

# The future of HR: From flux to flow

The future of HR: From flux to flow podcast episode featuring: by Robert Bolton, partner, KPMG in the UK and head of our Global People and Change Center of Excellence at KPMG International, John Doel Partner Human Capital Advisory at KPMG in the US. and Susie Quirk Partner HR Advisory at KPMG Australia.

## *Musical intro*

### **Announcer:**

Hello and welcome to KPMG's Insights into Action. In today's podcast we'll be discussing how the world's leading HR functions are preparing for the future and what they're doing differently to address today's issues more effectively than their peers. We'll also be discussing KPMG's very latest HR research report, intriguingly entitled "The future of HR: From flux to flow."

For this conversation, we're joined by Robert Bolton, Partner, KPMG in the UK and head of our Global People and Change Center of Excellence at KPMG International. John Doel Partner, Human Capital Advisory at KPMG in the US. And last, but not least, Susie Quirk Partner, HR Advisory at KPMG Australia.

Let's get right into it. From flux to flow. What do you mean by this, Robert?

### **Robert Bolton:**

We've explored the nature of Pathfinders. We talk about it in the report and as the name Pathfinder's, pathfinding would suggest, they have momentum, a clear purpose and confidence about their people management strategies. Non-Pathfinders are, quite frankly, still in flux with much greater uncertainty, and some of them have an inability to directly measure and show their business value-add.

So, we termed this year's report from flux to flow to partly bring across that distinction between that sense of forward motion that the Pathfinders have with that sense of organization still searching, that they if you will the non-Pathfinders have, and we use the term flow particularly from flux to flow, we use the term in three interrelated ways:

Number one, HR is measurably driving value in the business. If you will, it is a case of HR flowing seamlessly through to business value.

Number two, careers in flow. The Pathfinders create a dynamic where people come in, they flow in through up, and sometimes out, parts of the organization. So, to overuse this metaphor, talent is a healthy flowing stream rather than perhaps considering, perhaps a just a pond where there is no flow and therefore no sense of that career.

And then number three, people as individuals in flow. And we mean that in that sense of when an individual has their capabilities matched to the tasks that they face, this unleashes all sorts of positive psychological benefits. It's called the flow state and being in flow. And in a way, the role of HR and management is to maximize as many people as possible being in flow, using approaches such as talent marketplaces, insightful analytics and of course yes, learning in the flow of work technologies. So those are the three elements of flow that we see with the Pathfinders.

**Announcer:**

Thanks, Robert. So, the context is clear, but what for you is some of the biggest takeaways from this year's research?

**Robert Bolton:**

So, three years ago we ran our fairly normal future of HR survey, and it was very data-driven global survey, 2000 of big organizations responding, but we did some data analysis of that survey and we found distinct clusters in the profile of responses. One of the clusters accounted for 10 percent of all global organizations, and we labelled them the Pathfinders. Why did we do that? They were moving forward with confidence. They were seen as value driving in the business. We've subsequently explored this Pathfinder grouping in more detail. This year we have continued to basically have more qualitative interviews with organizations that exhibit some of these Pathfinder qualities.

And what are these qualities? Well, they are much more sophisticated at bringing insight and analysis and being more evidence-based. And, if you will, it acts as the cornerstone for being a Pathfinder. And then in the report, we explore in more detail how a more sophisticated approach from turning insight to analytics, what that looks like, but also, they are so much more sophisticated and purposeful about being experience-centric, about treating the employee experience in the same way that a sophisticated marketing organization would treat its customers.

So, they look at the total employee experience, and they bring technology to bear to make a more seamless, fluid interaction for the employees that's more frictionless. And the other aspects of Pathfinders are being more purpose-driven, looking to the workforce of the future, not accepting that their current workforce is the one they're going to need just two or three years out.

**Announcer:**

Thanks, Robert. It's clear that data and analytics are a big topic in this year's research. John, you are KPMG's digital employee experience lead in the US. Do you see data and analytics growing in importance with your clients?

**John Doel:**

Yeah, it's a good question and I wonder if we can all even step back and agree on something. I mean, when I think Robert, about your narrative around Pathfinders and they're being in position to react to what organizations are being asked to do. I would start my answer to that by saying, I think we can all agree, HR is being asked to in a really meaningful way today help organizations attract and retain and grow talent. And I think probably we'd all say maybe that's been the purpose or a big part of the purpose behind the HR function for forever. But I think given the talent market globally, that what that means is really different today? Right. And so, when you think about organizations that are able to respond to that in a really meaningful and practical way, it's those organizations who have established a really strong people analytics capability that are best positioned to do that.

And what we see is, you know, those organizations who have a mature people analytics capability, they're able to not just kind of pan back on the market and say, hey, there's really different signals out there. There's really different levers out there that are at the heart of you know why people are joining an organization or staying with an organization or leaving an organization.

Those reasons why are really different and the investment that those organizations made in their data analytics capability to be able to predict attrition and be able to predict kind of how we're going to grow our talent of the future in an optimized way. Those are organizations that are able to start to answer that question in a more meaningful way.

And the trick of it is, I think that the KPIs and sort of the metrics around how they would define, how we would define two or three years ago, you know, how we predict talent attraction and retention and growth. It's really different, right. And so I think the theme I would start to connect to as I answer the question around experience is I think organizations have found that there are, when we really pan back, one of the meaningful things we can do to ensure that we retain people and grow people is to really understand, what are some of the really meaningful experiences that are unique to their organizations that if we get right, have the biggest effect on that attraction, retention and growth of the workforce.

Data analytics has a huge part in that. And then I think there's this bigger shift, mindset wise, to start to define and understand, how we as an HR function start to you know grow beyond the traditional taxonomy of HR and how we organize and how we think about optimizing the HR function and do that.

Maybe there's something different and we think about it through more of a human-centered lens to define experiences and be able to action around those experiences that, if we get right, will have the biggest impact on, retention and growth of talent. So what I'm seeing is that, data and analytics is at the heart of being able to respond to the talent market effectively.

And, organizations that have invested a lot over the last decade in building that are in better position to move forward. But this is also one of those points in time where there's really clear opportunity to double down on investment in data and analytics around the workforce, to be able to drive and get significant uplift around this right now.

**Announcer:**

Thanks, John and Susie, I'm interested in hearing your view from the other side of the world in Australia. Are you seeing the same things John has described?

**Susie Quirk:**

Yes, down in Australia we are definitely seeing a much more human-centered approach to the understanding and evidence-based approach to the employee experience. There's no doubt about that. Everybody is very focused on that. The key question and the key point I think is really important, is how people go on that journey, because it's one thing to know this, it's another thing to be able to execute it.

So many different things get in the way of organizations to actually become a Pathfinder. Everybody's got the intent. So, I regularly work with clients around well, what is the key thing that's going to help you to be a much more evidence-based, human-centered to design organization to deliver on that employee experience? And often it comes back to first and foremost, understanding what your purpose is and understanding how you can add value. And that comes from those strategic conversations sometimes because of organizational

constructs, all those sorts of things, those deep conversations have been difficult for the Chief People Officer and the strategic HR business partners. So that's where I'd start to be able to make that link to an evidence-based approach.

**Announcer:**

And Robert, would you add anything else to what Susie and John have said?

**Robert Bolton:**

The key finding from the three years of research is that what separates the Pathfinders from the others on this topic of analytics is that what the others do. What the non-Pathfinders, if you will do, is establish an analytics team in HR and sometimes solely rely on the human capital system of record for its source of analytics as the only source of analytics and assumes that simply because you've got a data analysis team that the rest of the organization is either going to pay attention to whatever that team produces and that they're going to do something about it.

What the Pathfinders do is have a disciplined approach to speak to the business about the questions business has. Yes, there are people capable of doing data and analytics. They rely on more than just the system of record. They combine data sources, different data sources, some of which data that exists outside of HR and they also have a really effective, if they identify, insight that's actionable. They have a really effective approach to spin up agile projects to go and do something about what they found out and that each of the Pathfinders has that broader value chain view of translating insight into action. And if anyone listening to this podcast thinks, well, let's get some data analysts in the HR function, just not enough, it won't cut it. You got to think bigger than that.

**John Doel:**

The thing I was going to add to that, I think it's still fascinating, right? As you're just thinking about the importance of workforce, the analytics, people analytics. There was some period of time during the COVID sort of global sort of trend where there was easy access to budgets. HR was well-funded. It was kind of the shotgun approach, to investigate a lot of things, to try to solve this problem.

And I think what's so fascinating about the environment that we see now, it's in the context of global recession potentially coming. We also have the no led up to the talent, the kind of war for talent thing happening. So, it's like we need to solve a problem that's really specific and we need to do it in a really tight way.

It needs to be, you know, fairly well-defined what we're going to go after. And so the way I would kind of close out the discussion on the importance of people analytics, that is the part of the HR function that helps to identify, the what we're going to do as well as how we're going to do something really focused and specific to go solve for that because that's a really that's the question that our clients, my clients are really faced with, which is what are the investments I can make in an atmosphere of not unlimited budgets available, immediate constraining sort of budget type of a cycle that we're going through. What are the really specific things I can invest in to make an impact.

**Announcer:**

Thanks, John. Susie in your role, you see a broad range of HR functions in terms of their maturity. Each one is different, and each organization say they're unique. I'm wondering and I'm sure a lot of our listeners are, too, should organizations blindly follow Pathfinders even if they don't operate in the same sector or industry?

**Susie Quirk:**

I think that's a bit of a leading question because I think that the word blindly though it blindly suggests that no, you wouldn't blindly follow other organizations. But it is a good question in the sense that, you know, often clients ask me what are others doing? And I always go back with the question, why do you want to know? And that helps focus the conversation. So, the short answer is no, I don't think so. However, I do think there's, what makes an organization transition towards being a Pathfinder is when the people team scans the landscape and does actually look at what others are doing. But it's how you use that information I think is really important.

And I've seen clients go from responding to, well let's just copy what they're doing because they're leading practice to no we don't want to

do this at all, we want to go our own way. I think it's somewhere in the middle and it's what influences an organization's uniqueness that really helps that transition to Pathfinder.

And I've got a really good example. I'm currently working with a large government department, and they asked us around, what are other industries and other organizations doing around service delivery, people services delivery. So, we spoke to them and showed them what other industries are doing and organizations are doing and what emerged through looking at these different models, these different ways of servicing people services was that this client said, we can't be all things to all people and that's what we've been trying to do. So, as a result of looking out and scanning the landscape, they became much clearer on what their purpose is. And I know I've mentioned purpose before, but it's really important part of, you know, answering that question, where do you add the value? And so, they became a lot clearer in what is strategy and strategic advice, what is policy and what is actually service people, people services delivery.

And that was a very big transition for, you know, servicing over 150,000 staff. So, it's a really, really important point to look at and then adapt it to your own uniqueness.

**Announcer:**

And in this survey, well-being expectations seem to be changing. What are your thoughts on that and are they changing across the board?

**Susie Quirk:**

Yes, there's no doubt that employee expectations are changing. The labor market is evolving. But subsequently, you know, it's having a very practical impact and all organizations are looking at not only what their employee value proposition is and what their employee experiences is, but they're getting a little more and using data and analytics that we've talked about, they're getting a little bit more sophisticated on where they focus.

And I think a really good example of that is we are coming out of a pandemic, I should qualify that. I don't think that we are out of it yet.



It's still a bit lumpy in terms of the business in the economic environment. So that's having an effect. But certainly, the ways of working are changing. You can work anywhere, anytime anyhow and across the world, more so now than you could three years ago. And technology is enabling you to collaborate and connect more. But there are also impacts on I think, the wellbeing of employees as a result of this and mental health and mental ill health and well-being are becoming much more prominent as a leader in connecting the social impact agenda and the employee value proposition agenda.

It's a connection and I'll explain what I mean in a bit more detail. If you look at the research that we've put out, there's a professor Gordon Harrold, a university professor of Cambridge around psychology, education, well-being, and he talks about this concept of, well, mental health and mental ill health and making that distinction. And I think this is really important.

I don't know that organizations are really clear on this at the moment and really being able to support that, to support employees and take them through the organization that is changing in particular ways of working and employees, younger employees in particular, who are coming out as graduates and going into this anywhere, anyhow, anytime, collaborative, connected world. I'm really much more discerning around, well, what can I get over and beyond? What support can I get over and beyond the Employee Assistance Program, which is what we've traditionally known. And there's a lot more now that people can do.

**Announcer:**

Thanks, Suzie. Robert, would you add anything to Susie's comments?

**Robert Bolton:**

The thing that I've picked up, not just from the Pathfinders, but organizations that are genuinely driving a new place of work, they are not doing that kind of classic we expect people two days a week in the office. They are not doing that. They are giving more freedom to managers and their team members to construct the rhythm of the working week, the working month, the working year, and to give where it's appropriate maximum autonomy. So, the best way to summarize that is that many of you, many people listening to this will have heard the terms from transactional analysis, parent, adult and child.

And what absolutely is clear from the Pathfinders and organizations leading on reimagining the world of work and the nature of work and the hybrid working environment is to introduce a more adult-to-adult form of interaction, as opposed to so many organizations, particularly the non-Pathfinders that are still in a parent-child world, which is that now you've got to be in two days a week is a bit of an example of parent-child and we know what employees want and value in the world of work.

They want to learn stuff. They do want to come into a location and interact with employees when it's worthwhile doing that, when they can co-create stuff, when they can learn from each other. But also, they want the freedom and the autonomy to work from home when they need to or want to. And managers, quite frankly, have got to get with that agenda and not think I'm the parent and I'm going to treat these as children effectively. So, it's a sea change thing and some organizations are getting it, others are struggling.

**Announcer:**

And John, can I come to you for your perspective?

**John Doel:**

HR has a big role in helping the business understand that flexibility around ways of working and what the future of the workplace looks like. HR also has a role then to build some muscle around well how do we then reset enabling people to build careers here? You know, relationship-building and networking and some of the capabilities that HR is responsible for is maybe more difficult than for employees in that type of an atmosphere.

So HR I think, has a role on both sides of that equation, which is let's make sure we're in tune with the workforce of the future in terms of the workplace of the future. But let's then also look inside at our career and talent capabilities and retune those to help our workforce still not just be productive in a new way of working, but to grow a career and have a meaningful path forward that oftentimes, I think was connected to being with people, in the past and relationship and all those things.

So I think we as HR leaders have a responsibility on both sides of that topic, which is what's so fascinating.

**Announcer:**

Thanks, John. Robert, the research this year also talks about HR leading by example on supporting strategic direction, net zero, implementing digital innovation and others. What can HR functions learn from the Pathfinders in this regard?

**Robert Bolton:**

The key lesson I think from the Pathfinders is, it picks up on something Suzie said. There isn't a one size fits all and it isn't about go and copy this organization. The thing that we keep seeing with the Pathfinders is experimentation. There isn't a playbook to follow. And some of the Pathfinders said this, the time when there was some playbook about war for talent or a playbook about performance management, where every organization did broadly the same thing. I think those days are gone .

So with BP, for example, we write about this in the report. There they've got this really interesting concept of having a much more integrated delivery of HR with this role, this new role of talent integrator.

Now that's quite different from what Genentech, another of the organizations we explored, what they do is seek to put digital tools into the hands of managers and leaders to optimize decisions around things like the talent marketplace, to optimize judgments around the health and wellbeing. To Susie's point, of the team that they're responsible for and providing insightful sophisticated predictive analytics in the form of an app to the team leader.

These approaches BP different to Genentech, different to Aegon, another example organization that we've explored also doing a lot of work on talent marketplaces to promote that flow of talent in, through and up and out of the organization on occasions. They're doing different things and they're experimenting. What unites them I think is their sense of, yes a common purpose to Susie's comments, to John's comments, having a real approach to digital and in using digital to enable both experience and analytics and doing it in a way

all of the Pathfinders kind of have a more integrated approach where analytics informs experience and it informs purpose, it informs wellbeing, and it becomes mutually reinforcing dare I use that cliché? The whole is greater than the sum of the parts. And that's what we see with the Pathfinders.

**Announcer:**

We know the HR function doesn't work in a silo. And Robert the research really makes that clear. For starters, it's clearly influenced by external factors, one of which is the great reassessment. How are organizations adapting to a hot labor market?

**Robert Bolton:**

I think that they are having to recognize that one size does not fit all. They are having to recognize that the perfect person in the external marketplace may not exist and therefore really focusing on what must they have by way of attitude, by way of motivation, and what can they train? What can they do to put people on a path that turns a square peg into a square hole?

And therefore, it's about, you know, bringing people into the organization and molding them and developing them when initially they may not be the perfect fit. And prior to the pandemic, prior to the tight labor markets, they may have held off and waited for someone that was closer to the perfect fit. Now we are seeing, because the labor markets are so different in so many of our geographies, a more common sense and realistic approach to saying, okay, let's recruit for attitude and we'll build the skill in a nutshell and also lots of flexibility about patterns of work, location of work and so on. But I'm sure John and Susie have got some observations on this as well.

**John Doel:**

The part that really resonates in the US and with my clients is the part where we re-emphasize on the internal capability to grow our own talent right. And I think that is the common thread, I think probably of all of our Pathfinders, but certainly organizations that are truly their business strategy is leading them towards needing different types of talent and they recognize the importance of developing key roles, whatever those may be, leadership or

otherwise could be a line manager, could be a store manager, could be in all different parts of an organization. But I think when organizations hone-in on those key roles, all of them are doubling down on building capability to develop them.

And when I talk to an abstract way about honing-in on key experiences, that's kind of what I'm talking about. I think most organizations are honing-in on at least one experience around being able to develop top talent. You know, for us, in the business that we're in, you know, we might think of it as developing a partner, and or a managing director or something, which is a key sort of level for us. That's a challenging thing to develop. It is a multi-year process and that's a great example for our industry, for our business. That's probably what we would hone-in on. And we would double down on automating, digitizing re-formalizing our capability in HR around what it means to develop a director or a partner.

And I would apply that as an example to just about every one of my clients across different types of industries and sizes. You know, they're really honing-in on the key roles and building capability to be able to grow those roles internally, in a really structured way, because it's the only way to create some predictability around that.

### **Susie Quirk:**

I agree with you, John. I think, you know, you mentioned about how you're working with your clients. In Australia, there's certainly a big focus on building, building talent marketplaces both internally and externally, and internally, it's about how you actually can harness that talent and more importantly, offer fair opportunity. It is a marketplace, you know, and that opportunity is very different now.

It's not the same as it was three or four years ago that opportunities about, okay, you want to learn to do project management because you've never done it. That's a skillset, it's not a job. So how do you take that and break down jobs and start to move people through skillsets? That itself is a big challenge.

I think there may be Pathfinders out there that are doing it, but it is quite difficult to do because it takes strategic workforce planning. It takes the link between your external talent attraction and your internal talent development.

So, you have to have strategic talent management. It really calls for the joined-up HR function and connected HR function and I think the Pathfinders do have that, but it is often challenging when you've got a lot going on. But I'm more interested in, connecting those talent marketplaces with digital capability that's out there. I think that's really interesting and to Robert's point, it's really around about that, that's the innovation, I think.

And we've seen lots of different solutions out there. We use re jig around, you know, talent market scraping and seeing what's out there from a skillset perspective. But in our report we also talk about something is fantastic. I can't wait to use it myself. The Genentech using, which is Calpol, you know, that actually scans the way you work.

And so, connecting the way you work with the skill sets you want and then matching that to what's happening in the external market through some really sophisticated digital scraping that is a complete different conversation we are having now than we were five years ago. And Robert, I think you'll agree with me, we are having it now, aren't we?

### **Robert Bolton:**

Yeah, we absolutely are. And I think one of the things that none of the Pathfinders have got to yet is a state of having worked it all out, of having nailed it down, of having, you know, like a talent marketplace, working in every respect without challenges and without things still to be worked through. They are all saying they are without, you know, overusing the phrase Pathfinder. They're all on a journey. But, you know, if you look at one of the Pathfinder said, look, you know, we've created this internal marketplace. There's loads of people doing gigs, you know, internally, you know, that they're developing skills and they're going doing something for another part of the organization are being effectively lent to another part of the organization to do a gig.

But the organization is still struggling with, well, how at the end of the year, how do you deal with reward? How do you fairly reward the person that's on loads of gigs compared with the person hasn't done any gigs and these are challenges that no one has yet nailed, but they are working on it.

**Announcer:**

Thanks, Robert. Clearly there's an opportunity for HR and business leaders to make a great impact in their organizations through the power of data and technology. Well, Robert, John and Susie, we've covered a number of topics here today, and you've given our listeners a lot to think about. So, to conclude, what advice would you like to leave our listeners with today? Well, can we start with you?

**Robert Bolton:**

I think experiment be evidence-based and in particular you've got to move from, you know, traditional KPI tracking to something that we talk about in our report that's more about relational analytics. It's connecting different sources of data to be more predictive.

**Announcer:**

And John, your thoughts.

**John Doel:**

I've spent a lot of time helping companies think of the importance of adding a really structured approach to experience to their taxonomy, defining that clearly, pointing that at their key roles and making sure that if they've got to make targeted investments like we all do, that those targeted investment outs are pointed at, the key parts of their workforce.

And then it's through the lens of how we attract and retain and grow that part of our workforce through improved experience that's embedded in the flow of work and checking the box for productivity and efficiency and effectiveness, but also a human-centered kind experience lens, I think is the new ingredient that I advocate. We figure out how to make sure we're incorporating in our plans and strategy.

**Announcer:**

And Susie, any final thoughts for me?

**Susie Quirk:**

Me, I talk to all my clients about this. I asked them a really key question. I show them leading practice. We have a discussion about it and I always ask the same question. If not, why not? Why can't you do this? Because I don't think organizations are as bold as what they could be. I think they can be bolder and the only thing that's stopping them is themselves.

So, I'm regularly asking the question, if not, why not?

**Announcer:**

Susie That's a great point to finish on. Thank you all for being here today. It's been a fascinating discussion. Join us again next time for more insights from KPMG and beyond. I'd also like to invite you to download the latest KPMG research report that Susie, John and Robert referenced throughout this podcast. The future of HR: From flux to flow by visiting [KPMG.com/pathfinders](https://www.kpmg.com/pathfinders)

Thanks for listening.



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To our audience, thank you for listening.

*Musical outro*

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