KPMG | workday

Unlocking value from your HR transformation

Transforming HR for the AI-powered future

KPMG. Make the Difference.

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The world is changing fast

The world is changing fast, bringing new challenges and opportunities for organizations — HR leaders need to respond or risk falling behind.

While many HR functions have undergone significant transformation in recent years including moving to cloud-based platforms, the pace of change means that new and even more agile approaches are needed. HR leaders must define and create a model that elevates HR to become strategic partners to the business, helping tackle complex cross-functional challenges.

The landscape is shifting at pace across multiple interlinking domains. The demographic mix is changing fast, with five generations set to be in the workplace in the next few years. Managing a workforce with a hugely diverse range of aptitudes, experience, priorities and expectations is challenging.

At the same time, skills needs are also rapidly evolving, with AI and big data changing the game. Upskilling the workforce and addressing skills gaps is a major priority. To capitalize on AI, greater business agility and collaboration between teams will also be pre-requisites.

These complex issues are bringing the HR function into focus like never before: how can you, as a CHRO or people leader, respond at pace to deliver true business value in a time of such dynamic change?

We explore these challenges and set out four key steps for a fast-tracked transformation that creates an HR operating model for the future powered by ethical AI.

15% of companies engage in strategic workforce planning, leaving a significant gap in HR's ability to align talent with long-term business goals, according to Garnter®[1]

90% of employers say skill gaps are the biggest barrier to business transformation (2025–2030)[2]

74% agree that managers are not adequately equipped to lead change, further complicating transformation efforts[1]

1. Gartner Top 5 HR Trends and Priorities That Matter Most in 2025. GARTNER is a registered trademark and service mark of Gartner, Inc. and/or its affiliates and is used herein with permission.
2. World Economic Forum, WEF_Future_of_Jobs_Report_2025.pdf

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01

Opportunities to accelerate HR transformational change

The simple fact is that HR transformation is challenging. If it was easy, we probably wouldn't be talking about it here. However, approached in the right way, there is a significant opportunity to drive effective change.

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Designing the HR function of the future

We see three key organizational design challenges facing HR leaders today — functional silos where work is done in isolation, limited cross-functional integration, and an inadequate focus on employee experience.

As business leaders increasingly demand agility, data-driven insights, and tailored people solutions, HR must rethink its operating model to move beyond legacy structures and become a proactive architect of organisational performance and culture.

There is a clear opportunity to create an organizational design where HR becomes a truly integrated partner to the business — breaking down silos to create seamless and cohesive working across teams. The HR operating model and the technology solution should be integrated with each other so that processes, people and technology are aligned. This in turn improves the employee experience as they use HR-related systems and tools.

Building the skills for tomorrow

Digital skills are no longer a niche requirement — they are the currency of the modern workforce. With the World Economic Forum predicting that half of all employees will require training or retraining in digital capabilities this year,[2] the urgency is clear. Organizations face a fiercely competitive market for talent, and as external supply struggles to keep pace, the most effective route is often to build capability from within. A digitally-enabled workforce is not just more efficient and collaborative; it is also more innovative, resilient and motivated. These digital skills are not reserved for a select few but must be embraced by all if businesses are to remain competitive.

The rapid advance of AI only sharpens this imperative. Lifelong learning has become a necessity, demanding that individuals and organizations alike remain agile and committed to continuous development. By investing in reskilling and upskilling initiatives — from targeted training to talent marketplaces that enable cross-functional projects and skills-based career pathways — organizations can expand their supply of hard-to-find expertise. Those that prioritize this approach will not only close today's skills gaps but also create a workforce equipped to thrive in an AI-powered future.

70% expect to hire staff with new skills by 2025[2]

"The traditional pillars of HR are inadequate. Your business may already be grappling with a "Four-Body Problem" — a complex, intertwined workforce of employees, contractors, vendors, and digital agents — and Human Resources needs to broaden its aperture to address the challenges that are quickly expanding. It is time for Total Workforce Management (TWM) to fulfill the mandate for a single, AI-enabled team driving the outcomes once siloed in HR, Learning, Contractor Management and Payroll. Much more than a re-brand, TWM is designed to deliver dynamic workforce planning, hyper-personalized just-in-time learning, new productivity measurement and remuneration, and frictionless internal mobility through an orchestration layer that is embedded into the flow of work for teams."

Evan Metter
HR Transformation Practice Leader
KPMG US

2. World Economic Forum, WEF_Future_of_Jobs_Report_2025.pdf

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Choosing and integrating the right technology solution

Technology is not just an enabler; it is the critical foundation of any effective HR transformation. Carefully evaluate what's available in the market, engage your stakeholders and consider consulting external advisers. Once you've made your choice:

- Trust the best practice architecture and functionality already built into the platform.
- Don't try to 'over-customize' the solution — allow the SaaS platform to lead, making only minor bespoke adjustments where necessary.

One often-overlooked factor in HR transformation is the importance of integration architecture — seamlessly connecting systems and data to create a single source of truth and unified employee experience. The traditional "best of breed" approach, which involved selecting separate platforms for different business functions and then stitching them together, is giving way to a new mindset. Today, organizations increasingly favor a "full platform" strategy, leveraging a single solution that spans multiple domains such as HR, Finance and Strategic Workforce Planning. This not only delivers consistency in look and feel but also improves usability and reduces the burden of maintaining many complex integrations.

Inspiring people and change

There are a number of common cultural and people barriers, including resistance to change and concerns about what the future holds. At the heart of this is the change management challenge.

Communication is critical. Start by setting the vision and making sure everyone is clear about why the change is happening and what the benefits will be. Address the things they will really want to know, such as:

- How will your HR transformation enable HR to operate more effectively and better support the business?
- What will the change actually look and feel like for individuals in the HR team?
- How will it make their roles easier and help them perform better?

Getting off to a good start is key. Keep up the communication drumbeat all the way through. This is key to retaining stakeholder engagement.

"The most successful organizations are shifting technology from an administrative system into an active, everyday partner. Accelerating business performance means eliminating the everyday friction that slows people down. For example, Workday AI is redefining roles within HR and unlocking productivity and efficiency gains. By bringing agentic AI into the natural flow of work (e.g., via Microsoft Teams or Slack), employee self-service increases, driving improved employee experience."

Aarti Uplenchwar
Head of Customer Strategy & Value Management
Workday UK

Your technology partner should:

- ☑ Prioritize user experience, creating an interface that ensures employees and managers can easily access the information and tools they need.
- ☑ Evolve continuously, delivering regular updates that keep pace with market changes and innovation.
- ☑ Embed AI responsibly, accelerating efficiency and value creation while maintaining ethical standards.

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02

Impact and opportunity of AI

AI is changing the game across all areas of business — and the potential for it to enhance HR processes and value creation is enormous.

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In the HR domain, AI is transforming the landscape by automating processes, enhancing decision-making, and improving employee experiences.

Key impacts include:

- **Talent acquisition and recruitment** — By identifying the skills an organization needs, rather than simply roles and headcount, AI is enabling businesses to fulfil their talent requirements in a vastly more strategic, dynamic and responsive way. AI can be used to analyze and predict which key skills are or will be needed and identify gaps. In the recruitment process, it is a powerful tool for writing job descriptions, matching candidates to key criteria and shortlisting them (removing the need for tedious and time-intensive CV screening), and even for some areas of the interview/assessment process. It's a powerful support to recruitment teams.
- **Employee engagement and retention** — Tracking key metrics, AI can be a highly effective support to HR teams in analyzing employee engagement data and drawing actionable insights from it. This helps address attrition risk, boosting retention.
- **Workforce planning and analytics** — Linked to its focus on skills, AI enables HR leaders to run comprehensive analyses of workforce planning requirements in the near, medium and longer term. By linking it to the business strategy, AI models can highlight needs, gaps and shortfalls and model these under a range of scenarios. It is also highly configurable — running analyses by geography or seniority level, for example, or assessing needs against diversity & inclusion goals or other key corporate priorities.

20-40% productivity improvements by using AI for tasks like recruiting, onboarding, financial planning and workforce management.[3]

50% reduction in time to hire by deploying AI-driven candidate matching and resume screening.[3]

"AI-enabled agentic HR functions are becoming reality, with as much as 75 percent of HR processes being performed by AI. Evaluate your existing HCM systems to identify what can be agentified, as the barriers to enablement are lower. Recruitment, Learning and Payroll may serve as starting points, offering significant potential for performance gains. Focus on leveraging structured data sets coupled with clear, end-to-end process design that clarifies roles for AI agents and human employees. This ensures transparency, reduces the risk of bias, and provides a framework to address potential AI-related risks."

Mohammed Bari
Partner, Powered HR, People Consulting
KPMG UK

3. Workday

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The rise of agentic AI

Agentic AI is the 'new kid on the block' in HR technology, capable of acting autonomously and proactively to drive strategic outcomes. It goes beyond traditional automation and analytics by managing complex processes and adapting in real time.

For example, agentic AI can independently handle end-to-end HR workflows such as talent acquisition, sourcing, screening candidates and automating onboarding tasks like scheduling interviews and assigning training. It personalizes learning journeys based on individual roles and career goals, detects early signs of disengagement and initiates timely interventions (e.g. scheduling check-ins, recommending development programs). It continuously learns from results and refines policies or programs accordingly.

Key to success is to ensure that you are really clear about what you are trying to achieve with AI.

Rather than simply starting to implement solutions in a piecemeal fashion. Ask yourself some critical questions such as:

- What are the core problems we're trying to solve with AI?
- What does success look like, and how will we measure it?
- Do we have clean, structured and accessible HR data?
- Do we have the internal skills and knowledge to implement, manage and use AI tools?
- How will we ensure AI use is ethical, unbiased and transparent?

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Four priorities to achieving HR transformation

In your HR transformation, it's essential to keep the technology and operating model aligned. To do that, here are four key considerations that we recommend.

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01 Clear vision and strategic alignment

For the transformation to succeed, you need a clear vision of what you are trying to achieve. Start by defining the purpose and goals. Ensure there is alignment between your vision for HR and the wider business strategy for the organization as a whole.

02 People, technology and data readiness

To become a truly strategic partner to the business, HR must be ready to rethink not only its tools and processes, but how it is structured, how it collaborates, and how it embraces change. This requires investment across three interconnected domains of people, technology and data.

Whatever your end-state solution, ensure that the new system supports AI, automation, analytics and integrations (where needed) with other platforms. Prioritize data quality (critical for the effective functioning of AI), governance and security to enable reliable insights.

Demand capabilities that align with strategic goals, enhance employee experience and future-proof the organization. Key considerations include:

- Alignment to strategic priorities
- Employee-centric design
- Security, compliance & ethics

03 Adaptable operating model

Flexibility in operating model design to meet the needs of the business is essential. There is an opportunity for HR to be the architect of business value through reimagining existing capabilities and leveraging the power of agentic.

04 Employee experience and inclusion

Don't lose sight of what the work is ultimately about: creating a better user experience for HR teams and for employees. Make sure that every design and process flow decision has the employee journey in mind — from recruitment right through to retirement. Look for opportunities and ways to increase personalization — which is a key factor in improving employee experience.

"As HR Director, you are the enterprise owner of workforce strategy execution and the HR transformation that can enable this. Align your transformation to business objectives, design adaptable operating models, protect workforce trust, and ensure the organization is ready to operate at scale in an AI-enabled future. Your guiding principle should be to create HR systems that deliver decision-grade insights, not fragmented operational solutions. Act as a strategic integrator with Technology, Finance, Risk and other leaders to break down silos, navigate regulatory complexity, address talent shortages and create connected, employee-centric outcomes that deliver business value in an AI-enabled future."

Hilda Carmichael
Partner, Consulting
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04

Why KPMG and Workday

The KPMG and Workday alliance is a proven, powerful proposition for HR leaders that aligns people, processes and technology to create a seamless, data-driven and employee-centric HR function.

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Working together with you to gain faster transformation, measurable ROI and long-lasting competitive advantage, you can build a platform that remains upgradable, maintainable and secure.

Why KPMG?

KPMG firms offer a suite of services and solutions that help organizations transform their operations and achieve their strategic goals. KPMG firms' experience of creating inter-connected design layers and range of proven, leading practice accelerators including 250+ KPIs, 140+ reports and dashboards, and 11 process taxonomies, support organizations in implementing effective tailored solutions. Through deep industry expertise and a breadth of subject matter experts with real world experience of HR transformations, KPMG firms offer a powerful combination of organizational design, process design, technology expertise and change management.

Why Workday?

Workday is the acknowledged leader in technology solutions for HR and people, whose intuitive solutions are the result of significant investment in AI and automation technologies. Workday creates a unified hub in which you gain real-time insights and stay decision ready with configurable frameworks that make it easy to connect to other solutions and build new functionality via their Extend module. It's a business optimized environment that supports your staff wherever they are, across devices and with collaboration tools built in.

Better together

Bringing KPMG firms and Workday together, clients can benefit from a best-in-class, multi-dimensional collaboration: your entry point to an AI-enabled, connected, responsive HR function of the future.

Workday and KPMG deliver a guided process with HR assets and accelerators that can transform the employee experience while also reducing implementation risks.

Combining KPMG's methodology with Workday's world-class SaaS technology results in an alliance partnership that is different to any other in the market — because of our emphasis on client success and the quality of client outcomes we deliver.

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If you're ready to take the next step and believe we can assist, please don't hesitate to reach out. To learn more about KPMG, our alliance with Workday, and the work KPMG firms do, there are several resources available to deepen your understanding.

You can learn about the KPMG and Workday alliance here.

More detail on KPMG and our full range of capabilities and services can be found here.

Please get in touch with our HR and Workday specialists:

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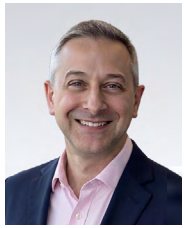

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