

The future of HR in the technology sector

Collaborate, align, influence: The path to strategic HR leadership

Workforce transformation is an opportunity for HR leaders

The new technologies underpinning workforce transformation and reskilling are the tools the Human Resources (HR) function in general, and HR leaders in particular, need as they redefine themselves and elevate the value they offer within the organisation.

Now more than ever, HR executives at technology companies can assume the triple role of change agent, trusted advisor, and strategic business partner as they work ever closer with the C-suite and functional leaders. Proactive HR executives are harnessing the resources and skills needed to reposition themselves as new strategic leaders within the enterprise.

They are enacting strategies designed to integrate data analytics, intelligent automation, artificial intelligence (AI), and other emerging technologies into a workforce that today connects five separate generations. Workforce transformation indeed.

Ensuring that workers across the enterprise have the skills and abilities the new marketplace demands is a key component of this workplace revolution. By 2022, at least 54 percent of all employees will require significant re- and upskilling.¹

Of course, no matter how proactive HR executives are, workforce transformation will only be as successful as the level of support provided by company leadership. Technology sector CEOs acknowledge that the effectiveness of certain key teams remains less-than-optimal as we progress toward a digital future, but many still do not have broad reskilling initiatives planned.

Against that backdrop, HR executives who can overcome C-suite hesitancy and other internal obstacles to inspire their leadership to action have the opportunity to elevate themselves to trusted advisor and strategic business partner.

¹ World Economic Forum, The Future of Jobs Report, September 17, 2018

Tech sector CEO perspectives

Effectiveness of the company's existing workforce

Percent judged highly effective



Source: 2019 Global CEO Outlook, KPMG International
Partial responses shown.

Approach to recruiting new skills



Source: 2019 Global CEO Outlook, KPMG International

42%
Only a minority of global tech CEOs plan to upskill more than half of their workforce in digital capabilities during the next three years, despite the WEF report.



Source: 2019 Global CEO Outlook, KPMG International

Headwinds also exist in the HR function's transformation efforts



68%

of HR executives in tech companies recognise the need for workforce transformation.

But only



50%

said they have a workplan in place.

And only about one-third



35%

feel "very confident" about HR's actual ability to transform.

Source: KPMG Future of HR 2019

What's in the way?

Capacity, Culture, and Capability are considered the top barriers to transformation.

About four in ten



39%

said their current culture is more task-oriented rather than innovative or experimental.

Source: KPMG Future of HR 2019

The new HR leader in technology companies

The next-generation HR function has an essential role to play, replacing traditional leading practices and cost-cutting approaches with innovative new strategies, organisational structures, tools, processes, and metrics. The goal is to be transformational leaders and change managers and deliver solutions through which HR can reshape itself and the organisation's workforce to drive competitive advantages.

The key is to change the mind-set of HR to lead a changing workforce and assume an unprecedented role in creating new value for the organisation. Just how important is HR in the technology sector? The majority of the HR executives we surveyed expressed confidence about HR's strategic value, with 86 percent saying they believe HR's role is becoming more strategic in their organisation. Nearly three-quarters, 72 percent, feel the HR function is considered a core value driver by senior leadership.

Since HR is integrated with every functional group, HR leaders have a holistic view of the organisation and are positioned to lead the conversation around how the workplace is evolving. HR needs to be perceived as the leader on new workforce dynamics, what motivates employees, and how culture helps people and organisations thrive. But you can only occupy that space with other business leaders if you are fluent with emerging technologies.

There are several critical skills for technology sector HR executives to master in today's environment. Our survey respondents ranked these as the top five:

- 1 **Digital business services (e.g., HR service delivery for efficient and effective hire-to-retire processes)**
- 2 **Behavioural science for effective culture and/or mind-set change**
- 3 **Winning the "war for talent"**
- 4 **Workforce forecasting and/or shaping to deliver the workforce of the future**
- 5 **Managing multiple employee value propositions for a multi-generational workforce and/or different types of employees**

Integrating human labour and intelligent automation

Disruption in one form or another has been part of business for decades. One of today's primary disruptors is the impact that intelligent automation (the spectrum of AI, robotic process automation, machine learning, and cognitive platforms) will have on the traditional workforce model. Cognitive technologies are rapidly becoming more intelligent and affordable just when the global supply of skilled talent is getting smaller and more expensive, making the use of digital labour a necessity.

As new business models, products, and services are developed, people will be integral in building, leading, maintaining, and marketing them. It will be incumbent on organisations to improve the ability of their workforce to realise the value of cognitive technologies—from job growth and enhancing human skills to transforming enterprises into innovation engines.

Importantly, 45 percent of technology HR executives think that preparing for AI is HR's biggest challenge over the next five years. In preparing the workforce for AI, they perceive their primary role as change management, followed by training the workforce with new skills and workforce transition.

In terms of actually implementing AI, HR leaders in the technology sector state they are already ahead of the curve, with 55 percent reporting they have started to introduce AI (compared to only 36 percent of their cross-industry peers). And 74 percent said that HR has a leading or supporting role in AI initiatives (vs. 61 percent of their cross-industry peers).

Generational perspectives on AI and the impact of transformative technologies

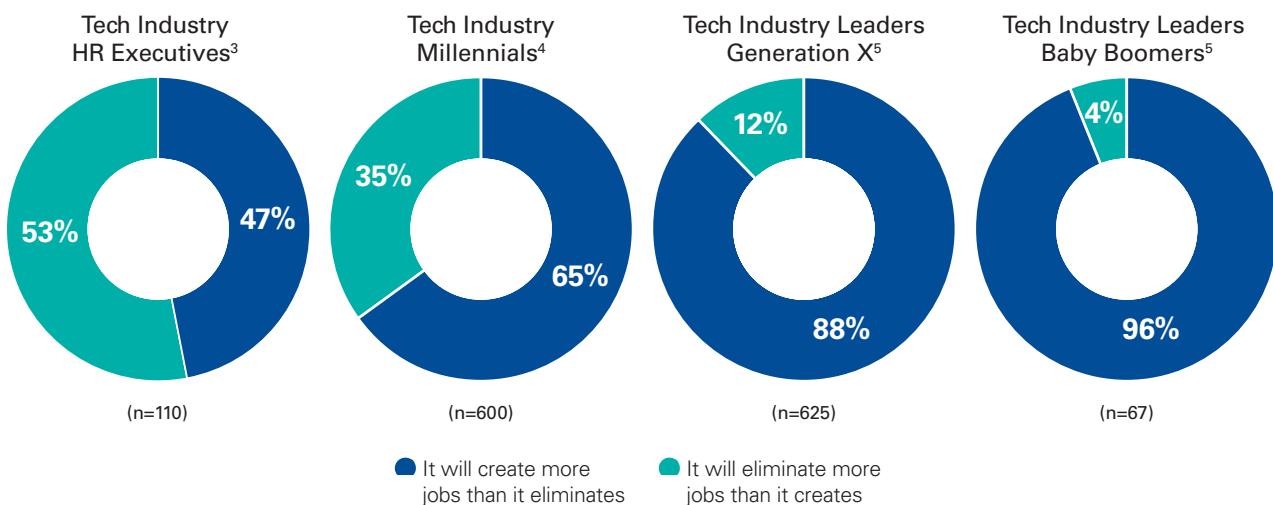
Today's workforce comprises multiple generations, each with their own set of values and motivators. Millennials, however, already represent the largest segment of the U.S. workforce² and are poised to constitute up to 75 percent of the global workforce by 2025. As shown in the chart below, Millennials in the tech sector are less optimistic about AI creating jobs than the older generations of industry leaders (but are still more optimistic than HR executives!). The change management process and upskilling efforts will be particularly crucial for Millennials.

Older-generation leaders across the global tech sector were the most optimistic that automation and machine learning will increase, rather than reduce, the workforce over the next three years. Respondents named engineering, strategy, and marketing as the functions most likely to see six percent or higher job growth over the next three years.

When asked how their company was creating a future-ready workforce, Millennials felt that training and reskilling existing workers would be leveraged almost equally along with recruiting new employees. Older-generation tech sector leaders felt a little differently, however. They clearly rated recruiting new, skilled employees higher than reskilling existing employees.

2 Richard Fry, "Millennials are the Largest Generation in the U.S. Labor Force," Pew Research Center Fact Tank (April 11, 2018)

Which of the following is the most likely impact of artificial intelligence on your organisation?

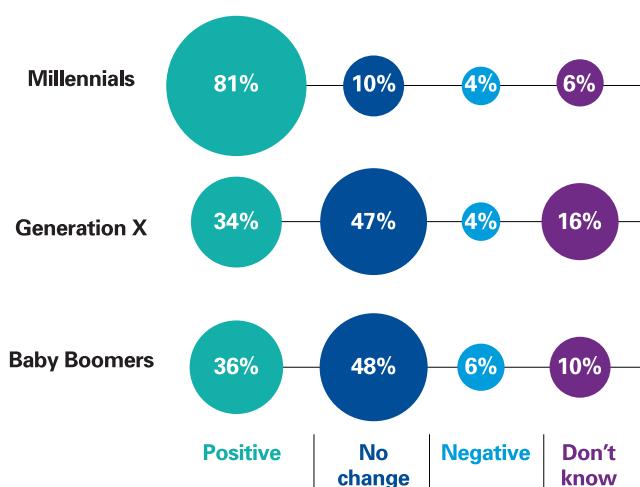


3 KPMG Future of HR 2019

4 KPMG Technology Industry Millennials Survey 2019

5 KPMG Technology Industry Innovation Survey 2019

Impact of transformative technologies in developing an inclusive and diverse workforce



Percentages may not equal 100 percent due to rounding.

Sources: KPMG Technology Industry Innovation Survey 2019 and KPMG Technology Industry Millennials Survey 2019

Millennials are, by far, the most optimistic on the impact transformative technologies will have on developing an inclusive and diverse workforce over the next three years. This is perhaps attributable to their status as "digital natives" and influenced by the belief that, in general, the democratisation of technology is good for everyone in society.

Next steps for HR leaders in the technology sector

Our advice to forward-looking HR leaders and businesses is to focus intently on:

Reshaping the HR function—and its value to the business—using applications and new skills to leverage the significant value of transformational technologies like AI and data analytics

Embracing workforce shaping as critical in creating and sustaining the workforce of the future

Pursuing a deeper understanding of employee skills, strengths, goals, and purpose while creating custom-made employee experiences

Preparing for the advance of AI and its integration into a workforce that combines human and digital labour

Valuing employees as "customers" in an increasingly digital, global, and agile workplace

Becoming comfortable with new technologies to increase connections and support an overarching people-based agenda as tasks and roles are redefined.

About the research

- The KPMG Technology Industry Innovation Survey included responses from over 740 technology industry leaders across 12 countries. The online survey was conducted between December 2018 and January 2019.

- The KPMG Technology Industry Millennials Survey included responses from 600 millennials working in the technology industry in seven countries. The online survey was conducted between February 2019 and March 2019.

- The KPMG Future of HR 2019 findings included responses from 110 technology industry HR executives in 14 countries. The survey was conducted online and via telephone interviews in the third quarter of 2018.

- The KPMG 2019 Global CEO Outlook included responses from 110 technology sector CEOs in 11 countries. The survey was conducted between January 2019 and February 2019.

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