



Talent in the age of automation and other trends to watch in 2019



4Q 2018 KPMG Global
Insights Pulse Survey Report

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Introduction

Talent in the age of automation

KPMG Global Insights Pulse surveys are a quarterly review of global business services, (GBS), intelligent automation (IA), and related service delivery market trends. Input and individual observations are gathered from KPMG's global network of professionals in Sourcing Advisory, Financial Management, Technology, Human Resources, Customer & Operations, and other practice areas, backed by KPMG market research.

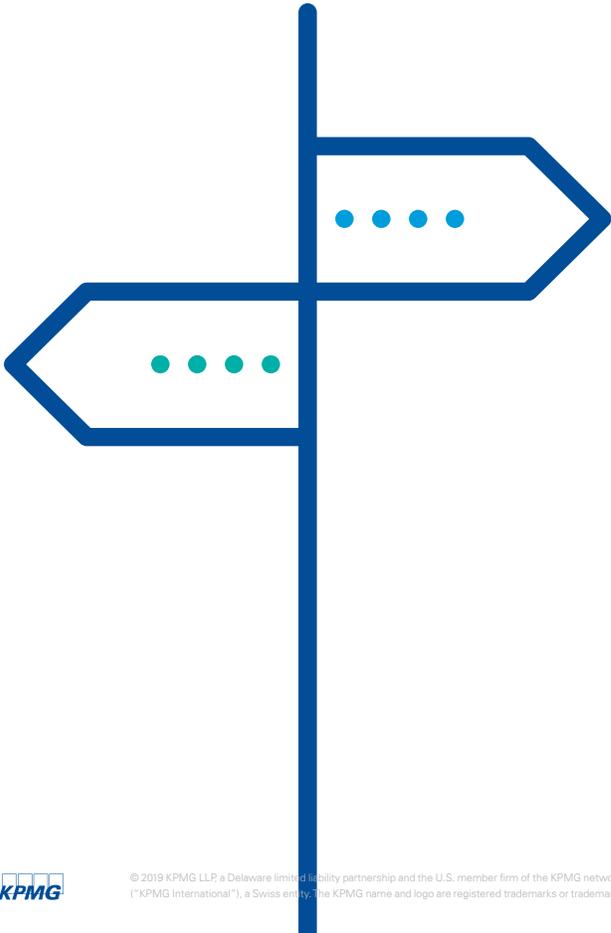
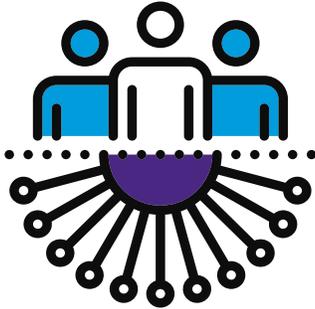


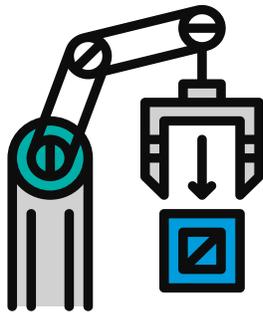
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Survey highlights



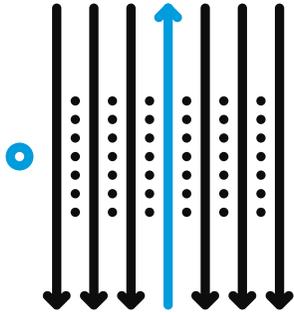
Though a perennial challenge, talent issues are even more acute than in the past, with tight labor markets and high demand for skills required to adopt intelligent automation making talent management challenges the top negative factor for organizations' business operations in 2019.



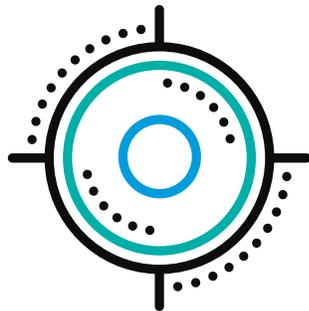
The ongoing adoption of IA and other innovative technologies continues to have an enormously positive impact on organizations' business operations. But most organizations have yet to adjust their business processes and talent strategies to fully exploit these technologies.



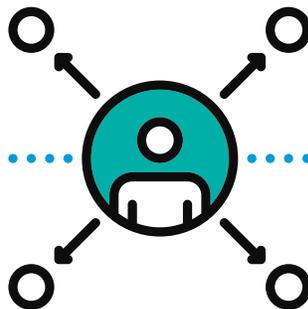
While cost reduction continues to be a primary corporate focus, its relative importance has waned as organizations seek to deliver more value-added, strategic benefits from new technologies.



Socioeconomic and political factors such as protectionism, populism, Brexit disruptions, and weak global/regional economies remain key market concerns, though somewhat less so than in the past two years.



Operating models and processes have not yet evolved to accommodate the potential of intelligent automation, with dysfunctional operating models and organizational processes presenting the single greatest challenge to organizations achieving their most important initiatives.



Though investing in robotic process automation continues to be the most common way to harness intelligent automaton, organizations have increasingly turned to artificial intelligence and machine learning as a means to enhance the quality of business outcomes.

Top trends for 2019

Ensuring access to a skilled talent base is a perennial challenge for most organizations. Talent shortages and talent management challenges are the most often cited trends with a negative impact on business operations.

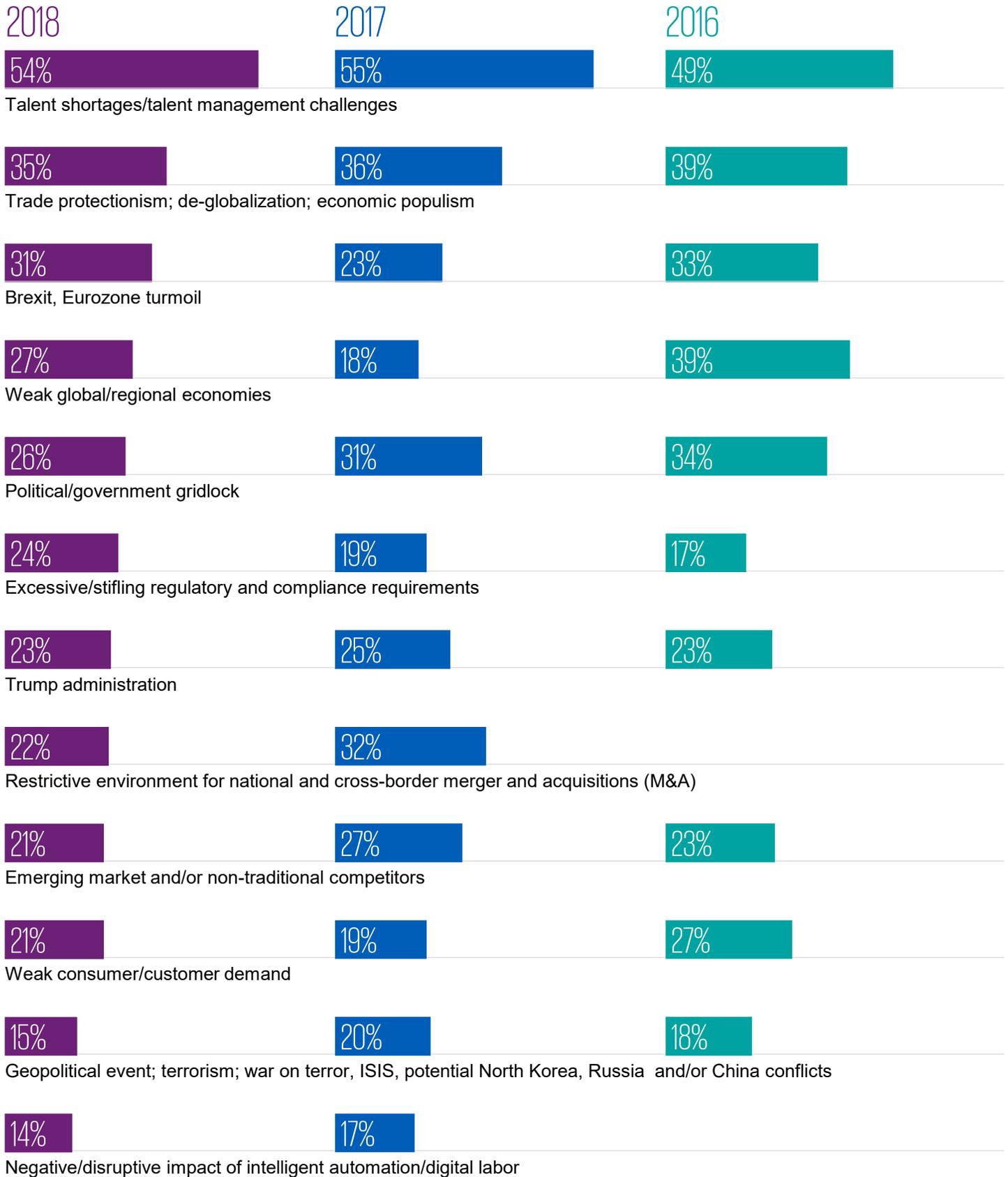
Some of these talent challenges may be due to tight labor markets, particularly in the United States, which may improve with changing economic conditions. A more lasting driver of these talent challenges, however, is undoubtedly the advent of IA and digital labor, which have profoundly changed the profile of skills demanded by many organizations.



While there may be adverse microeconomic conditions on the horizon, well-financed companies with a strategic technology investment plan may find it's the best time to get ahead of their competitors. ”

– Constance Hunter, Principal and Chief Economist, KPMG in the U.S.

2019 trends with the biggest negative impact

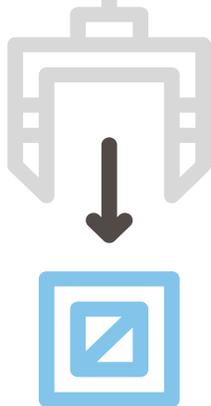


Source: 4th Quarter 2018 KPMG Global Pulse Survey, January 2019

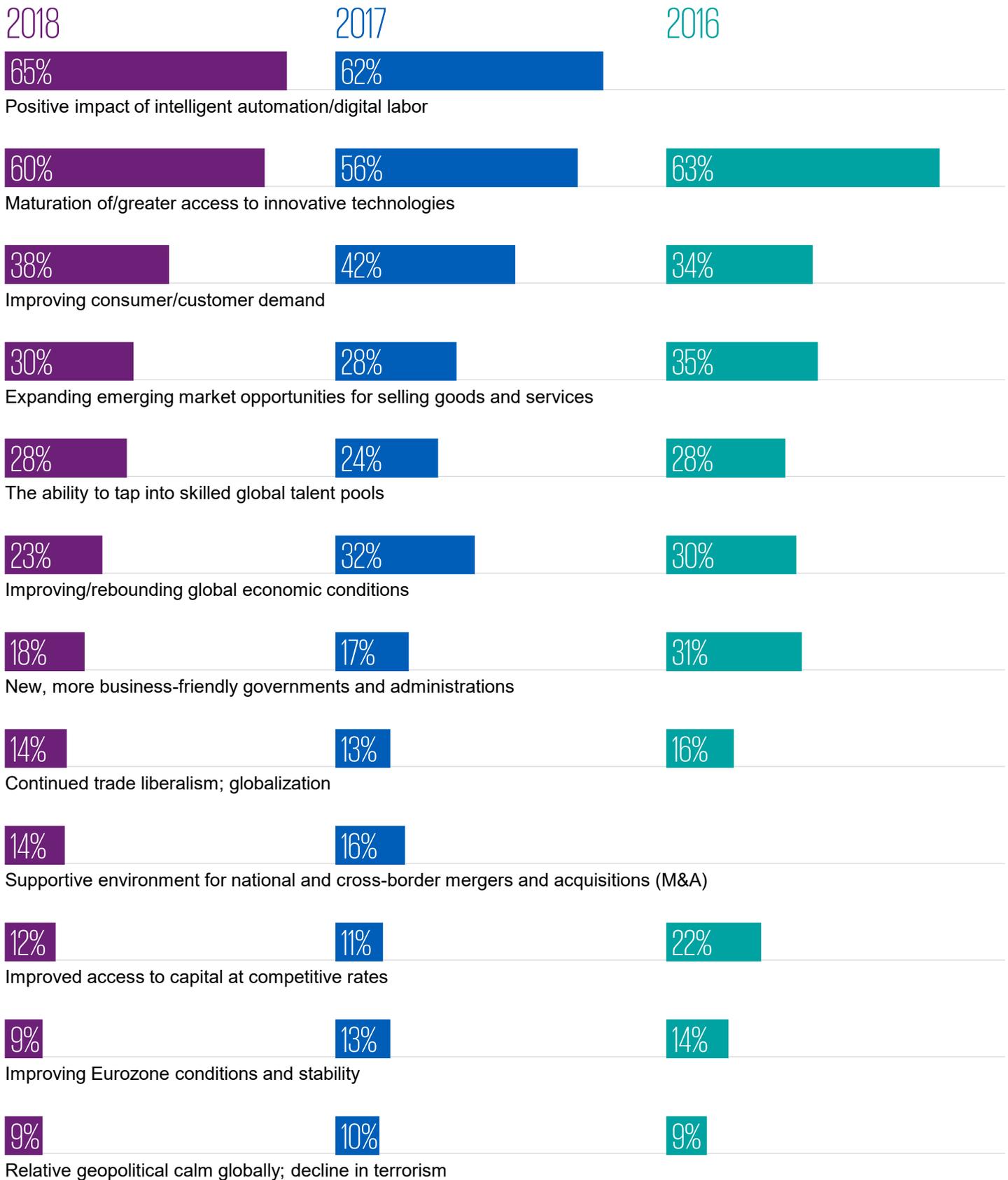
On the whole, survey respondents view the impact of these technologies as overwhelmingly positive, with 65 percent pointing to them as a top positive trend, and only 14 percent as a top negative one. Closely related, 60 percent of respondents rate the maturation of and greater access to innovative technologies as a top positive contributor to business operations. While the positive impact of new technologies is undeniable, their increasing use has complicated the talent equation, dramatically increasing demand for the skills required to implement and operate them. These include not only technical skills, but also softer, “enabling” skills such as design thinking, behavioral economics, and change management. This trend will almost certainly

accelerate over time, requiring organizations to take a holistic, flexible approach on where to source these relatively scarce new skills sets.

Macroeconomic and political factors such as protectionism, Brexit, weak global/regional economies, and government gridlock also rank highly on the list of trends with a negative impact on business operations. All of these factors, however, have somewhat decreased in importance over the past three years. The negative trend with the largest increase in prominence in the past three years is regulatory and compliance requirements, perhaps reflecting the influence of the EU’s General Data Protection Regulation (GDPR).



2019 trends with the biggest positive impact



Source: 4th Quarter 2018 KPMG Global Pulse Survey, January 2019

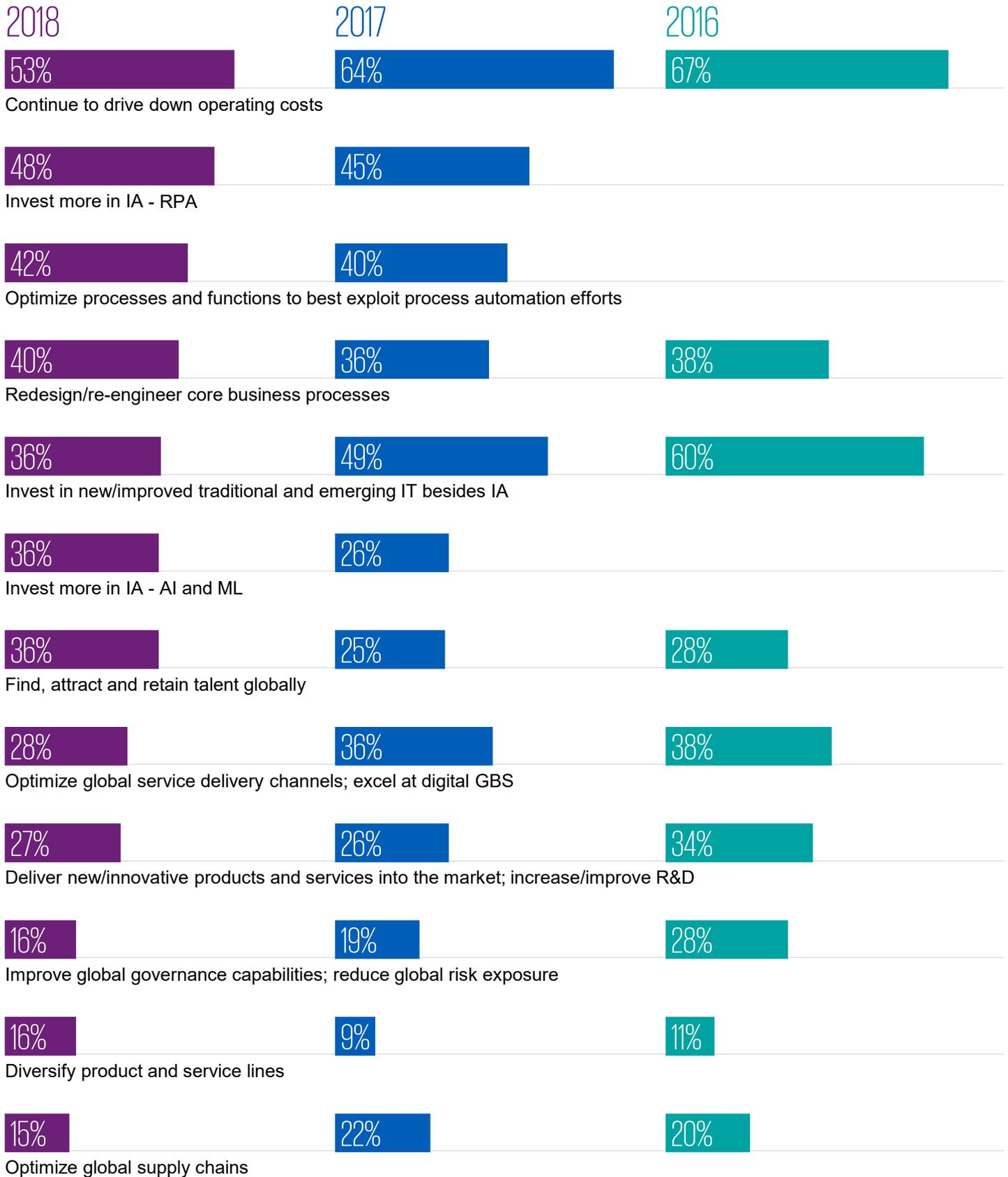
Key initiatives

Cost reduction has been, and will likely continue to be, a primary corporate focus; KPMG professionals cited it as the top corporate initiative not only for 2019, but for three years running. Its relative importance, however, is on the decline, with 67 percent naming it as a top organizational initiative for 2017, compared to 53 percent for 2019. Once again, the impact of new technologies is key, with technology increasingly supplanting outsourcing and centralization as the primary means to reduce costs, and increasingly being looked to as a source of value creation rather than pure cost reduction.

Indeed, investing more in RPA, AI, and ML stands as one of the most important organizational initiatives for 2019; investments in AI and ML, in particular, are showing a large year-over-year increase. This increased focus on IA has often come at the expense of other traditional and emerging technologies. Just 36 percent of respondents cite investing in technologies besides IA as a top initiative for 2019, compared to a full 60 percent two years ago.

Process redesign, also a perennial focus, continues to rank near the top of corporate initiatives. But the driver of these efforts has changed, with the desire to fully take advantage of new technologies and process automation increasingly becoming the impetus behind these exercises.

Top 2019 organizational initiatives



Source: 4th Quarter 2018 KPMG Global Pulse Survey, January 2019

Challenges and required capabilities

Organizations face a host of challenges in achieving their most important initiatives, requiring a focus on developing a number of key capabilities to address them.

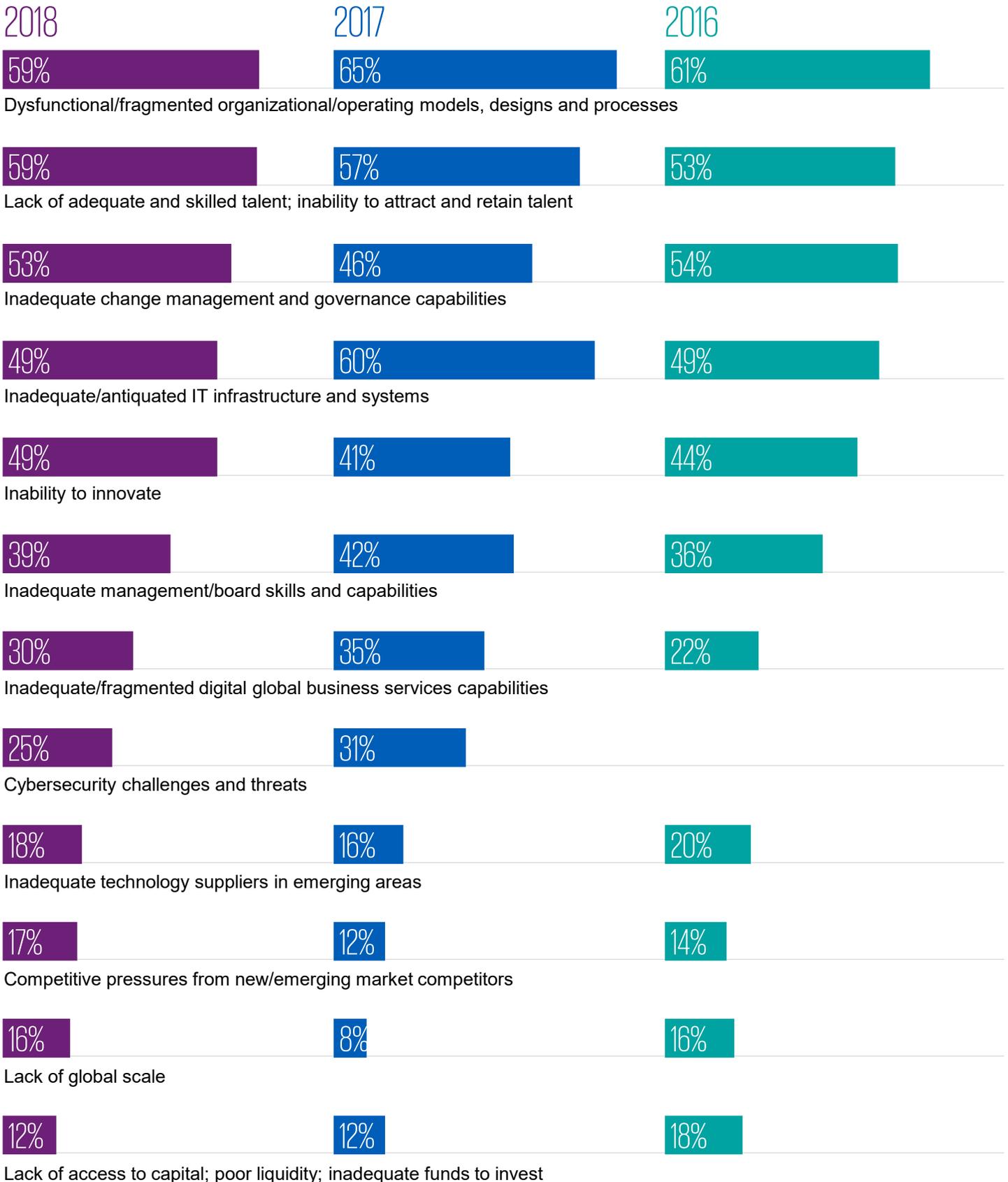
Dysfunctional operating models, designs, and processes continue to top the list of corporate challenges, as organizations weigh the relative

benefits of centralization, service management, outsourcing, and shared services. Successful process and operating model redesign requires a heightened focus on change management and governance, an area in which the survey reveals many organizations also continue to struggle, negatively impacting their ability to innovate.

“ Intelligent automation is the resulting impact of unlike disruptive technologies such as artificial intelligence, combined with automation software and business process change. Achieving enterprise-level impact will likely require both a digital transformation roadmap and the ability to redesign processes. ”

– Cliff Justice, Principal, Innovation & Enterprise Solutions, KPMG in the U.S.

Top challenges to successfully undertaking 2019 initiatives



Source: 4th Quarter 2018 KPMG Global Pulse Survey, January 2019

Talent management and IA also run as key themes in the most important challenges and capabilities cited by KPMG professionals. A lack of adequate and skilled talent rates as the second most significant business challenge, and the ability to find, attract, and retain talent globally tops the list of key capabilities, with smart and innovative management practices close behind.

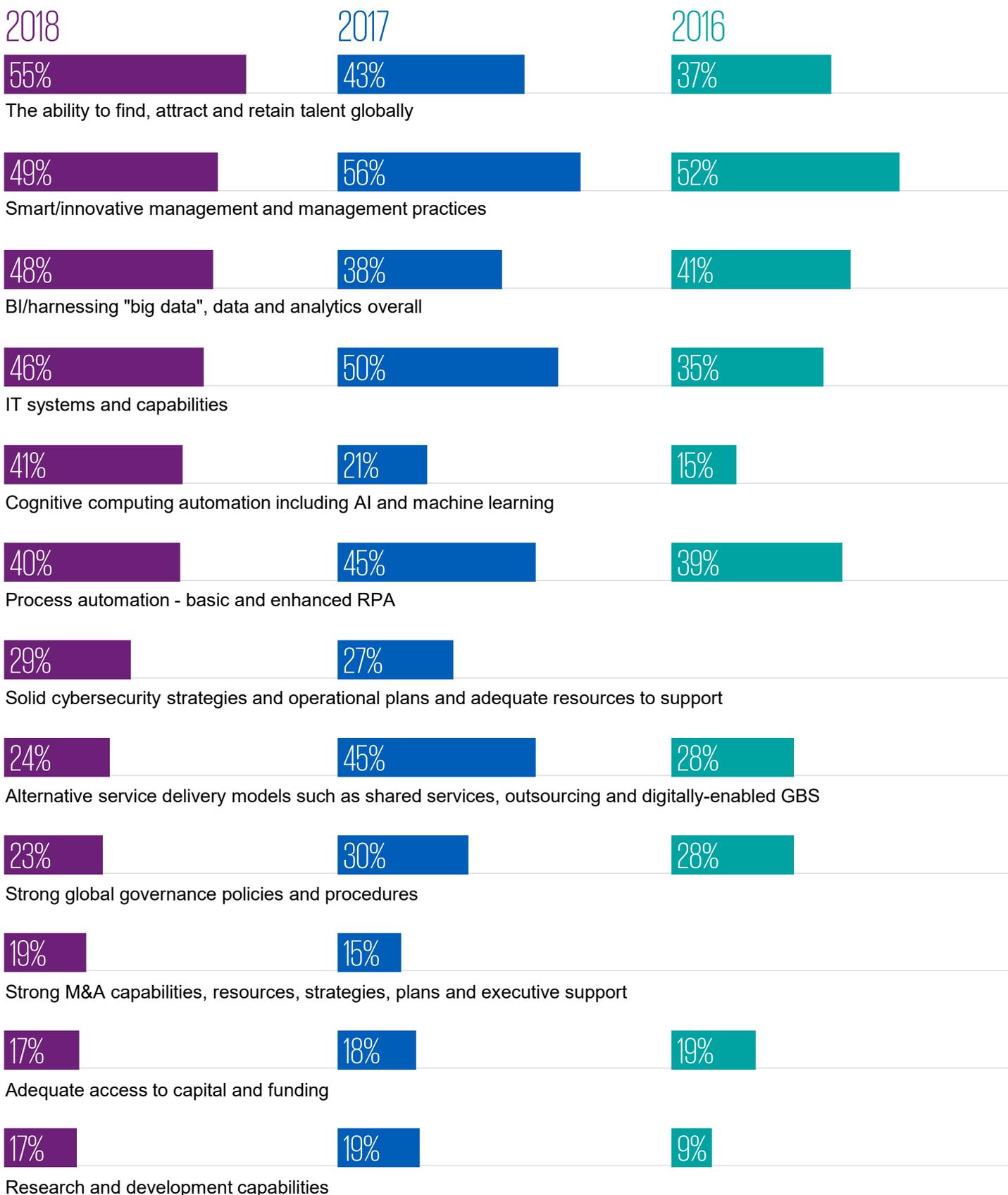
Given its potential impact on business operations, it's not surprising that the importance of cognitive computing, including AI and ML, has increased more than any other capability over the past two years. 41 percent of respondents cite this as a top capability for 2019, compared to just 15 percent in 2017, when it ranked near the bottom of the list.

“

Digital transformation should not be viewed as a one-off effort. Digital disruption is an ongoing fact of life. Organizations must take a posture of continuous improvement and establish the governance structures to deal with this influx of constant change. ”

– Dave Brown, Principal and Global Lead,
Shared Services & Outsourcing
Advisory, KPMG in the U.S.

Top capabilities required to undertake 2019 initiatives



Source: 4th Quarter 2018 KPMG Global Pulse Survey, January 2019

Intelligent automation and talent

The skills required in the age of IA differ in fundamental ways from those of the past, holding profound implications for the ways organizations must source skills from both new hires and existing employees, and requiring a long-term, proactive approach to talent issues.

While loyalty to existing employees and a desire to retain employees with organization-specific knowledge often leads organizations to focus on reskilling those impacted by automation to take on new roles, less than 40 percent of them enjoy even a modest degree of success in doing so. In part, this lack of success may reflect overly optimistic

assumptions about the degree to which staff most heavily impacted by automation can be reskilled. These employees tend to be heavily concentrated in transaction-based roles, and retraining them for roles with more strategic responsibilities can often prove difficult.

Organizations have proven to be only slightly more successful in hiring new employees to gain access to needed skills. Only 52 percent of them have experienced some success in hiring new talent with advanced skill sets to support IA and data and analytics efforts.

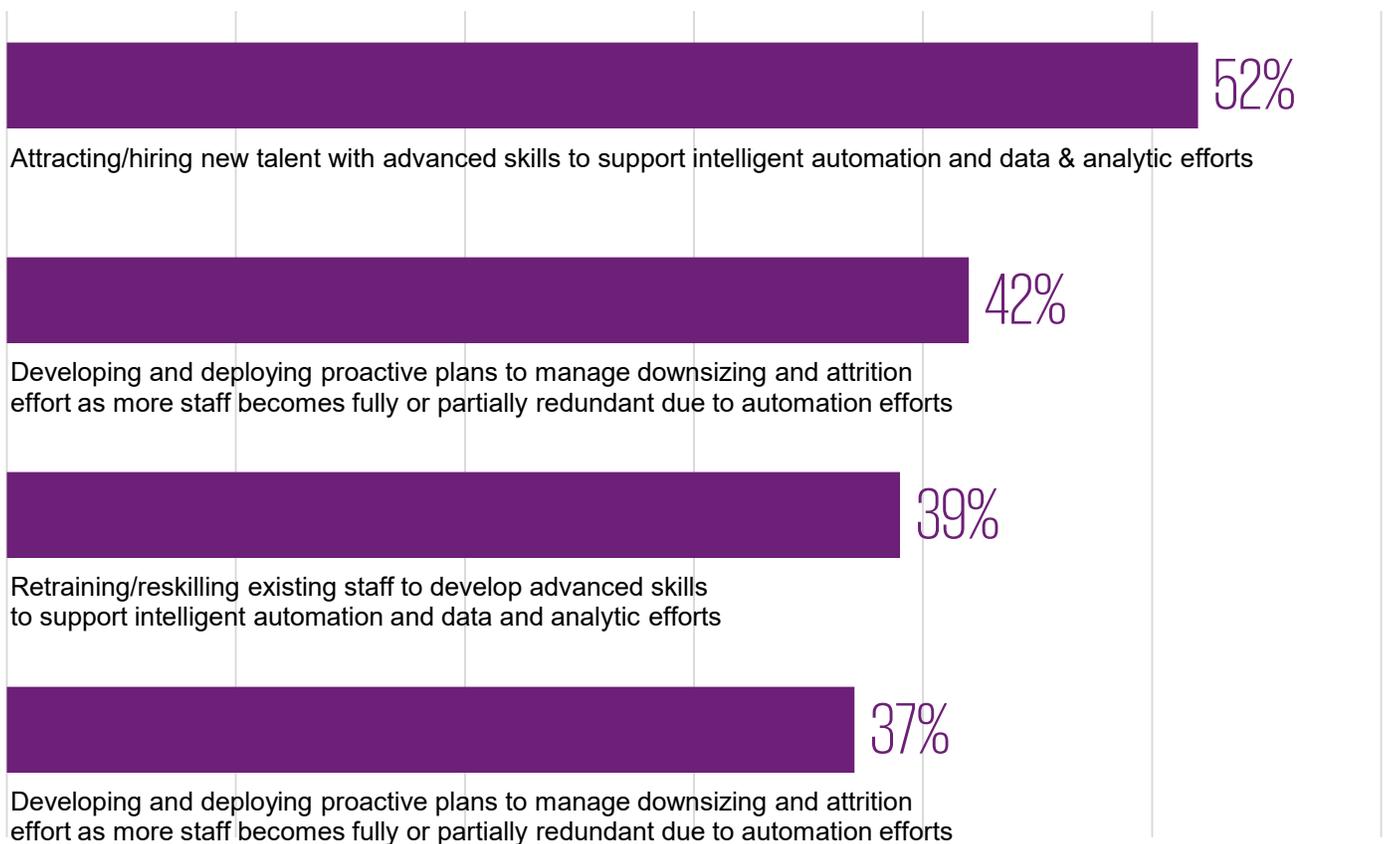


Given the pace of technological change, the HR organization needs to become a partner to the business to help them decide not just how many heads are required, but what types of skills will be needed to support new technologies. An effective HR-business partnership is an essential element of any successful operating model.



– Dave Brown, Principal and Global Lead,
Shared Services & Outsourcing Advisory, KPMG in the U.S.

Degree of success in addressing key talent issues



Source: 4th Quarter 2018 KPMG Global Pulse Survey, January 2019

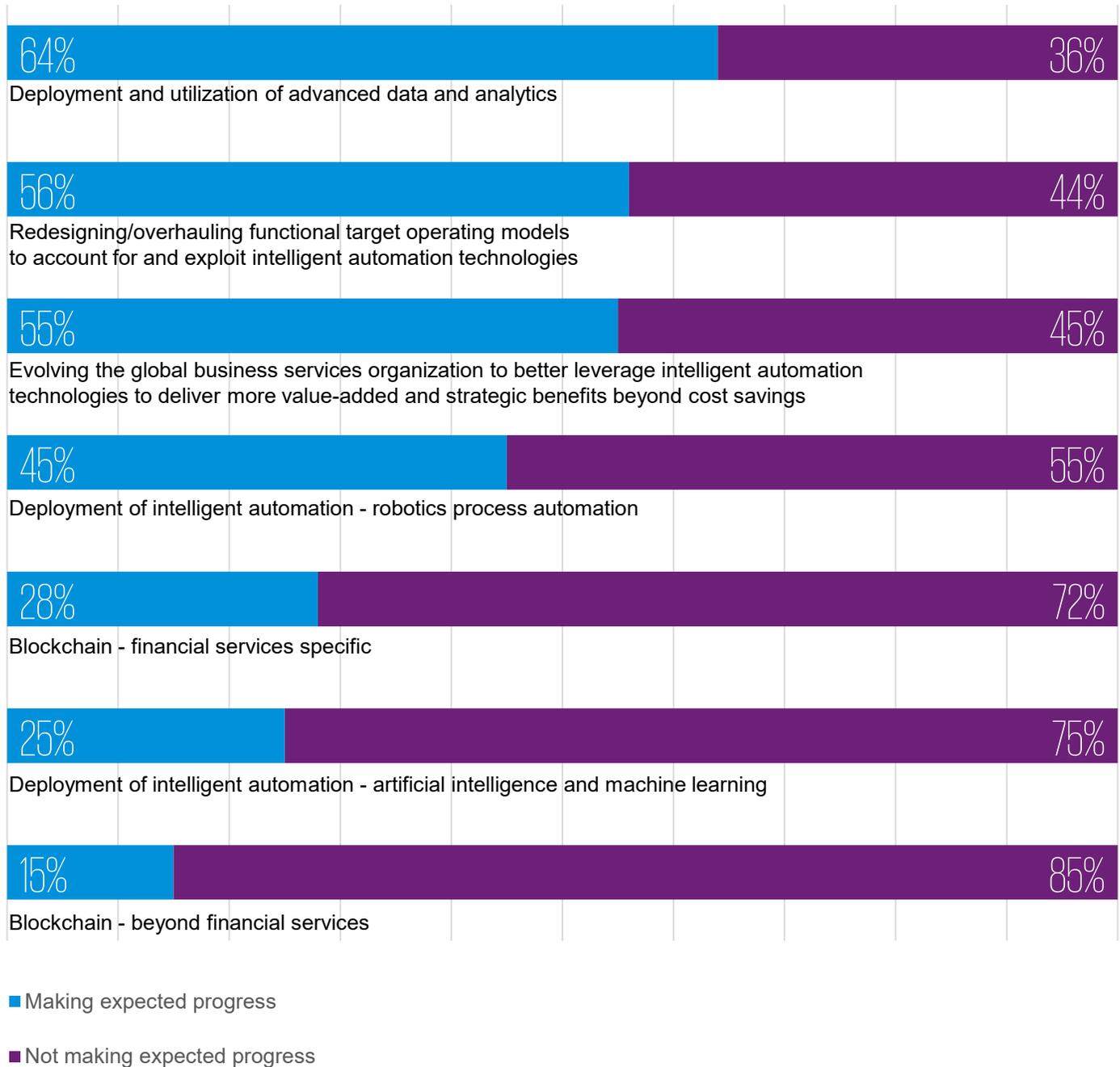
Progress with technology initiatives

Organizations now enjoy access to a range of technologies to which they previously did not, from data and analytics to multiple forms of IA, including RPA, AI, and ML. Making adequate progress in the use of these technologies is critical to maintaining competitiveness: those that fail to properly harness these technologies risk falling behind.

Data and analytics are generally more mature than IA technologies, and this is reflected in the survey results: nearly two-thirds of organizations have made expected progress with their data and analytics initiatives, compared to just 45 percent for RPA and 25 percent for ML.

Organizations have also made mixed progress with redesigning their operating models to better leverage IA. Many new technologies must be deployed across functions to realize their full potential, and operating models must evolve to match. Accommodating this reality, however, can prove challenging: roughly half of organizations are failing to meet expectations from overhauling their target operating models and evolving GBS to accommodate IA.

Progress with key technology initiatives



Source: 4th Quarter 2018 KPMG Global Pulse Survey, January 2019

Actions to consider

■ **Creatively acquire scarce AI-related skill sets through multiple sources.**

Competition for AI-related skills is fierce, with demand far outstripping supply. Successful organizations will take a multi-faceted approach, flexibly hiring new staff, reskilling existing staff, and utilizing external service providers as needed, and will be realistic about the extent to which staff whose jobs are impacted by automation can be retrained.

■ **Look beyond the technical skills required to implement and operate AI.**

Skills required to work with AI on an ongoing basis, such as design thinking, behavioral economics, and change management, are just as critical as the technical skills required to implement and maintain it. To succeed, organizations need to embrace a “digital mindset.”



Utilize IA not just to reduce costs, but also to positively impact customer-facing business outcomes.

While in the past IA technologies have primarily targeted cost reduction in transaction-oriented processes, in the future they will increasingly be used to enable new insights about customers and markets, and to enhance the customer experience.

Consider technology and processes simultaneously

In many cases, IA technologies cut across traditionally defined corporate functions, making operating model and process redesign a prerequisite before being able to realize the full potential of IA and other innovative technologies. The most promising technologies will fail to meet expectations if applied to poorly designed processes.



KPMG can help

KPMG firms help clients transform their business service delivery to realize improved value, increased agility, and sustainable business performance. Our teams bring together experience in global business services (GBS), shared services, outsourcing, risk, transactions, front-, middle, and back-office functions, tax, and compliance.

If your organization is seeking innovative ways to achieve genuine business services delivery transformation, KPMG's Shared Services and Outsourcing Advisory can help. For more information, there is no better place to start than by accessing our research and thought leadership on the KPMG Shared Services and Outsourcing Institute: www.kpmg.com/us/ssoinstitute.



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