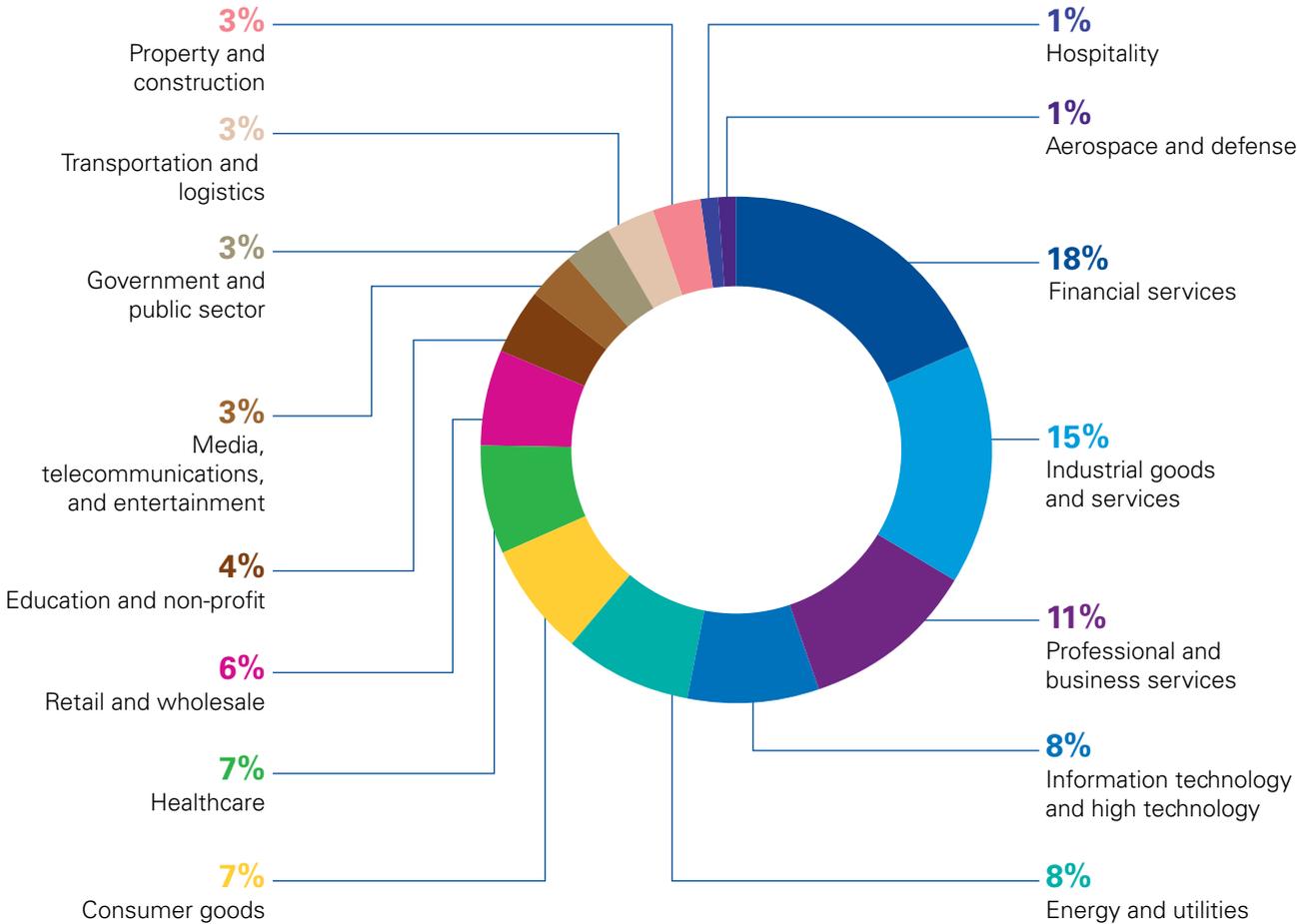
(n=887)



Source: *HR Transformation: Which lens are you using?* KPMG International, 2017. Chart may not add up to 100 percent due to decimal point round off.

Survey respondents by industry

(n=887)



Source: HR Transformation: Which lens are you using? KPMG International, 2017. Chart may not add up to 100 percent due to decimal point round off.

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