The future of HR 2019: In the Know or in the No

The gulf between action and inertia
In the Know or in the No

Our latest global survey of 1,200 HR executives exposes a clear and disconcerting gulf between action and inertia on the need to transform the HR function into the 21st century.

Forward-looking HR leaders are confidently harnessing the resources and insights needed to redefine the traditional HR model. They are following strategic plans and implementing new technologies such as analytics, digital labor and artificial intelligence. They are also pursuing the critical new skills needed to succeed in the digital age.

But a much larger segment of HR leaders are sounding less confident and are demonstrating either a wait-and-see approach to change or simply sitting idle on the sidelines as the digital era rewrites the rules for success.

Those making limited strides could, in a few short years, see today’s technology disrupt them out of existence, while the largely inactive face a much shorter timeline to extinction.
Uncertainty prevails

While our latest survey reveals a level of uncertainty and inertia that could prove costly for some organizations, it also shows a lack of progress since we shone a spotlight on the HR transformation trail with our 2017 survey report — HR Transformation: Which lens are you using?

Uncertainty continues to prevail.

The dichotomy endures even as the pace of change accelerates relentlessly. Many businesses apparently don’t recognize what today’s transformation trailblazers know and are clearly acting on: uncertainty is today’s new normal. The trailblazers are exploiting uncertainty and doubt as a critical opportunity to drive new competitive advantage and leap ahead of the pack.

Robert Bolton
Partner
Global People and Change Center of Excellence
KPMG in the UK
Strategic plans are lacking

While about two-thirds of HR executives agreed that HR has undergone or is undergoing a digital transformation, only 40% of HR leaders said they have a digital workplan in place at the enterprise or HR level.
Just one in three leaders are ‘very confident’

Most HR executives surveyed — 70% — told us they recognize the need for workforce transformation that includes new skills and processes.

At the same time, however, only about one in three — 37% — said that they feel “very confident” about HR’s actual ability to transform and move them forward via key capabilities like analytics and AI.
What is the level of alignment between HR and the C-suite?

Our latest survey reveals apparent ‘disconnects’ between HR teams and their senior leaders. The disparity among leaders regarding AI and its impact on the workforce is striking: more than half of HR executives surveyed — 60 percent — believe AI will eliminate more jobs than it creates. Conversely, our 2018 Global CEO Outlook study revealed about the same number of CEOs — 62 percent — saying AI will create more jobs than it eliminates.
What is the level of alignment between HR and the C-suite?

Turning to workplace culture, HR leaders said they consider it a top barrier to digital transformation, with about a third —

35% — calling their current culture more *task-oriented* than *innovative* or *experimental*.

But a look at our *KPMG 2018 CIO Survey* shows that

85% of CIOs consider an innovative or experimental culture to be quite important or very important to success on the digital transformation front.

Our message to all leaders? Only decisive action now will redefine yesterday’s task-focused work teams into tomorrow’s innovative and futuristic workforces.
HR’s value to the enterprise

Just how valuable is the HR function to the businesses they serve today? Many HR executives expressed confidence regarding HR’s strategic value and performance:

- **40%** agreed that the HR function is considered a core value driver by their senior leadership, with
- **34%** at least slightly agreeing. In our 2018 CEO Outlook Survey, nearly half of CEOs —
- **47%** — agreed that their workforce/HR capabilities are effective
HR’s value to the enterprise

HR execs who believe HR has a strategic role to play in their business were more likely to be pursuing digital transformation —

67% — compared to — 48% — who view the HR role as unchanged.
Data, analytics . . . and disbelief?

Despite data’s remarkable ability to deliver critical new insights, enhanced decision-making, barely one in five HR leaders —

20% — said they believe analytics will be a primary HR initiative for them over the next one to two years.

Fewer still —

12% — cited analytics as a top management concern as unchanged.
Smarter approaches to AI needed

Only 36% of HR functions have started to introduce AI and just 14% have invested in AI over the past 2 years.

42% of HR leaders agreed AI and machine learning integration are among the biggest transformation challenges they will face in the next five years. But among organizations yet to adopt AI within HR, half remain uncertain that they will do so in the next year or two.

A troubling 50% admit to being “not at all prepared” to respond strategically as AI and ML emerge; barely a third feel “somewhat prepared.” Fewer than 1 in 10 feel “prepared” or “very prepared” for changes to come.
Employee Experience challenges remain

While 50% of HR leaders strongly believe employee experience (EX) is valuable to the entire organization, only 25% rank EX as a top initiative for the next year or two. That’s perhaps due to the fact that only 16% of their senior management have communicated that EX should be a top focus area for HR.
Little focus on Employee Value Propositions

On the need to create modern employee value propositions (EVP), only

23% — of HR executives called it “very valued” by their enterprise. EVP is not deemed a top initiative by 8 in 10 organizations.

Many HR leaders themselves do see it as a critical area for the future, with

37% selecting it as among HR’s top three required capabilities.
Millennials remain misunderstood

As noted, we see a prevailing lack of focus on EVP and this may be explained by the simple fact that EVP remains misunderstood by the broader organization today. According to KPMG’s 2018 CEO Outlook study, almost half of the CEOs surveyed said they still struggled with understanding how millennials differ from other generations.

About 38% of CEOs acknowledged the need to reposition their business to better meet the needs of Millennials,

45% also saying that appointing senior leaders who can better relate to millennials is one of their biggest challenges.
The Future of HR is now

It becomes plain to see the prevailing gap between those HR leaders confidently riding the wave of change that’s engulfing businesses and those trailing in their wake. Also worth noting is the trend among today’s CIOs and CFOs who are casting an eye on the people agenda – until now the time-honored turf of the HR team.

HR is at a crossroads, the likes of which we’ve perhaps never seen. Increasingly, CFOs are owning analytics and CIOs are owning total workforce learning and the insights agenda. HR leaders need to act now or they will be reduced to transactional and administrative tasks.

HR leaders are in the unique position of being able to convene how the world of work will take shape in a technologically enabled world. But you cannot occupy that space without a deep comprehension of the technology involved. You also need to work out what you stand for and find your voice. HR is perhaps conflicted here because you are typically working behind the scenes. But today you absolutely need an internal and external voice and finding this all-inclusive new voice – one with purpose and passion – is critical.

Susan Ferrier
Global Head of People, Performance and Culture for KPMG International
Success requires a sharper focus on HR’s future

Our advice to forward-looking leaders and businesses? Focus intently on:

– The accelerating speed of change in the digital era and how it’s dramatically rewriting the rules for success;

– Reshaping the HR function — and its value to the business — using technology and new skills while embracing workforce shaping as critical to the workforce of the future;

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

– Preparing for the advance of AI/ML and its integration into a collaborative future workforce that combines human and digital labor;

– Valuing employees as ‘customers’ in the increasingly digital, global and agile world of work, embracing technology to increase connections and supporting an overarching people agenda as tasks and roles are redefined.
About this survey

During July and August of 2018, 1,201 senior HR executives from 64 countries participated in the Future of HR Survey, with representation from 31 industries across Asia Pacific, Europe, North America, Middle East/Africa and Latin America. Approximately half of the sample are companies with a headcount of 5,000 or more employees and 42 percent of participants were from organizations with revenue of $1 billion+.
For more information please visit http://kpmg.com/futureofhr
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