The future of work

David Yang
ABBYY

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Innovecs

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Kyivstar

Contents

ⓘ This issue of the magazine
contains active links to reports
and contacts

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Managing Partner KPMG in Ukraine

1996: received an MBA from Waynesburg College, USA

1999: achieved the highest worldwide score in the ACCA Financial Accounting (FA/FAA) exam

2006: progressed from audit assistant to partner, becoming the first local partner of KPMG in Ukraine

2014: appointed KPMG Managing Partner, which has seen over a threefold increase in turnover to date

Married with two sons and two daughters

Andriy Tsymbal

It's time to reject dogma

COVID-19 has forced us to rethink management approaches and the role of talent in the future of business. 2020 is just a curtain-raiser to these changes. Increasingly major transformations are expected in the next 4 years.

In 2020, it took us only a few weeks to implement fundamental changes that had been projected to take several years. As a result, the events of the passing year have fundamentally changed our understanding of likely career development scenarios, the skills that employees may need, different configurations that the workforce will experience in the future and how management approaches will change.

The restructuring of the economy, which has affected many countries as a result of the COVID-19 recession, the subsequent online consumer shift and exponentially advancing digitalisation have all resulted in a situation where the risk of talent shortage* tops the list of key business challenges. Previously, it ranked only eleventh in the list of global major threats to business.

CEOs expect staff and skills to change dramatically over the next two years. Business will require people capable of implementing digital technologies into companies, working with each other, with clients and with suppliers in a digital

format, and creating added value. Some occupations will be gone, but new ones will appear instead. Are these impacts being felt today? Yes. Businesses are reducing staff as some of the previous functions are already no longer needed. At the same time, a lack of skills is already preventing companies from keeping pace with the speed of change.

This means that it is important for all of us to get used to the idea that a fundamental rethinking of the management system and restructuring of the HR function is an important factor for successfully overcoming the consequences of the COVID-19 pandemic and integrating into the new world.

Are we ready to rethink this? Are we able to move the HR function from the status of 'firefighter' to the level of strategic partner? Is talent management ready to take this proactive role? Do you know what skills your employees possess? Or what skills will they need in the near future? How does this match long-term or short-term business needs? Will the demand for these skills change over time? And are you ready to create a new culture that will ensure productivity, continuous development in the workplace and retention of talent?

Companies around the world are now dealing with these challenges. In this issue of KPMG Review Magazine, we are trying to find answers to them and sum up the results of one of the most unpredictable and unexpected years in business history. To that end, we are proud to present the views of some of the business leaders of major companies in Ukrainian.

*KPMG 2020 CEO Outlook: COVID-19 Special Edition

The modern world is studying employee experience

Adaptation to the pandemic has pushed companies into large-scale changes in their business processes. Remote work, restrictions on visiting offices, and the digitalisation of social ties with colleagues has led employers to pay more attention to analysing the emotional health and wellbeing of their employees.

Oleg Goshchansky, Chairman of the Board and Managing Partner of KPMG in the CIS, spoke to David Yang, founder of ABBYY group, about the growing popularity of employee experience technologies, using neural networks to recognize the signs of professional burnout in employees, and the impact of biochemistry on team motivation.

Customers and employees are the core assets of any business entity. Previously, a business lived by the 'customer above all' principle but the transition to remote work has led to companies increasingly focusing on the efficiency and wellbeing of employees. Do you think the balance of power between these assets has changed during the pandemic?

Customer relations and customer experience technologies are a very important area, so any company that respects its customers pays considerable attention to it.

But in the modern world, employee experience and employee listening has become an equally important practice. An organisation's employees are its main asset, and understanding wellbeing, engagement, and stress issues is fundamental to achieving success. ▶

Moreover, it is not enough to interview staff once a year in the pandemic time. We need technologies that allow us to detect or even predict problems in real time.

For this purpose, solutions based on artificial intelligence are used that combine 'active' and 'passive' analytics. Active analytics are smart, pulse-taking surveys of employees, while passive analytics involve looking at their cooperation in corporate systems (with the permission of the employee), the frequency of their interaction with customers, their tone, semantics, and the dynamics of their output over different time periods.

Real-time employee experience can be compared to a smartwatch that we put on our wrist and automatically reads one's pulse, level of physical activity and blood pressure, and then makes recommendations: stand up, warm up, take a series of deep breaths, slow down the pace of your training etc. For businesses, real-time employee experience technology is a health check that allows you to identify problems quickly and suggest ways to solve them.

At the same time, you're absolutely right: the need for this kind of health check during the pandemic has become acute in relation to customers but is just as vital in relation to employees. Once you switch to remote work, you are no longer able to see each other five days a week.

It doesn't appear to be a change in the balance of power: both customers and staff, in my opinion, are equally important assets. However, while businesses were more focused on customer experience in the past, learning from employee experience is a mandatory success factor today.

> " Nowadays, studying employee experience is a mandatory factor for success "

Which tools and capabilities does artificial intelligence provide to monitor these indicators? What kind of data does it collect and process?

The technologies that allow this kind of employee analysis are called people analytics, real-time (continuous) employee experience, engagement, and continuous employee performance. Studies have shown that 67 percent of organisations consider employee engagement and employee experience technologies to be their top priority in terms of HR technologies implemented during the pandemic and in 2021.

It must also be noted that HR managers expect AI and NLP technologies will be used more and more widely to ensure accurate and timely diagnosis of employee wellbeing, engagement and effectiveness.

We are glad that our Yva.ai platform has been named among the world's most advanced people analytics technologies by RedThread Research, a leading analytical service.

"
Neural networks helps you to ask the right questions to the right employees at the right time "

Yva.ai is an AI-driven employee engagement and experience management platform which can be equally useful to both small companies with 15 employees and large organisations of 200,000 people. With the help of artificial intelligence, Yva.ai analyses five key aspects that impact the effectiveness of a company from an employee perspective: engagement, satisfaction, wellbeing, social capital, and leadership skills.

With the permission of the employee, the robot uses passive and active signals, similar to customer experience, to analyse how colleagues interact and how they cooperate in corporate messengers or email. This is one of the most informative platforms for determining an organisation's health; which allows you to say with a great deal of confidence which of your employees likes remote work, or identify those who overwork and who are on the verge of quitting. Yva.ai also conducts a short, two-minute maximum weekly survey of each employee to help give you the whole picture.

Why does employee experience take on this level of importance? Simple: businesses seek to evaluate the effect of switching to remote work but they also seek to understand how the impact on their employees, how they feel, how they cope with their workload and whether it has grown or decreased. Perhaps an employee rapidly burns out due to the fact that they work around the clock or, on the other hand, perhaps they walk their dog half of the day as they have relatively little project work to do at the moment. The annual staff surveys typically conducted by many companies don't give a totally objective picture because employee experience is a very complex area of analysis that requires a different approach technology.

The nature of the data collected is increasingly valuable. For example, at the beginning of the pandemic there was a popular view that switching to remote work would cause

everyone to work 24 hours a day. With the help of Yva.ai, we took measurements and analysed indicators from a large number of companies. It turned out that only 14 percent of employees saw their working time grow to 12 hours a day. Meanwhile, for 32 percent of employees saw their digital working day became shorter by 1.1 hours, when compared with similar indicators before the pandemic.

On the one hand, you can see why this might be startling or outrageous: why did a third of employees reduce their daily working hours so suddenly? Did they have traffic jams in their apartment on the way from the kitchen to the living room? Maybe the scope of their tasks has dropped sharply? However, on the other hand, you can't blame employees for everything; reductions in working hours are not always due to negligence or a lack of loyalty to their employer. The reasons may vary: some home workplaces might not have optimal internet quality required for work, or children could be distracting many employees from their tasks. I'm certain that very few people actually have fully-equipped workplaces at home. Basically, no home is completely suitable for work so each case should be analysed separately.

There is not always a direct relationship between working hours and the quality of work. How can you evaluate an employee's performance with the help of artificial intelligence? How does Yva.ai cope with this task?

Of course, it's necessary to compare apples to apples: what went on and what is currently going on with the same employee before and after the switch to remote work, before drawing any conclusions. As for Yva.ai, the platform allows you to passively measure certain important indicators: customer response time, the number of unread e-mails, the tone of their answers. Yva.ai captures situations where, to give one example, employees don't communicate positively with customers due to stress.

This allows managers to respond in time, correct the situation and not lose important clients.

As for active analytics, as I have mentioned above, Yva.ai uses weekly peer-to-peer micro-surveys. This mechanism is fundamentally different from the annual 360° evaluation established by many companies, which research shows many employees dislike. The antipathy to annual evaluations is obvious when you think about it. First of all, they're difficult and time-consuming: there are too many questions in annual questionnaires and it takes an employee several hours to evaluate as many as ten colleagues. Secondly, they're inefficient: at the end of the year, it's difficult to remember your interactions with an employee 6 to 9 months ago compared with employee interactions in the last few weeks.

In annual surveys, adequate feedback can still be obtained about the first two or three colleagues but then the evaluation becomes slipshod with an eye to finishing the task as soon as possible. I'm not saying it from anecdotal experience either; we've conducted studies on this matter.

The approach applied by Yva.ai is fundamentally different: over the year, the system conducts short weekly surveys that take one or two minutes in total, forming its questions using a 'smart algorithm' which knows who, what and when to ask.

That's a very interesting take. How can we improve the effectiveness of such an evaluation, as this is often the only source of feedback for both employees and their company?

For maximum efficiency, passive and active analytics must be integrated into the evaluation process. Neural networks helps you to ask the right questions to the right employees ▶
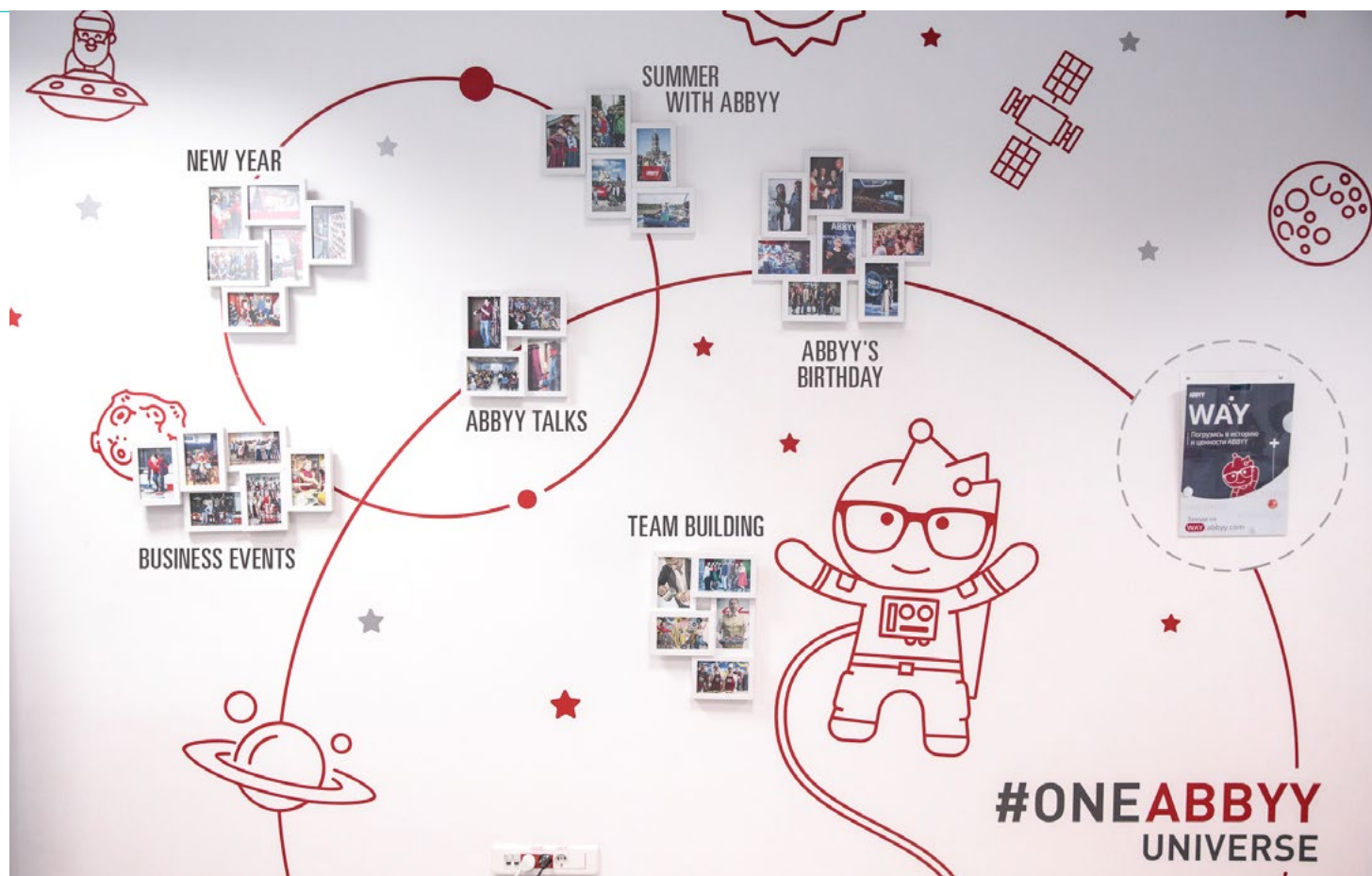
> **"** Employees should learn if they need to improve some of their performance indicators when they are motivated and still have time to do this **"**

at the right time. And about the right people. The system also ranks an organisation's staff by their specific skills; leadership qualities, for example. This is necessary to create a reserve of personnel and develop new areas of business.

The evaluation process should be comfortable for employees, it shouldn't take a long time. Otherwise, people wouldn't be willing to go through this process. In Yva.ai, employees can talk weekly about what happened during that period. Artificial intelligence sees who interacts with whom and how often. Based on the connections it identifies, a survey is conducted on the personal and professional qualities of employees. Such evaluation is closer to reality and more honest.

There are other reasons why it's important to conduct frequent, shorter assessments. For example, based on the results of a year-end 360°, an employee learns that they have weak presentation skills, or are weak in another area. A logical question then arises: why was this reported at the end of the year and not in July or even January? If that had happened, the employee could have taken special courses to pull up their competencies. As a result, the only feedback the company offers is that the employee lacks certain qualities and that they intend to make promotion or dismissal decisions based on the annual survey's data.

Employees should learn if they need to improve some of their performance indicators when they are motivated and still have time to do this. That way, they have the chance to increase their efficiency.

When a company implements this kind of an analytics system, do the employees know about this? Is there any risk that they will behave unnaturally to bypass the system or affect the purity of the experiment?

Compliance with ethical rules is the most important issue in team management. Employees need to be aware of the use of people analytics and accept and permit it if they are to benefit from the technology. I am absolutely convinced that the main the beneficiaries of this kind of analytics technology, as well as in terms of employee experience in general, are primarily the employees themselves. This is not a 'Big Brother is watching you' story. Yva.ai is a personal assistant, a system for an employee to turn on

David Yang

**Founder and Board Director
of ABBYY Group**

PhD in Physics from MIPT, with a thesis about Artificial Intelligence (Optical Character Recognition)

Participates in a number of other Silicon Valley projects as a founder, entrepreneur, and co-investor

In 2018, Mr. Yang launched Yva.ai: an AI-driven real-time employee experience and performance platform

Interests and hobbies: modern art, architecture, socio-communicative technologies

in   **David Yang**

when they consider it necessary and turn off if they believe that it isn't needed.

Each employee is provided with a personal Yva.ai account, and collecting passive and active analytics requires personal authorisation by the employee.

If the employees don't want to give active feedback, i.e. answer questions, they don't answer. If they don't want to give passive feedback, then they strike themselves out of passive analytics.

In connection with the pandemic, a large number of companies have switched to remote operation, where colleagues are very rarely seen live. In your opinion, how would it be better to maintain a team's motivation and sense of unity in such conditions? This is especially important for newcomers who cannot personally get acquainted with their colleagues and, instead of going to the office, immediately fall into the realities of remote work.

In April, Forbes published my article '9 Tips for Moving to Remote Work', where I tried to summarise the practices that Silicon Valley residents use, including the companies that I own. The experience of organisations that lived entirely or almost entirely remotely in the pandemic has been particularly interesting. I don't mean startups with ten employees, I mean companies with billions in turnover and thousands of employees.

Communication, if impossible in a physical sense, should definitely go virtual. Moreover, it's important that calls are given and taken with the camera on so that people can see emotions, see each other, so that a mental connection is formed. A human being has biochemistry,

neurotransmitters, that all contribute to a sense of togetherness, and any 'in-group / out-group' division is caused by a number of hormones, one of which is oxytocin. We must sincerely feel that these are our colleagues, our people, our team: if we feel like we're together, then oxytocin will be produced. And that's what team spirit is. Fundamentally, it's a chemical reaction but team spirit requires communication. Even if it's only virtual.

Employees should learn if they need to improve some of their performance indicators when they are motivated and still have time to do this.

On the other hand, we have recently encountered a different interesting case. With the help of Yva.ai, our customers discovered that one of their key sales directors had a case of burnout. They saw on the charts that the person was about to drop out of work processes, although outwardly this didn't manifest notably in any obvious way; either at meetings or in conversations. The manager was able to get this employee to talk and found out that he planned to resign because he was tired of working round the clock (Yva.ai had recorded overwork), while the sales plan for the next quarter was very challenging. As a result, he was sent on vacation for several weeks. The employee took a rest, which helped him to recuperate and cope with the upcoming sales plan, while the company retained a valuable specialist.

My point is that while it's important to communicate, at least remotely, we're not always able to recognise some alarm signals of burn out; especially from the other side of a live camera feed. To do this, we need to use all the methods available to us.

KPMG

Remote work

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Alex Lutskiy:
"As a result of the pandemic, we started searching for talent around the globe"

The 'future of work' is inextricably linked to new technology and new employee skills, raising questions about further changes to the format of remote work, the development of corporate culture, and engagement and talent motivation.

Alex Lutskiy, founder and CEO of Innovecs, interviewed by Sergey Gasparyan, Partner, Head of Consumer Markets and Technology, KPMG in Ukraine.

What kind of new challenges do you encounter today?

COVID-19 has given rise to additional challenges which prompted us to take new decisions. These challenges can be divided into two groups: first, the impact on customer attraction and co-operation, and second, employee relations.

The pandemic made offline meetings, the main way of conducting B2B business, impossible which led us to seek new solutions such as, for instance, building customer relations mainly through online educational and business events.

As regards the second group, i.e. talent scouting, today's overall shift to remote work has affected competition. We identified three key solutions to organise work: office-based for those whose presence in the office is critical to generating new ideas that help the company move forward; ▶

> " People often choose the company's culture and values, regardless of whether it is an office-based or remote work "

in the professional development of your employees. A company should also be attractive as a community that fosters all-round development of its members, going beyond mere professional growth.

Which new motivational programmes for employees have been introduced during the pandemic?

Most of the Innovecs motivational programmes that existed before the pandemic are still in place, we just moved them online. Take training programmes, for instance. While previously training was carried out offline, now we have completely moved to an online format. This provides us with an opportunity to develop in a more global manner and on a larger scale.

Additionally, while in the past we were tied to one coach in a corporate gym, now we use a platform that allows you to choose any coach in any part of the world and conduct training courses.

Most CEOs view the HR function as an administrative rather than a strategic function in terms of implementing important business goals. How do you plan to change the HR function in the coming years?

We changed this function five years ago and departed from the HR concept as a whole. We do not have HR specialists anymore, the department is called People, Culture and Engagement. It's more about people than processes.

It is important for each company to clearly understand what tasks and functions you expect to be performed by the HR department because they can be different. We at Innovecs, for example, believe that the role of our HR department is more that of mentors, partners and psychologists. Their main task is to give managers tools and methodologies that allow them to effectively manage their teams.

hot desking for those who feel it comfortable to come to the office two or three times a week; and, finally, remote work, which allows talent scouting around the globe.

What are the key success factors for selecting the best qualified candidates on the market? How do you select them?

What is today's Unique Selling Proposition for a potential candidate? I don't think there is a clear answer to this question; nobody knows it for sure. I believe there are

two important factors. First, corporate culture. Rather than a specific project (projects can be similar), people often choose a company based on its culture and values, regardless of whether it is office-based or remote work.

Second, potential professional growth. The number of years of professional experience in a CV is no longer an important factor. Ten years of experience in the same position does not guarantee the employee has relevant expertise and skills. Continuous growth is something that is truly meaningful and this is why you should invest

According to KPMG CEO Outlook, the key risk for companies in the coming years is a shortage of personnel, particularly those personnel with new skills that are needed right here and now. Do you feel the pressure of this factor on your business?

We have been feeling this pressure for the last 5 to 8 years since demand for certain specialists has been quite aggressive for a significant period of time. Let's view the skills in more detail.

As for hard skills, I don't think this is a big problem because artificial intelligence will soon be able to replace some professions. Rather, I see a problem at the intersection of hard skills and soft skills. That is, firstly, specialists today need to not only understand technology, such as Java or PHP, but also understand how to apply technology from a business perspective. Therefore, demand for specialists with an understanding of the overall domain is growing on the market.

> Continuous growth is something that is truly meaningful, and this is why you should invest in the professional development of your employees. A company should also be attractive as a community that fosters allround development of its members, going beyond mere professional growth

Alex Lutskiy

Founder and CEO of Innovecs

Alex was previously Vice President of GlobalLogic and Vice President of R&D at Ipsos

Participated in the foundation of several technological startups. One of them was purchased by a major international service for booking accommodations

Founded Innovecs IT company in 2012 on his return to Ukraine after 18 years of a successful career in the US

Accepted into Forbes Technology Council in 2020

in **Alex Lutskiy**

Secondly, a professional approach to management will be an urgent challenge. There is a high demand for people who can successfully manage complex projects today, especially if the team is scattered around the world.

And, thirdly, cross-cultural communication. This is about the ability to communicate and sell a company's products and brand globally. To do this, you need to have cross-cultural communication experience that helps you work with various customers and employees around the world.

Obviously, employee development will most likely cause businesses to invest more in staff education. Is there an understanding of what percentage of the company's revenue you are willing to invest?

Now it is difficult to say what percentage is going to be required exactly. Sometimes you can do really cool things without big investments. If online education continues, then I don't think it will require significant budgets as many courses are free. I would expect content to be an issue rather than budget. Today, it is critical to form a clear strategy and focus on what kind of knowledge and skills will benefit both the company and employees.

In your opinion, which way is people development more likely to go: focusing on in-house capabilities or relying on outsourcing and the involvement of independent experts as its most important element?

Each company will focus on what it has broad expertise in. And what it is not an expert in will be outsourced. But often the word 'outsourcing' itself causes a negative reaction. Therefore, it is very important to find partners

> Today it is critical to form a clear strategy and focus on what kind of knowledge and skills will benefit both the company and employees

with relevant professional and domain expertise who will be able to complete projects. I think it will be a certain hybrid: companies will do some things in-house, and some things via outsourcing.

Which new skills does a CEO need to effectively transform a company and lead it to success in the 'new normal'?

I have read that there is already a new term: LEO (Leadership Executive Officer) instead of CEO. Today's LEO is the person who guides the company to where success is guaranteed. He or she is more of a mentor and an educator for employees. The LEO fires them up and helps achieve their goals. So it's more about leadership than about clear official duties.

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Oleksandr Komarov: "Focus on the final result and the contribution of each employee is the key to a company's high productivity in the future"

How have companies' approaches to work organisation changed during the pandemic? Are there any successful cases that you can tell our readers about?

The COVID-19 pandemic has pushed the world toward digitalisation. The related lockdown and the need to comply with keeping social-distance requirements increased the role of telecoms. In general, this crisis has demonstrated the importance of the digital economy; based on access to fast, reliable, and stable Internet digital services. At the same time, the crisis revealed the importance of traditional communication between people.

Events across the world mean that we could predict that this quarantine will last for a long time, so it was clear that we would have to arrange our work in a way that would allow us to preserve the health of our team and ensure the efficiency of business processes. We decided to switch to a hybrid model of work: right from the first days of the quarantine, more than 80 percent of our employees have been working remotely.

I believe, and it is evident from the results of both the company and each individual unit, that Kyivstar managed to find a relevant response to the quarantine's challenges. We did this by working with our teams, maintaining non-stop communication, and supporting our people. To safeguard its integrity, the team should live in a single information field, move towards a common goal, and feel a certain level of protection and support from the company as a whole.

Kyivstar's HR department has arranged its activities in a way that enables us to organise the most efficient and comfortable environment possible for our colleagues who work remotely. We conducted surveys on remote work, people's emotional state, and the technical conditions of their workplaces. The results of those surveys laid the foundation for the 'NO STRESS' programme, built on a specific communication platform, as well as the incorporation

> " The most relevant area of study will be the development of competencies like self-organisation, willingness to change and the ability to respond quickly, the ability to separate work from personal matters, and taking responsibility for the final result "

of professional support from our corporate psychologists (Kyivstar employees can consult a psychologist, make their situation 'crystal clear', and develop a plan to improve their emotional state).

What are the key challenges that you identified for your business during this period, and how do you cope with them?

Based on our estimates, due to various restrictions caused by the quarantine, the telecom market lost about UAH 3 bn in revenue. But, in general, we have managed to succeed because our technical and technological capabilities meant we were ready for it.

Our team's transfer to the hybrid model operational did not affect any operational processes. For example, when the number of consumers physically visiting our stores collapsed and some stores had to close down, we switched to e-sales. As a result, sales of devices through our e-shop channels have increased by 1.5 times compared to the period before the quarantine. And the number of 'My Kyivstar' users grew by 50 percent. We expect that by 2023, 70 percent of all service operations and 50 percent of new sales will be performed digitally. This will enable us to improve customer experience, channel profitability, and be more efficient in bringing new offers to market.

The success of our business is closely related to our customers' finances, so we focused on how to help

them adapt to the crisis. Literally from the very first days of quarantine, Kyivstar offered its customers a comprehensive solution, Your Remote Office, which combined services with the most important tasks at that time: smoothly operating IT systems, remote sales department organisation, remote equipment management, electronic document management, etc. Some of those solutions are completely unique due to the combination of telecom and IT services. Let's take, for example, the StarTeams solution which was created based on the Microsoft cloud service and supplemented by the functionality of a virtual mobile PBX. This meant customers could call from fixed-line numbers using any device without any additional load on the corporate network. During the quarantine, almost 3 thousand companies purchased services offered through Your Remote Office. As a result, they did not close or suspend their businesses. On top of this, Kyivstar provided its customers with a huge amount of various services for free or at a reduced price during the quarantine. Furthermore, we have helped several health facilities by supplying them with the equipment they urgently need to treat COVID-19 patients; including artificial lung ventilators, medical monitors, protective suits for physicians, etc. The total volume of our assistance exceeded UAH 80 mn.

Plans for radiofrequency spectrum refarming and 4G development in rural areas need huge investments for their implementation, and doing this amidst declining profits

> ❝ Today, being prepared for change and unexpected challenges is critically important for business ❞

creates additional difficulties. However, we decided to stick to our commitments. In 2020, Kyivstar's development of 4G communication accelerated significantly. From the start of the year to 9M 2020, Kyivstar invested over UAH 4 bn: almost 40 percent more than the previous year. Thanks to the development of LTE 900, operators have managed to provide access to high-speed data transmission to more than 1.5 million people in an area where there had been no high-speed mobile Internet before. We are talking mainly about small settlements with a population of about 2,000 people. As a result, we see a huge leap in mobile internet consumption. In 2020, according to our estimates, data traffic on the Kyivstar network will reach 1,000 Petabytes. In October 2020 alone, our subscribers used twice as much data traffic as in all of 2016. There are villages where mobile internet consumption averages up to 40 GB of data traffic per subscriber per month.

Today, Kyivstar provides access to 4G to 85 percent of the population of Ukraine, and in 2021 we want to increase 4G penetration to 90 percent.

According to the WEF Future of Jobs Report 2020, technologies will significantly influence the labour market and organisational structure of companies. What trends do you foresee in your industry?

Today, being prepared for change and unexpected challenges is critically important for business. We were able to quickly redesign processes in our company so that the team could continue working remotely while our customers noticed nothing unusual.

Now it is especially important to work based on the 'remote office' principle: to enable employees to have shared

access to projects and job tasks, work with documents, communicate via video conferencing, and go from paper documents to electronic ones. There are plans to create modern workplace solutions that will allow you to perform any work function using a smartphone and have full access to workflows directly on the go.

How do you see your company in the future? What do you plan to change in this regard in 2021 and the next two or three years?

The key trend of the future for telecom services is digitalisation and the development of new complementary areas of business. Right now, traditional telecom services have become heavily commoditised, so within the next 5 to 10 years the telecom industry will need to be significantly transformed so as not to remain a 'pipeline' through which ▶

some other OTT providers deliver their services. Therefore, Kyivstar is now actively developing its digital services and attracting subscribers to use them.

An example of one digital product we've developed would be Kyivstar TV: within just one year, this product's offering increased by 50 percent. 'Doctor Online', a telemedicine service, has become particularly relevant and popular. Subscribers to any telecom operator can receive online medical advice 24/7 from highly qualified medical staff; including family doctors, therapists, cardiologists, and pediatricians. In Q3 2020, the consumption of this service increased 400 times!

The next non-trivial task we have is the development of so-called new businesses or areas of business, which will be a very significant share of our profits in the future. Kyivstar already earns revenue through Big data. Over the last few years, this trend has been growing 2 to 3 times annually; both as an internal service to improve efficiency and external service to various segments of business customers. BigData has already generated more than 1.5 percent of the company's total revenue. Additionally, Kyivstar has started developing more than just analytical services, but solutions for big business as well by building data warehouses for enterprises, for example, or providing analytical tools based on cloud platforms.

Our main competence will not change in the future and we will continue to improve people's lives by investing in our network, developing technologies, and involving customers in our services.

Globally, the number one business risk is a shortage of talent and employees with the necessary new skills. Do you feel any pressure from this risk on your business? How do you manage it?

The entire market feels this acute shortage of professional staff, regardless of the business area, and Kyivstar is no exception. But in this respect, we can boast that the average period of employment at Kyivstar is 7 years and our level of layoffs is lower than the rest of the market. The company continues to develop, and we constantly need people with new skills and competencies: this year alone we added 3 percent to our overall workforce through new jobs.

Kyivstar fills many available positions through internal staffing. It's in the company's culture to give preference to internal candidates. We welcome career growth, both vertical and horizontal. If an employee prefers to learn a new speciality and move into a new line of work within the company, we will always support him. If you are doing your favourite job, your effectiveness and productivity in that role is much higher.

Additionally, we do our best helping our new staff to grow: we offer internships for both students and senior persons who have had an interrupted career. We have a BigData School that has already been open for 5 years, offering free training for those who want to become a specialist in working with BigData.

Which employee skills do you expect to be in short supply over the next year or two? How (or if at all) do you plan to reorganise your employee training system to help develop new skills?

Kyivstar employees study continuously. Of course, the training process is now remote. We have internal mentoring, corporate and external training. I think, given the hybrid model of work, which we suppose will stay with us in the future as well, the most relevant area of study will be

Oleksandr Komarov

President of Kyivstar

Oleksandr received his MBA from Stockholm School of Economics

Oleksandr has broad experience of C-suite positions in telecom, media and advertising industries with such international and Ukrainian companies as Globalstar, Dell, Saatchi & Saatchi, Video International Kyiv, GroupM

Kyivstar has progressed significantly in building high speed internet (4G, LTE) networks and introducing innovative telecom services under the leadership of Komarov

Dedicated 10 years to teaching — lectured on strategic management and marketing at the invitation of IIB

in **Oleksandr Komarov**

the development of competencies like self-organisation, willingness to change and the ability to respond quickly, the ability to separate work from personal matters, and taking responsibility for the final result.

How do you keep people motivated when working remotely and how does this help you to keep company efficiency at the required level?

This year, we preserved our existing motivational programme and supplemented it further: we put an emphasis on the health protection, safety, and the emotional balance of our employees.

We have kept the number of staff at the same level, and we increase salaries and pay bonuses every year depending on the productivity of an employee and the performance of the company as a whole. Kyivstar's aim is to make employees feel protected, both financially and emotionally. I believe that we will witness a fundamental revision of our existing system where there will be much more focus on the final result and the contribution of each employee, but we are still considering the direction that the evolution of this system will take.

According to KPMG's survey The Future of HR in the New Reality, 60 percent of board members state that HR serves as an administrator rather than a strategic partner. Do you plan to change the structure of HR work? If yes, how exactly?

The HR role has always been more than that of just an administrative function. But now, at the time of change, it is HR's responsibility to develop new conditions for the functioning of individual teams and the company as a whole. Specifically, we have developed a new flexible work format that allows employees to choose the mode and

place of work. We are also working on the introduction of a flexible remineration system that will be based on the results of an employee's performance, meet their individual needs, and provide market advantages. At the same time, our close attention to compliance with company culture and values will stay the same.

How have the approaches and demands of your customers changed because of the pandemic and accelerated digitalisation? What are the main trends that you observe?

Mobile Internet consumption is growing exponentially (more than 50 percent year-on-year to Q3 2020), and the number of subscribers in our network using LTE services has increased by almost 40 percent over the year. Revenue growth was also impacted by the demand for Home Internet services. The revenue of this segment increased by 20 percent, and the number of subscribers by 10 percent. Today, 1.1 million households use our 'Home Internet' service which makes Kyivstar a leader in this market. Our cloud solutions for business demonstrate a very good trend. As I said, at the beginning of the quarantine, Kyivstar offered its business clients access to the most popular services related to employee remote work without charging any additional subscription fees. Almost 3,000 companies have taken advantage of this opportunity. In the first two months of quarantine, we also saw an increase in the number of connections to our Microsoft Office 365 and StarTeams solutions, up by 1,330 percent compared to the same period last year. There was an increase in connections to the StarDocs electronic document management system, up 489 percent. There were 217 percent more connections to our virtual mobile PBX. 'Kyivstar TV' is in great demand as well: the number of customers has grown by 133 percent in the last two years, today exceeding 255 thousand.

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The future of work is reinventing it

▶

The impact of COVID-19 on the global economy, and the surprisingly rapid reconstruction of the workforce in response, are unexpectedly changing our perception of the world of the future. Remote work, new employee skills, business trips replaced by video meetings, flexible work schedules, service automation, accelerated digitalisation: how ready are you to respond to the challenge of transformation and implement even more changes in 2021?

To survive the digital revolution, businesses will have to rethink the idea of the traditional workforce: its composition, the number of employees and their role in the company. This requires companies to understand the potential for future digital changes to the economy and then determine how people and machines will work together to increase productivity, the value of products and services, and the competitiveness of their business.

We expect that traditional functions and projects will be "atomised"; they will be broken down into more granular tasks and functions, with these discrete tasks distributed between machines and people. At the same time, transferring certain primitive components of tasks to artificial intelligence won't cause a significant increase in productivity in itself. We expect that machines will be delegated increasingly complex tasks that require cognitive functions; such as medical diagnoses, credit approvals, legal analysis, and so on.

Of course, you could argue that this is some distant, future scenario. But what have we witnessed in the pandemic? In terms of digitalisation, the pandemic's shock to the economy has accelerated the introduction of BigData, predictive analytics, and artificial intelligence on a global scale, faster than anyone could have expected.

The most significantly affected industry in many developed countries has been the healthcare sector, which has had to respond very quickly to the challenges of COVID-19. However, this sector will still need to radically improve the use of the AI and predictive analytics in order to be better prepared for the unexpected and complex challenges that we will see in the future. Many other industries, including jurisprudence, financial services, or B2C products need to follow this example and be just as prepared for change.

Personnel management will play a more important role in this process than ever before. Artificial intelligence must permeate the entire organisation, from top to bottom (and vice versa), in terms of technology, people, data and processes. Personnel management will play one of the key roles in the process of implementing these changes.

If you still think these changes won't affect your business, here's the data published by California Institute of the Future (IFTF). IFTF experts predicts that 85 percent of the jobs that may exist in 2030 have not yet been created. The need for new skills will be huge. At the same time, the differentiation of employee job functions and the introduction of AI will undermine traditional career paths for professions like bankers, accountants, back-office employees and other corporate functions.

Map of creating digital thinking

The introduction of digital thinking can help reduce the problems associated with the 'atomisation' of work caused by the destruction of outdated structures and the process of creating new roles, tasks and jobs. In the 'KPMG Reinventing work' report, we formulated four key principles of digital thinking that should be followed when creating new roles and tasks in the context of implementing AI and digital technologies.

1

Understanding the impact of changes on the value chain of the enterprise, the company's results and the quality of customer service

In an unstable world, old methods of identifying customer needs no longer work. Raising awareness of the relationship between employee experience and customer experience is critical. Achieving this goal begins by applying design thinking techniques. That is why 95 percent of HR managers consider employee experience a priority.

Design thinking allows you to find creative, unprecedented solutions much faster. Companies that use 'design methods' to improve customer focus achieve a threefold increase in revenue compared to the average company on the Fortune 500.

With the help of the 'design approach', you can study employees' behaviour to better understand their needs, their working environment and the challenges they face. In turn, in their communication with clients, employees receive a lot of information that can be interpolated into the company's values. Relying on an employee's personal experience rather than on traditional regulated processes ▶

Andrii Tymoshenko

Director, Head of Strategy and Operational Excellence KPMG in Ukraine

Andrii has over 15 years of experience working with public and private organisations; with a focus on strategy, organisational design and efficiency

Andrii received an MBA from Oxford University, and heads the Oxford University Alumni Association in Ukraine

Fond of playing tennis

in **Andrii Tymoshenko**

will allow HR to manage staff more effectively, increase engagement and assess which employees the company will need in the future to achieve greater results.

2

Promoting an innovative culture that encourages flexibility, collaboration and change

On-the-job training should be a priority. This is a concept whereby an employee can access training at any time when needed. In the future, chatbots and machine learning will allow staff to instantly receive answers to 'procedural' questions and access necessary training.

3

Every employee is an innovator

Every employee in the business must become an innovator and participate in distributing tasks efficiently between people and machines, creating new roles or jobs, delivering new products, etc.

Innovation and experimentation are everyone's work and can no longer be expected to come solely from R&D managers or teams. This brings us back to the need to use design thinking, as well as to strengthen active interaction with staff to develop new approaches. By and large, this is about using the potential of crowdsourcing to stimulate innovation, which should become a regular part of your company's agenda.

I will give another argument in favor of this thesis. MIT Sloan Management Review found that the level of ideas

(i.e. the number of ideas approved by management per 1,000 active users) correlated with a company's growth and net revenue.

That is, if a corporate culture is created that not only encourages innovation but also constantly develops the ideas of employees, the results can be impressive. Motivated employees generate more effective ideas and then implement them in such a way as to ensure profitable growth.

4

Everyone in a company should know about priorities, projects and progress

In the situation of a pandemic, we approach the idea of a workplace as a number of increasingly virtual spaces. The speed of information exchange and decision-making will be crucial. Additionally, employees who do not have a strategic vision, an understanding of a company's tactical priorities, and the right to act independently and must therefore work within a limited framework, may perceive this as distrust on the part of the employer and in return seek out better offers and change jobs.

Beyond the changes caused by COVID-19, the accelerated pace of automation will affect changes in the organisation of work. The role of leaders will be to make critical decisions about how they see the future organisation of work and how quickly it will be implemented.

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Andrii Tymoshenko
Director, Head of Strategy
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Employee
Metamorphosis

Concerns about technology-driven displacement of jobs, structural change to the economy and increasing automation are nothing new. However, the bounty of technological innovation which defines our current era can also be leveraged to unleash human potential, giving much needed insights that will orient labour markets and workers towards new opportunities today and in the future of work. While technology-driven job creation is still expected to outpace job destruction over the next five years, economic contraction is reducing the rate of growth of the jobs of tomorrow. There is a renewed urgency to take proactive measures to ease the transition of workers into more sustainable job opportunities.

> **The future of work has already arrived for a large majority of the online white-collar workforce**

Automation, in tandem with the COVID-19 recession, is creating a 'double-disruption' scenario for workers. In addition to the current disruption from pandemic-induced lockdowns and economic contraction, growing technological adoption by companies will transform tasks, jobs and skills by 2025. According to the World Economic Forum Future of Jobs report 2020, 43 percent of businesses surveyed indicate that they are set to reduce their workforce through technology integration, 41 percent plan to expand their use of contractors for task-specialised work, while 34% plan to expand their workforce through technology integration. By 2025, the time currently spent on work tasks by humans and machines will be equal. A significant share of companies also expect to make changes to their location, value chains, and the size of their workforce in the next five years due to factors other than technology.

Although, in contrast to previous years, the number of job cuts will be surpassed by the number of new 'jobs of tomorrow'; job creation is slowing while job cuts accelerate. By 2025, employers expect that increasingly redundant roles will decline from being 15.4 percent of the workforce to 9 percent (6.4 percent decline), while emerging professions will grow from 7.8 percent to 13.5 percent (5.7 percent growth) of the total employee base of company respondents.

Based on these figures, we estimate that 85 million jobs may be displaced by a shift in the division of labour between humans and machines by 2025, while 97 million new roles may emerge that are more adapted to the new division of labour between humans, machines and algorithms.

Skills gaps continue to be high and in-demand skills across jobs will change in the next five years. The top skills and skill groups which employers see as rising in prominence in the lead up to 2025 include critical thinking and analysis, as well as problem-solving, and skills in self-management such as active learning, resilience, stress tolerance and flexibility. On average, companies estimate that around 40 percent of workers will require a reskilling period of six months or less and 94 percent of business leaders report that they expect employees to pick up new skills on the job. In 2018, only 65 percent of respondents expected such a scenario.

The future of work has already arrived for a large majority of the online white-collar workforce. 84 percent of employers are set to rapidly digitalise working processes, including a significant expansion of remote work — with the potential to move 44 percent of their workforce to operating remotely. To address concerns about productivity and wellbeing, about one-third of all employers also expect to take steps to create a sense of community, connection and belonging among employees through digital tools. They also plan to tackle the wellbeing challenges posed by the shift to remote work.

The window of opportunity to reskill and upskill workers has become shorter in the newly constrained labour market. This applies to workers who are likely to stay in their roles, as well as those who risk losing their roles due to rising recession-related unemployment and can no longer expect to retrain at work. For those workers set to remain in their roles, the share of core skills that will change in the next five years is 40 percent, and 50 percent of all employees will need reskilling (up by 4 percent).

Despite the current economic downturn, the large majority of employers recognise the value of human capital investment. An average of 66 percent of employers surveyed expect to get a return on investment in upskilling and reskilling within one year. However, this time horizon risks being too long for many employers in the context of the current economic shock, and nearly 17 percent remain uncertain on having any return on their investment. On average, employers expect to offer reskilling and upskilling to just over 70 percent of their employees by 2025. However, employee engagement into those courses is lagging; with only 42 percent of employees taking up employer-supported reskilling and upskilling opportunities.

Companies need to invest in better metrics of human and social capital through the adoption of environmental, social and governance (ESG) metrics, matched with renewed measures of human capital accounting. ▶

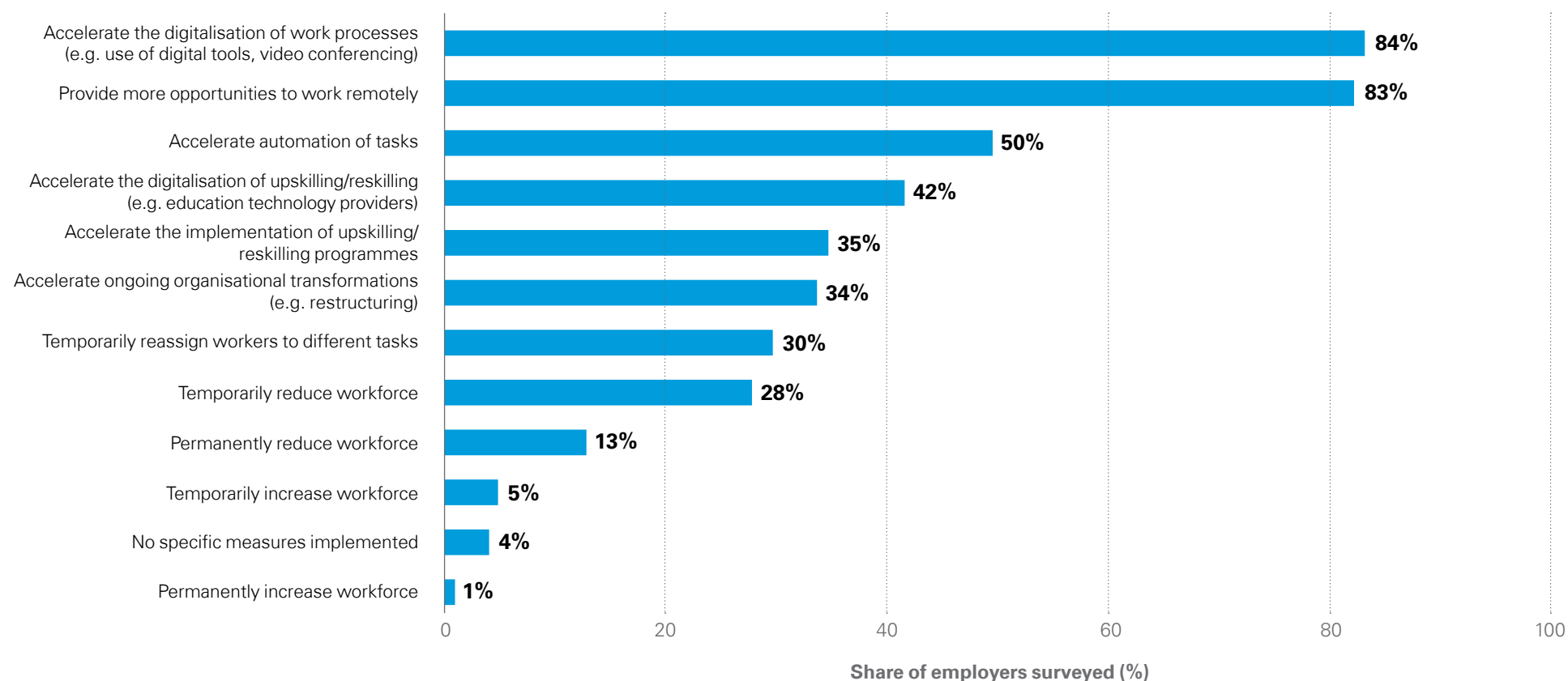**50%** of all employees will need reskilling

A significant number of business leaders understand that reskilling employees, particularly in industry coalitions and in public-private collaborations, is both cost-effective and has significant mid- to long-term dividends — not only for their enterprise but also for the benefit of society more broadly.

Companies hope that internal human capital redeployment will be their core strategy. In the framework of such redeployment, nearly 50 percent of workers will be displaced by technological automation to increase efficiency. Companies are confident that workforce redeployment will be an outcome of business process automation rather than teminating employee in cost-saving measures.

The changes caused by the COVID-19 pandemic are happening hand in hand with the long-term changes that have already been triggered by the Fourth Industrial ▶

Figure 1. Planned business adaptation in response to COVID-19

Source: Future of Jobs Survey 2020, World Economic Forum.

Revolution. However, the latter has consequently seen an unanticipated increase in velocity and depth.

The changes caused by the COVID-19 pandemic combined with the long-term ones that have been triggered by the Fourth Industrial Revolution. The last has, consequently, increased in velocity and depth.

The remote and hybrid workforce

The pandemic has shown that a new hybrid way of working is possible at a greater scale than imagined in previous years, yet business leaders remain uncertain about the productivity outcomes of the shift to remote or hybrid work. Overall, 78 percent of business leaders expect some negative impact of the current way of working on employee productivity, with 22 percent expecting a strong negative impact and only 15 percent believing that remote or hybrid work will have no impact or a positive impact on productivity. Such scepticism is likely to reflect a number of factors:

1 the switch to remote work is occurring during a period of additional stress and concern caused by the risk to life and health by the COVID-19 virus;

2 those caring after young children are faced with additional pressures — the need to take on more unpaid care work due to the intermittent nature of school and nursery availability;

3 while companies with established remote work practices are accustomed to a range of approaches to maintaining a sense of community, of active collaboration and ensuring a flow communication, newly remote companies are still establishing these ways of communicating and coordinating in the new, post-pandemic world of work.

The Future of Jobs Survey indicates that company adaptation to the newly remote and hybrid workplace is already underway. Ensuring employee wellbeing is among the key measures undertaken by business leaders looking to effectively shift to remote work. In particular, 34 percent of leaders report that they are taking steps to create a sense of community among online employees and looking to tackle the wellbeing challenges posed by the shift to remote work.
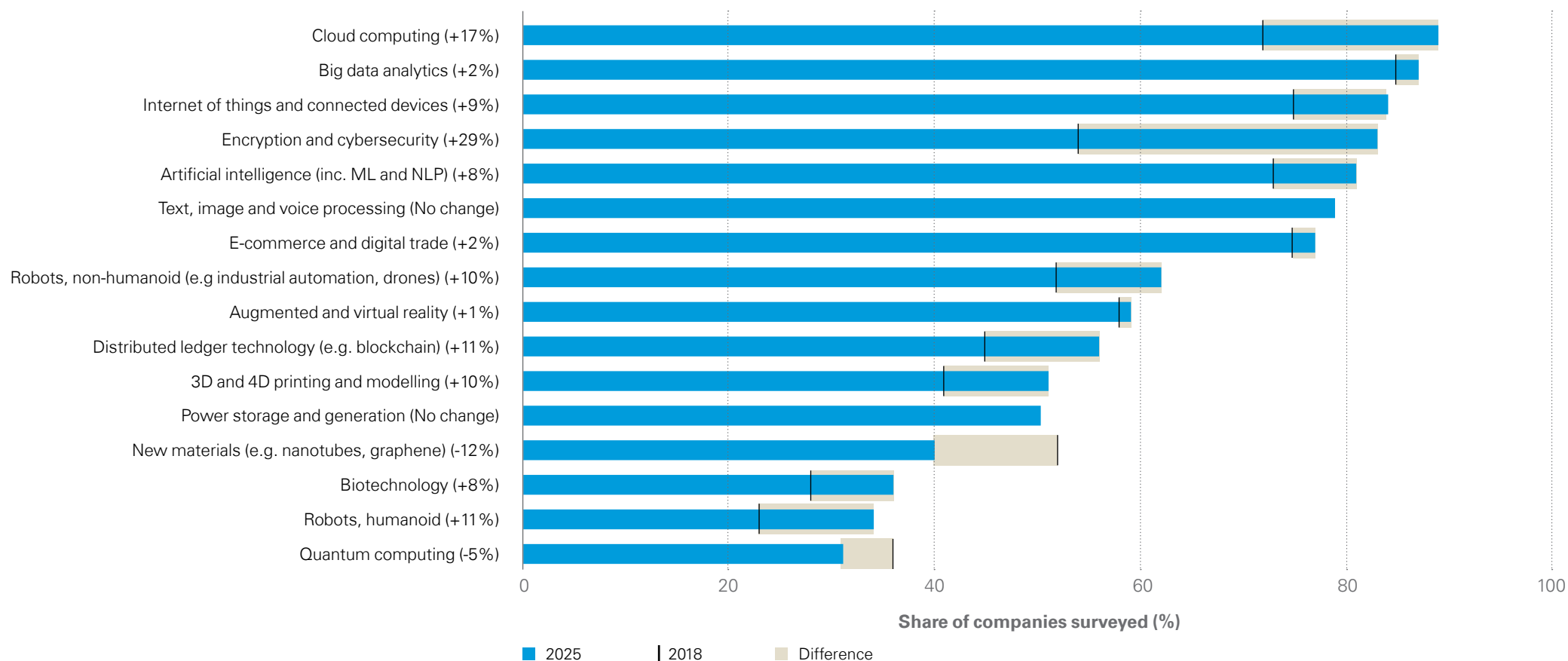
Technological adoption

The past two years have seen a clear acceleration in the adoption of new technologies among the companies surveyed. Figure 2 presents a selection of technologies organised according to companies' likelihood to adopt them by 2025.

▶

Figure 2. Technologies likely to be adopted by 2025

Cloud computing (+17%)
Big data analytics (+2%)
Internet of things and connected devices (+9%)
Encryption and cybersecurity (+29%)
Artificial intelligence (inc. ML and NLP) (+8%)
Text, image and voice processing (No change)
E-commerce and digital trade (+2%)
Robots, non-humanoid (e.g industrial automation, drones) (+10%)
Augmented and virtual reality (+1%)
Distributed ledger technology (e.g. blockchain) (+11%)
3D and 4D printing and modelling (+10%)
Power storage and generation (No change)
New materials (e.g. nanotubes, graphene) (-12%)
Biotechnology (+8%)
Robots, humanoid (+11%)
Quantum computing (-5%)

Share of companies surveyed (%)

■ 2025 | 2018   ▢ Difference

Source: Future of Jobs Survey 2020, World Economic Forum.

Companies also expect to re-structure their workforce in response to new technologies (Figure 3).
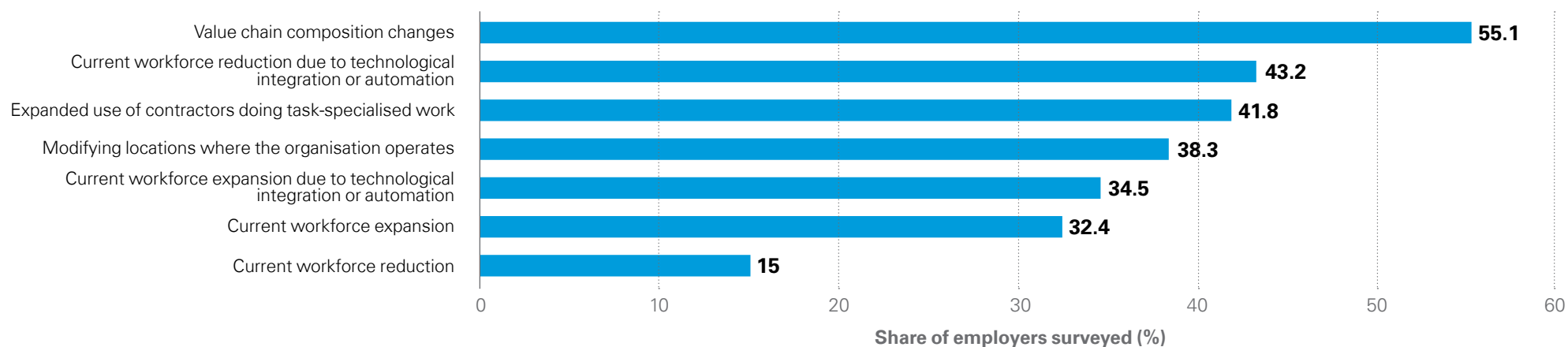
The reallocation of current tasks between humans and machines is already underway. Figure 4 presents the share of tasks at work performed by humans vs. machines in 2020 and the forecast for 2025, according to estimates and the plans of senior executives plan. One of the central findings of the Future of Jobs Report 2018 continues to hold true — by 2025, based on today's tasks the average estimated time spent by humans and machines at work will be at parity. Algorithms and machines will be primarily focused on the tasks of information and data processing and retrieval, administrative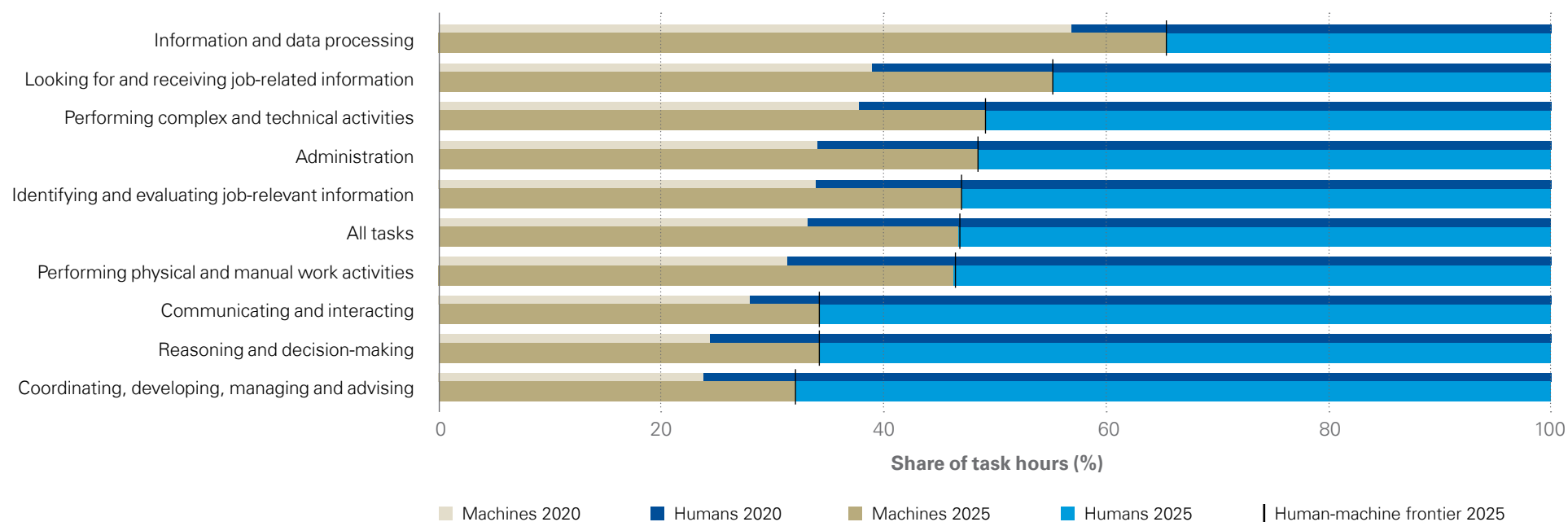 tasks and even some aspects of traditional manual labour. The tasks where humans are expected to retain their comparative advantage include managing, advising, decisionmaking, reasoning, communicating and interacting.

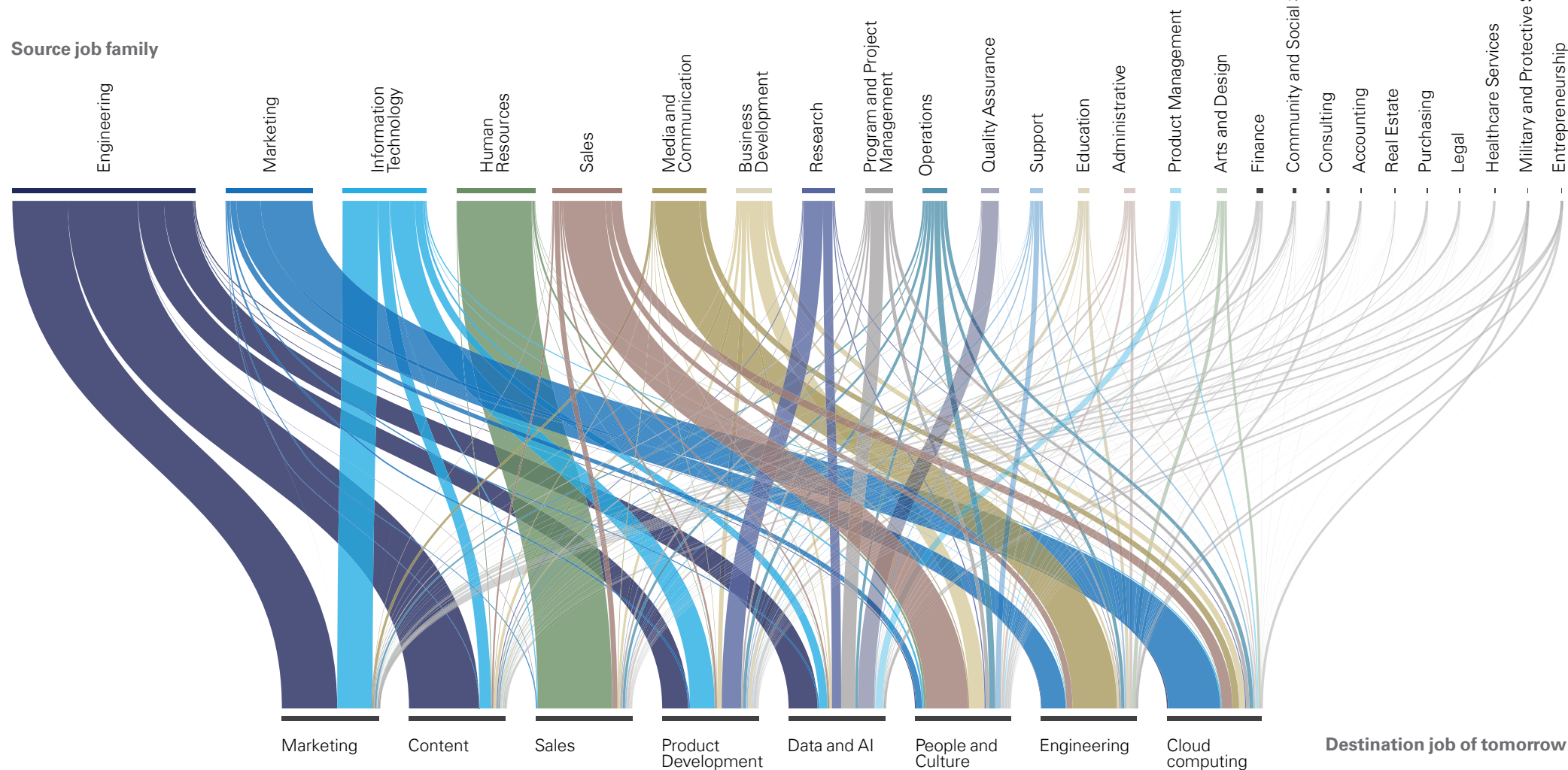**Figure 3. Companies' workforce change expectations by 2025**

Category	Value
Value chain composition changes	55.1
Current workforce reduction due to technological integration or automation	43.2
Expanded use of contractors doing task-specialised work	41.8
Modifying locations where the organisation operates	38.3
Current workforce expansion due to technological integration or automation	34.5
Current workforce expansion	32.4
Current workforce reduction	15

Share of employers surveyed (%)

Figure 4. Share of tasks performed by humans vs machines, 2020 and 2025 (expected)

Information and data processing
Looking for and receiving job-related information
Performing complex and technical activities
Administration
Identifying and evaluating job-relevant information
All tasks
Performing physical and manual work activities
Communicating and interacting
Reasoning and decision-making
Coordinating, developing, managing and advising

Share of task hours (%)

Machines 2020   Humans 2020   Machines 2025   Humans 2025 | Human-machine frontier 2025

The future of jobs – some other trends

Figure 5. Transitions into the jobs of the future

Source job family

Destination job of tomorrow

Source: Future of Jobs Survey 2020, World Economic Forum.

Figure 6. Perceived barriers to the adoption of new technologies

Barrier	Share (%)
Skills gaps in the local labour market	55.4
Inability to attract specialised talent	46.7
Skills gaps among organisation leadership	41.4
Insufficient understanding of opportunities	38.9
Lack of flexibility of the regulatory framework	33
Shortage of investment capital	32.3
Lack of flexibility in hiring and firing	26.3
Lack of interest among leadership	17.9
Other	5.3

Share of companies surveyed (%)

Figure 8. Perceived time period to receive return on investment

Period	Share (%)
Within 1 month	2.3%
Within 1–3 months	10.8%
Within 3–6 months	24%
Within 6–12 months	28.7%
More than 1 year	17.6%
Difficult to assess	16.6%

Figure 7. Perceived skills and skills groups with growing demand by 2025

- Critical thinking and analysis
- Problem-solving
- Self-management
- Working with people
- Management and communication of activities
- Technology use and development
- Core literacies
- Physical abilities

Share of companies surveyed (%)

Legend: Decreasing — Stable — Increasing

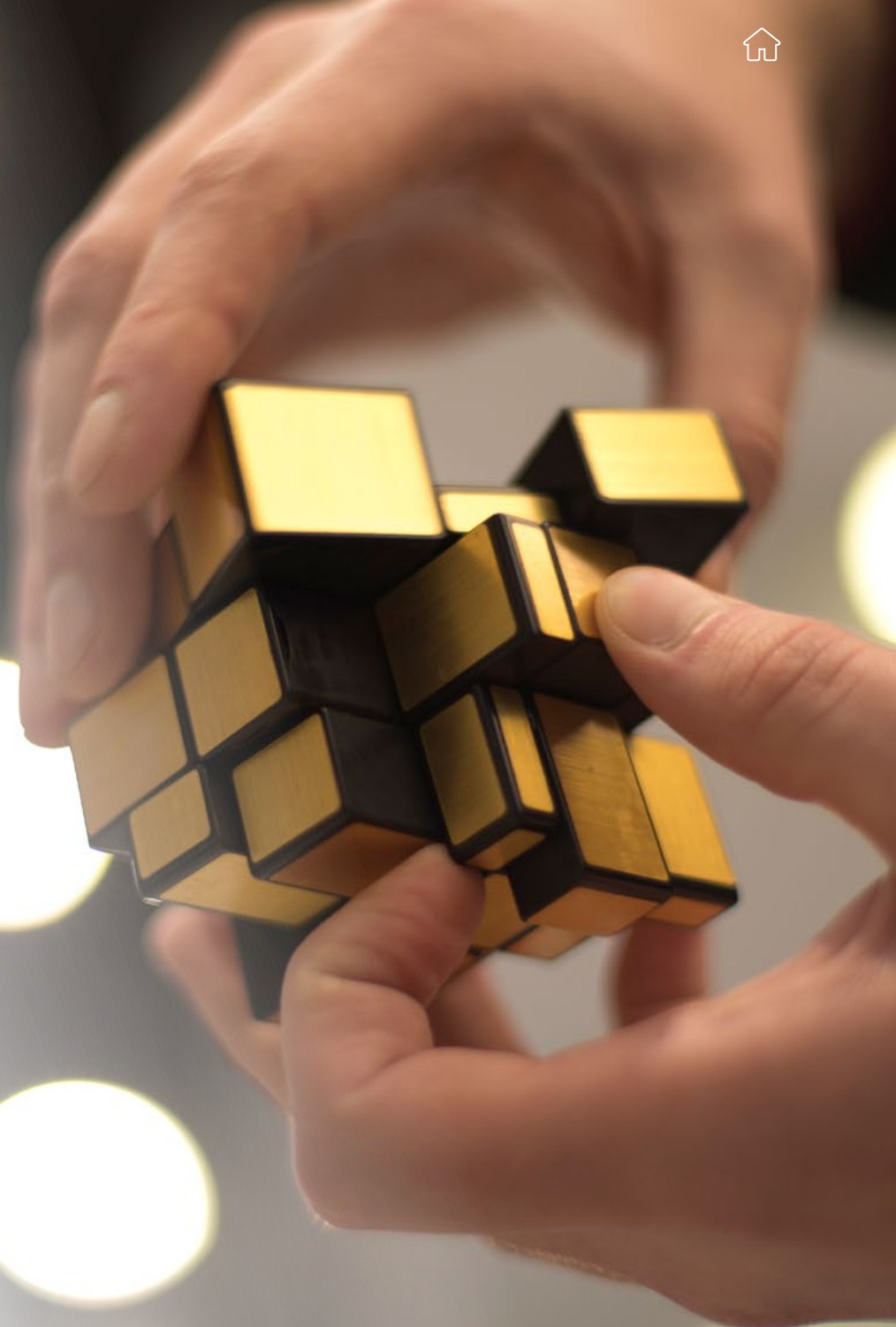Source: Future of Jobs Survey 2020, World Economic Forum.

Conflicts of interest
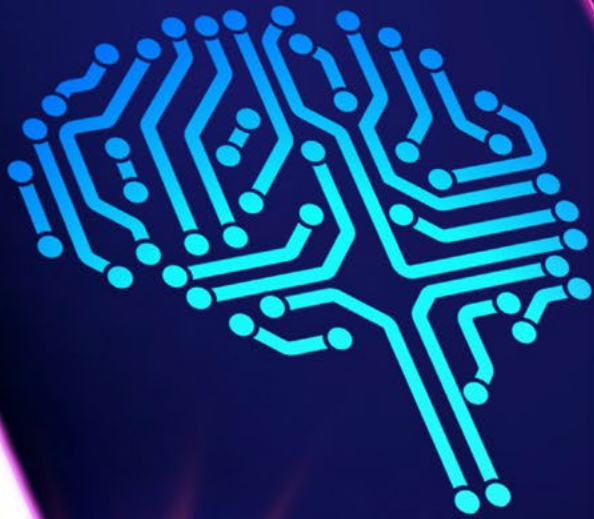
Timely identification and management

Forensic group specialists conduct
a comprehensive analysis of
a company's employees for potential
conflicts of interest at all stages
of interaction, allowing companies to:

▶ Prevent or reduce the risk of fraud
and unethical behavior

▶ Avoid reputational risks and
financial losses

▶ Strengthen relationships with key
stakeholders

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The new reality and human capital management

The COVID-19 pandemic has rapidly made people the number one priority in nearly every organisation 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.

H R was already facing a dilemma before the pandemic. More than half of all leaders surveyed in summer 2020 for the KPMG Future of HR in the new reality said that the HR function would rapidly become irrelevant unless it modernised its approach to planning for the future needs of the workforce.

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 organisation.

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 organisations 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 organisations 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 organisations.** That acknowledgment by leaders in Pathfinder organisations 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 their 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.
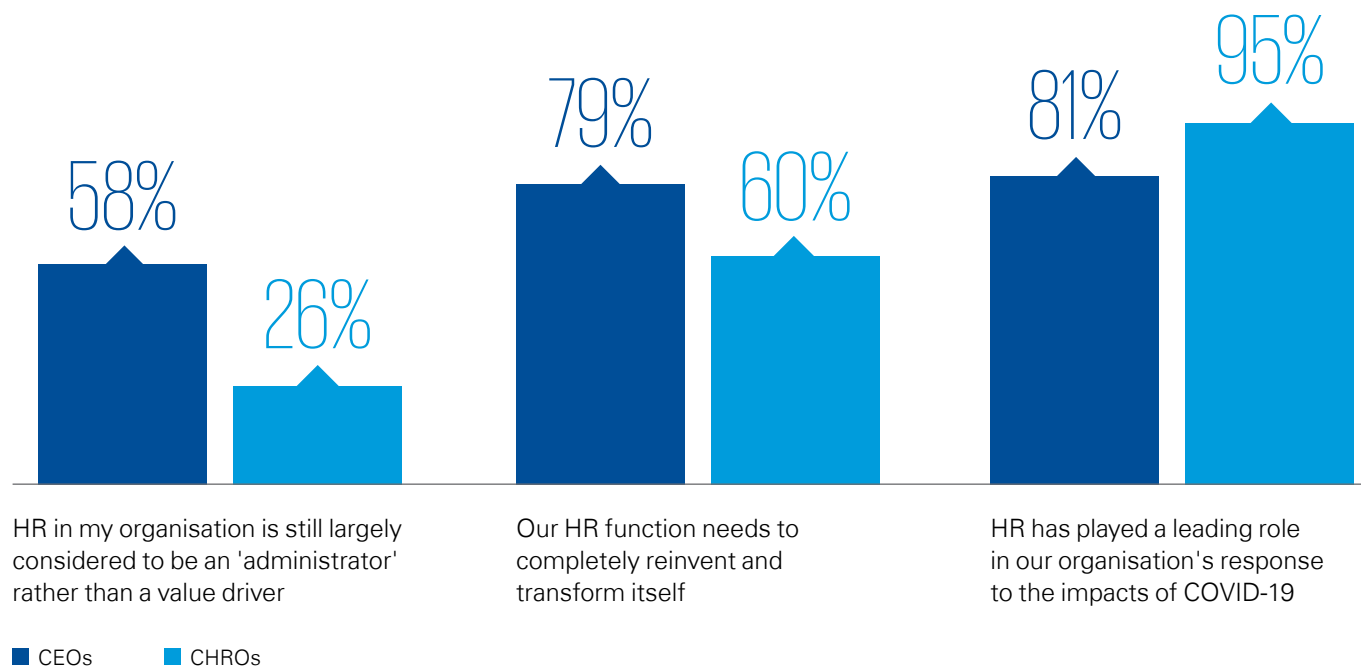
How will HR respond?

HR leaders know that the work they do adds strategic value, but it often occurs in the organisational 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 organisation.

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.

" About four in five CEOs and EVPs say the HR function needs to completely reinvent itself to respond more effectively to future disruptions "

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

58%	79%	81%
26%	60%	95%

HR in my organisation is still largely considered to be an 'administrator' rather than a value driver

Our HR function needs to completely reinvent and transform itself

HR has played a leading role in our organisation's response to the impacts of COVID-19

■ CEOs   ■ CHROs

Source: KPMG "The Future of HR in the New Reality"

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 modernising 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.

▶

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.

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

Pathfinder organisations 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.

Who are the Pathfinders **?**

Our research identifies a group of organisations (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 to be a value driver within their organisation rather than an administrator;

– Play a vital role in establishing the right culture across the enterprise;

– Own the entire employee experience for their organisation;

– Are proficient in using data and analytics to target and recruit the future workforce;

– Are confident that their organisation 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 organisation'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.

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 organisations become more resilient:

1

Improve the culture and employee experience in a remote-working environment;

2

Take the lead on reskilling the organisation;

3

Use data analytics to measure and improve productivity, understand talent needs, and design the future workforce.

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, research in the KPMG 2020 CEO Outlook research shows that since the pandemic began, it has jumped 11 places since the pandemic began to become the number one threat to long-term growth. CEOs recognise 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 wellbeing).

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 2020 Harvey Nash/KPMG CIO Survey (conducted in June and July 2020), 62 percent of respondents said a skills shortage is preventing their organisation from keeping up with the pace of change, and the top priority for the organisation'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 organisation is very effective or extremely effective at ensuring non-IT staff have the

right technology skills. Even before COVID-19, though, the KPMG CIO 2019 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 programmes are helping them build a more agile workforce and address critical skill shortages around artificial intelligence, data analytics, and cyber security. The KPMG CIO 2019 survey found these skills were among the hardest to find in the current talent pool.

Executives recognise 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 does not 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 cannot always find what you need.

Enter a new approach called 'learning in the flow of work'. It takes learning out of the (virtual) classroom and embeds it directly into the desktop experience of day-to-day working; placing 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.

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> ❝ 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 ❞

The new reality demands a long game from HR

This year's The Future of HR in the New Reality 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.
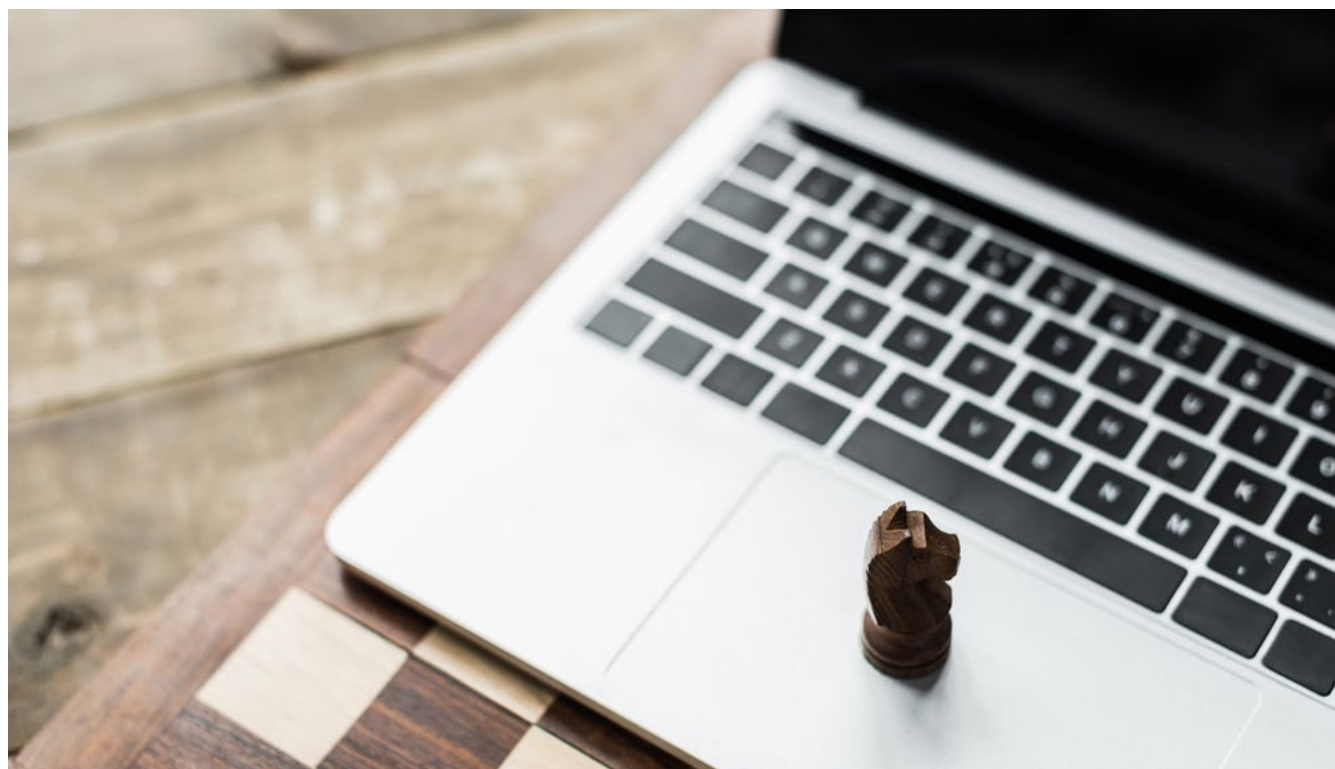
To successfully navigate this crisis, HR leaders must:

1 Create a cohesive employee experience in a remote work environment;

2 Encourage productivity and engagement among employees facing unprecedented personal and professional disruption;

3 Rebuild and reskill the workforce for a changing and uncertain future.

These are daunting challenges but for those who can succeed the benefits are clear. The new reality requires that the C-suite lean into 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.

The only way to join the ranks of Pathfinders is to play the long game.

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Are you building enduring capabilities in the new reality?

Check KPMG's 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 behaviour across leadership, no clear model for 'the right' behaviours.	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 behaviours. 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.
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 Organisation 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.

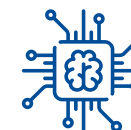| Level 3	Level 4	
HR nurtures and grows both digital mindset and culture using the levers at hand such as performance management and rewards for team-based collaboration, as well as an agile matching process (marketplace) of skills available to the tasks that need doing.	Digital mindset has taken root and links core purpose, digital, and ESG agendas as a whole architecture of powerful connections using realtime analytics—including adaptive initiatives and behavioural economics—to nudge behaviour.	**Purpose and digital mindset**
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.	**Adaptive capability:** **Superior returns by X percent** Insight that connects people data to business outcomes. New ways of measuring and managing productivity.	**Workforce insights and analytics**
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.	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.	**Workforce shaping**
HR the designer Architect of 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.	**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.	**Workplace and experience**
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.	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.	**Enabling technology**
'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.	'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.	**HR Organisation of the future**

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