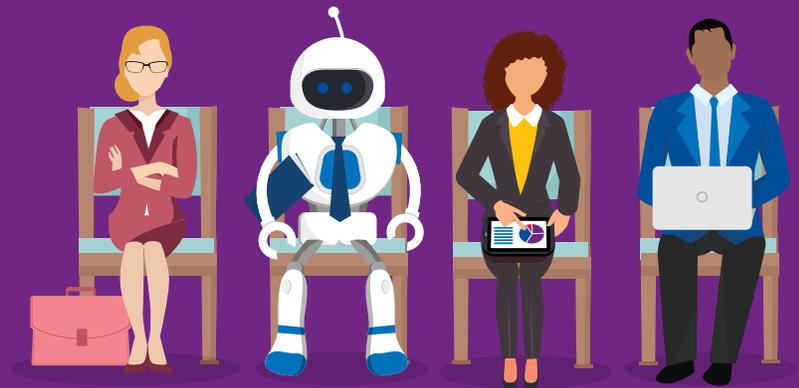




The Future of HR: 2019

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#LetsDoThis



Welcome to the “new normal”, an age of constant disruption, game-changing trends, and perpetual transformation. Staying ahead means shaping a workforce with the skills, attitudes, and flexibility to keep pace with change, and never before has human resources (HR) been more critical to that goal.

But that role is transforming. In KPMG’s 2018 Future of HR survey, we examine an industry that is being honed by new technologies and re-shaped by new priorities. We also look beyond the responses to reveal how HR professionals are taking a more strategic seat at the decision-making table.

It’s a natural evolution, to be sure. The HR function has always been key to helping organizations face disruptions in their path. Today, however, those disruptions are more complex and arriving at far greater speeds, challenging HR professionals to do what they do best on a larger and more strategic scale. That means applying new methodologies to source the right talent, leveraging data and analytics to anticipate the needs of an organization’s workforce, balancing a diverse and multi-generational cohort, and fostering cultures of innovation and transformation to stay on course.

In the pages ahead, we examine the revolution taking place within HR departments specifically. The movement towards cloud-based Human Capital Management (HCM) solutions, for example, is reshaping how HR professionals connect with their colleagues and approach everyday operations. While the slow and steady adoption of artificial intelligence (AI), robotic processing automation (RPA), and predictive analytics is enabling HR professionals to better predict and respond to

their organization’s needs, while also freeing up humans to pursue more meaningful, “big picture” objectives.

The good news is Canadian HR professionals are embracing transformation both within and outside of their department’s virtual doors. According to this year’s survey, 81 percent believe the role of HR has become more strategic, and 70 percent say transformation is needed in how their HR function operates. As such, a majority of this year’s respondents (80 percent) say HR is seen as a core value driver by their organization.

Still, as HR professionals continue to evolve, many face difficulties unlocking the full value of new tools and building much-needed capabilities within their organizations. And with a generation of Baby Boomers preparing to retire, the pressure is on HR to preserve intellectual capital, foster employee engagement, and ensure organizational leaders are being given what they need to thrive.

Transformation is rarely simple, but today it’s a fact of life. Read on to discover how HR leaders are adapting to the “new normal”, rising to their challenges, and playing a more strategic role in the boardroom.

We believe you are ready.

Let’s do this.

Findings at a glance



Top HR capabilities valued by leadership

 **Retaining employees**



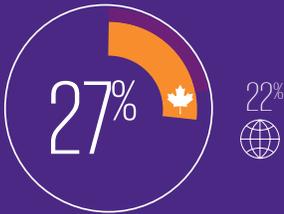
 **Transformation of the business**



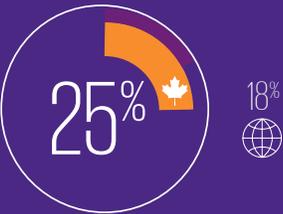
 **Performance management**



 **Attracting employees**



 **Compensation**



Top barriers to digital transformation

Capability



Capacity



Culture



Over the next 2 years, significant investments in HR technology will include

Cloud HCM



Predictive analytics



Enhanced process automation





63%  62% 

expect their budget to increase in the next 2 years

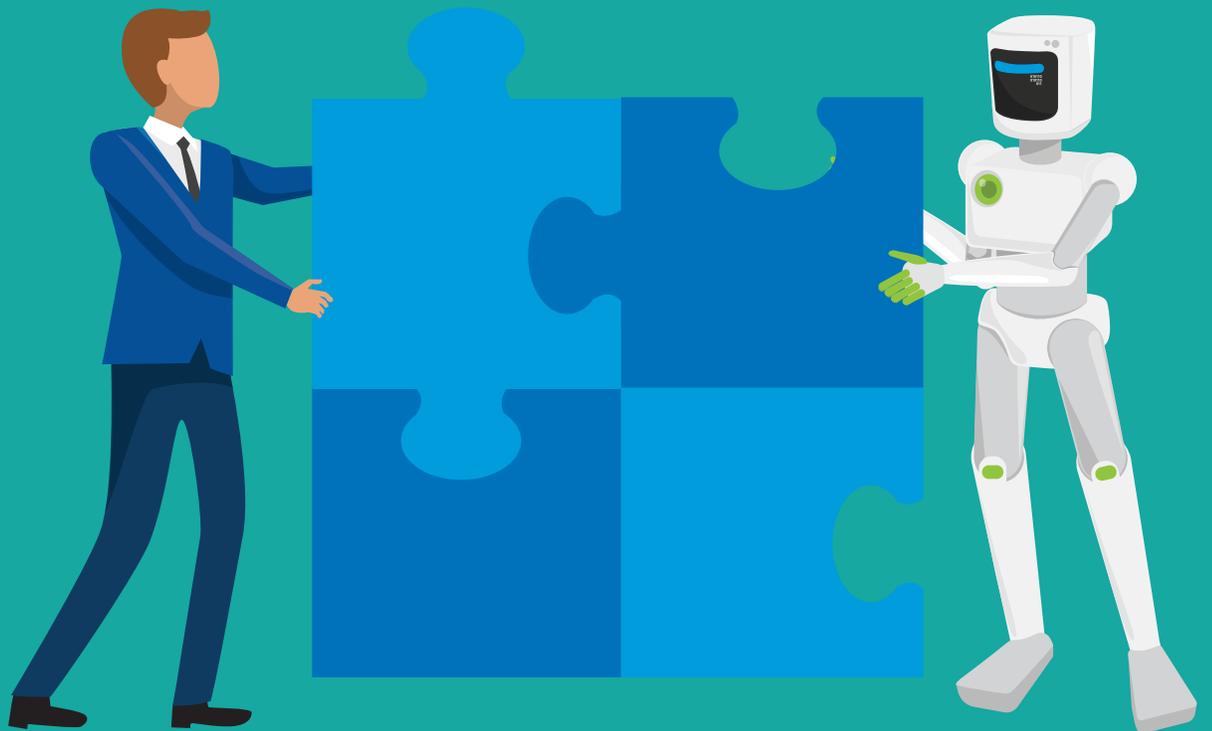
Adopting Artificial Intelligence (AI)

34%  of Canadian respondents have started to introduce AI into HR **36%** 

13%  will do so in the next 2 years **28%** 

31%  are prepared to some degree for AI **44%** 

Transforming the HR function



The HR evolution is being shaped by several converging headwinds. Among them are the confluence of competing generations (iGen, Millennials, Gen Xers, Gen Y's, Boomers, etc.) all swarming the workplace at once – and all with their unique skills, motivations, and attributes that will require unique strategies to manage.

There is also a shift in how and where employees work, with the “gig economy”, international assignments, and work-from-home models giving rise to the need for more custom strategies and multi-cultural approaches.

Regulatory shifts are no less influential. New and expanded regulations (e.g. IFRS-17, GDPR) are changing organizations’ risk appetites, requiring new and more sophisticated approaches to compliance controls, risk mitigation, and performance management. Here again, organizations are leaning on the HR function to build the capabilities and mindsets to manage these obligations.

Another, and arguably most influential factor in this transformation is technology. The popularity of mobile apps, on-demand platforms, and personalized digital channels are rewriting the customer experience. This is in turn, bolstering demand for talent that can understand customer trends and match (or exceed) their growing expectations. What’s more, those expectations are also merging into the workplace, where

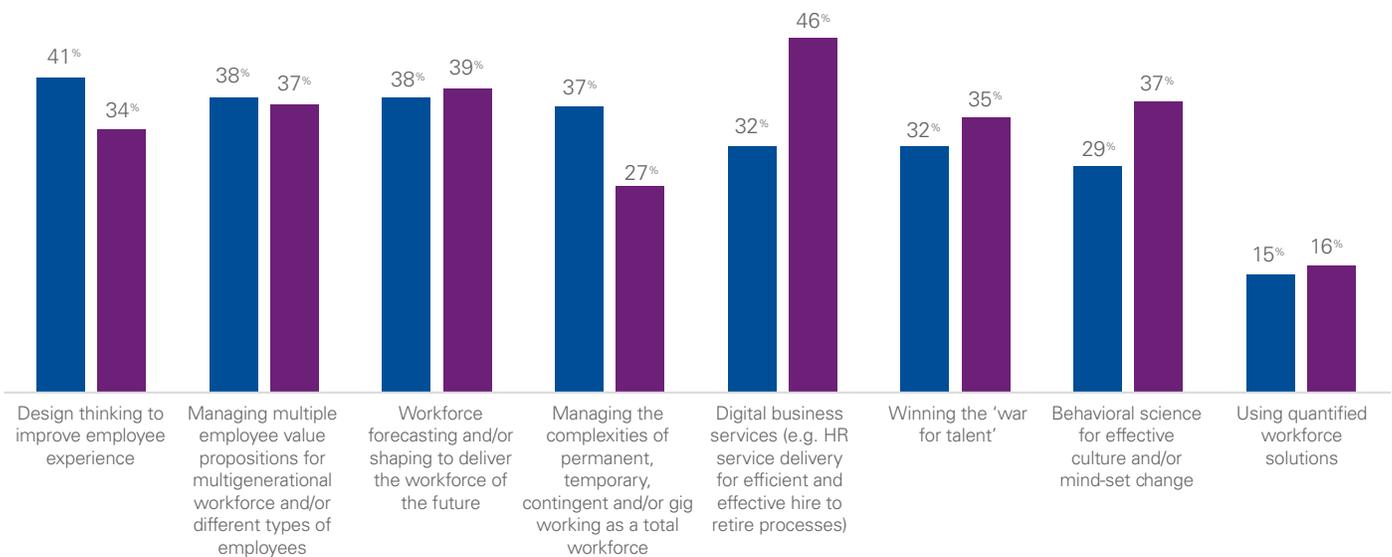
70% of respondents agree that transformation is required in how their HR function operates, which indicates current set-ups aren’t meeting business requirements and new skills and technologies are needed to bridge the gap.

83% 

more employees are seeking the same degree of on-demand support and digital connectivity in the office as they enjoy outside the office. Here again, the onus is on HR business leaders to evolve the workplace experience in a way that resonates with an increasingly tech-savvy labour pool.

Lastly, while talk of robotic replacements and automated functions may seem to spell the end of human workers, the opposite is true. Organizations require people with the skills to use technology, leaders who can manage change, and trailblazers who can both lead transformation and see organizations through to the other side. Finding harmony between human capital and their “virtual employees” will therefore be crucial moving forward.

Critical skills needed for the future of HR



 Canada  Global

It all comes back to the people



While these HR trends may ebb and flow, they are not going away. Each is doing their part to shift expectations and redefine how everyday employees approach their jobs, leaving HR and business leaders with the responsibility of understanding those trends and responding accordingly. This responsibility is not lost on HR business leaders either, as they recognize that their ability to transform the business accordingly is among their most valued contributions.

But transformation requires the right people with the right skills. Not just the skills to navigate the new technologies at play, but the so-called “soft” skills such as leadership, agility, and collaboration that are essential to managing change. Finding those skills – either through reskilling or recruiting – is a challenge. It is no surprise that over half of Canadian respondents said “capability” is their number one barrier to transformation, followed by 38 percent that cited capacity and 29 percent who identified culture.

Sourcing the right talent can be difficult for a number of reasons; not the least of which is the fact that access to talent is becoming scarcer as organizations compete for those with the skills to manage the technological and cultural aspects of change. And with competition for talent mounting, the onus is

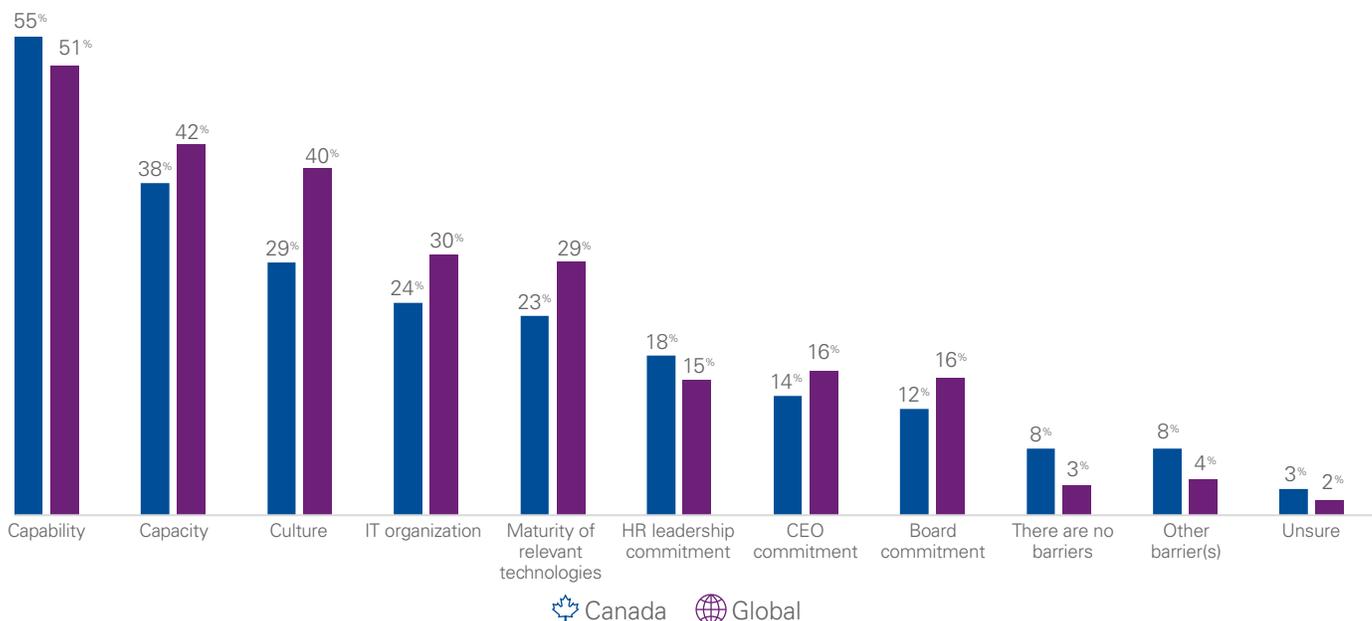
on HR business leaders to learn what employees value most, where they best align with the organization’s strategy, and how their loyalty can be won – and to do so across multiple generations and cultures.

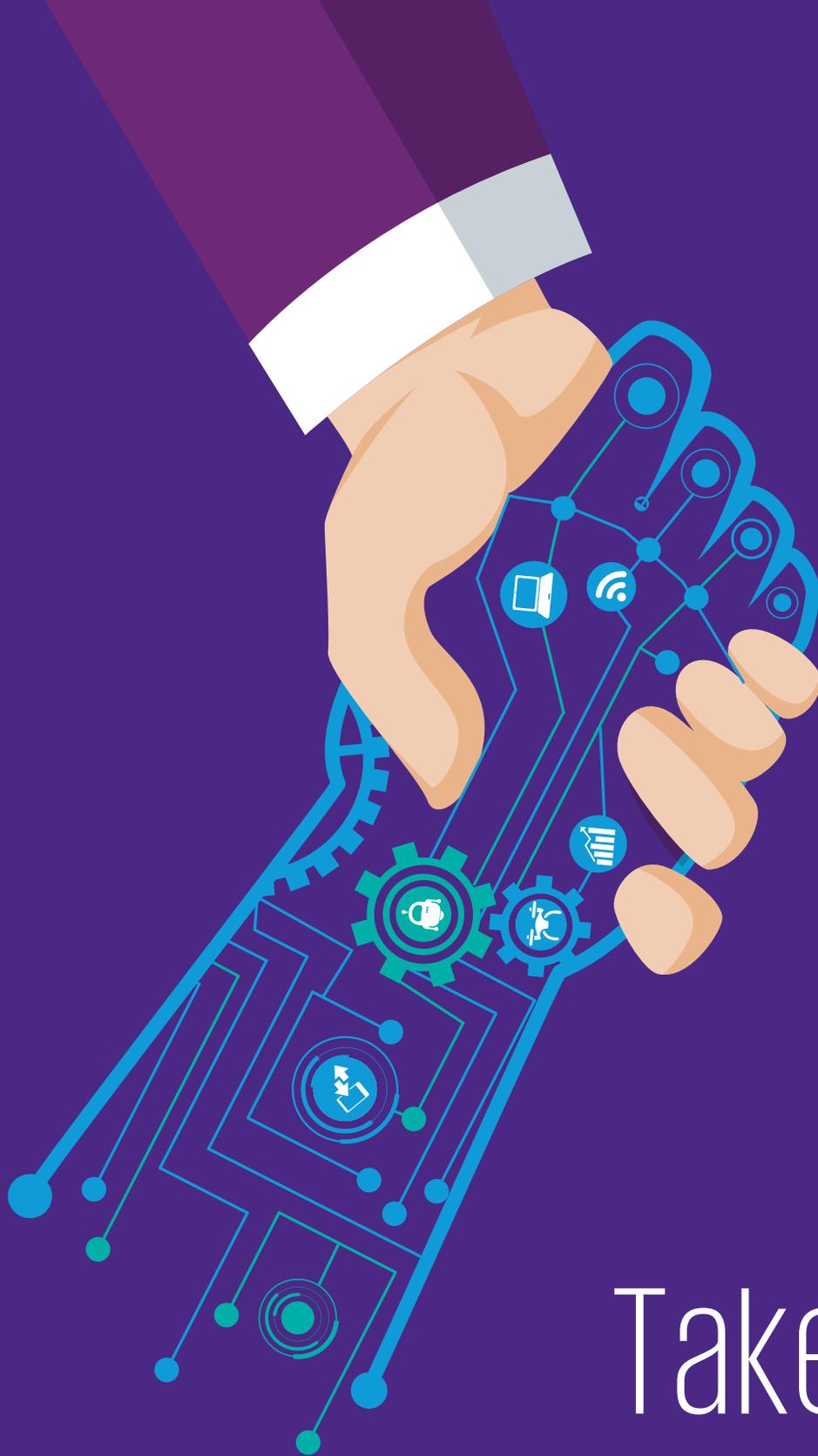
As these headwinds mount, HR will play a greater role in reskilling, educating, and re-configuring a workforce that not only fits the organization’s current needs, but one that can navigate disruption and, indeed, thrive within it.

HR 2.0

The workforce may be reshaping the role of HR, but so too is technology shaping how HR gets the job done. AI and data analytics are unlocking the potential to monitor and assess employee behaviours at a micro and macro level, informing everything from talent recruiting, workforce shaping, and succession planning. Cloud computing and RPA are also enabling HR professionals to offload administrative tasks to machines and focus their time and energy on more strategic goals. Combined, these new tools of the trade are enabling HR to respond to disruption at a faster rate, better predict organizational needs, and provide a better experience for their workforce. In doing so, technology is playing a key role in elevating the value of the HR function.

Barriers to digital business transformation





Takeaways

Digital inspiration:

Digitization is a catalyst that drives a more connected, seamless, and efficient workplace. This “digital” reality can be amplified by the human workforce to become faster, more agile, and empowered in their roles. Therefore, moving us towards actualizing our highest and best use of skills. This requires a workplace culture that gives employees autonomy to use their skills as they deem fit, and one in which they are empowered to make informed decisions and experiment with new ideas. Adopting a “digital” approach, however, means doing away with the organizational barriers and silos that may stifle collaboration and innovative thinking.

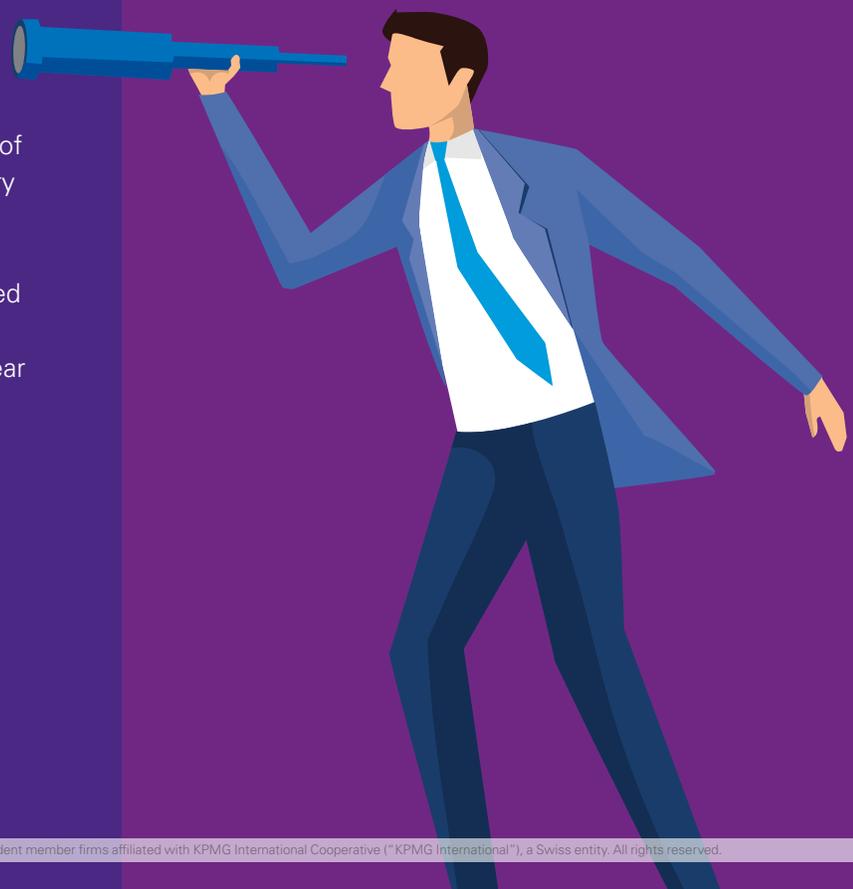
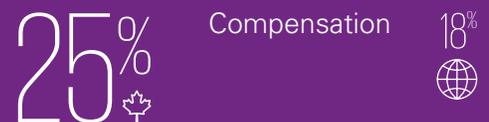
Clarify decision-making protocols:

A “digital” workforce requires clear decision-making protocols. Consider how your organization goes about making decisions, who it holds accountable, and how those decisions are pushed down to the lowest level possible. Are your people empowered to make decisions? Do they feel trusted by management? Do they truly understand the organization’s risk appetite so they can flow within those boundaries? Answering these questions will reveal attitudes, misconceptions, and logistical barriers that may be hindering workplace transformation.

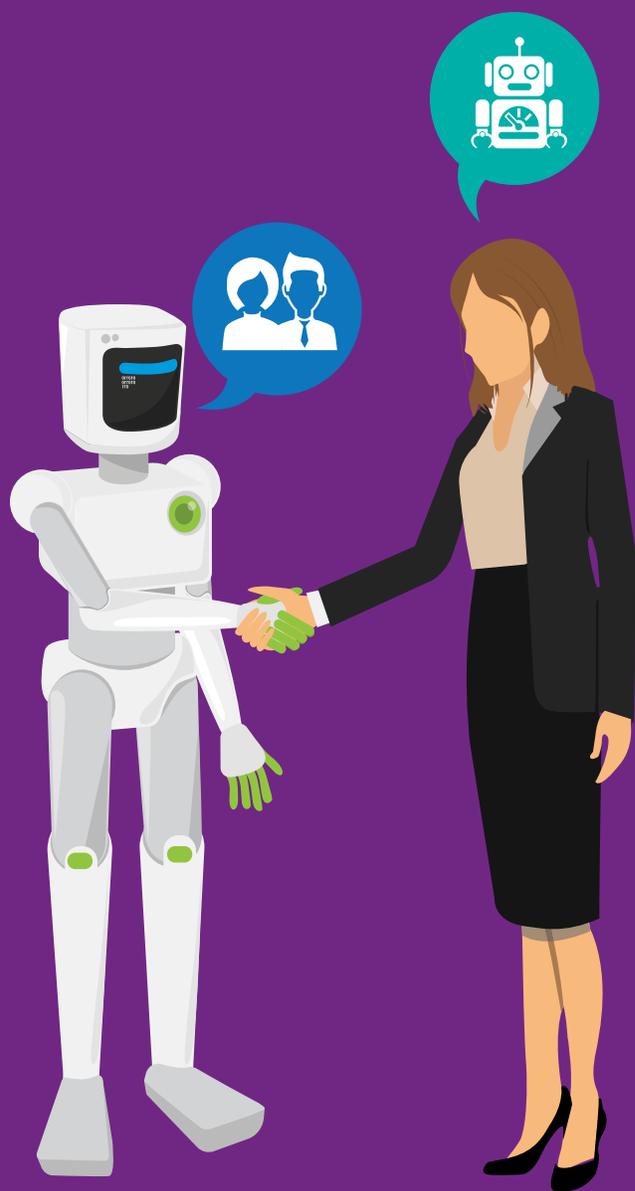
Let go of perfection:

It’s impossible to make the right decisions 100 percent of the time. It’s unfair to expect perfect outcomes for every initiative. Therefore, keeping pace with change means having a higher tolerance for failure. It also requires an environment of experimentation, creativity, and informed risk-taking. Only then will employees feel comfortable taking chances on new ideas or technologies without fear of repercussions.

Which HR capabilities do senior leadership value most?



AI and Technology



The role of AI, predictive analytics, and advanced back-office technologies cannot be overstated. By streamlining core functions and deriving actionable workforce insights, these tools are enabling HR to be more strategic, keep pace with the disruption, and ultimately increase its value to the organization.

For the most part, Canadian HR professionals are keen to these advantages. Nearly a third are eyeing significant investments in cloud-based HCM systems, while 22 percent are eyeing equal spends on predictive analytics and enhanced process automation. Worth noting is that this year's respondents are most likely to moderate investments in HR mobile applications and tools to improve HR service management/ case management.

Opportunity in AI

Canadians exhibit a conflicted relationship with AI. While 58 percent of respondents say they either "agree" or "slightly agree" that AI can drive significant value for HR, a majority have yet to integrate AI into their environment, and nearly half have no plans to do so over the next two years. Furthermore, only 29 percent intend to invest moderately in AI-driven tools, while less (14 percent) are planning to invest at a significant level.

These results are somewhat surprising given that intelligent systems and self-learning tools have much to offer the field. For one, implementing AI to tackle more routine administrative tasks (e.g. reporting, key performance indicator (KPI) monitoring, compliance functions, customer support) can free human HR talent to make better use of their skills. It also has the power to transform the way in which organizations fill their ranks.

44%
🇨🇦

of Canadian survey respondents say their HR budget has increased over the past two years, while 63 percent anticipate further increases over the next two.

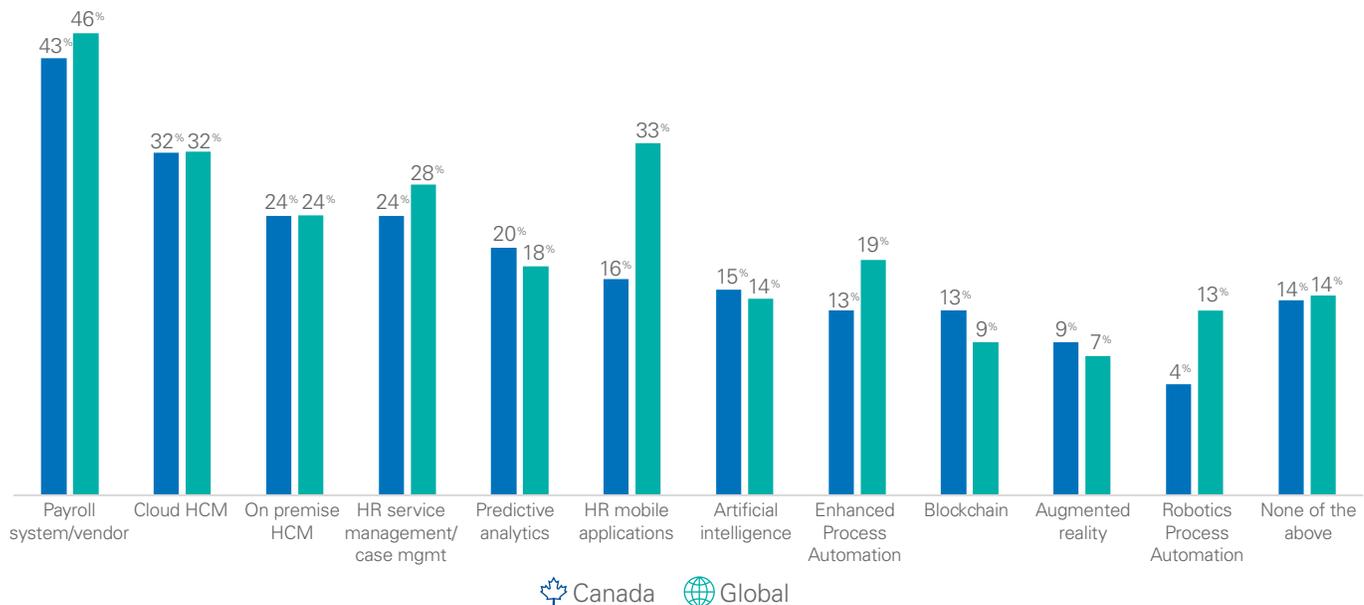
55%
62% 🌐

41%
🇨🇦

believe preparing the workforce for AI will be the greatest challenge for HR over the next 5 years (32 percent unsure)

42%
25% 🌐

HR and digital technology Organization investments in technology over the past two years



Custom-made algorithms can be used to scan and evaluate resumes based on predetermined factors, while similar tools can scour public information to learn more about potential candidates and produce bias-free evaluations. These benefits are not lost among the small contingent of Canadians who are warming up to AI.

Canada’s appetite for AI is also weaker than its global peers, 75 percent of which believe AI drives HR value and more of which are already implementing it for both basic and advanced HR initiatives. One explanation is that Canadians are further behind in their adoption of AI and, as such, still in the early stages of learning its implications and gaining confidence in its applications. Many still feel as though they lack the expertise and capabilities to make the most of intelligent automation, let alone extract full return on investment (ROI) from its use.

This is evident in that 60 percent of Canadian survey respondents said they are “not at all prepared” for AI in their HR environment, and the low 9 percent of respondents who say they are “prepared” or “very prepared”. It’s also evident in the fact that global respondents have moved beyond the low-hanging AI fruit and begun applying AI to more advanced functions such as attracting and retaining employees.

There is also the change management aspect to consider. Embedding AI capabilities in one department, for example, will often impact processes and responsibilities down the chain. In fact, in KPMG’s *Rise of the Humans* thought leadership series, it’s predicted that RPA, AI, and similar tools will eventually change every job category by at least 25 percent, while completely eliminating others. Therefore, embedding these tools requires more stakeholder engagement in regards to needs, expectations, goals, and responsibilities prior to implementation.

The more HR departments can use AI to tackle administrative tasks and get a pulse on both potential and existing workers, the more HR professionals can use their time and resources for more strategic endeavors. That includes focusing more on things like managing performance, managing change, consulting with business leaders on important workforce issues, monitoring external trends and identifying what it means to the particular business in the context of the organization.

What are organizations using AI for?



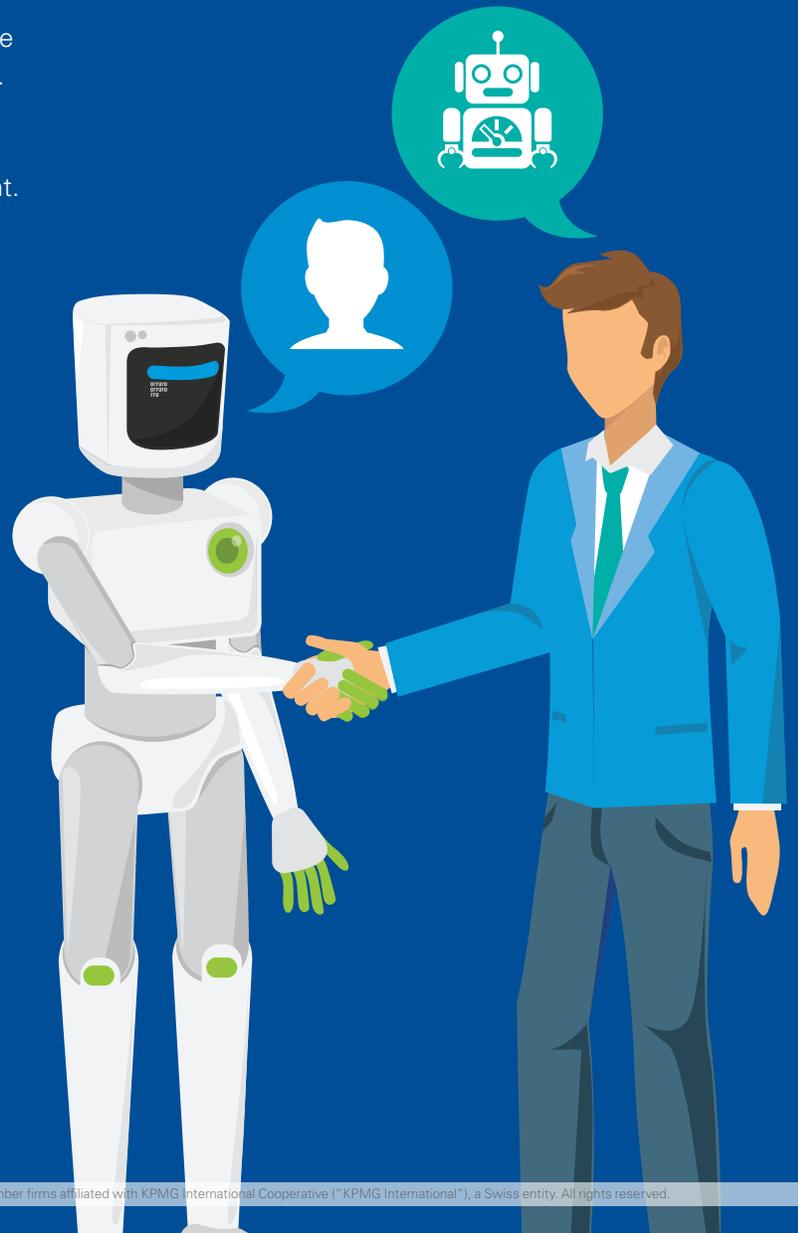
Takeaways

Why not AI?

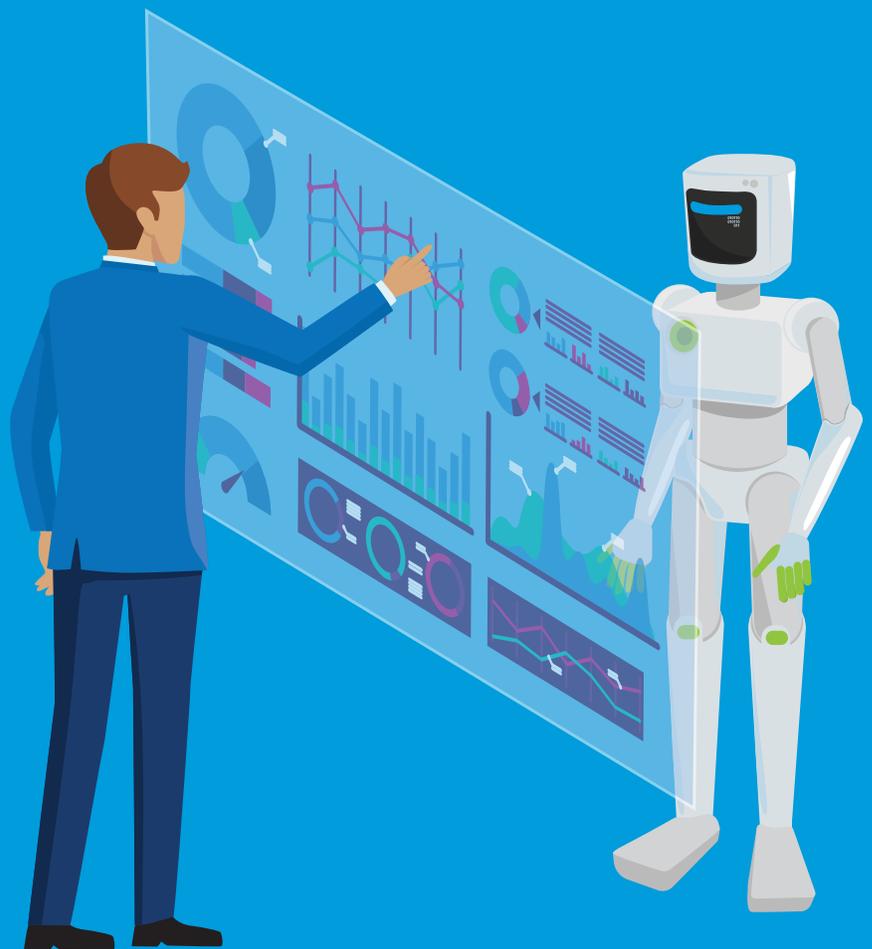
Instead of “why should we embed AI?” ask “why not?”. If the organization is already making investments in the cloud, why not build on that investment by including AI functionality? Why not use that momentum to experiment with tools that can enhance operations and extract critical customer insights? Asking “why not” will help define your organization’s risk appetite and determine what fundamental AI elements (e.g. training, education, reskilling) are required before pursuing AI.

Pursue the art of the possible.

Technology can unleash human capabilities and employee value propositions in many ways which are still unknown. Herein, leaders can benefit from investing in more opportunities to use technology to unlock their HR function’s full potential. Now is not the time to be hesitant.



Readiness for the future: People and wellness



It's been said that the rise of the "robot" workers signals the end of the human workforce, but that simply isn't true (at least, not in the way doomsayers might predict). More than ever, organizations are in the market for people with both the high-tech capabilities and "soft" leadership skills to make good on technology investments, manage disruption, and guide organizational transformation from within.

This is recognized among 87 percent of Canadian HR leaders who understand the need to transform their current workforce, regardless of current activity. It's also evident in their plans over the next three years to place talent management, developing the workforce of the future, and performance management as their top priorities.

Shaping and maintaining a "future-ready" workforce will no doubt be a top priority in the age of disruption. To that end, a majority of this year's respondents agree "design thinking" will be crucial to improving the employee experience, as will the ability to manage multiple employee propositions across numerous generations and backgrounds, and HR's ability to forecast the organization's needs.

What exactly is design thinking? It's an iterative approach to decision making that favours collaboration, experimentation, and an understanding of what makes each individual tick. In the context of workforce planning, that means uncovering what today's employees want from a job, how they prefer to work, where they prefer to work, their values, and how the

organization can align to those preferences (and do so better than the competition down the street). It's also keeping a focus on very human issues such as workload fatigue, burnout, and mental health and wellness.

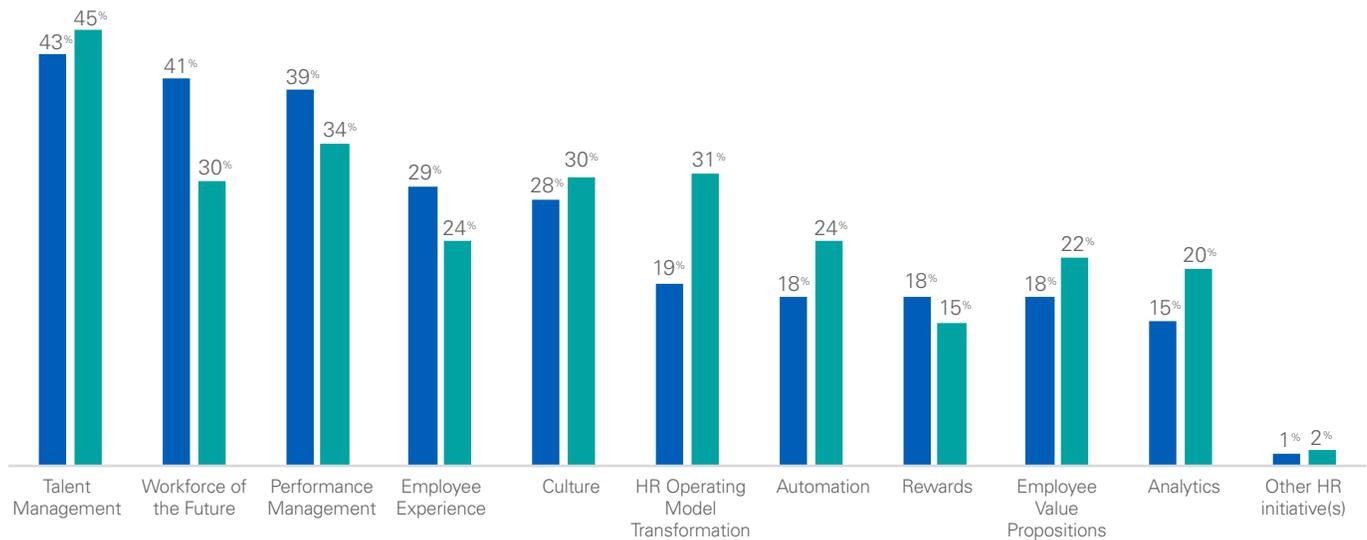
Design thinking also means involving leaders and employees alike in answering the "big questions": how are we planning our workforce, capabilities, and capacity to move into this new digital space? How do we reskill our current employees for that change? How do we ensure they are ready and willing to make that change?

Workforce shaping is also about finding the right talent from the start. That means working with leaders to clarify the organization's goals and talent needs, wielding data and analytics to narrow the field, and tailoring the search to source individuals who will flourish within your unique organizational culture.

Of course, similar approaches will also be critical to filling the gaps left behind by retiring Baby Boomers who threaten to take decades of experiences, insights, and intellectual capital out the door as they depart. And as if HR professionals weren't busy enough, this demographic trend will only increase the need for strategic succession planning and knowledge transfer programs.

Managing people means using the new tools of the day to understand how each can help shape that employee experience, define that employee value proposition, and ensure all stakeholders are accounted for in the transformative years ahead.

Top strategic priorities for the HR function



	🇨🇦 Canada		🌐 Global	
	Agree (%)	Disagree (%)	Agree (%)	Disagree (%)
Our HR function is seen as a core value driver by senior leadership	80	6	74	10
Our HR function is undergoing, or has recently undergone, a digital transformation	61	16	63	16
Regardless of current activity, I recognize the need for the workforce to be transformed	87	4	90	3
Our HR function can prove the value it brings to the enterprise through analytics	87	3	83	5
Our enterprise is effective in bringing together data from various sources to make decisions about our workforce	53	15	54	24

Final Takeaways

Be decidedly human.

It's easy to get lost in discussions of digital transformation and automated workforces, but we must remember to also focus on the workplace elements that advance the human experience. What is the value proposition for your employees? How can technology aid (not detract) from that value? How are you providing a different and human experience from other employers? As organizations move towards increased use of technology and AI, we need to keep those questions in mind and facilitate a decidedly human experience through tighter governance between HR and business.

People will still be first.

As your organization embraces digitization, and as it begins to bring in tools like AI, it's important to keep your values and unique differentiating factors in the fore. These tools should be used to bring you closer to your customers and not as a means to eliminate that "human touch" or overshadow your unique value offering.

Strengthen internal partnerships.

A strong partnership between the business, IT, HR and other key stakeholders enables HR evolution, which in turn drives profound differences in the organization and helps push through the inertia and resistance that is inevitable when any organization is poised to undertake a major transformation.



Conclusion

HR has always been a vanguard of change, and today is no different. The tools may have changed and the dynamics may have shifted, but the fundamental role of HR remains unchanged: to define the organization's goals and shape a workforce that can both meet those ambitions and evolve beyond the finish line.

Massive disruption and unabating headwinds may make this role more difficult than ever. Yet, while being HR has never been more challenging, that means it's also never been more exciting. After all, it's no longer business as usual; it's transformation as usual.

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