



The future of HR: From flux to flow

Executive overview

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The future of HR



Move toward 2025 with purpose

Throughout 2022, HR functions have felt the tremendous weight of the global COVID-19 pandemic start to lift, and along with it the pressure of implementing so many dramatic, swift, and highly impactful transformations at unprecedented speed. However, as one may expect from one of the most vital functions of any organization, there has been little reprieve. In particular, after staying put during the pandemic, employees are looking outward to new opportunities and new ways of working. They want remote working opportunities combined with genuine flexibility; learning and career growth; strong financial incentives and above-average benefits—and are willing to move companies to get it.¹

This so-called “Great Reconsideration” means HR functions need to remain one step ahead to attract, retain, and provide their people with compelling reasons to commit to their organization. In our survey of 300 Chief HR Officers (CHROs) and their equivalents, conducted specifically for this report, 61 percent said they need to alter their Employee Value Proposition (EVP) in response to the external labor market. The respondents told us that some of the most important parts of the EVP when attracting, developing, and retaining talent are culture (50 percent), company values and purpose (47 percent), fair pay (34 percent), and offering flexible working (33 percent).

Of course, offering a compelling EVP is just one part of the challenge for HR functions. Our survey identified six key themes that CHROs and their equivalents are struggling with right now and as they work toward 2025. The themes were: Delivering on strategy, integrating digital technologies, advancing people analytics, building talent marketplaces to support agile growth, making the purpose of the organization real, and prioritizing the well-being of their people.



¹ <https://advisory.kpmg.us/articles/2022/americanworker-survey-summer-2022.html>

61%

Are having to alter their EVP in response to the external labor market.

These findings were backed-up by engaging with our global partner network, who work daily with organizations on these topics. Further, our *KPMG 2022 CEO Outlook* emphasized that areas of focus for organizations include changing how they support and attract talent; directing digital investment to areas of their business that drive growth; and being more transparent with their environmental, social, and governance (ESG) plans—largely in response to increased expectations from their people.²

In this report, we explore the six key themes from our survey with representatives from 12 organizations that we identify as Pathfinders—HR functions that are moving from flux to flow in these areas despite all of the uncertainties that they face.

Our Pathfinders

Pathfinders are not a new concept. In 2020, we identified them as the top 10 percent of HR functions, leading their peers when it comes to navigating the challenges and opportunities presented by the future of work.³ In 2021⁴ we built on this research by identifying the organizations whose HR functions were leading on longer-term topics, such as reimagining the HR function for the new world of work; enabling a total-workforce approach to talent management; and supporting ESG.

In 2022, we have seen further change. Pre-pandemic, many organizations and their HR functions were considering their plans to 2030. Now, COVID-19 restrictions have lifted in many parts of the world, and organizations are once again looking toward the future—but just as far as 2025. Smaller steps, greater agility, and the space to alter plans in response to further disruption are the way forward. Leading HR functions are thinking about people-first, digitally enabled, and socially and environmentally responsible ambitions.

Key findings

This year's research focuses on what HR can do to support an organization's grand plans, while also navigating the complex and immediate dilemmas of the function. In our survey of 300 HR leaders, they ranked their top areas of focus for the next three years, with answers including:

- 1 Understanding how the size, shape, skills, and organization of the workforce needs to change to meet future needs three years out (57 percent); as well as improving the employee experience across enterprise processes (also 57 percent).
- 2 Improving the mental health and well-being of the workforce (53 percent).
- 3 Building a talent marketplace that allows for the matching of skills to tasks as well as people to jobs (46 percent).
- 4 Automating HR service delivery (39 percent) and delivering digital technology into HR beyond the core HR system of record (also 39 percent).
- 5 Delivering predictive insight and business value from workforce analytics (36 percent).
- 6 Ensuring the workforce contributes to ESG topics, including any commitments to net-zero and diversity and inclusion targets (32 percent).

² <https://home.kpmg/xx/en/home/insights/2022/08/kpmg-2022-ceo-outlook.html>

³ <https://advisory.kpmg.us/articles/2019/future-hr-survey-2020.html>

⁴ <https://advisory.kpmg.us/articles/2021/future-of-hr-lessons-from-pathfinders.html>

Our respondents demonstrated some interesting contradictions when it came to the importance of these factors and their perceived ability to deliver on them. The graph below illustrates this. For example, when it comes to understanding how the shape, size, skills, and organization of the workforce needs to change, 57 percent ranked this as the highest matter of importance, but only 25 percent had the current capability to do so—a 32 percent gap. Similarly, 50 percent said enabling a culture of organizational agility was of key importance, however only 19 percent said they have the current capability for this—a 31 percent gap.



Gaps in current capability vs. future importance



- Building a talent marketplace that allows for the matching of skills to tasks as well as people to jobs
- Understanding how the shape, size, skills, and organization of the workforce needs to change to meet future needs three years out
- Improving mental health and well-being of the workforce
- Automating HR service delivery
- Improving employee experience across enterprise processes
- Delivering predictive insight and business value from workforce analytics
- Enabling a culture of organization agility
- Ensuring the workforce contributes to ESG topics, including any commitments to net-zero and inclusion and diversity targets
- Delivering digital technology into HR beyond the core HR system of record
- Redesigning labor supply and demand, e.g., through automation

● Current capability ● Future importance — Largest capability gaps

We narrowed these responses into six key themes:

- Delivering strategic flow
- Being digital in thought, word, and deed
- Advancing analytics from insight to action... safely
- Shopping for talent—building talent marketplaces
- Holding to the heading—how to make purpose real
- Prioritizing well-being and feeling good.

We tested these six themes with our global network of KPMG partners in the space. We then conducted our in-person interviews on these areas with 12 Pathfinding HR functions. This research shines a spotlight on how they are addressing these themes as they move toward 2025, and what we can learn from them. To summarize, we found Pathfinders were:

1 Delivering strategic flow: Pathfinders are building more efficient and effective HR functions, with the overarching drive **to deliver strategic value-add** to their organizations beyond their traditional realms of recruitment, payroll, and employee engagement. They flow throughout the organization providing people insights and enabling decision-making by building the capabilities that make sense for their unique business strategy and marketplace. They are less concerned with what others do and say about people management, and instead embed themselves into all functions and the C-suite, demonstrating the value of the people function.

2 Being digital in thought, word, and deed: Legacy solutions and processes will not be tolerated by employees in a competitive labor market. Therefore, everything the HR function offers should be consumer-grade; seamless; tailored to employees; and informed by data. Pathfinders are accelerating past *necessary* technology implementation (for example to facilitate remote work), and instead are **integrating digital** to create a frictionless and highly engaging working environment that facilitates things such as learning in the flow of work.

3 Advancing analytics from insight to action... safely: Pathfinders have moved beyond tracking KPIs and producing dashboards. Instead, they are answering the questions the business is asking, and using **relational analytics**—the science of human social networks—to do so. That means building a value chain that takes HR analytics teams from asking the right questions through to meaningful insight and action. They have set up an end-to-end capability that flows from proposing hypotheses to exploring correlations, and acting on findings to benefit strategy, engagement, retention, and career opportunities.

4 Shopping for talent—building talent marketplaces: Pathfinders are shaking up how skills are distributed to help their organizations find a better way to have their talent in flow. They recognize that a world of *matching people to jobs* has, in part, given way to one where it is now about *matching skills to tasks*; and they are experimenting with **talent marketplaces** and integrating employee data, business insights, and business forecasting to do this. Talent marketplaces are still fledgling, even in the most innovative HR functions; however, Pathfinders are taking them seriously as a critical competitive requirement.

5 Holding to the heading—how to make purpose real: Pathfinders are taking the lead on organizational **purpose**—defining it and making it real for their people. In particular, they are embracing ESG and engaging their people on their net-zero strategy so that it flows through every part of the organization and impacts positively on the end customer experience.

6 Prioritizing well-being and feeling good: HR functions are prioritizing **well-being**, bringing in innovative approaches that are truly meaningful. Employees—especially younger generations—are demanding more from their organizations in this regard. Pathfinders know this and are ready to be flexible and deliver as needs arise.

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With thanks

Our 12 Pathfinders are HR functions that we see are leading the way globally. Some Pathfinders in this report were also featured in 2021, such as Microsoft, Salesforce, and Ocado Group. This demonstrates that certain organizations are staying a step ahead as they consider the HR dilemmas they face today, and that they can lead in more than one area of focus. We would like to thank the following individuals as representatives of their Pathfinding HR functions for participating in this year's research:

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Chief People Officer

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Chief People Officer

Ocado Group
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HR Director

Our HR leaders survey

To support our identification of themes and discussions with the Pathfinders, we surveyed 300 CHROs or their equivalents such as HR Directors, in the U.S. and U.K. in late 2022. We asked their main priorities going forward, and where they faced the biggest gaps in their capabilities. Their organizations predominantly had revenues of between U.S. \$501 million and U.S. \$10 billion. The findings are featured throughout this report and support the six themes we have identified.

To access the full report, go to [The future of HR](#)

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