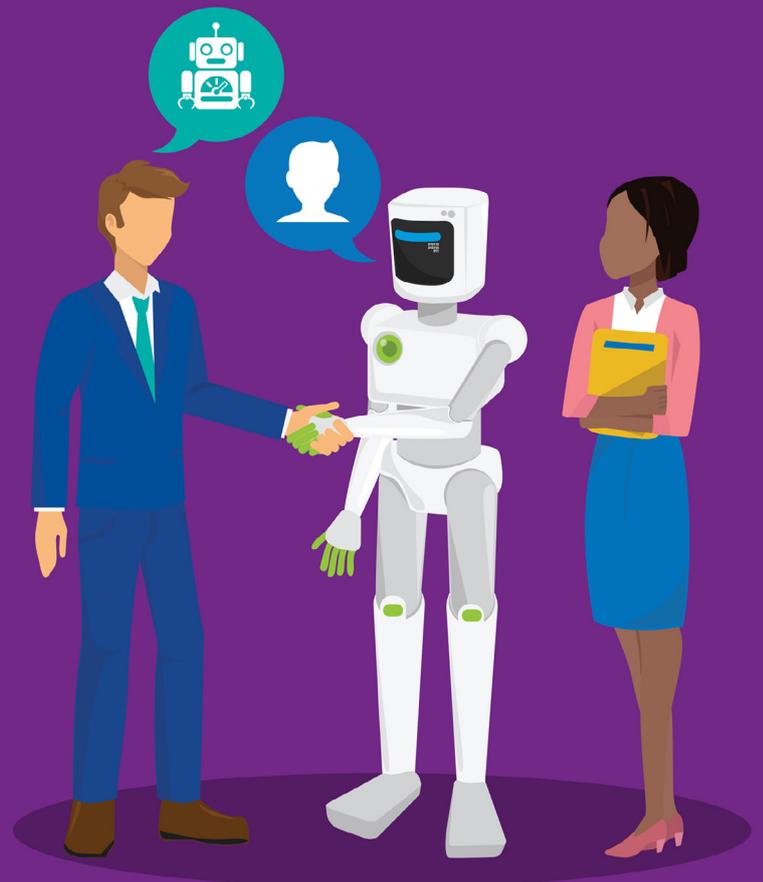




# Future of HR 2019: Embracing bold change



December 2018

[KPMG.com.au](http://KPMG.com.au)

# The 2019 KPMG Future of HR Survey

According to our recent survey, Australian Human Resources (HR) executives feel confident about the strategic value and performance of their function, with 72 percent believing they are seen as 'a core value driver' by senior leadership.

Seventy-six percent think their function is becoming more strategic in the enterprise; and are positive about their ability to manage the employee experience and employee engagement, citing it as their most valued capability (55 percent), followed by employee relations (53 percent), and managing detail and legalities (51 percent).

However, in today's rapidly changing digital world, the HR function must continue to move forward and play a key role in shaping a connected enterprise.

Trends such as multi-generational workforces, the war for talent, increasing global mobility, new technologies (e.g. automation and artificial intelligence (AI)), and employee demands for customer-like service are confronting organisations, with HR on the frontline. Only organisations and HR functions that are bold in changing what they're doing and how they're doing it will remain relevant.

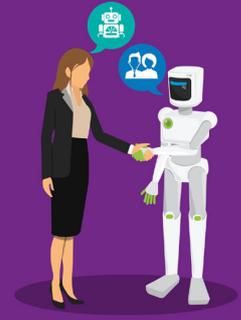
HR executives appear to be recognising this, with 66 percent agreeing that their overall company workforce needs to be transformed, and 79 percent seeing a need to transform the skills of their organisation's workforce.

Importantly, 77 percent see a need to transform how the HR function operates, and are confident in their ability to transform.



**In this report, we look at the Australian survey results in more detail, focusing on four key areas in which HR has a great opportunity to double down on transformation to help their organisation stay relevant and sustainable.**

**The areas are: emphasising a culture for change, embracing data and analytics capabilities, focusing on the employee experience, and enabling cohesion of digital transformation across functions.**



## 1. Emphasising a culture for change

There is a sentiment amongst HR executives in Australia that the culture of their enterprise is ‘task-oriented’ (51 percent), having a ‘low risk tolerance’ (38 percent), and ‘hierarchical’ (30 percent).

This is of some concern as these top three traits don’t signify a company that is ready to face disruption.

More promising terms for this environment are ‘agile’, which was selected by 27 percent, followed by ‘collaborative’ (24 percent), and ‘innovative’ (23 percent). The term ‘managed by metrics’, meaning the use of data and analytics for decision making, was only chosen by 8 percent.

This indicates that HR functions wishing to instil change in their organisation (and their function) may be restricted by a culture that makes this difficult.

In fact, HR functions see this as challenging, with 42 percent stating ‘culture’ was a ‘top barrier’ when it comes to their enterprise’s ability to move from the initial phases of digital business transformation to scale.

The good news is that ‘culture’ is the top area that management boards are expecting HR to address (43 percent). And for HR, ‘workforce of the future’ (45 percent), ‘talent management’ (39 percent) and ‘culture’ (38 percent) are the top initiatives it plans to focus on over the next 2 years – suggesting that improving culture is in everyone’s sights.

## 2. Embracing data and analytics capabilities

Organisations that embrace data and analytics for informed decision making are better placed to navigate the challenges of disruption. It is therefore good to see that a majority of HR executives in Australia (70 percent) think that HR can provide value to their organisations through analytics.

A positive trend of 41% agree that their enterprise is effective in bringing together data from various sources to make workforce decisions. Of those who use predictive analytics, it is most commonly used for hiring decisions (40 percent).

However, only 19 percent of organisations are looking towards HR to address analytics as a top issue; only 26 percent of HR executives highlighted analytics as a primary

initiative for the next 1-2 years; and 19 percent see it as a ‘top critical skill’ for HR.

This low focus is surprising given that data and analytics capabilities are critical to shaping and managing a workforce that is fit for an ever-changing future.

We know that HR functions are focusing on other priorities (as mentioned, ‘workforce of the future’, ‘talent’ and ‘culture’), however, many businesses are already exploiting data’s unprecedented capability to dramatically improve decision making, and to predict behaviors and outcomes. HR is in a prime position to take advantage of diagnostic and predictive analysis between people and performance. They can use data and analytics to correlate data points to understand the organisation’s culture, performance and workforce in more detail.

## 3. Focusing on employee experience

Eighty-five percent of HR leaders believe that their capabilities around employee experience and employee engagement are valuable to their organisations. Only 12 percent say that their management board is looking to HR to address employee experience, and 24 percent employee engagement. This may be why only 15 percent of HR executives rank employee experience as a top initiative for the next 2 years.

However, while HR may be doing a good job in this space, with the current war for talent, the emerging gig economy, and increasing global mobility of people, the ability to attract and retain top talent is challenging.

A focus on employee experience is becoming more and more a priority in Australia as we look for vital skills and capabilities within the gig economy. We should look to Asian countries for ideas as they have a tight labour market and have developed employee value propositions to attract and retain global talent.

A similar story sits around Employee Value Propositions (EVP) for different generations and types of employee. Fifty-five percent of HR executives think EVP’s are perceived as a ‘valuable’ HR capability; and 19 percent said it was a primary initiative over the next year or two. EVP’s are key component in the war for talent, competitiveness, and future success, and therefore we expect to see this percentage increase in next year’s results.

## 4. Enabling cohesion across functions

While 62 percent of HR executives agree that HR has undergone, or is undergoing a digital transformation, only 46 percent have a workplace digital plan in place (either at the enterprise level or by business unit).

As automation and AI find their place in organisations, 51 percent of HR executives said the governance for digital labour at their workplace falls under Information Technology's remit, and 23 percent said it is HR's job.

It is important to be clear on the roles and responsibilities around digital transformation, as the best results come when there is cohesion around governance, strategy and integration across functions.

A good approach is when HR is the 'owner', Shared Services is the 'implementer', and IT is the 'enabler' – there to support HR to implement solutions that are congruent to the wider IT strategy and plan.

### Change must be bold

HR is in a prime position to help its organisations to steer the necessary change to be competitive and relevant through the disruptive years to come.

In the year ahead we'd like to see HR functions:

- Impact organisational culture to see traits like agility, collaboration, innovation and metrics become more prevalent across the enterprise;
- Engage more deeply with data and analytics, particularly predictive data, to help with workforce shaping and planning;
- Focus on employee experience and EVP's to be competitive in the war for talent, and fit for cross generational workforces. HR needs to value employees as 'customers' in a digital world;
- Focus on cohesive digital transformation across HR and the broader business. Part of this is preparing for the advance of AI and automation, and its integration into a collaborative workforce that combines human and digital labor.
- And ultimately embrace the opportunity to architect a connected enterprise – connecting people with values and purpose, creating the right employee experience and connecting as a function across the entire organisation.

**In short, HR functions have a chance to be bold and embrace transformation through technology, and help lead their companies confidently into a disruptive future.**

### About the survey:

During July to August of 2018, 1201 senior HR executives from 64 countries participated in the Future of HR Survey, with representation from 31 industries across Asia Pacific, Europe, North America, Middle East/Africa and Latin America. Approximately half of the sample are companies with headcount of 5000 or more employees and 42 percent of participants were from organisations with revenue of 1 billion.

### Contact us

**Stefanie Bradley**  
**Partner, People and Change,**  
**Management Consulting**  
**T: +61 3 9838 4603**  
**E: sbradley1@kpmg.com.au**

**Susie Quirk**  
**Director,**  
**Management Consulting**  
**T: +61 3 8663 8076**  
**E: squirk1@kpmg.com.au**

[KPMG.com.au](http://KPMG.com.au)

The information contained in this document is of a general nature and is not intended to address the objectives, financial situation or needs of any particular individual or entity. It is provided for information purposes only and does not constitute, nor should it be regarded in any manner whatsoever, as advice and is not intended to influence a person in making a decision, including, if applicable, in relation to any financial product or an interest in a financial product. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

To the extent permissible by law, KPMG and its associated entities shall not be liable for any errors, omissions, defects or misrepresentations in the information or for any loss or damage suffered by persons who use or rely on such information (including for reasons of negligence, negligent misstatement or otherwise).

© 2018 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

Liability limited by a scheme approved under Professional Standards Legislation.

December 2018. 290457580MC