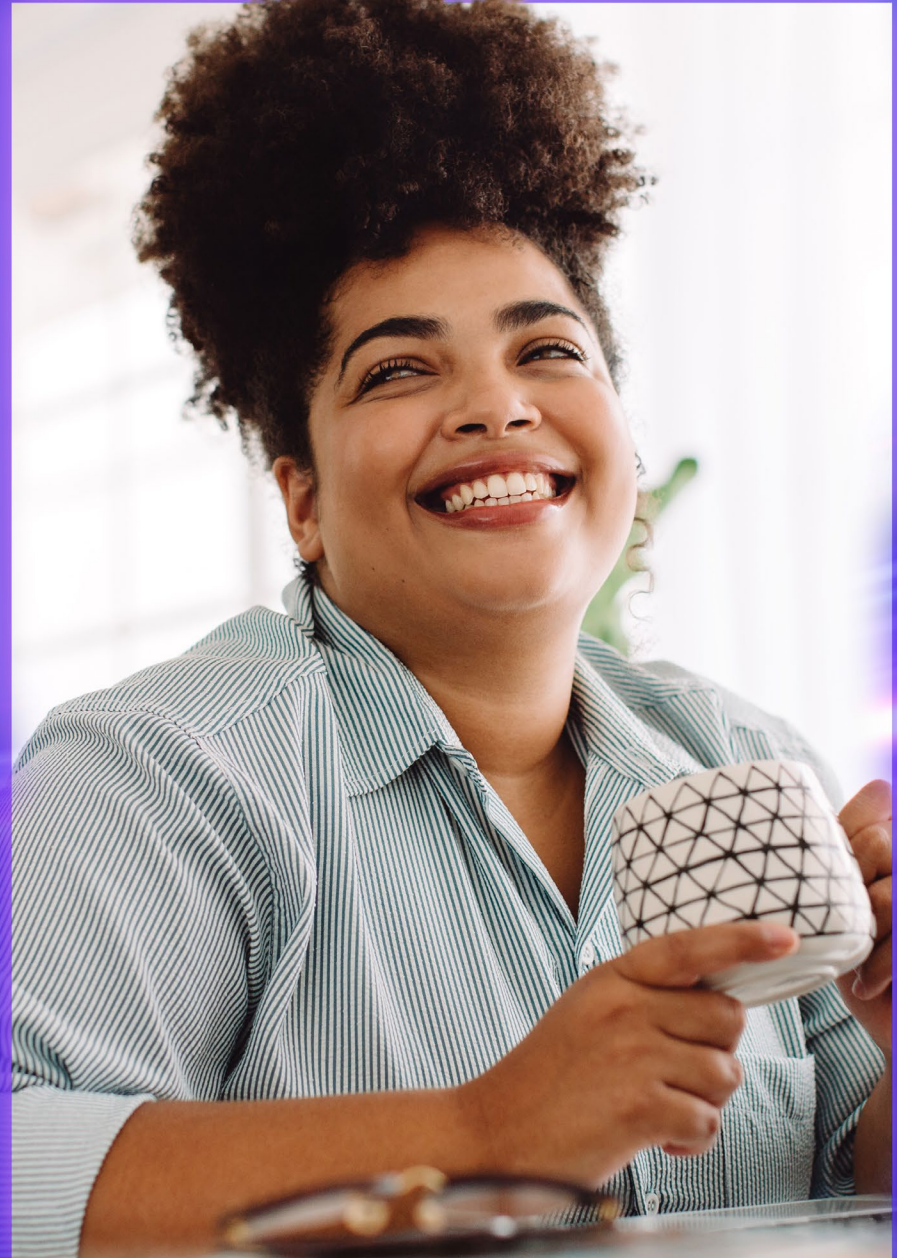# New HR models for a new world

By becoming data-driven, HR can be an architect of business change.

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HR can be an architect

The world of work is changing quickly. It's becoming more complex and more competitive. The 'war for talent' models of the last century, and their obsession with streaming and categorizing people into A, B, and C players, are increasingly irrelevant. There is a more sophisticated view that embraces the whole workforce and a realization that making it both productive and engaged is a different challenge to sorting people into one of 'nine boxes'.

On top of this is the 'double disruption' of managing a workforce that is operating in a hybrid model for which there is no proven playbook to follow, while also seeking to automate and cognitively enable many jobs in the value chain of the organization.

The World Economic Forum has identified that there's going to be significant churn in the workforce, and the pace at which businesses need to rescale, reimagine roles within the organization, and get people and machines working together is unprecedented.

Successful transformation requires as much emphasis on change management as it does on technology implementation. We know from our

Future of HR 2020 report that HR should be about much more than pay and rations, recruitment and reviews. It should be about reshaping the workforce, employee engagement and experience, shaping the workforce culture, and, of course, achieving HR process efficiency.

While many organizations have transferred their HR systems to a tier-one digitally-enabled transactional cloud platform, resulting in more of these process efficiencies, few have gone that step further to set up an HR operating model that can help them analyze the data and trends and make more evidence-based, strategic decisions.

By working within an operating model that embraces data, HR leaders can give themselves license to operate at a higher business level than ever before. However, to deliver the insights and operating model that is going to drive business success, HR must undergo a seismic shift in its place and purpose within an organization.

60%

of **CEOs and EVPs** surveyed in KPMG's 2020 HR Pulse say their organizations consider **HR an administrator rather than a value driver**.

74%

of **CHROs disagree.**

It's going to be a challenge

Sixty percent of CEOs and EVPs surveyed in **KPMG's 2020 HR Pulse** say their organizations consider HR an administrator rather than a value driver. Perhaps unsurprisingly – or maybe optimistically – 74 percent of CHROs disagree.

It's not difficult to understand the perception – after all, historically at least, the HR department has been the 'police' and 'lawyer' within many businesses.

It controlled what people were and weren't allowed to do. HR staff did the paperwork and enforced the rules.

When recruitment was needed, other departments told HR what they required, and HR went out and got it. Consequently, the people strategy of the business could differ dramatically from department to department.

Of course, business needs today are different **The KPMG Future of HR in the New Reality** report

emphasized the need for HR functions to bring lasting business value by building the workforce needed to compete in a digital future.

That challenge has been heightened by the digital disruption and transformation journeys that businesses have been on, compounded by the global pandemic. This has brought about a fundamental and lasting change in how we work.

As a consequence, HR needs to design the people component of the business in a strategic way. It needs to drive value for the organization and respond quickly to changing circumstances.

For HR to transform from police to architect – from rule enforcer to strategist – it must first become data-centric, and from there, be effective, efficient, and experiential.

Becoming data-driven and insight-centric:

Finance functional transformation is not just about improving and optimizing current operating methods and implementing technology to support them.

71%
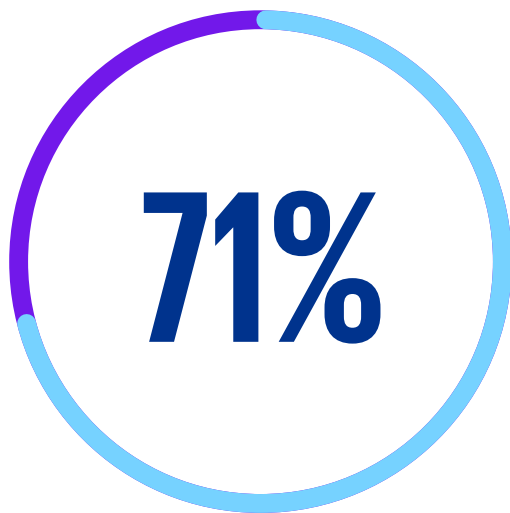
of digital transformation leaders believe **progress towards the creation of a new workforce model**, with human workers augmented by automation and **AI has accelerated or sharply accelerated**.

Base: 820 professionals involved with digital transformation strategy decisions

Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, April 2021

Critical ways in which HR can do this are:

1. Using data to **uncover key insights**, such as which groups of employees are driving the greatest performance, which are most likely to become future leaders, and which are best at engaging with customers.

   Using this insight, businesses can adjust their talent sourcing strategy to address the employee mix and talent sourcing risk. Data can help create a clear plan on how to address a critical workforce risk, as well as potential financial benefits. By making use of dashboards, predictive analytics, and other tools, senior leaders can make informed decisions.

2. **Pathfinder HR organizations** invest specifically in HR technology that enhances HR analytics and allows for further HR automation (such as RPA). This enables them to **identify root causes** of attrition in specific populations, differentiate behaviors between high and low performers, and track data beyond the traditional HR system to understand behavior patterns via channels including email, chat, calendar, and social media.

"HR needs to be a data-centric department that's comfortable with both qualitative and quantitative insights about their people and the impact they have on the business," says Kate Holt, Partner at KPMG in the UK.

"Data sources need to be joined up to provide a holistic look at the business. From there, they can gain deep insights about their people and the business impact they have and can make recommendations and decisions that truly guide the business forward."

Once the business has a Target Operating Model that brings leading practices across everything from functional processes to governance and prioritizes performance insights, data scientists are needed to genuinely understand and interpret the numbers.

"Looking at and reporting on transactional data isn't insight, but many people fall into the trap of believing it is," says Holt.

To understand how the workforce needs to change, how it needs to be shaped and how you can engage and keep employees – ultimately, how to create a great place to work – businesses need HR data scientists to get ahead of the data and insights and make more informed predictive decisions.

Embracing data within the HR department and consequently seeing through and across the organization as a whole can give HR leaders a license to act at a new higher level within the business.

By becoming data-driven, HR can start proactively bringing risks, opportunities and solutions to leaders that inform the direction of the organization.

Being effective, efficient and experience-based

With a solid foundation of data, the mindset to embrace it and the ability to analyze it, HR departments can deliver quality outcomes for the business in a more efficient, cost-effective way.

In addition, HR can deliver serious business value through the experiences it delivers.

"Employees are now consuming services in a fundamentally different way, and HR needs to assist much earlier than it traditionally has done," says Holt. "The digital end-to-end HR service is critical, and it's much more than just your cloud application."

HR will need to help develop the careers of individuals and become involved much earlier than it previously has done.

For example, HR previously might have serviced training requests from employees, but moving forward it must help employees identify the training they need in line with their career aspirations. Simply put, providing that advice, guidance, and training digitally is now an imperative.

Turning a leading Australian retailer into an HR architect

The HR legacy systems powering a leading Australian convenience store chain were no longer suitable or sustainable for the business. A lack of integration between systems meant there was no single source of truth. Different onboarding systems resulted in a lack of consistency, while a spreadsheet and paper-based approach to many other tasks, including appraisals and recruitment, meant a lack of consistency.

As an ever-expanding organization, the business needed a single system to modernize and integrate its people and talent processes, provide an enhanced experience for team members, produce productivity gains, and be fit for purpose for both corporate office support and its franchise network.

The company engaged KPMG in Australia, and using KPMG Powered Enterprise HR enabled by Workday, the company was able to have a modern HCM platform that was integrated with its existing payroll solution.

The technology solution connects all 8,500 employees across head office and the store network and has enabled the company to deliver high levels of employee engagement, retention, and satisfaction.

It has established a single source of truth, automated much of the onboarding and offboarding processes, enhanced the employee experience with self-serve functionality, and increased reporting and analytics – all of which enable the business to make more informed decisions about its people.

Change from the top

For HR to become more data-driven and analytical, the drive for change should come from the top.

"CEOs need to be asking HR for this data, and HR needs to understand the power of data and how it can affect everything from recruitment and retention to identifying skills gaps and training for future requirements," says Holt.

"To get started, businesses need to build small-use cases in areas from which they need insight, and begin to prove the value of the insight that HR can bring."

Today, the world of business moves quickly – plans change at pace. The workforce plan may not have changed for a number of years. Now it can change on a weekly basis.

By undergoing a business transformation process that is designed to evolve with the needs of the business and the market driver at play - such as Powered HR - HR can establish the systems, processes and outcomes that can deliver data-driven excellence across the organization and play a critical role in consistently delivering stellar results.

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CEOs need to be asking HR for this data, and HR needs to understand the power of data...

Kate Holt
Partner at KPMG in the UK

Key takeaways

1. **CEOs want and need data-driven insights** about the people function of the business.

2. **To achieve this, HR has to move from 'police' to 'architect'** to design the people-future of their organization.

3. **Data sources need to be joined together** to provide a holistic view of the organization.

4. **This can only be achieved with a new operating model for HR** that balances people, tech, process, data, delivery and governance in the right way (the TOM inside Powered HR)

5. **Data scientists are needed** within HR teams to extract deep and meaningful insights.

6. All HR professionals need to **shift their mindset to become data-driven and build their comfort with data**. HR business partners in particular need to develop their capability in storytelling through data.

7. **Employees want help and guidance to develop their careers** – HR should seek to service this.

8. **Start small with individual-use cases** that solve a business problem.

Discover more

How Powered can help:

- **A new vantage point**
- **KPMG Powered Enterprise**
- **KPMG Target Operating Model**

Insights from KPMG:

- **Shaping the future**
- **Connected. Powered. Trusted.**

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