



The future of HR: From flux to flow

How Pathfinders are grappling with the current challenges faced by the function and are moving towards 2025 with purpose





The 'Great Reconsideration' has changed the way employees look for, and engage with, their work. Meanwhile, as HR functions navigate the future, timescales have shrunk from looking forward a decade to just three years ahead. As they do this, it is clear that some are addressing new and emerging challenges more successfully than others. They are the Pathfinders.

Pathfinders are preparing for the future by taking strategy to the next level; integrating digital and advancing relational analytics; building talent marketplaces; and putting purpose and wellbeing first. Here is how, and what, we can learn from them.





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Foreword

Before the COVID-19 crisis, the world of people management was certain and predictable. Advancements were made through the lens of best practice, and by learning from what other organizations had done.

Now, we are told by our 12 HR Pathfinders of 2022 that the pre-COVID-19 playbooks — such as how to organize the HR function itself, practices used in talent and employee management, performance management, and workforce planning and structure — are no longer relevant. In the words of one Pathfinding HR leader: “You might as well toss them on the fire to heat your home. That would put them to better use.”

Rather than following the old playbooks, you will learn in this report that the Pathfinders of 2022 are putting bold people strategies at the heart of their decisions. As a result, they find themselves reaping the competitive advantage amid the ‘Great Reconsideration.’

This report shows how our Pathfinders are leading the way in six distinct areas including in delivering on their organization’s strategy; engaging with digital; making the most of advanced analytics capabilities; building talent marketplaces; making purpose ‘real’ beyond rhetoric; and prioritizing wellbeing.

Another unique factor that we unearthed in our 2022 discussions is that Pathfinders also recognize the importance of what we call ‘flow.’ They are finding flow in three respects:

1 HR in flow: Pathfinder HR functions find their own north star — their own flow. They have not necessarily cracked all the challenges — but they have confidence and momentum, even in the face of uncertainty. Hydrogen-electric truck company Tevva exemplifies this by integrating sustainability and digital in every people activity as the business accelerates its growth in the market; it is forging ahead while testing and learning along the way.

2 Careers in flow: Pathfinders prioritize the total workforce agenda — focusing on all types of worker. They look to ensure that as many people as possible can find a career flow, even amid the fragmentation of work into skills and tasks. This demands a more person-centered approach to how skills and capabilities are matched to the tasks that need doing. This is illustrated by Genentech’s gig-based internal job market. Genentech knows talent needs to flow through, up, and sometimes out of the organization — and this provides the dynamics and flexibility for its talent marketplace to function. As one Pathfinder put it: “A flowing river of talent is far better than a stagnant pond.”





3 People in flow: The ‘flow state’¹ is what happens to employees when their capabilities are well matched to the tasks they are being asked to do. They have the time to give those tasks their full attention, without distractions and free from friction due to poor processes and technology. This places a premium on providing ‘learning in the flow of work.’ There are two elements to this. First, relevant skills development, with a high level of control for the learner to shape their learning and their working environment. Second, it offers people the ability to continually grow in the face of the challenges they are being asked to meet. Pathfinders support flow, in particular by providing a powerful digital employee experience in which everything is seamless. Salesforce exemplifies this by leveraging Slack, its digital HQ, where team members can work, share information and collaborate asynchronously.

Moving from flux to flow

Learning from the Pathfinders does not mean directly copying what they do. Rather, it means understanding why they do it and considering how your function could apply similar approaches to your own unique environment. It is about analyzing their mindset and

understanding how they build the capabilities that allow them to move from ‘flux’ — where they address the many people management challenges with separate disconnected solutions — to ‘flow.’

Flow for our Pathfinders is about embracing change — testing, learning and deploying answers to challenges. While at first glance their structures may appear to be based on the classic Ulrich model, on closer inspection, Pathfinders flow as they create an integrated set of value-driving capabilities in support of a clear purpose. This is grounded in analytics, and the use of analytics to inform the other parts of the organization.

Read on to find out what the 12 Pathfinders are doing as they move from flux to flow, and how they are leading across the six important capabilities and priorities outlined above. It is my pleasure to introduce you to their inspiring stories.

Robert Bolton

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What is a HR Pathfinder?

Pathfinders were first identified in our 2020 research, in which we found around 10 percent of organizations leading their peers on adding strategic value; and integrating the HR function into the wider business. In this year’s research, we have identified a number of HR functions that are preparing for the future by taking strategy to the next level; integrating digital technology and relational analytics; building talent marketplaces; and putting purpose and wellbeing first. We know these are the topics on the minds of HR leaders across the globe; but only a few HR functions — Pathfinders — are truly setting the example and navigating the course.



Executive summary

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.²

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 towards 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 wellbeing of their people.

61%

Are having to alter their Employee Value Proposition (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 ESG plans — largely in response to increased expectations from their people.³

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.⁴ In [2021](#)⁵ 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 towards 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).



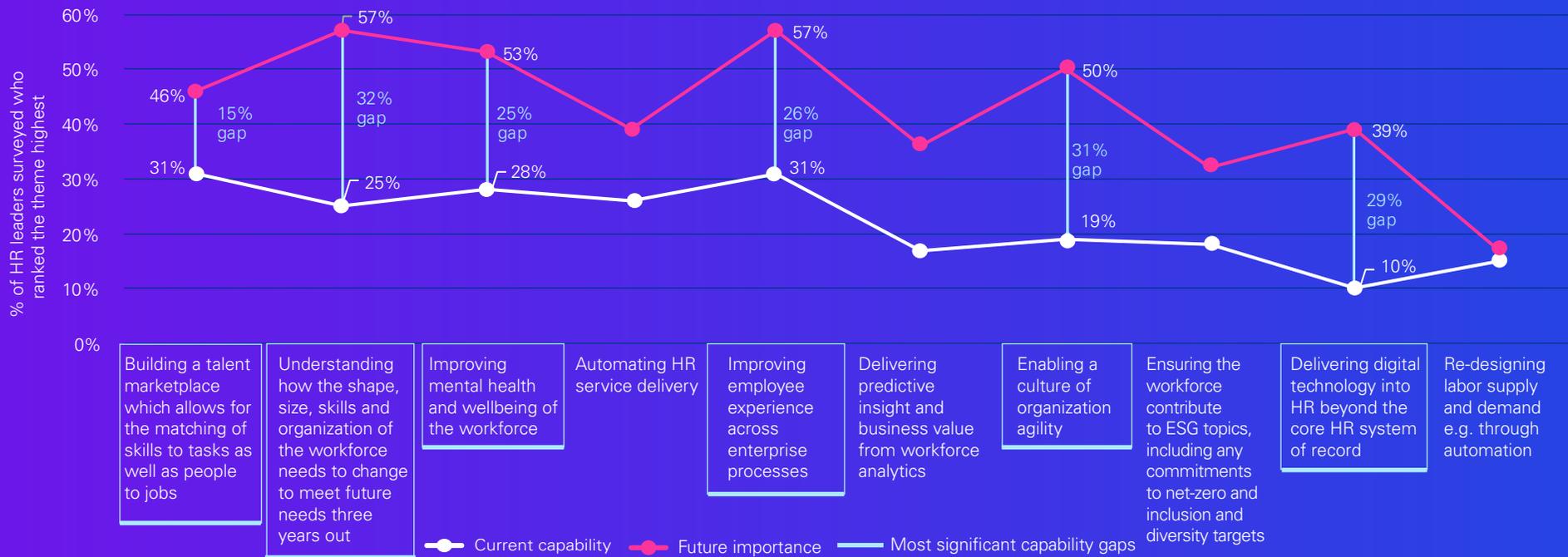


- 2** Improving the mental health and wellbeing of the workforce (53 percent).
- 3** Building a talent marketplace which allows for the matching of skills to tasks as well as people to jobs (46 percent).
- 4** Automating HR service delivery (39 percent), and delivering digital technology into HR beyond 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 contribute to ESG topics, including any commitments to net-zero and diversity and inclusion targets (32 percent).

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





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 wellbeing 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 Pathfinder HR functions. This research shines a spotlight on how they are addressing these themes as they move towards 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 to 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**, 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 wellbeing and feeling good: HR functions are prioritizing **wellbeing**, 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.



With thanks

Our 12 Pathfinders are HR functions that we see are leading the way globally. Some Pathfinders in this report 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:

Aegon

Pascal Ernst

Global Head of HR Digital
Experience

bp

Simon Ashley

Senior Vice-President for
People & Culture

Salesforce

Angela McKenna

EVP Head of Employee
Success for EMEA

AIB

David McCormack

Deputy Chief People Officer

Genentech

Cori Davis

Chief People Officer

Starbucks

Ron Crawford

VP, Global Benefits

Albertsons

Mike Theilmann

Chief HR Officer

Microsoft

Amy Coleman

Corporate VP for HR

Tesco

Emma Taylor

Chief People Officer

Aviva

Danny Harmer

Chief People Officer

Ocado Group

Rachel Warwick

Global Head of Listening,
Culture & Engagement

Tevva

Kay Jarvis

HR Director

We would also like to thank our guest subject matter experts:

Gordon Harold, Professor of the Psychology of Education and Mental Health, Cambridge University

Matt Yerbury, People Analytics expert with experience across the Financial Services industry

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 US and UK 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 US\$501 million and US\$10 billion. The findings feature throughout this report and support the six themes we have identified.



Part 1: Delivering strategic flow

“At the end of the day, you bet on people,
not on strategies.”⁶

Lawrence Bossidy, former CEO, General Electric



A leading HR function needs to begin with focusing on building value-guiding capabilities that help to drive business strategy. Different Pathfinders have a different configuration of capabilities. Some focus on delivering a steady stream of talent, others focus on skills and skill building, and others focus on culture and purpose. What is consistent and underpins all of the Pathfinders' capabilities is a focus on evidence-based decision-making; greater integration of the sub-functions of HR, and creating a superior employee experience. To do this requires HR leaders that are working on how the HR function organizes itself to deliver ever more business value. Our research suggests HR leaders recognize this, with 60 percent expecting to change their HR operating model in the next two to three years.

60%

Think they will be changing their HR operating model in the next two to three years.

In addition, improving the employee experience across enterprise processes is a key focus for 57 percent of our respondents — of which 31 percent view as their key capability to deliver. Meanwhile, enabling a culture of organizational agility will be on the agenda for 50 percent, although this was not ranked in their top five in terms of capability to deliver.

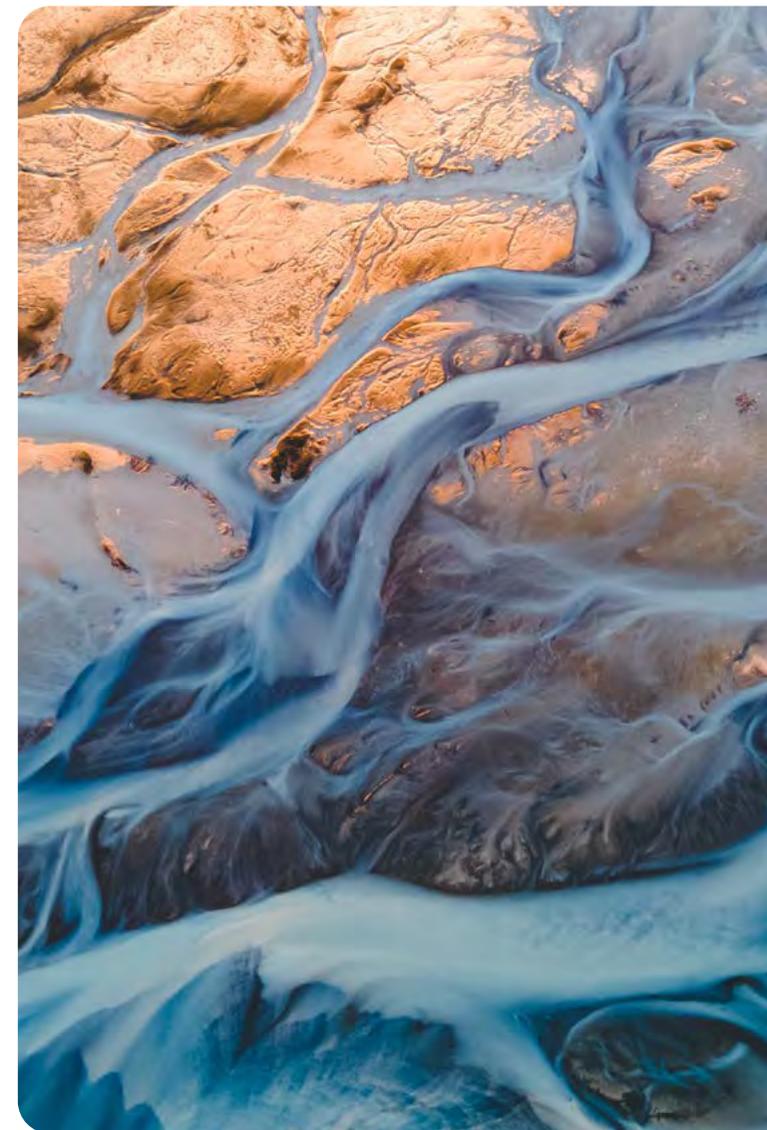
Of course, our Pathfinders are taking their HR organizational approach to the next level beyond the core tasks of HR. They are ensuring that their operating model is optimized and flowing to help deliver to their organization's strategic vision.

Leading the way with this approach is global energy company bp, focusing on the seamless integration of its HR function in order to help to deliver bp's bold organizational transformation strategy.

"We're custodians of the company's reinvention," says Simon Ashley, Senior Vice-President for People & Culture, bp.

Elsewhere, end-to-end online retailer Ocado Group is working to deliver on the organization's strategy by better listening and engaging with its fundamental resource — its people.

While HR functions recognize strategic value-add is a priority, not all are helping to drive strategy successfully. Pathfinders do this in their own specific context, demonstrating that it is about understanding the needs of the business, and integrating into the decision-making process by adding real value.





bp Enabling the future

Since becoming CEO in 2020, Bernard Looney has been taking bp through what he calls “the most far-reaching transformation in its 112-year history.” As the energy giant moves to a more sustainable future, the HR team has been re-branded to people and culture. This name better describes the role the function plays in creating the right culture and putting people at the heart of delivering the transition.

Simon Ashley, Senior Vice President for People & Culture, bp, says the People and Culture team at bp has approached this in a couple of ways. Firstly, embedding a new culture frame across the company that highlights the importance of purpose, delivery, and care.

The second, looking internally at the function itself and organizing around centers of expertise; including Reward, Diversity, Equity and Inclusion, Talent, Wellbeing and Workplace. Notably, the function has also created a dedicated ‘Future Organization’ team.

The Future Organization team reports directly into the EVP people and culture (CHRO), bringing together the critical future focused people and culture capabilities, including organizational design; people analytics, agile delivery, and transformation.

“Having these all under one roof allows us to take a holistic view of the health of our structure, people and how we are working across bp,” Ashley explains. “It helps us to work out whether these are aligned with bp’s strategic direction.”

A good example of this holistic approach came as we looked at return to office. “We took a cross-functional agile team to explore where people are working, for how long, and the impact — with data insights to underpin this” he says. This showed that relationships across the company were narrowing, and key engagement metrics were decreasing for those not coming into the office. It also found that having conversations about personal working arrangements was boosting engagement.

Combining the people analytics, agile and transformation teams’ expertise — allowed an early intervention.

In a similar vein, the future organization team tackled employee engagement in 2021, which had been declining in some areas post the reorganization. The team considered what was lagging and partnered with COEs to develop an action plan and initiatives to improve — focused on helping employees understand bp’s new purpose and strategy, career development and wellbeing.

This focus resulted in 2022, bp having record high engagement, increased trust in leadership and the highest pride in the company since tracking of this measure began in 2008.

Future organization breaks down silos across people and culture and across bp “It’s a crucial team. Only by fitting those capabilities together can we get where we need to be,” says Ashley.



Expert view

“Today’s businesses, customers and employees expect more from the function than ever before. World-class experiences don’t happen by chance. To drive world-class experience as an outcome and meet the strategic goals of the ever-changing business, we must work differently, and as a HR function we should build capabilities to maintain and continuously improve an organization’s associates’ experiences across all functions in the future. This involves designing, building and operating HR differently. We have to create a single, human-centered, connected, tailored experience across platforms and systems, delivered ‘in the flow of work’ which meets our employees and leaders ‘where they’re at.’ Pathfinders get this and invest and organize HR accordingly — we see the potential benefits from that approach in the numbers and how HR drives success for the wider business.”

Robin Rasmussen

Principal, Human Capital Advisory,
KPMG in the US



Ocado Group

Expanding the reach of HR

Pathfinding HR functions looking to deliver on their organization's strategy need to engage the support of their people. This can be challenging for Ocado, due to a dispersed workforce that spans multiple types of workers, roles, locations and more. It can be difficult to reach everyone effectively, let alone listen to, and act on, their feedback.

Rachel Warwick, Global Head of Listening, Culture & Engagement, says to overcome this challenge, Ocado Group's HR function has multilayered ways of reaching its people.

"Our goal was to really understand what matters to people on the ground," she says. "So, in addition to embedding continuous listening technology, we expanded our Employee Council in our UK Logistics business and created listening champions across our global Technology Solutions business. That's around 200 people across all our sites, whether frontline drivers, software engineers or managers leading teams."

This personal feedback is combined with the digital employee listening tool, which has helped put insight gathering into the hands of leaders and managers.

"If I take myself as a leader of a team of 40, I can see the insight for my overall team. I can see it split by the sub-teams underneath it. It is particularly helpful for some of our leaders in a transforming organization with multiple countries. People insights include qualitative data to help us understand how our people are feeling and how this is changing over time."

Warwick says in the past, leaders may have taken anecdotal evidence to, for example, the board, but now they can take this combination of employee council, listening champion feedback, and hard data to make clear proposals for change.

"Instead of just saying, these are the things that people are telling us are a challenge, now we can have that and thousands of data points correlating to our argument."

What can we learn from the Pathfinders about delivering strategic flow?

Here are some reflections to consider in light of our Pathfinders' insights:

- Consider how your HR operating model aligns with the organization's wider strategic vision.
- Ask whether your HR function is balancing processes with informing decision-making.
- Think about where HR has a presence in your organization — do you currently provide integrated and connected support across the business?
- Question what initiatives your HR function is leading on, and what it is supporting. Do these support the collective vision of the organization?
- How is HR setting the example and leading best practice in the organization, and is that being promoted throughout the business?
- Is HR taking a holistic view of the organization using data and analytics to inform its own priorities?
- Is HR addressing some of the cultural challenges associated with your new ways of working and transformation aims of the organization, or is it reinforcing them?
- Is HR listening to its stakeholders and adjusting its strategy to suit? This includes employees *and* leadership.



Part 2: Being digital in thought, word and deed

“You cannot mandate productivity; you must provide the tools to let people become their best.”⁷

Steve Jobs, Founder, Apple



Supporting the HR organizational structure must of course be the right HR technology — so it makes sense that automating HR service delivery was identified by 39 percent of HR leaders as one of the most important issues of focus. Likewise, delivering digital technology into HR beyond the core HR system of record was a priority for 39 percent, and re-designing labor supply and demand (e.g., through automation), was a priority for 17 percent.

Our survey also found that of the technology that has been implemented in recent years, productivity was the top outcome for 34 percent, followed by work-life balance for 28 percent. Looking ahead, our

Top-ranked technology impacts for the last 12 months



respondents still think productivity will prevail (49 percent), and again, followed by work-life balance (21 percent) (see chart below).

HR has a core role to play in the entire technology strategy of the organization and how employees engage with it, as technology impacts how and where people work, their communication with peers, access to career opportunities, and more. Yet, our Pathfinders are not just implementing technology platforms for everyday benefits, but are leveraging those platforms to create unique solutions to business and people challenges, and to ensure that their people can get into a 'flow.'

Top-ranked technology impacts for the next 12 months



Out in front is Salesforce — a Pathfinder in our 2021 report for its digital leadership. The company leverages Slack, its digital HQ, which is completely transforming the way employees work and measurably changing the company culture for the better.

“We have a really big history of building urban, downtown towers,” says Angela McKenna, EVP of Employee Success, Salesforce. “But we really believe that the ‘digital HQ’ is as equally important as the physical HQ in today’s world.”

Turning to hydrogen-electric truck company Tevva, we found its People function has made the best use of technology by developing an app to make interacting with the People Team as simple as possible. Meanwhile, Irish bank AIB is cementing the digitally enabled working changes implemented during COVID-19 with ‘hybrid personas.’

The digital employee experience is going to be as important as the physical experience, and HR functions must help to deliver consumer-grade digital experiences to support recruitment and retention. With the pre-pandemic digital experience no longer relevant, we see Pathfinders supporting the flow of talent by building the digital experience around employee needs, and redesigning technology and processes from scratch where required.



Salesforce Building a digital HQ

It is no surprise that a technology company like Salesforce has created a 'digital headquarters.' In a digital headquarters, digital agility and connectivity, remote-work and seamless interactions are simply the way every team member across the globe operates.

Angela McKenna, Executive Vice President of Employee Success, says Salesforce's use of a virtual knowledge and collaboration tool is key to achieving this. It means all employees have a similar user experience, can instantly connect with anyone across the organization, and be in continual informal communication to make working on projects together a breeze. HR is demonstrating how to use this technology to better the employee experience.

"We have pretty much stopped using email," says McKenna. "After a video meeting, I can instantly connect with any participants for a quick follow up via a Slack Huddle, an audio-first way to communicate inside a Slack channel or direct message. Huddles currently account for 34 percent of our internal communications."

Likewise, using voice recorded messages rather than long emails is proving a popular relief, and adds a personal touch in a virtual world.

"If someone's going out on holidays for example, they can leave a quick voice note to say — 'Hey, it's Friday evening, here is what's top of my mind before I go away,' — then schedule its arrival for Monday morning."

As a company with over 78,000 employees globally, Salesforce employees participate in a lot of virtual meetings. Therefore, while technology is clearly vital and enabling always-on connectivity, McKenna says HR is also helping to drive a balance.

"We've experimented with what we call 'async' weeks, where employees cancel routine meetings to create space for more deep, focused work. Over 20,000 employees participated in the first one we did, and 80 percent liked it, and the same amount asked to repeat it quarterly," she says.



Expert view

"Digital transformation is all about addressing the talent imperative on the minds of many organizations today — attracting, retaining, and growing top talent through exceptional and individualized workforce experiences.

To activate the mind shift and evolve, HR should include experiences as a formal part of their taxonomy, in addition to the traditional processes and service catalogs. This new, human-centered design and experience focus also needs to shift how HR thinks about their operating model, capabilities and the technology investments. When adding the human-centered design component, increased value and impact can be unlocked to help optimize experiences and talent across enterprise."

John Doel

Principal, Human Capital Advisory,
KPMG in the US



Tevva

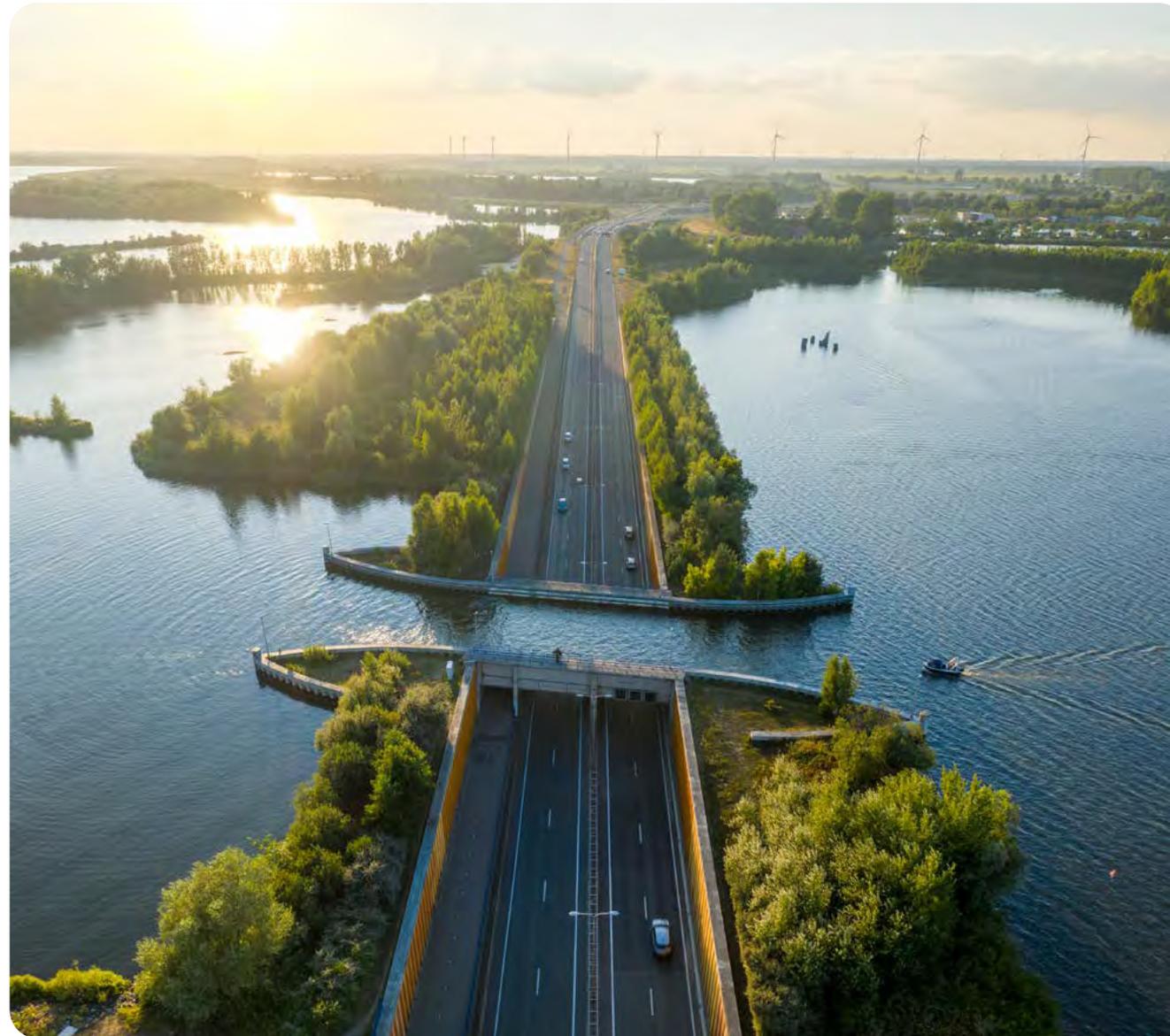
An app to come together

Hydrogen-electric commercial truck company Tevva launched in 2013, and while startups often focus on profit before investing in HR, Tevva was different. As part of its goal to create ‘One Tevva’ — an inclusive environment for all of its team members — it has embraced technology to launch the ‘Tevva Together’ app, which everyone can log into via their mobile device anywhere and at any time. Kay Jarvis, HR Director, says the app is about opening HR up.

“You can log in to see who the leaders of your team are, or who is joining the company today,” she says. “You can get links to people directories. You can go in and see your pay slip. You might want to book a desk or meeting room or find any company newsletter that has been issued.”

Jarvis adds that the app features recordings of all monthly C-suite updates, links to first aid and mental health representatives, and progress updates from different business functions.

“You can book annual leave or view your contract. You can request a one-to-one with your line manager. You can see an organizational chart for the entire company.”





AIB

Creating hybrid working personas

The COVID-19 pandemic transformed Irish bank AIB almost overnight, with technology enabling the majority of its 9,000 employees to quickly shift to remote work. David McCormack, Deputy Chief People Officer, says now this has proven successful, HR is aligning the new ways of working with culture and policies.

“With COVID-19, you had many organizations saying, ‘You will never need to physically come back to the office again,’ with many of those companies having now gone full circle and said, ‘You will have to come back into the office five days a week.’”

“We have taken a more pragmatic approach to this from the outset, continually engaging with our employees to say, ‘this is a learning experience for us all, we don’t have all the answers and we may make mistakes along the way, but we need to be patient with each other, learn from our mistakes and go on this journey together.’”

Part of this is experimenting with ‘personas’ which the bank can adopt to best represent working styles and patterns of its people.

“It might be that my persona is office-centric, or remote-centric. This gives individuals and colleagues an appreciation and understanding of expectations in terms of their working styles,” McCormack says.

Over the past 12 months, the bank has onboarded a large number of people, to ensure it can provide the right experience for existing and new customers, and respond to competitors withdrawing from the market. This level of change required the organization to react through the creation of hybrid working personas to ensure clarity and expectations for their people.

What can we learn from the Pathfinders about becoming digital in thought, word, and deed?

Here are some reflections to consider in light of our Pathfinders’ insights:

- Consider where HR data is being used today. Is it flowing throughout the business, or just flexing around the HR function?
- Is current technology being maximized before new investments are considered by the People function?
- Is it clear what the ROI is on digital investments made in HR? Not being able to articulate this may hamper further investments.
- Is the HR function leading by example in how it deploys technology and puts the user front and center in its design?
- How is the HR function enabling a seamless hybrid working environment, and integrating this into the overall employee experience?
- Does HR have a say in technology experiences outside of the HR function? It must flow in its influence throughout an organization’s use of technology.
- Is HR supporting pilots and experimentation of new technology, and recording the potential benefits and challenges these experiments may bring?



Part 3: Advancing analytics from insight to action... safely

“Insight must precede application.”⁸

Max Planck, Physicist



While HR functions have long used analytics to understand factors such as hiring, attrition and engagement, that approach is seen by Pathfinders as simply a baseline. Meanwhile, analytics are important to our survey respondents: 36 percent say delivering predictive insight and business value will be a priority in the next few years. Worryingly, however, only 17 percent ranked analytics first when asked what they are best placed to *deliver*. This may explain why 53 percent are investing in analytics platforms for their HR function in the next few years.

As important as analytics are to HR functions, data quality, HR capability and functional integration are all potential barriers to making the best use of it. Data may be unclear or unavailable, or fail to be translated from raw source to valuable insight. The graph on page 22 shows how HR functions surveyed are using data for human capital decision-making.

Pathfinders provide a strong link between data and decision-making. They have integrated advanced, relational analytics into their processes, and they have invested in technology and talent to ensure that insights are connected across the business, can be interpreted accurately, and acted on swiftly. They go out of their way to correlate findings in one area to another, so as to truly understand the business and their people.

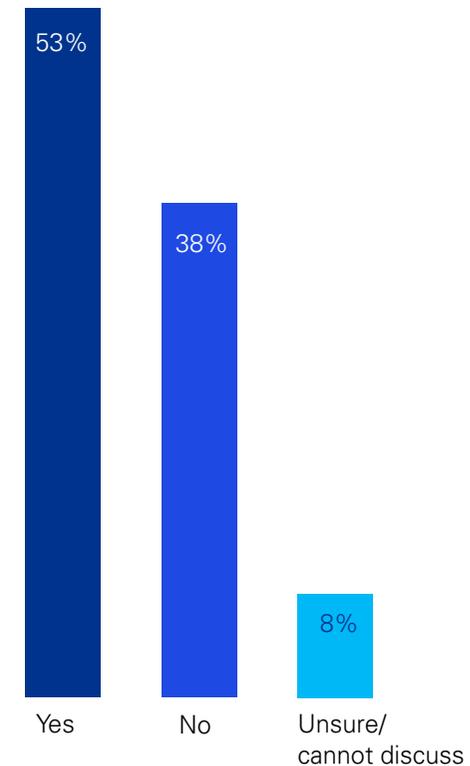
Microsoft is on the front foot with this approach to advanced analytics, striving to connect its data and analysis to hypotheses. One source of data is found in Microsoft's employee listening system. The purpose of the system is to improve employee experience, through empowering managers, enabling leaders, and enlightening HR. Listening to employees provides Microsoft with a rich foundation of data related to the employee experience.

"Then, we can build hypotheses and undertake unique explorations on top of that," says Amy Coleman, Corporate VP for HR, Microsoft.

Insurance organization Aviva is also using advanced data correlations to get really specific insight into remote working and its impact on future success; while at Genentech, HR is striving to use advanced analytics to create products that immediately enhance the employee experience. It is an example of HR flowing through the daily life of the business, and using employee interactions to inform strategic value-add through analytics.

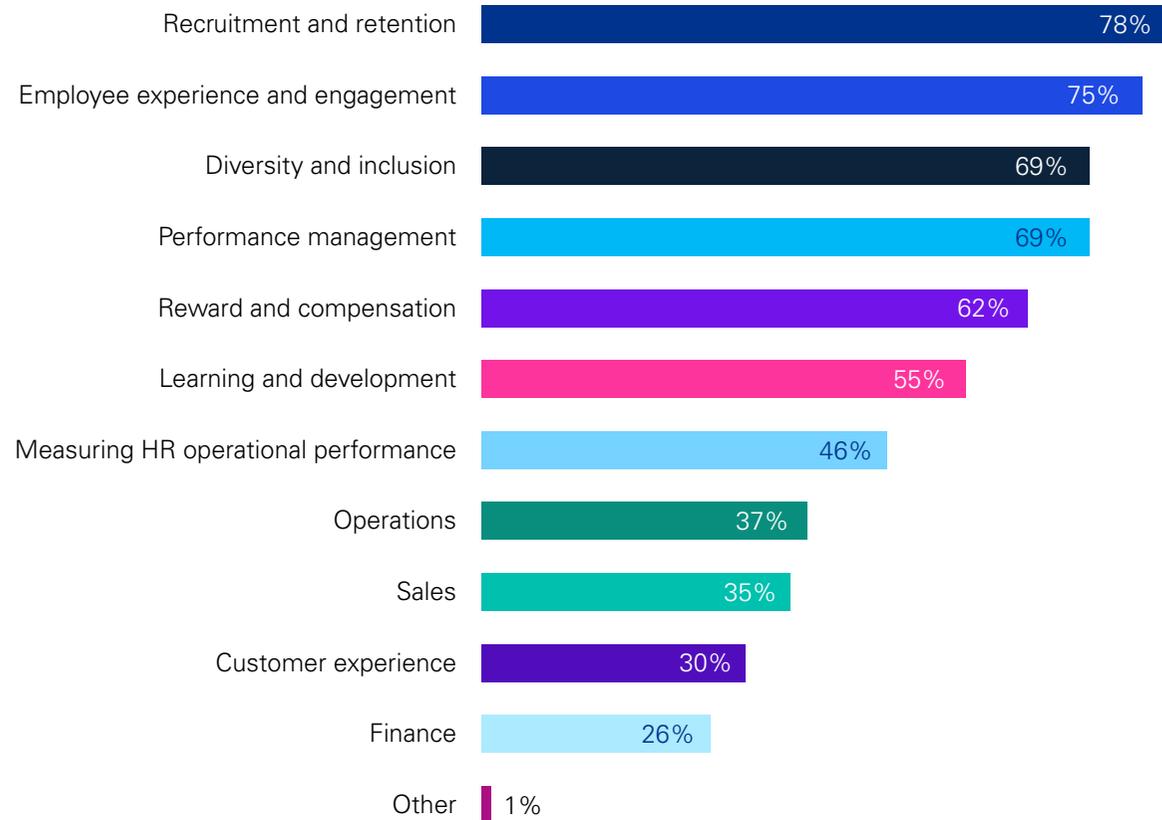
In essence, Pathfinders are taking analytics to the next level. Rather than tracking standalone metrics, they are building the value chain required to undertake relational analytics and turn existing insights into tangible action.

Are you investing in new analytics platforms within your HR function?





Workforce analytics can be used throughout an enterprise when considering human capital decisions. Which types of data do you use when making human capital decisions?



Our HR leaders surveyed are clearly adept at using recruitment and retention and employee experience data in their work, with over three-quarters of those surveyed using this information to support analytics and, ultimately, decisions. However, the HR function is clearly less comfortable using data it may not specifically own, such as Operations (37 percent), Sales (35 percent), customer experience (30 percent), or Finance (26 percent) data. In our conversations with Pathfinders, their HR functions are comfortably using data not necessarily owned by the HR function to inform their decisions in the context of the wider organization.



Microsoft Connecting insights



Expert view

When it comes to data and analytics in HR, Microsoft is not just interested in simple results, but in developing the insights that drive business decision-making and outcomes, and promote leader and manager effectiveness which can help employees thrive.

Amy Coleman, Corporate VP for HR, says the HR Business Insights team sits as a 'center of excellence' in HR. Coleman says Microsoft, as one may expect from a global technology company, has always been ahead with analytics, but the difference is that HR is finding ways to empower leaders more with data and ensuring they take intentional action on findings.

"It's the value chain — the idea that I, as a team leader, have a hypothesis about my business, so I can interact with the analyst that supports my team, and explore the hypotheses."

Coleman says this is somewhat like an account manager — an expert connecting leaders' questions to data and insights that knows the business. They consider what people data can tell them about business performance and what levers can lead to different outcomes.

In an example of engaging better with data, Coleman's team has been asking the question: 'How do we know where we have opportunity within the organization?' To find out, multiple teams in HR have been building a model which takes both quantitative and qualitative data that allows HR teams and leaders to understand where there are opportunities to improve company culture. In addition, it means they can start to answer questions about attrition risk, effectiveness of leader communications, or where greater manager support may be needed.

"We can say, 'You may have never looked at this team, but did you know that they have been able to retain high performers and have scored high in terms of manager inclusivity in our Employee Signals Survey? We should take a closer look at the team and what they are doing so we can share with others and scale across the organization.'"

Microsoft has a number of advantages when it comes to analytical capabilities. For example, its artificial intelligence (AI) or machine learning tools help make sense of millions of lines of qualitative data. However, HR is also driving a culture that is supportive of data insights. Bi-annual employee experience and leadership surveys, daily pulse surveys which are randomly sent to 2,500 employees, as well as manager and employee lifecycle (onboarding, internal mobility and exit) surveys run like clockwork.

While experts can help, Microsoft also provides self-service for HR leaders, who can undertake initial exploration then engage with the HR Business Insights Center of Excellence for more sophisticated analytical work.

With all of this at her fingertips, Coleman has a new question to explore — how many reorganizations can an employee take before it impacts employee experience?

"That data offers me an entry into a conversation with a leader to discuss if it is worth it to go ahead and do a business reorganization, or if it will impact the employee experience, or the business or strategic outcomes. It is powerful if we use it well."

"Addressing the big themes facing HR simply won't be possible without sophisticated analytics capabilities. What the Pathfinders tell us is that investment in analytics will be critical. However, tracking individual metrics like staff turnover is too simple. It won't get you where you want to be. Working on the issues of the future requires relational analytics. This brings disparate datasets together, enabling you to investigate multiple — and often complex — underlying factors to properly understand a problem. For example, people performance isn't just down to how many high-potential people are in an organization. It's also a factor of culture, reward, collaboration and much more, which can all be quantified and made sense of."

Robert Bolton

Head of People & Change Global Center of Excellence
KPMG International



Aviva

Revealing true insights about remote work

As an insurance organization, Aviva is consumed with customer data, but recently recognized that it could do more when it comes to its own employee insights. Danny Harmer, Chief People Officer, says Aviva was in the good habit of reviewing basic employee data, but this was not necessarily helping drive decisions around employee attraction and retention. Building the right team of experts, Harmer is now bringing different data sets together, and her team is hypothesizing, finding the answers, and acting on what they tell them. A recent example has been looking into the impact that remote working is having on performance and careers.

“I asked, how many colleagues are coming into the office, level of seniority, location, roles, functions, and genders? And how does this match up to our recent pulse survey on employee engagement? How does this link through to performance ratings and promotions?”

Harmer says early investigation shows that men are currently working on-site more than women. Another is that disengagement correlates with non-office attendance.

“This scares me — particularly around female attendance. I wonder what will happen to our gender pay gap three to four years from now?”

Thanks to a new level of insight generated through advanced analytics, Harmer now has a new hypothesis to explore — are women staying home more due to caring responsibilities? If so, how can Aviva support them better?

With the correlated insight at her disposal, she has the tools to find out.

Genentech

A virtuous analytics circle

Biotech company Genentech applies a 'product mindset' to workforce analytics, using insight voluntarily gathered from employees to develop apps that improve their experience. This means treating managers and employees as 'customers of workforce analytics.'

Cori Davis, Chief People Officer, says an example of this is the CalPal app. CalPal is a voluntary employee app that, when opted into, analyzes an employee's calendar metadata. This analysis offers insights on things like how much time an employee spends in meetings versus focus time. The app also allows an employee to set focus time goals and receive an automated email nudge to make a decision when focus time does not align with their intention.

“In addition to time-spent insights, we have unearthed a relationship between focus time and wellbeing, a correlation that we are further examining. To this end we are testing, and receiving good feedback thus far, on a skippable meeting recommendation engine.”

Davis says employees can have a fear of 'saying no' or 'missing out', so this skippable meeting engine will provide an employee with a data point that they can consider when receiving a meeting invite — with the aim of improving the employee experience while optimizing productivity.



From data to insight to action — navigating the rapids

**Expert view: Workforce analytics —
the next level**

With many years of experience as a workforce analytics leader in financial services, Matt Yerbury contributed to this year's Pathfinders research. He says Pathfinders see analytics as a value chain, made up of more than just the analytics team. That value chain, in his experience, typically consists of five parts — with an analogy that the analytics is 'flowing like a river.' Here is our navigator's guide:



- 1** The right questions
- 2** Relational analytics
- 3** Rich presentation
- 4** Agile execution
- 5** Robust data integrity



1 The right questions

Understanding exactly what the business units need to know is the first step in ensuring that you produce analytics with real commercial value. The analytics team must be close to the business to achieve this. Who to have those conversations with will vary from project to project. However, in many cases, it will be the Business Partners. Not all Business Partners will be data literate, so they will need training on what analytics can and cannot answer, and coaching on how to ask the right questions of the analytics team.

2 Relational analytics

The future of workforce analytics is relational. Relational analytics looks at the multiple factors behind a trend, issue or problem, by combining datasets to reveal deeper insights. For example, which behaviors, capabilities or leadership styles are most closely aligned to financial performance? In a hybrid working environment, what motivates choices about where to work?

3 Rich presentation

The deeper insights that you get from relational analytics can be presented in more meaningful ways. Setting out the narrative behind the data gives decision makers an emotional connection to it, and a clearer

understanding of the actions to take. However, be aware that different audiences may react differently to this approach. Some senior executives might simply prefer to see the raw numbers — while others will want to see the story that the findings are telling.

4 Agile execution

Playing back your findings is not the end of the analytics value chain. The next stage is to move from insight to action. This is best done in small, agile, multidisciplinary teams, working in agile sprints to rapidly deliver what is needed — be it a report, an app, a policy change, etc. These teams will sit outside the workforce analytics unit. In fact, their members do not have to be HR experts at all. Each team should be put together specifically for the project at hand, with a dedicated lead. It should stay in place for the lifecycle of that project, then disband once delivery is complete.

5 Robust data integrity

A workforce analytics team's 'license to operate' is based on trust. Employees must trust that the team is doing the right thing by them and the business, and treating their data securely and confidentially.

Ensuring that integrity will demand:

- strong data governance and ethics frameworks — including a data ethics committee
- transparent communications — to let people know what is being done with their data, and the governance measures in place to protect it
- careful consideration and internal conversations — about how to handle the data required for each new project
- approval to use the data — from the relevant data owners within the business
- using the data in an ethical way — for the purpose in which it was shared, transparently, and held securely.

Without that level of integrity, staff won't feel comfortable disclosing their data — which means you won't be able to provide meaningful insights.



What can we learn from the Pathfinders about advancing analytics from insight to action?

Here are some reflections to consider in light of our Pathfinders' insights:

- Think about how your people data flows in the context of wider organizational data to support decision-making.
- Is there an established relationship in the HR function between data and decision-making?
- How is your HR function integrating non-people data into its decisions?
- Does the HR function promote relational analytics, both internally and with the business units it serves? Are HR colleagues aware of what relational analytics is about and how they can be analyzed?
- Is the HR function clear where there are data gaps to support decision-making, and does it have a connected plan across the enterprise to address this shortfall?
- Can HR clearly articulate the value chain of using analytics in its decisions, and how HR data then informs the value chain of the wider organization?
- Does your HR function have the capabilities to maximize the analytics available to it, and is it investing in those skills internally?
- Similarly, is your HR function investing in the capabilities of others in the business to gather, challenge and interpret analytics so it flows throughout operations?
- Considering trends — does your HR function lead by example on this? Especially on ESG-related metrics like Inclusion, Diversity and Equity (IDE)?



Part 4: Shopping for talent — building talent marketplaces

“Of all the things I’ve done, the most vital is coordinating the talents of those who work for us and pointing them towards a certain goal.”⁹

Walt Disney



While matching ‘people to jobs’ has long been the dominant way of operating, the fast-changing skills required in organizations, particularly around technology and automation, as well as a competitive labor market filled with skills shortages, means that it is becoming increasingly necessary to rethink this approach. It is something we have [discussed before at KPMG](#). A labor market unable to provide the skills ‘ready-made’ for an employer requires a different approach. The organization is designed around the skills available in the market, and the reskilling and development teams are central to realizing strategic objectives.

To support a competitive labor market, it is also vital to give employees opportunities to move and grow within the organization. In a 2022 US-based KPMG survey, 55 percent of American workers somewhat or strongly agreed that they are provided adequate, diverse career path opportunities into lateral and upward roles. Meanwhile, 58 percent somewhat or strongly agreed that they have open access to learning paths for alternative career paths within their organization.¹⁰ While these results are both over half of respondents, there is still a lot of room for HR to help build organizations in which people see a promising future.

One way our Pathfinders are tackling both of these issues is focusing on matching ‘skills to tasks’ via talent marketplaces. Talent marketplaces are comprehensive datasets of your people and their unique capabilities, linked to an understanding of where those skills are needed across the organization and when. As Simon Ashley, Senior Vice-President for People & Culture, bp, told us:

“Establishing an internal talent marketplace is a major undertaking. It means joining up, and continually updating your job architecture and skills taxonomy, and your talent, performance and reward systems, using the right technology solution. It means customizing learning and development to align your workforce capabilities with the business’s current and future skills needs.”

In our survey of HR leaders, 46 percent reported that building a talent marketplace which allows for the matching of skills to tasks, as well as people to jobs, will be important to them in the next few years.

Our Pathfinders are already on the way, with some in inspiring stages. They recognize the competitive advantage of getting this right for both business growth and retaining talent.

Biotechnology company Genentech is particularly advanced on its journey, with gathering employee skills data part of its everyday routine. We found insurance company Aegon undertaking a pilot in its IT function, tackling one complexity at a time as it develops. Importantly, we found Aviva focusing on building skills in its people to be ready for the changing future demands on the business, which all feed into a future talent marketplace. Likewise, Tesco recognizes that what it demands of its people will change — and it is uniquely taking people on this change journey and building greater agility and engagement in the process.

While building a talent marketplace will not happen overnight, we think there are a few ‘get-rights’ to realize the potential benefits such an approach can bring. Moving to a skills-first approach in how you resource your people, underpinned by data and analytics, and a culture nurtured towards sharing talent through a series of pilots (and learning from them) are all essential. It is what our Pathfinders can demonstrate.



Genentech Evolving with the talent marketplace

At Genentech, the need for flexibility and agility has led to a growing demand for an internal skills-based talent marketplace. The company needs to fluidly assign people with the right skills to projects — or ‘gigs’ — in a dynamic environment. To help achieve this, employees must regularly update their profile on the company’s Human Capital Management (HCM) system, with their latest skills and capability data. That effectively builds the database that is required for a talent marketplace.

“Their HCM record provides everything a hirer needs to know,” explains Cori Davis, Chief People Officer. “So, it’s in everyone’s interest to keep their records refreshed.”

When opportunities are advertised internally, a meaningful conversation is encouraged between the candidates, their managers, and the hirer. “The aim is to ensure a sensible, manageable outcome that benefits everyone involved,” says Davis.

Managers were initially skeptical about the system, so Genentech spent time piloting and experimenting with it. The result was a decision matrix, which shows managers the highest priority work they are accountable for, and the scope to let a team member take on a role elsewhere in the firm. In-the-flow learning and development are also key to the model.

“Now, managers can see how the whole business benefits if people can move easily around the firm, to find the most meaningful and impactful work,” says Davis.

As an additional benefit, when permanent vacancies open up, there is no need for internal staff to put in a CV, as the information is there.

Of course, a thriving talent marketplace will likely have implications for other aspects of HR. For Genentech, the challenge going forward is to address the impact on compensation. Genentech’s job evaluation framework has not yet evolved with its marketplace.

“It remains jobs-based, so it’s not really set up for someone who might take on a number of internal gigs,” says Davis.

The HR team is working to resolve this. They are looking at how to reward skills-based work, and how to benchmark the right levels of pay. They have also developed new policy guardrails for when a ‘gig’ lasts long enough to be considered the employee’s actual role.



Expert view

“It is clear that the idea of a talent marketplace is necessary to adapt to a world of work where static jobs are giving way to rapidly evolving tasks. But what looks like a ‘nice idea’ has also presented challenges to the Pathfinders: how to balance holding a job with doing ‘gigs’; how to manage pay and reward in a fluid and atomized working environment; how to make sure that a ‘lending manager and team’ can continue to deliver their work; and how to ensure learning in the flow of work to support the agility of the talent marketplace. The Pathfinders have not solved all these challenges, but, as we have seen with Genentech and Aegon, it hasn’t stopped them going down the path and experimenting.”

Susie Quirk

Partner in Charge, HR Advisory
KPMG Australia



Aegon

An IT pilot

Aegon has its sights set on developing a talent marketplace and is starting with a pilot in its IT function. Pascal Ernst, Global Head HR Digital Experience, says the pilot reflects a number of key business drivers.

“One driver was employee development, as we saw from our engagement survey that our people indicated that they had a strong need for development and movement in the organization,” he says.

Another is that there is also a need to develop and access strong and relevant skills in-house. Early efforts at building the IT talent marketplace show how vital skills data will be for this to be successful.

“A big challenge for us will become, what is our ‘system of record’ for skills? Yes, we will use AI, but it needs the right data to start the matching process.”

A second challenge will likely be predictive workforce planning, with a third how to get ‘lending’ or ‘sharing’ of employees with in-demand skill sets right.

“Why would you, as a manager, let somebody go when you have already very lean teams and budget constraints? For an employee, it is more, ‘If I go to a new manager, who will do my performance review, how will it impact my career? How will it impact my pay?’”

Ernst’s key tip is that if you want your talent marketplace to be global, privacy will need to be a priority, as sharing information across GDPR and non-GDPR countries can get complex.

“You lose your employees’ support if you make one mistake with this.”

Aviva

Building skills for the future within

At Aviva, Danny Harmer, Chief People Officer, says one of the biggest focuses for HR is building the right skills for the future while also building the right learning for existing employees to meet those needs. As part of this, the insurance organization set up Aviva University two years ago, which offers essential learning and an evolving suite of skills development courses.

“We’re also putting in place talent programs which are data based and skills based. At the same time, we’re asking, what are the skills and capabilities that Aviva needs for the future? How do we develop people to have those?”

Key to getting this right is really understanding from leaders the skills and capabilities they anticipate they will need.

“In three years, call center teams might need to be able to build a chat bot, or manage a chat bot, or find a way of digitizing a process that they know our customers hate.”

Aviva is very much leading the way when it comes to integrating its talent marketplace with its learning strategy and workforce-shaping activity. Its aim is to get the right people with the right skills on the right tasks, faster than its peers — providing that much-needed competitive edge.



Tesco

Growing a skilled and agile workforce

For supermarket Tesco, awareness that the workforce of the future is unlikely to match today's is prevalent. Emma Taylor, Chief People Officer, says in simple terms, it is about anticipating the jobs, skills and talent requirements of the organization — and working with business functions to achieve this insight and meet it.

“That’s really broad for us, because we have a diverse range of job families across our workforce,” she says.

These job families include store workers, supply chain operations, delivery teams, technology capabilities, back-office operations and much more. Understanding what the business will need will inform future talent attraction and retention. However, importantly, it can also drive the reskilling of existing colleagues to ensure adequate capabilities as needs evolve. It is about HR and the business engaging in a ‘bigger’ conversation about the existing workforce and how it needs to continue to develop.

“By the very nature of the disruption and the shocks that we’ve had to the workforce in recent years, I think if we were sitting here with a strategic

workforce plan, we would constantly be rewriting it. So, it’s about how you infuse the spirit of workforce planning into the conversation — versus it being a more traditional HR ‘people-power’ plan. The only way you can achieve that is in partnership with the organization,” says Taylor.

In addition to understanding the changing needs of business functions, part of what sets Tesco’s approach apart from others is how closely it is including its people in this evolution. It is encouraging people to try different roles, to learn in-person from others, and to embrace tailored online learning to expand their skills. An app has been created to help this process, which will enable colleagues to access opportunities to work in their store, and ultimately also in their local network of stores, alongside other fundamental aspects of the colleague experience.

“We are moving from a traditional model of, ‘I am employed to do this job in this part of the operation,’ to colleagues being trained to do a variety of roles, with different skills. This means we have a colleague base that can also respond flexibly against the demands of the business or an individual business unit.”

In one example of how Tesco is actively preparing for the future, it is providing interested employees with training in data and analytics — a core capability now and into the future.

Importantly, building such an agile and diverse workforce will not only help Tesco to be ready for changes such as new customer demands, changing market conditions, or evolving supply chain expectations, but it also helps employees feel increasingly engaged with and connected to the organization.

“It reflects our focus on diversity and inclusion as well, and making sure that it is not just about having a representative workforce, but that we are able to benefit from having an experience reflective of diverse experience and contribution,” says Taylor.



Albertsons

Attracting and retaining executives

US-based supermarket Albertsons had some very specific areas of the business in which it needed to build and scale quickly. To do this, Mike Theilmann, Chief Human Resources Officer, says Albertsons had to strategically focus on building its 'talent machine' at the executive level.

"We had to think about — what is the profile of the talent we want to bring in to execute our Customers for Life strategy and achieve our business objectives?" he says. "Do we want to have people that have had depth of operating before? Do we want disrupters in certain places? Do we want people that are deep in, for example, grocery retail? It started with understanding and articulating that."

Theilmann says Albertsons's approach to attracting the best talent is to articulate the vision of the business and ensure they understand the resilience, agility and passion that are innate across the organization.

"We want to hire at the upper level of capability — fewer, bigger, better. Give them the resources they need, connect the teams. Go fast and tie everything back to our strategy to keep them focused on top-tier performance for our business and a great experience for our customers," he says.

What can we learn from the Pathfinders about building a talent marketplace?

Here are some reflections to consider in light of our Pathfinders' insights:

- A first step is to map the skills currently available in your organization — ask yourself whether it gives you what you need for the future. If not, you may need to recruit or build the skills internally as part of your people plan.
- Is there a clear view of who is where in the organization, and what they do? This is the foundation of your skills ontology — a view of all the skills in your organization, where they sit, and with whom.
- Have you mapped your processes to achieve a talent marketplace?
- Is your HR function aligned to IT to help work out what technology is most suitable?
- Has your HR function considered the cultural challenges associated with this new way of working?
- Consider how the talent marketplace will flow throughout the organization. Can you start with a pilot area, experiment, and learn and take in feedback?
- Do you have incentives for employees to keep their skills up to date?
- Do you have opportunities to build skills to meet the needs of the marketplace?
- How does performance management support the aims of a flexible talent marketplace?
- Is there a flow between the internal talent marketplace and the external labor market or recruiting? Does your HR function have a view on both, to support workforce shaping?



Part 5: Holding to the heading — how to make purpose real

“Don’t confuse progress with winning.”¹¹

Mary Barra, CEO, GM



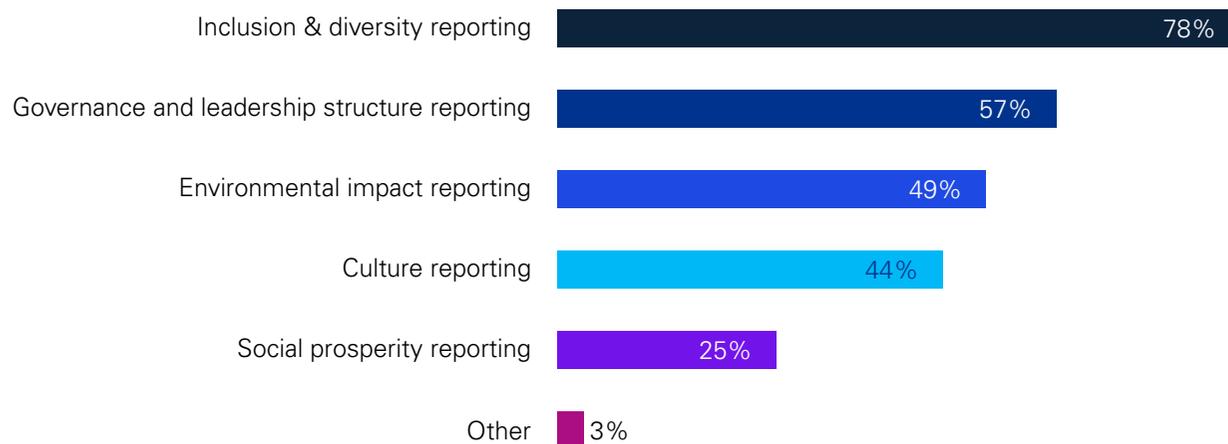
Our survey results show that HR leaders believe culture, company values, and purpose are the most important elements of the EVP when it comes to attracting, developing and retaining talent. However, purpose in particular cannot simply be a nice company slogan, but must be completely integrated into how the business operates, how its people operate, and importantly, the employee experience.

Increasingly, purpose is aligned to net-zero aspirations, and how employees can help in achieving this outcome — an example of HR influencing the everyday flow of the organization. Net-zero is understood as an

aspiration to have on-balance, zero carbon emissions to reduce the impact of climate change by 2050 — although some organizations are aiming for 2040.

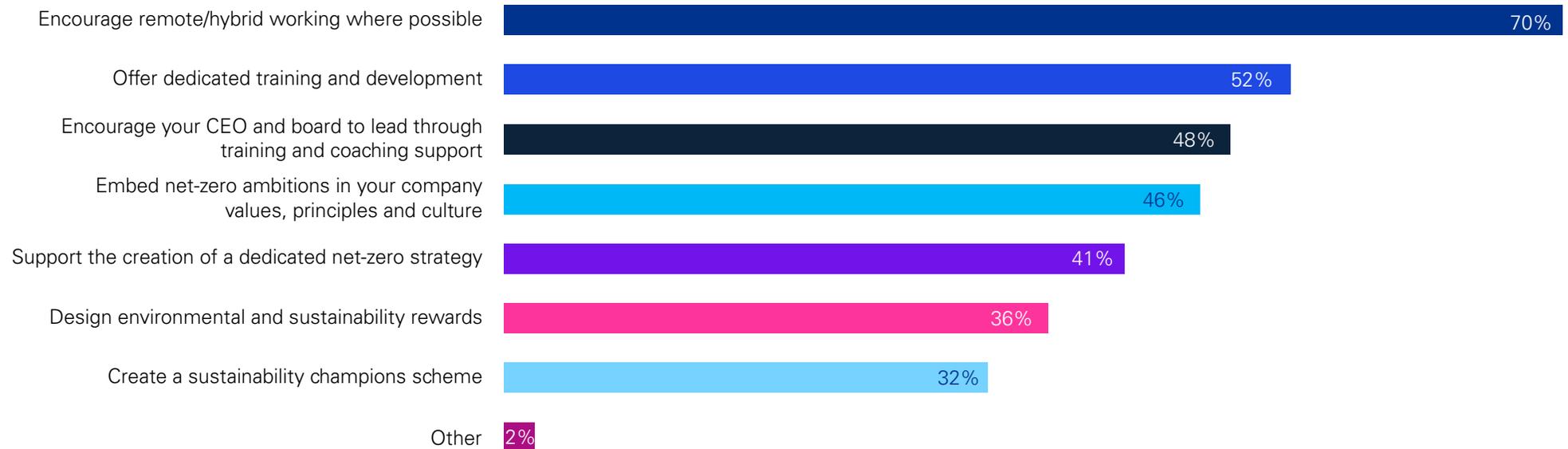
Ensuring the workforce contributes to ESG topics, including any commitments to net-zero and IDE targets, will be on the agenda in the next few years for 32 percent of CHROs and their equivalents. Our Pathfinding HR functions are certainly representative of this percentage, as they know the value of organizations supporting ESG-related purpose, as well as their role in making this purpose ‘real’ for employees.

To what extent are you reporting and actively engaging in the following ESG topics?





There are several ways that HR can support organizations in their net-zero ambitions. Reflecting on the current state of your organization, which of the below do you believe are feasible to implement in the next one to three years?



Living and breathing a net-zero purpose is Tevva, with its HR function building purpose into the employee experience right from the interview stage, all the way through to daily operations and leadership training. Kay Jarvis, HR Director, Tevva, says that when you join Tevva, “you become part of a team that wants to find a solution to the issues that we have at the moment around commercial logistics delivery and the infrastructure of that.”

At AIB, ESG is at the heart of purpose — and in particular how the financial institution can support the environment with its net-zero strategy. This is not just about telling people that environmental sustainability matters, but rather it is creating a culture in which they come to that conclusion themselves, through learning and networks that support a better understanding.

Pathfinders show how HR has a central role to play in terms of instilling net-zero-related purpose, ranging from training to policies, processes and reward. As reaching net-zero increasingly matters to employees, stakeholders, the broader public, and of course the planet, HR’s unique position as a connector between business strategy and people can bring net-zero into the flow of working life.



Tevva Purpose from day one

Tevva lives and breathes its net-zero purpose, with HR at the forefront. Kay Jarvis, HR Director, says: “When we talk about our future diversification, we don’t see ourselves stopping at trucks. We see ourselves going into the hearts of the customers to be able to help them to find better ways to package their materials, issue their materials, and for the end customer to receive the goods all in a way that impacts humanity positively.”

This purpose is made clear right from day one in a team member’s journey, informing how interviews are conducted, leaders are trained, and culture is created.

“You’re actually scored at the interview stage around behavior assessment and alignment to our mission and our vision. Are you joining us because this is a job, or are you joining us because you want to sincerely be part of a team that’s creating a solution for future generations that will inhabit this planet? That starts you off on a very different journey.”

When it comes to learning and development, it is all about enhancing purpose, and investing in the idea that “every team member deserves to have a great manager.” Being a great manager at Tevva means being aligned to the purpose, inspiring others, having courage, being reliable, having empathy and tenacity, and also enjoying leading.

“With every decision you make, you are encouraged to evidence how you use your values alignment in making that decision. If you’ve made a decision that’s based on the values of the company, then you have the support that you’ve got to where you need to be the right way,” she says.

Another part of Tevva’s purpose is making sure that every team member, whether they are customer facing, back office, or in the factory, have equal access to flexible working arrangements. Jarvis explains that traditionally, if for example a team member in the factory wanted to see a family member in a sporting match in work time, they would have to book in annual leave. However, by thinking more creatively and planning in similar ways that they plan for sick leave or attrition, Jarvis and her team see no reason why flexibility cannot be made possible at Tevva. At this stage, they are aiming to make around 20 percent of time flexible for these teams.

“We’re aware the manufacturing and technology areas need to have people there. Of course. But that’s not to say we can’t disrupt that. It doesn’t need to be the standard start time, standard finish time, standard break time. Why can’t we build in a level of flexibility that allows understanding? We can make sure that we’ve got the budget and the cover correct — but give the availability for people to apply more flexibility in those roles,” she says.



Expert view

“HR is the gateway to an organization meeting its ESG commitments through its people. The function has a guardian role in setting the tone of the business, articulating its purpose and values, and demonstrating those in how it engages with employees from the most strategic activity to the most administrative tasks. The policies, processes and projects in which HR has responsibility shapes the culture of the organization, that is particularly evident in how the organization can realize its net-zero commitments. The Pathfinders we spoke to take a holistic approach — matching formal policies and processes with informal interventions to deliver on public commitments on ESG.”

Kate Holt

Partner, People Consulting
KPMG in the UK



AIB

Purpose, people and products

For AIB, the goal of HR is to help employees connect to this purpose by understanding the organization's ESG ambitions and how they bring that to life. David McCormack, Deputy Chief People Officer, says core to this is mandatory training to make sure everyone has the right foundations, but then it is much more about creating the culture and space for employees to truly adopt a sustainability lens in their day-to-day business operations and behaviors.

"It isn't just our executive committee or board that drive and deliver our sustainability agenda, it's our people, collectively, that bring it to life," he says.

Measuring if people are engaging with purpose isn't necessarily straightforward. McCormack says while AIB can track employee interest in related communications or surveys, the real measure is in their actions. For example, what sort of response and reaction are customers giving to employees on their sustainability efforts?

"If you're continually challenged as a HR function to come up with new ideas and to support evolution, then you know you're succeeding," he says.

Starbucks

Environment, leadership and performance

Starbucks has always had a clear purpose — to work together to create a positive impact in the world. The company is acutely aware that climate change will make it increasingly difficult to grow high-quality coffee. Therefore, it has committed to ultimately being resource-positive: giving back more than it takes from the planet.

In the medium-term, Starbucks aims to cut its carbon, water and waste footprints in half by 2030 (compared to 2019). It has set out detailed plans to achieve this, putting the initial focus on five key strategies, including expanding its plant-based menu, shifting away from single-use packaging, rethinking farming activities and land-use, reducing waste, and innovating its stores and operations. In the company's own words: "By reducing carbon emissions and conserving water, we are contributing to a better planet, and bringing coffee to customers in a sustainable way."



What can we learn from the Pathfinders about making purpose real?

Here are some reflections to consider in light of our Pathfinders' insights:

- How are the organization's public commitments being cascaded internally — is HR pushing the message enough and bringing your people with you on the journey?
- Is your HR function clear on where it can support net-zero ambitions?
- Has it mapped all of the functions, processes and policies it owns and considered them in light of net-zero commitments?
- How is HR setting the example?
- What does net-zero look like from your first day as an employee to when you leave?
- How does HR — supporting the back-office — flow through to the front-office work of the organization when it comes to realizing net-zero?





Part 6: Prioritizing wellbeing and feeling good

“It is health that is real wealth and not pieces of gold and silver.”¹²

Mahatma Gandhi





In our survey of HR leaders, we found that for 85 percent, the mental health and wellbeing of their employees has become a bigger focus for their organization over the past two to three years.

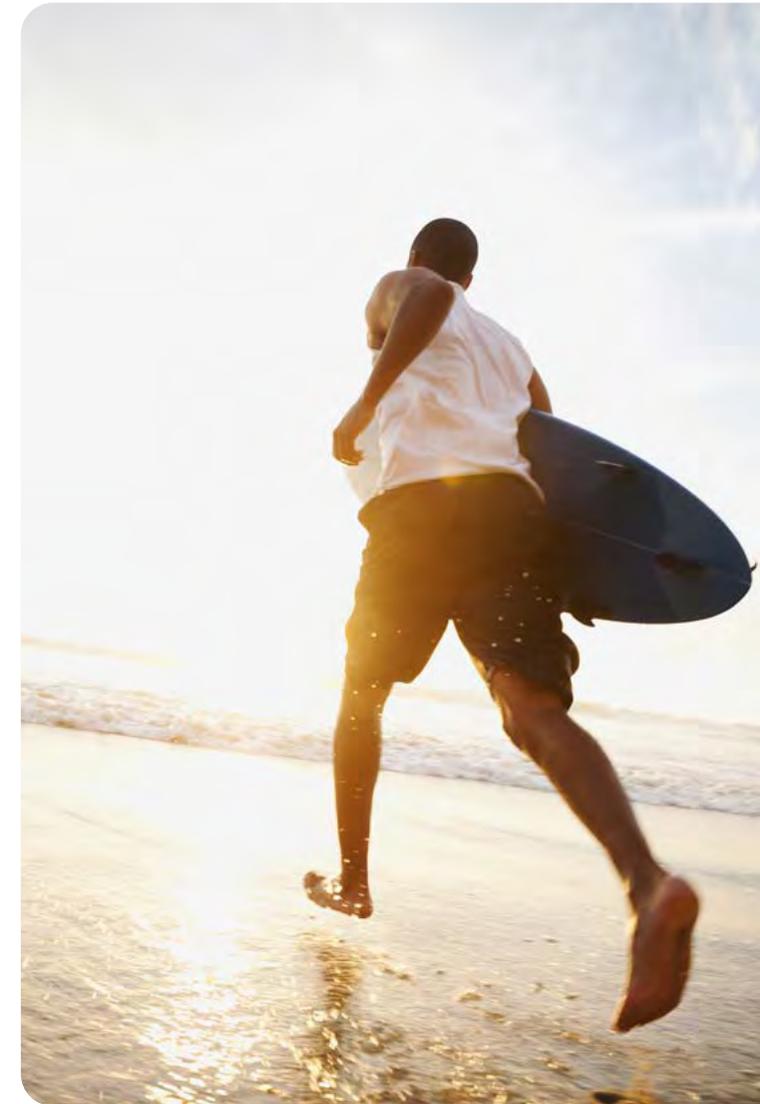
Looking ahead, improving the mental health and wellbeing of the workforce was expected to be a future focus of 53 percent of respondents. However, when it comes to having the capability to actually deliver on it, 28 percent ranked it first — suggesting room for improvement on this growing matter of importance.

For our Pathfinders, this focus on wellbeing is happening right now. Out in front is Starbucks, where staff wellbeing has been a longstanding ethos, from offering shares to ensuring mental healthcare is part of its Employee Assistance Plan (EAP). We also found AIB building an internal network of wellbeing advocates across all corners of the business.

Non-Pathfinders might have wellbeing initiatives; however, they may be disconnected and not easily accessible in the flow of work. Some could be 'standard' EAP offerings, or pilots in certain parts of the organization. In comparison, Pathfinders have integrated wellbeing into their employee experience — it is in the flow of their work, and easily accessible through multiple channels and tailored offerings.

One very important thing our Pathfinders and other leading organizations will want to do is better understand the nuances between mental health, mental *ill* health, and wellbeing, as each in fact lead to different policies and programs. Gordon Harold, Professor of the Psychology of Education and Mental Health at the University of Cambridge, shares his expert insights into these distinctions and what they mean for HR functions in the breakout on page 44.

Has the mental health and wellbeing of your employees become a bigger focus for your organization over the last two to three years?





Starbucks Breaking the mold

Starbucks doesn't just take employee wellbeing seriously. The global coffee brand goes out of its way to take a lead on the issue, and think differently about how to support its staff. This is taken to the point where the company doesn't have 'employees', it has 'partners.' All eligible partners are given shares in the company.

"Our philosophy has always been: if we find new and unique ways to support our partners in what they want and need, they'll be more engaged and excited to connect with our customers," says Ron Crawford, Vice-President of Global Benefits.

Looking after partners' mental health has always been an important part of this approach, but COVID-19 revealed the need to go further in that regard.

"The pandemic showed us all how fragile mental health can be. We knew we needed to do more," says Crawford.

Starbucks knew this because the company listens to its workforce; and, at Starbucks, listening means more than carrying out employee surveys and focus groups. It means understanding, and tackling, the root cause of the issue.

"We look for the message behind what our people are saying to us," he says. "Partners aren't going to say,

'I'd like a better Employee Assistance Plan.' They'll tell us what they're struggling with day-to-day. And we heard a lot more of that during the pandemic."

Starbucks realized it would need to address three common problems with mental health treatment for its partners:

- **Stigma:** It can be hard for people to speak up about mental health, and to ask for help.
- **Access:** Most EAPs offer just four or five sessions a year, usually with a long wait (eight weeks on average). Plus, the first session is often with a therapist who has the wrong specialism for the patient's condition — or the right practitioners don't take insurance.
- **Quality:** Mental health treatment doesn't always deliver the desired outcomes, as many therapists don't provide patients with the tools to help them recover.

Addressing these issues required a radically different mental healthcare benefit. Therefore, Starbucks teamed up with a leading mental health provider to develop and deploy evidence-based treatment and practical recovery tools. Under the plan, partners get up to 20 sessions each year, and the coverage extends to their family members.

Starbucks also took a different approach to measuring the success of its new approach.

"We only ask for data on whether partners are getting access to treatment; how quickly; and what it costs us. We instructed the provider not to send us any data on anything else," says Crawford.

The data shows that Starbucks has indeed transformed mental health treatment for its partners. Waiting times are down from eight weeks to just six days — and usage rates have risen from four percent to 19 percent.

"We know instinctively that investing in our partners' health drives a return in terms of productivity, engagement and customer experience. Everything we've done to date demonstrates that," he says.

For Crawford and his team, supporting Starbucks partners is a continual priority.

"We're constantly listening to our partners and looking for the next big challenge we can help them with. We're always trying to get to the root of the issue. And we're always seeking innovative solutions that break the mold."



Expert view

“Wellbeing is much broader than simply focusing on Employee Assistance Programs or the latest wellbeing app. It’s a holistic view of how we can best support our people to be their best selves — yes, for our business — but also for their own careers and lives. At KPMG, we are proud to lead by example when it comes to wellbeing. From breaking the stigma of mental ill-health, to encouraging and promoting physical wellness, to providing formal and informal support to colleagues who need it in the moment, we have a comprehensive strategy around wellbeing. It’s something our people expect from our business, and therefore listening to their needs — beyond the annual survey — is key. The other element that is helping us deliver for our people is technology; providing in-the-moment support and guidance on wellbeing is a fundamental part of our support offer when things get tough.”

Nhlamu Dlomu,
Global Head of People
KPMG International

AIB Mental health advocates

For AIB, the most effective way to focus on wellbeing in employees is to empower and invest in them to support each other, realized through mental health advocates positioned all across the business. David McCormack, Deputy Chief People Officer, says the organization currently has almost 1,000 people fully trained to perform this role.

“By the end of the year, we will have over a thousand certified mental health advocates across the group — that represents over one in 10 of our colleagues,” he says.

The advocates not only support colleagues across the organization with mental health challenges, but also foster and feed back to HR on the wellbeing of teams and support engagement activity across the group.

“What is working, what isn’t working, how is it working? What can we do differently? How can we evolve it? How can we enhance it? How can we make it better?” he says.

McCormack says AIB has released an internal app, and through it, HR shares wellbeing messages and links to insights, or ways to collaborate, connect and share ideas.

“It’s trying to create as many avenues as you can for people to interact, engage, and connect across the group.”



“ Expert view

Defining mental health and how this impacts programs

While your HR function may be focusing on wellbeing, there are in fact nuances to what wellbeing encompasses, and it can be beneficial to understand this more specifically. Gordon Harold, Professor of the Psychology of Education and Mental Health at the University of Cambridge, says recognizing the differences between ‘mental health,’ ‘mental ill health,’ and ‘wellbeing’ can make a big impact on your approach to organizational policies and programs.

“We need to draw the distinctions, because there are very different strategies involved,” he says.

Harold says:

- Mental health is about promoting mental health — supporting and reducing the risk of mental *ill* health.
- Mental *ill* health (such as anxiety or depression) is often downstream from the early causes and will need different programs.

- Wellbeing can refer to more holistic programs that cover spiritual, physical, emotional and social wellbeing.
- Mental health is a component feature of general wellbeing, but interventions around mental health and mental ill health should not get lost in this wider definition.

Harold, who has years of experience in researching the impact of mental health and mental ill health on the life outcomes of young people, including in the workplace, says from a HR standpoint, a program that aims to inform, educate and engage employees around mental health promotion is essential. This can complement strategies that address and support the reduction of adverse mental ill health impacts, and be part of a wider approach to promoting overall employee wellbeing.

He adds that working with these distinctions shouldn’t just drive program planning, but specific strategies to measure success of the programs. It can also help HR to understand what the organization is responsible for professionally and legally in the event of employee mental ill health.

“For example, events prior to arriving in the workplace may have significance around the mental health or mental ill health of an employee. What responsibility, therefore, does that employer have for those particular factors? From a HR standpoint, the starting base is really, what does the employer have by way of responsibility to its employee? It is also important to know, what are we legally liable for?”

Getting deeper into these nuances around mental health, mental ill health, and wellbeing will increasingly matter in the next few years, as a cohort that is very informed about these issues and nuances — and more open in their approach to discussing them — will start to enter workplaces.

“As young adults of today become your workforce of the near future — they will welcome an environment that promotes their mental wellbeing,” he says.

Trying to build a comprehensive and integrated wellbeing program not only benefits employees, but also the attraction and retention of people in a competitive talent market.



What can we learn from the Pathfinders about prioritizing wellbeing?

Here are some reflections to consider in light of our Pathfinders' insights:

- How can your HR function think beyond EAP and consider tailoring support to an employee's individual needs?
- How can you provide in-the-moment support?
- What can you do to break down stigma?
- Is there an awareness, capability, or reskilling element to this?
- How can wellbeing link with employee experience and recruitment or retention? For example, can wellbeing be seen as a reason to join or stay at your organization?
- What can HR do to promote wellbeing outside of the organization?
- How can HR use data to track wellbeing and monitor quality of interventions, while also protecting individual privacy?
- Does your Employee Listening and Feedback Program flow back into your operating model?





Conclusion: How to position for the unknown

“Predicting rain doesn’t count, building arks does.”¹³

Warren Buffett



Based on our last three years of research, we consider that Pathfinders make up about 10 percent of all HR functions. They share certain capabilities, namely:

- they have a clear sense of purpose, and this in-turn informs their mindset of how they operate in practice
- a strength in developing analytical insight that is focused on business questions
- a desire to build the workforce needed to face the challenges of both today and tomorrow
- complete focus on providing a strong experience at work, including ‘learning in the flow of work,’ so that both individuals and the total workforce can remain in flow
- they are less siloed and far more integrated in the way that they operate: with analytics informing workforce shaping, skill building and employee listening in a fully integrated way
- a belief that work does not exist in isolation of life and home. Purpose, wellbeing and ESG are major concerns of the modern worker. They believe that people functions must deliver on these expectations as much as traditional talent management concerns.

We visualize the Pathfinding HR function ‘flowing’ in the following way (see page 48): They have a clear purpose, which informs a mindset which is integrated across the enterprise irrespective of the function HR is working with;

and this is underpinned by data and analytics capability. We have found it is the foundation for all the subsequent work HR is involved in, including everything from workforce shaping to employee experience, as everything is based upon robust data and analytics, and sitting under a clear mindset and purpose of how HR supports organizational aims.

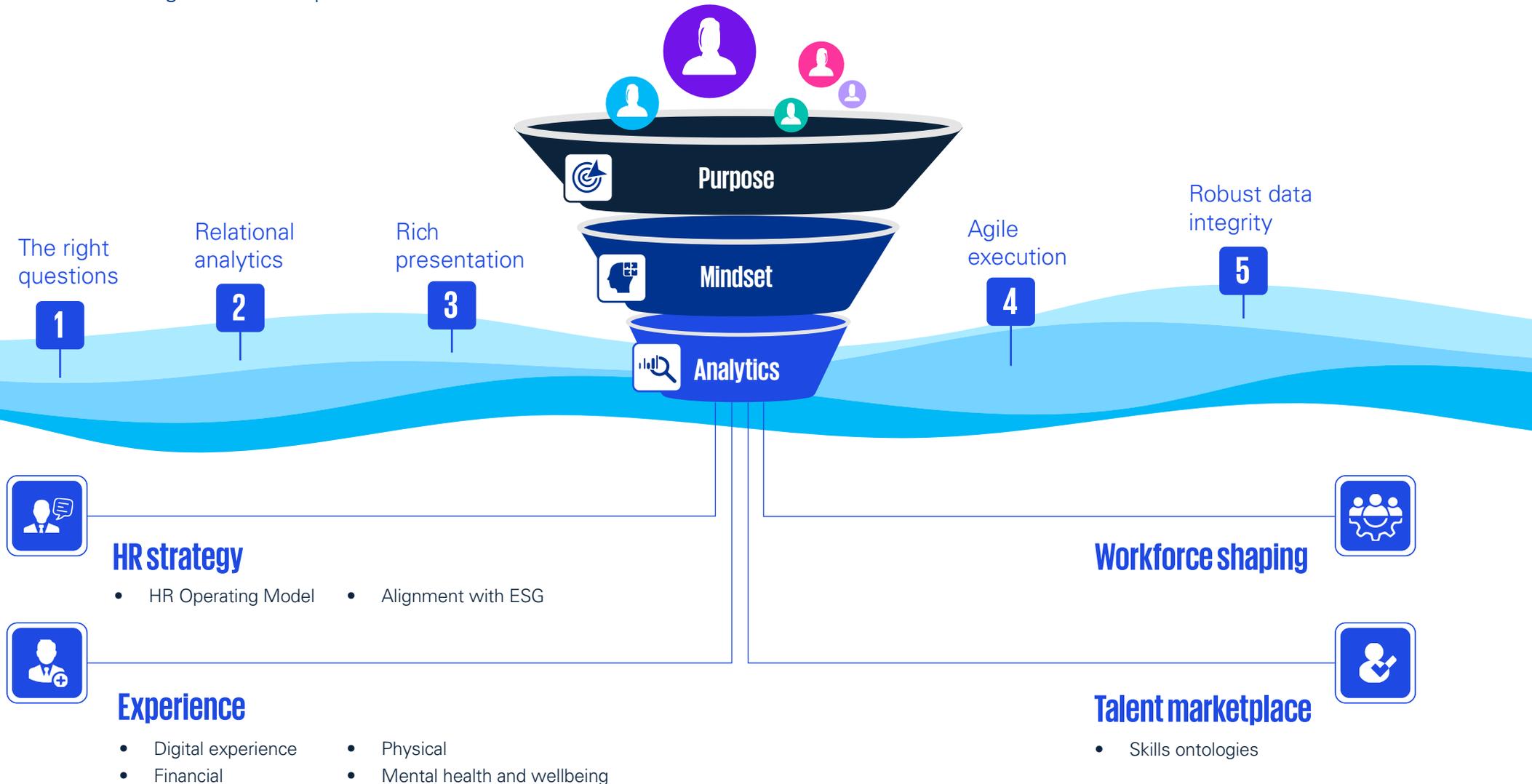
Why are the efforts of Pathfinders important to review?

The efforts of the Pathfinders matter to every organization, as the world of work is being atomized by digital technologies and automation. Traditional jobs are giving way to the primacy of skills and tasks. Work is more dynamic than ever, and this means that the workforce’s structure, skills, organization, and size of today is not the workforce of tomorrow. The world of work is increasingly blending with wider societal, economic and environmental considerations, meaning employers need to show that they are listening and, where possible, responding to these concerns. In particular, they need to consider a greater purpose and supporting employee mental health and wellbeing.

Our research shows that the capabilities that are considered as important for success in the future, such as workforce shaping and delivering analytical insight, *are not* the areas where many HR functions have current capability. Therefore, Pathfinders demonstrate how they are going from flux to flow in these areas — and how they are solidifying the immense value of the function beyond processing performance and payroll.



Pathfinders have a clear purpose, which informs their mindset of how to deliver strategic flow. They embed analytics into everything they do — linking to our five-part value stream. This in turn delivers tangible outcomes for HR strategy, workforce shaping, employee experience and establishing talent marketplaces.





How should HR leaders respond?

While the Pathfinders may be addressing similar issues, there is no one-size-fits-all approach. Each Pathfinder tailors its HR function to its organization's context. It is something we urge HR functions seeking to become Pathfinders to consider.

One of the emergent themes (and capabilities) that we have learned from Pathfinders such as bp and Genentech is that HR functions need to accept the unknown and the dynamic. *Positioning for the*

unknown requires a continuing capability in what is often known as futures and foresight. This requires the following pre-conditions:

- analytical insight that flows from idea to action, deploying the five-part value chain explored in this report
- a disciplined approach to workforce shaping that is scenario-based, and continuously evaluates the optimal workforce cost, capability, capacity, organization and contingency

- defining the required job architecture and building a future-proofed skills ontology. This will allow for the necessary ability to decompose and recompose the organization design as strategy, technology and competition evolves over time, always ensuring a flow of talent
- an ability to horizon scan with the business about what is happening and what is likely to happen
- an authoritative decision-making forum, again involving the business, to make timely decisions
- agile delivery of projects with feedback built-in to inform the points above.

These all point to the need for capability that can build 'arks' at the right time, and this is what the Pathfinders are leading the way with. Building capability is how Pathfinders remain in flow and move forward with momentum. It is how they continue to ensure a flow of talent to address the broader business needs, as well as provide an excellent, frictionless, working experience and career path for people. It is also how, in the dynamic matching of skills to tasks, workers will be 'in flow' in their tasks and experience greater fulfilment in their work.





Where next?

With inspiration from the activities of our Pathfinders, there are plenty of ways to consider how their approaches could be adapted to the unique set up of your function. Here are some possibilities:

- **Deliver on strategy:** Focus on aligning HR operations and processes in a way that can help to support and drive the overarching organizational strategy. Bringing together key HR capabilities such as organizational design; workforce analytics and planning; culture change; and agile delivery, under the one roof, can help to drive this seamlessly.
- **Integrate digital operations:** Move from focusing on technology to facilitate basic needs and instead look at how it can enhance HR effectiveness and the employee experience. One holistic way to do this is to support the use of the right technology as a base for a 'digital headquarters,' making the organization accessible to everyone, and connectivity and communication seamless. Another way is to use apps to make engagement with employees two-way, so that they have easy access to HR, and you are involved in a continual feedback loop that can feed decision-making. Amid these efforts, consider how technology is impacting the lives of your people, and implement aligned support such as 'Hybrid Personas' for remote work.
- **Advance your analytics:** Push beyond using 'rear view mirror' analytics for traditional HR

needs such as retention, attrition and engagement. Instead, work with more comprehensive data sets and relational analytics capabilities to answer the big questions leaders have about people in the business. Creating a hypothesis, correlating quantitative and qualitative insights, then finding unique answers can make a big impact on decision-making and actions. It is also possible to treat your employees as the 'customer' of relational analytics, and use what the findings tell you about their needs to create products and services that enhance their experience.

- **Build a talent marketplace:** Understand the skills your organization will need in the years to come and the gaps you will need to fill. Rather than thinking about creating entirely new positions, can you create a skilled workforce fit to undertake task-based or project-based work? To do this, build a 'talent marketplace,' starting with a data base of the skill sets required, employee skills, and who is working on what and where. You also need to think about team agility and mobility, particularly across borders. Management support for sharing and exchanging talent, as well as stringent employee data privacy policies, will be integral to trust in this new way of operating. Also, think about job evaluations, job descriptions and pay grades.
- **Make purpose real:** Recognize that culture, company values and purpose are vital factors in an EVP, and contribute to organizational success and reputation — particularly when it comes to

ESG factors. Consider how you can take purpose from being a nice slogan and instead make it 'real' and meaningful for your people. Build purpose into how you recruit, how your team members prioritize decision making, or how leadership operates. Foster a culture in which employees embrace purpose to drive the new products and services that they create.

- **Prioritize wellbeing:** Understand that up-and-coming employees will expect more than ever from their employers when it comes to caring about their mental health, mental ill health and wellbeing. Think about these as three separate areas of focus and how the requirements of each can shape policies and programs. Make employees feel like 'partners' not just workers, and think about the mental health and wellbeing benefits that can be offered in your EAP that will make a real difference to their lives. Perhaps train wellbeing advocates across the business — or engage with digital tools to create a continual pulse on wellbeing that leads to action.

As employees go through a Great Reconsideration, there is little time for HR to sit back and hope the company strategy will unfold, and that employees will be happy to keep turning up each day. Therefore, for Pathfinders, efforts across these six themes are continuous. This dedicated focus on improvement and innovation sets the Pathfinding HR functions apart from others, and helps ensure they move from flux to a state of genuine flow. Of course, Pathfinding HR functions might be leading the way — but there is no reason why others cannot catch or overtake them.



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