



# Next Gen HR



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# 01

# Art of the Possible



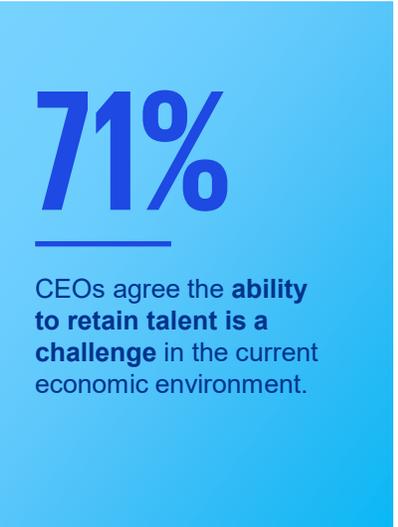
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# New People challenges are placing organisations under pressure and impacting business performance

In the current economic climate, many businesses are under immense pressure to retain top talent, whilst also transforming to stay competitive in the Generative-AI era. Businesses are being pushed to deliver the same targets with fewer people, in market where human capital is critical. Incentivising talent to stay and grow with the organisation has become front of mind for leadership teams in response to these market pressures.

## Key drivers

01	Employee Engagement and Well-being
02	Remote and Hybrid Work
03	Skills Gap and Talent Development
04	Diversity, Equity and Inclusion
05	Competitive Job Market



 **These people challenges, if not addressed, could have a detrimental impact on business performance. Failed transformation, decreased productivity and profitability and impacts on customer service, are just some examples.**

# Generative AI is compounding the impact and driving organisations to transform faster than ever

HR Functions need to adapt their ways of working and embrace Generative AI to remain sustainable in the market.



## Artificial Intelligence

- A branch of computer science aiming to build machines that mimic human intelligence.
- HR Applications: Sorting through resumes to identify top candidates.
- Tech Enablers: Workday Power BI, SAP.



## Machine Learning

- A subset of AI where computers learn from data to make decisions and predictions without explicit programming.
- HR Applications: Predicting employee attrition or performance based on historical performance.



## Natural Language Processing

- Making sense with words.
- HR Application: Analysing employee feedback or survey responses to understand sentiment.
- Tech Enablers: Qualtrics, TechWolf.



## Generative AI

- AI systems used to generate new unique content.
- HR Applications: Generating responses to common employee queries or generating learning content.
- Tech Enablers: Isier, Vee.



## Large Language Models

- A type of generative AI that focuses on generating text.
- HR Applications: Automating responses to common HR queries or drafting job descriptions.
- Tech Enablers: GitHub.



## AI Prompting

- AI prompting can be used to distil complexity, unleash creativity, craft correspondence, as a coding assistant.
- HR Applications: Write emails, vulgarize complex concepts, write job descriptions.
- Tech Enablers: ChatGPT.

# “Pathfinding” CHROs are responding to these challenges by reimagining their HR Function

HR pathfinders are taking bold decisions to reimagine their HR function in response to the current market pressures. They are looking towards the future to drive people first, digitally enabled and socially responsible ambitions. Pathfinders are truly setting the example and navigating the course.



Pathfinders are HR organisations who are focusing on integrated and mutually reinforcing capabilities such as employee experience, data and analytics, workforce shaping and digital HR and learning\*.



## 60%

CHROs will **change** their **operating model** in the **next two to three years**.



## 53%

Organisations are investing in **new analytics platforms** within their HR Functions.



## 61%

CHROs are altering their **Employee Value Proposition (EVP)** in response to People challenges.



## 98%

Global executives agree **AI foundation models** will play an **important role** in their **organisations' strategies** in the next 3 to 5 years.

\* KPMG Global - The future of HR: Lessons from the Pathfinders (2021).

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# Pathfinders are placing people priorities at the centre of their strategies

Pathfinders are elevating their people strategies, through six key priorities for the next three years.

## 01

### Delivering strategic flow

Pathfinders are building more efficient and effective HR functions, with the overarching drive to deliver strategic value add to their organisations beyond their traditional realms of recruitment, payroll, and engagement.

## 02

### Being digital in thought, word and deed

Pathfinders are accelerating past necessary technology implementation and instead are integrating digital to create a highly engaging working environment.

## 03

### Advancing analytics from insight to action...safely

Pathfinders are using relational analytics—the science of human social networks—to answer the questions the business is asking.

## 04

### Shopping for talent – building talent marketplaces

Pathfinders are shaking up how skills are distributed to help their organisations to find a better way to have their talent in flow.

## 05

### Holding to the heading – how to make purpose real

Pathfinders are taking the lead on organisational purpose—defining it and making it real for their people—in particular embracing ESG and engaging their people on net zero strategy.

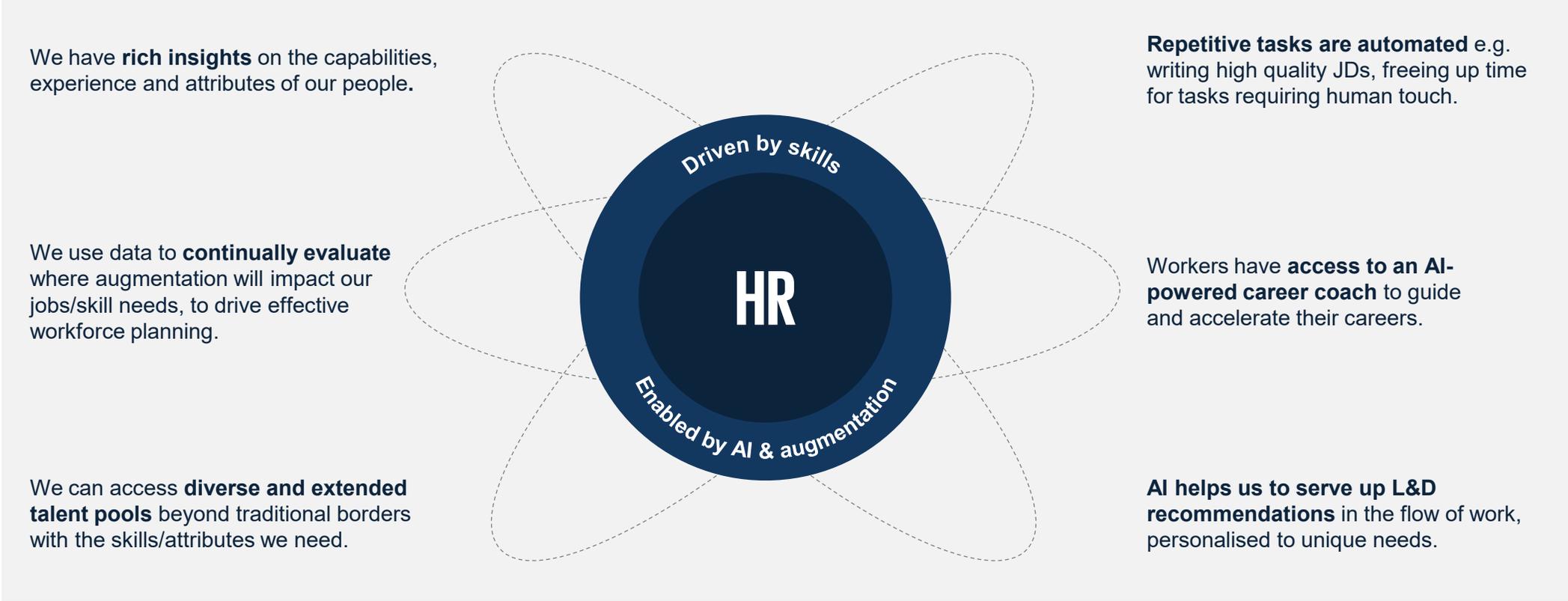
## 06

### Prioritising wellbeing and feeling good

Pathfinders know that employees—especially younger generations—are demanding more from their organisations. They are ready to be flexible and deliver as needs arise.

# Embedding Gen AI across the full employee lifecycle

We leverage technology & AI to identify and build the capabilities and talent we need to succeed (right skills, right place, right time, right cost).



# Great focus is being placed on organisational culture and employee experience

Establishing the right organisational culture and owning the employee experience are both key characteristics of HR Pathfinders.

Employee experience is all about how easy and engaging organisations make every journey and interaction that their people have in being a part of the organisation and doing their job.

Employee engagement is an outcome of great experiences, and directly influences employee behaviour and action.

This in turn directly contributes to customer experiences, behaviours and business outcomes, which can come full circle in driving employee engagement through a sense of satisfaction and accomplishment.

**Organisations that invest in Employee Experience see:**

<p><b>3x</b> </p> <p>Profit growth (Gartner, 2021)</p>	<p><b>27%</b> </p> <p>Average operating margins growth (HBR, 2020)</p>	<p><b>-18%</b> </p> <p>Reduction in employee turnover (Forbes, 2019)</p>
<p><b>122%</b> </p> <p>Outperform the Standard &amp; Poor's 500 by 122% (Glassdoor Study, 2018)</p>	<p><b>50%</b> </p> <p>Less Absence Days (Forrester, 2019)</p>	<p><b>-8%</b> </p> <p>Reduction in HR cost to serve (Josh Bersin, 2021)</p>
<p><b>Double</b> </p> <p>their customer loyalty (based on those with upper quartile EX) – (MIT, 2020)</p>	<p><b>62%</b> </p> <p>Less Accidents (Engageforsuccess, 2018)</p>	<p><b>5x</b> </p> <p>Outperforming peers HR Pathfinders, 2021)</p>

# HR Functions are on a transformational journey and we can play a critical role in elevating organisations to Pathfinder

We at KPMG are focused on how we can partner with organisations on their transformation journey to Pathfinders.

## Trailers



Cloud-based tech has been poorly implemented, with non-standardised processes across the business.

HR work is not organised through HR ops, and the CoEs either don't exist or exist as "administrative".

The recruiting/talent functions are administrative, with little added value.

There is likely lots of manual interactions between HR and employees, with very basic HR data and reporting.

The C-suite has no real focus on the People Agenda.

**There are very few clients at this stage, mostly building societies, KPE clients or clients in public sectors.**

Government/Public sector, Insurance brokers, small building societies, small businesses.

## Practitioners



Cloud-based tech successfully implemented, with standardised processes that are broadly aligned.

The op model for HR is in place, with HR work largely organised through HR Ops/CoE breakdown.

There are funded and capable Talent CoEs, which add innovative thinking to TA, Assessment and more.

The People Agenda is important to the C-suite, and the recruiting function is linked to wider organisational strategy.

There is effective Service Management, with good operational reporting available.

**Our FS/Sectors clients are currently at this stage.**

Large multinational corporations, large financial services firms, large banks.

## Pathfinders



All back office (including HR) processes are standardised and accessible through one single place, giving a seamless EX.

The centralised GBS function is responsive to business needs, trained in a culture of providing best experience enabled by leading technologies.

The HR+Other corporate functions work seamlessly together, operating under one vision and one strategy, proactively promoted by the COO and CEO.

Service Management technology ensures all queries are re-routed with ease, with excellent operational and reporting capability.

**This stage is typically led by IT/GBS, outside of HR scope, as it is required to have services provided through a centralised support function.**

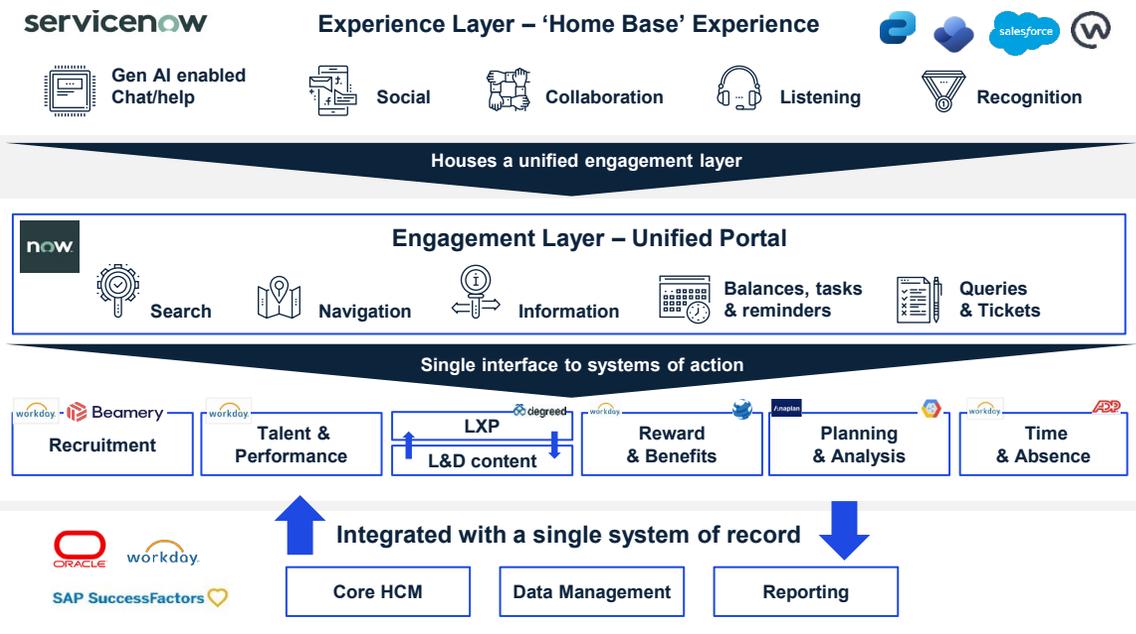
A small number of large multinational technology firms.

# An AI-enabled tech ecosystem underpins the next Gen HR landscape

Next Gen HR is centered around an AI-enabled ecosystem, which drives unified and personalised digital experiences. To enable the technology, Pathfinders need to consider the entire HR Operating model design, to fully harness the benefits of the technology.

## Key principles

- Mobile Accessibility
- Digital Adoption Support Integrated
- Consistency of design, branding (VI & ToV)



- Single 'home base' for employees in their flow of work
- Chat / get help unified & embedded in everyday channels
- Close the gap between HR and day to day on key engagement tools (listening, recognition etc)

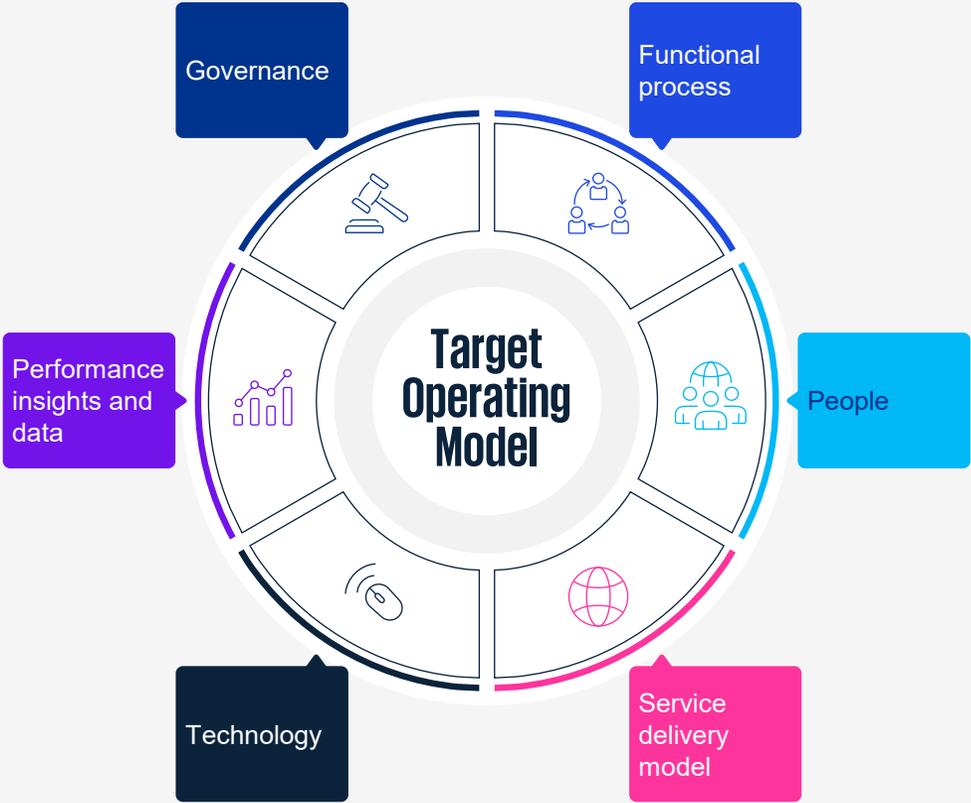
- Single unified portal for employee needs
- Tasks and reminders in one place surface through 'Home Base' Experience where possible
- Optimised and personalised search and navigation aligned to employee intentions/needs

- Wider features and capability optimised in core systems (WD, SN) where possible
- Best in breed used only where benefit>cost in line with pre defined principles
- All systems must integrate with WD as core system of record

←----- Employee Experience ----->  
 Integrating digital capabilities to create a frictionless and highly engaging working environment.

# To support the AI-enabled ecosystem, Pathfinders are reimagining the entire HR operating model

While technology and generative AI are a catalyst for change, we have identified key themes and critical 'get rights' to elevate organisations to Pathfinders across the KPMG TOM layers.



## Operating model layers

- 
**Process:** This frames your world. Everything you do can be described in terms of process.
- 
**People:** Who does what, the reporting lines, required skills sets, roles and responsibilities.
- 
**Service delivery model:** What will get done and where. Identification of what capabilities are delivered and how.
- 
**Technology:** The environments, applications and integrations that enable and automate your processes.
- 
**Performance insights and data:** What will be reported and how. Defines the info requirements, KPIs, master data structure and governance to drive business insights and optimised decision making.
- 
**Governance:** How it will be overseen. Defines segregation of duties, internal controls and policies that should exist.

## Future themes for the layer

- End-to-end view
  - Automation
  - Process Analytics
- Emerging capabilities
  - Future thinking teams
  - Agile HR delivery
  - Leading HR initiatives
- Automation
  - Global Business Services (GBS)
  - Targeted outsourcing
- New HR Eco-System
  - Focus on Skills
  - The Power of Data
- Quality data
  - Connected data
  - Future Skills
  - Governance & ethics
- Governance Council
  - Data Integrity and Transparency
  - Compliance and Ethics

# Using the 4E's framework as the framework to track and measure the journey to Pathfinder

The 4E's of HR Performance is an outcomes-based framework to measure your business' progression to Pathfinder. The framework describes the critical parameters that we will focus on to measure improvement against each layer of the TOM.

## Efficiency

Processes designed to operate in the optimal way (e.g. the fastest or the lowest cost).



## Experience

Processes designed around employee experience, which in turn enhance the external customer experience.

## Effectiveness

Executing the processes and achieving the desired business goals on timely basis and without re-work.

## Evidence

Providing data-driven insight, enabling better decision making- e.g. workforce insight and workforce shaping.

- ✓ Uses a data-driven model to track and assess each 'E' to ensure you are delivering desired outcomes for your HR Function.
- ✓ Enables us to quickly pinpoint areas for improvement and tangibly measure these improvements in each of the 6 TOM layers.
- ✓ Supports a HR Function to enable the business' wider strategic objectives.



# 02

## Deep dives: TOM Layers



# Next Gen considerations: Technology

Pathfinders harness diverse HR technologies for enhanced capability, whilst still delivering a seamless digital employee experience with one, cross-functional interaction layer.



## New HR Eco-System

- Explosion of different technologies set Pathfinders apart from having only one HRIS platform to run the business.
- Generative-AI technologies strengthen their capability and enable HR to support strategic business objectives.
- One interaction layer as the entry point across the tech is fundamental.



## Focus on Skills

- Skills-based workforce instead of traditional focus on qualifications and tenure.
- Investment into Talent Marketplace platforms to enable employees to find their next role within the company.
- Encourages re-skilling and drives the retention of key talent.



## The Power of Data

- Data integrity is crucial for maximising tech platform benefits.
- Accurate data enables the HR function to gather valuable insights from the data to elevate strategic thinking.
- Pathfinders have a centralised People Data Lake to enable this.
- Data analytics gathered across the tech platforms further drives strategic decision making.

←----- **Employee Experience** ----->  
**Integrating digital capabilities to create a frictionless and highly engaging working environment.**

# Next Gen considerations: People

HR functions must adapt to new organisation capabilities, prioritise purpose and wellbeing, embrace radical shifts in talent and redefine their people layer to become Pathfinders.



## Emerging capabilities

- New skill sets emerging, in line with technology advancements.
- Pathfinders prioritise analytics, employee experience and digital capabilities.
- New capabilities enable strategic people decisions to support business priorities.



## Future thinking teams

- Future-thinking teams leveraging emerging capabilities, data, and insights for innovative initiatives.
- Priority is purpose, wellbeing, and a strong EVP to attract and retain top talent.
- C-suite recognise the value of these teams for the CHRO when delivering against the business strategy.



## Agile HR Delivery

- Embracing agility and utilising HR consultants as problem-solving 'squads' with business, process and technology knowledge.
- Benefits realised include broader capabilities, cost management, and talent development/mobility.



## Leading HR initiatives

- Pathfinders are aligning HR initiatives to business strategy.
- HR are driving cross-business initiative – e.g. cultivating talent marketplaces and championing ESG and Culture.
- Leveraging data and continuous employee listening for impactful improvements.

←----- Employee Experience ----->

**Placing employees at the heart of their People layer is differentiating pathfinder organisations.**

# Next Gen considerations: Service Delivery Model

HR functions adapt their ways of working to align with changing trends, advancing from Practitioners to Pathfinders to enable strategic delivery.



## Automation

- Enables personalised, seamless and intuitive employee experiences, through predictive intelligence, automated employee journeys and generative AI.
- Governance and controls plays a critical role in managing automation and AI.
- Transforms the role of HR from transactional tasks to a strategic partner, leveraging real-time data and insights to empower informed decision-making.



## Global Business Services (GBS)

- GBS sees emerging capabilities shared across functions, breaking down siloes and enhancing value.
- GBS is a crucial enabler of service delivery, shifting from traditional shared services to an integrated model that prioritises customer satisfaction and operational excellence over cost.
- Along with automation, provides always on availability that enables a global service, to be a true value driver to the business.



## Targeted Outsourcing

- Strategic outsourcing based on capability, priorities and organisation footprint.
- Outsourcing areas like Talent Acquisition, Payroll and HCM Managed Services offer cost efficiencies and enable strategic focus.
- Strategic outsourcing enables an 'always on' model to provide continuous support.

←----- Employee Experience ----->  
**A future-thinking Service Delivery Model enables seamless, tailored interactions with HR.**

# Next Gen considerations: Governance

Pathfinders have a strong data governance mindset at their core. This is underpinned by governance councils, data integrity & transparency and ethical behaviour, to unlock the business benefits of Next Gen HR technologies and drive sustainable people outcomes.



## Governance Council

- Strong data governance and ethics frameworks ensure robust data integrity.
- Formal bodies established with specific roles, and responsibilities e.g. Change committees and data ethics committees.
- Global Process Owners to work with business to define tech landscape against overall strategy.
- Communicate data usage and protective measures transparently.



## Data Integrity & Transparency

- Routine data-quality assessments for accurate and up to date data across platforms.
- Cloud adoption Emphasise the need for strong data security.
- Integration with other functions data highlights the importance of maintaining data accuracy.
- Ensuring ethical use aligned with its purpose. Prioritise data security and secure storage.
- Role-based security to limit the visibility of personal data.



## Compliance and Ethics

- Driving ethical and responsible behaviour within HR practice.
- Segregate duties related to compliance monitoring. Multiple individuals should be responsible for monitoring HR practices, ethics, and adherence to applicable laws and regulations.
- Independent audit functions to regularly assess and evaluate the effectiveness of HR processes and controls.

←----- **Employee Experience** -----→  
**Strong data governance ensures responsible and secure handling of personal information.**

# Next Gen considerations: Process

Pathfinders embrace data analytics at a workforce level, leveraging data and insights to create seamless interactions, elevating employee experience and making the process more efficient.



## End-to-End view

- Holistically design business processes by integrating:
  - Tech platform steps
  - Off-system steps
  - Employee experience touchpoints
  - Data & Insights opportunities
  - Continuous monitoring.



## Automation

- Automation is a key feature in redesigning HR processes, aligning with Next Gen SDMs.
- Embrace automated processes to empower HR professionals for flexibility, agility and strategic focus.
- Technology advancements reshape HR's response to employees, enabling greater freedom and strategic impact.



## Process Analytics

- Pathfinders harness data insights to enhance HR processes, delivering impactful results.
- Drives strategic effectiveness and supporting critical decisions including strategic workforce planning.
- Pathfinders are using continuous, real-time monitoring to drive continuous improvement.

### Employee Experience

Automation and digitisation of processes empowers HR professionals and reduces administrative workloads.

# Next Gen considerations: Performance & Insights

The Performance and Insights layer is crucial for success in the Target Operating Model. The Pathfinder organisations invest in the data quality, skills, integrations and controls for data-driven decision making.



## Quality Data

- Trusted, connected and dependable data is foundational to data-driven decision making.
- Pathfinder organisations ensure data is trusted by governing data quality throughout the employee lifecycle.
- Data integrity is embedded in decision-making, from vendor selection to integration strategy and service model agreements.



## Future Skills

- Data literacy is crucial for HR pathfinders. This requires upskilling or the acquisition of skills from other business areas.
- Digitally literate HRBPs are able to uphold data-driven conversations with business stakeholders.
- Investment into an Analytics CoE ensure the centralisation of skills and enforces best practice.



## Connected Data

- To address fragmented employee data estates, Pathfinders consolidate cross-platform data into HR and/or enterprise data lakes.
- Analysis and visualisation of connected data empowers management by placing the user at the centre rather than the platform landscape.



## Governance and Ethics

- Next Gen HR sees its role as the custodian of employee data as paramount.
- Mature forums and processes to sign off new uses of data from a privacy and ethics perspective are key to enabling innovation while maintaining trust and managing risk.
- Ensure data is limited to those that require access via role-base permissions.

←----- Employee Experience ----->  
**Placing reliable, trusted and governed data at the finger-tips of decision makers.**

# The impact of AI on the TOM layers

Embedding and embracing Gen AI across each TOM layer will enable organisations to remain sustainable and competitive in this rapidly changing world.

<b>Technology</b> 	<b>People</b> 	<b>Service Delivery Model</b> 	<b>Governance</b> 	<b>Process</b> 	<b>Performance &amp; Insight</b> 
<ul style="list-style-type: none"> <li>• <b>Large Language Models</b> can help develop employee handbooks, job descriptions and policies.</li> <li>• An <b>AI-powered survey tool</b> can automate a short, engaging survey that solicits honest and anonymous feedback from employees.</li> <li>• <b>Power virtual assistants and chatbots</b> to handle customer inquiries 24/7 and give career advice in line with organisation's objectives.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Virtual assistants and adaptive learning platforms</b>, enable personalised upskilling and reskilling in line with strategic workforce planning objectives, to ensure the relevant skills for the business are being invested in.</li> <li>• Offer the employee a tailored learning experience, course recommendations and progress tracking.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Automation of repetitive tasks</b> to allow HR professionals to focus on strategic aspects of their job.</li> <li>• <b>Gain access to diverse and extended talent pools</b> beyond traditional borders with the skills/attributes we need.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Automate the creation of reports and documents</b> in real-time.</li> <li>• Ensure organisation <b>maintain compliance</b> by monitoring activities and transactions.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Streamline and automate</b> processes, reducing the manual intervention required and reduces margin for human error.</li> <li>• <b>Track and monitor process efficiencies / performance</b> to give insight into key areas for improvement.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Process and interpret large amounts of data</b> from various sources to enable strategic decision-making through the extraction of meaningful insights.</li> <li>• <b>Predict future trends</b> by analysing historical data e.g. predicting employee turnover.</li> </ul>



# 03

## What's next?



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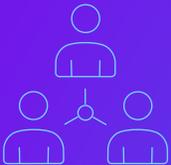
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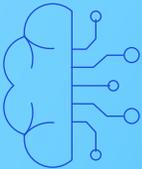
# How we get your business to Pathfinder

Next Gen HR considers the new wave of transformation holistically – it’s not just about the tech. We design future-thinking operating models, connecting all our People Consulting proposition areas.



## Future-proof your Target Operating Model:

Define HR operating models of the future that move past the traditional Ulrich, CoE-led teams, and embrace agile-delivery squads spread across the business.



## Conduct a Gen AI Impact Diagnostic for HR:

Leverage a pre-defined framework outlining which processes will be most impacted by the evolution of Gen-AI.



## Design an experience-led HRIS Architecture:

System architecture that consists of a SaaS core, layered with an explosion of different technologies that are all accessed through one interaction point.



## Predict the skills of the future:

Utilise generative-AI led skills frameworks that can predict and map organisational-skills in real time to suit a business’ evolving needs.



## Leverage the 4Es to measure performance:

We have tangible data driven metrics that we leverage to ensure your business is on the right track to becoming a Pathfinder.

# Next Gen HR: Your journey to Pathfinder

We hope that you have found this information insightful.

Contact one of our specialists below to find out how we can help you.



**Kate Holt**

**KPMG**  
Partner, Powered HR  
Kate.Holt@KPMG.co.uk



**Alejandro Modarelli**

**KPMG**  
Partner, Powered HR  
alejandro.modarelli@kpmg.co.uk



**Mohammed Bari**

**KPMG**  
Director, Powered HR  
mohammed.bari@kpmg.co.uk



**Caroline Cujic**

**KPMG**  
Director, HR Transformation  
caroline.cujic@kpmg.co.uk



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