



The future of HR 2019: In the Know or in the No

The gulf between action and inertia

East Africa Outlook



February 2019

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Introduction

Building capacity for the transformative HR agenda

The Regional Center for Workforce Transformation defines workforce transformation as an organisational culture improvement initiative, requiring understanding of and participation in continuous quality improvement at every level of an organisation. The reference to “understanding” in this definition speaks to a data-driven, insight-based approach to continuous improvement.

When Bill Smith and Bob Galvin helped Motorola save \$16 billion in costs and win the prestigious Malcolm Baldrige National Quality Award in 1988, the global manufacturing industry was changed forever. The disciplined approach to data collection and analysis that form a core part of the lean six sigma approach played a critical role in the resultant transformation for Motorola. Lean six sigma and other data-driven improvement methodologies have continued to define and transform business operations to date. The HR profession however, has struggled to effectively tap into the transformative power of data.

According to the KPMG 2019 ‘Future of HR Survey’, HR executives in East Africa ranked performance management, attraction of employees, learning and reskilling, and staff retention as the areas where they think they currently add the most value to the organisation. However, analytics, creating multiple employee value propositions and strategic work force planning were listed among the areas they felt they were adding the least value.

— From the survey, 92% of HR executives recognise the need for workforce transformation but only 56% — feel “very confident” about

HR’s ability to support enterprise transformation from an organisational capability perspective.

— Similar findings from the research show that 50% (of global respondents) and 40% (of East Africa respondents) believe that their HR functions are not at all prepared for artificial intelligence and /or machine learning.

The above findings are symptomatic of the main challenge for HR today: there is a gap between what is required today and tomorrow and what HR has the capability and capacity to deliver. One of the key capability gaps as highlighted earlier is the ability to leverage evidence - gather it, process it, and loop insights from it into the design of processes and programs as well as decision-making on employee matters along the employee life cycle.

But why the fuss? What is the imperative for HR to change anyway? One word, “VUCA” comes to mind. Volatility, Uncertainty, Complexity, and Ambiguity (VUCA) are an increasing reality for the business world. Increasingly, industry leaders are faced with the rapid pace of business change, a greater pressure to perform, increasing globalisation, the emergence of new business models, new communication channels, matrix organisation structures as well as a shift in the accepted paradigms of good leadership. The role of HR is to work with management to create the right ecosystem that will unleash the productivity of the workforce, and deliver value for the customer as well as the employee. Therein lies the challenge for the HR. HR functions must deliver value within a VUCA environment. To

do this effectively, HR leaders need clarity on the drivers of business and employee value and a modus operandi that delivers optimal value for both. This will entail cultivating new competencies for HR professionals. There are at least four additional core competencies HR functions require to enable them deliver value in the context of a VUCA environment.

Business acumen: The Financial Times describes Business acumen as “keenness and speed in understanding and deciding on a business situation.” HR professionals can no longer get by with technical HR knowledge only - their knowledge and skills must cover competencies required to identify and leverage opportunities to grow revenue, reduce cost, and improve profitability; or at least support these activities. Among the several ways HR could be of value in this regard include reduction in lead time for HR processes so that staff can focus on revenue-generating activities, reduction in unwanted attrition, and improved employee utilisation.

Strategy formulation: While strategic Human Resource management looks at how HR functions can support business strategy, it is no longer enough to only play the role of enabler to business strategy. HR must increasingly play a proactive and participative role in corporate strategy design. HR leaders must now help businesses interpret what the implication of robotics, and artificial intelligence are, and help businesses anticipate and respond proactively. HR leaders that play a value addition role in the workforce transformation agenda are competent in strategy formulation and help the business broaden its strategic insights and actions with regards to talent within the organisation.

Data analytics: Edwards Deming is famed for the saying, “In God we trust. All others must bring data.” Data, trends, empirical research, proof and hard evidence is the loudest voice in the noisiest bourse. HR teams often defend views, and drive conversations around emotional rather than factual data. I am not saying that emotions are to be ignored, but that emotions must be supported by data and insights that can hold up to interrogation. E.g if staff

are unhappy, HR should seek to define: How many staff are unhappy? For how long have they been unhappy? From which departments are they? What is the cause of the unhappiness? What is the cost to business if this unhappiness remains unaddressed? What will be the cost of addressing this unhappiness? Is there a cheaper way to address this unhappiness effectively? Knee jerk reactions to employee unhappiness may not effectively solve the problem. Data analytics goes a long way in helping HR professional’s quantify benefits, costs and defend causes of action. HR leaders that tap into data analytics will be able to shape the boardroom agenda, earn respect among their peers and offer solutions that stand the test of time. Without reliable data, HR solutions proposed may sound good but indeed be far from effective.

Negotiation and problem-solving skills: Heads of HR often find themselves listed as respondents in labour cases initiated by unhappy staff or labour unions. Employees and unions are increasingly demanding for “more and better”. HR functions must become better at negotiating with staff, unions, and process owners across the business. The ability to anticipate dissatisfaction, mitigate problems before they emerge, and negotiate compromises with stakeholders is becoming an increasing value add. Several millions in fines, and lawyer fees could be saved if HR functions enhanced their negotiation and problem-solving skills. Costs to business and reputation resulting from go-slows and other industrial actions can be immense. While better negotiation skills alone may not eliminate industrial challenges, they could be useful in reducing the frequency of occurrence.

In conclusion, opportunities and challenges presented to HR functions will continue to be demanding and exciting. HR will only be able to deliver value and execute the transformation agenda if they continue to evolve and tailor their competencies towards today’s business needs.

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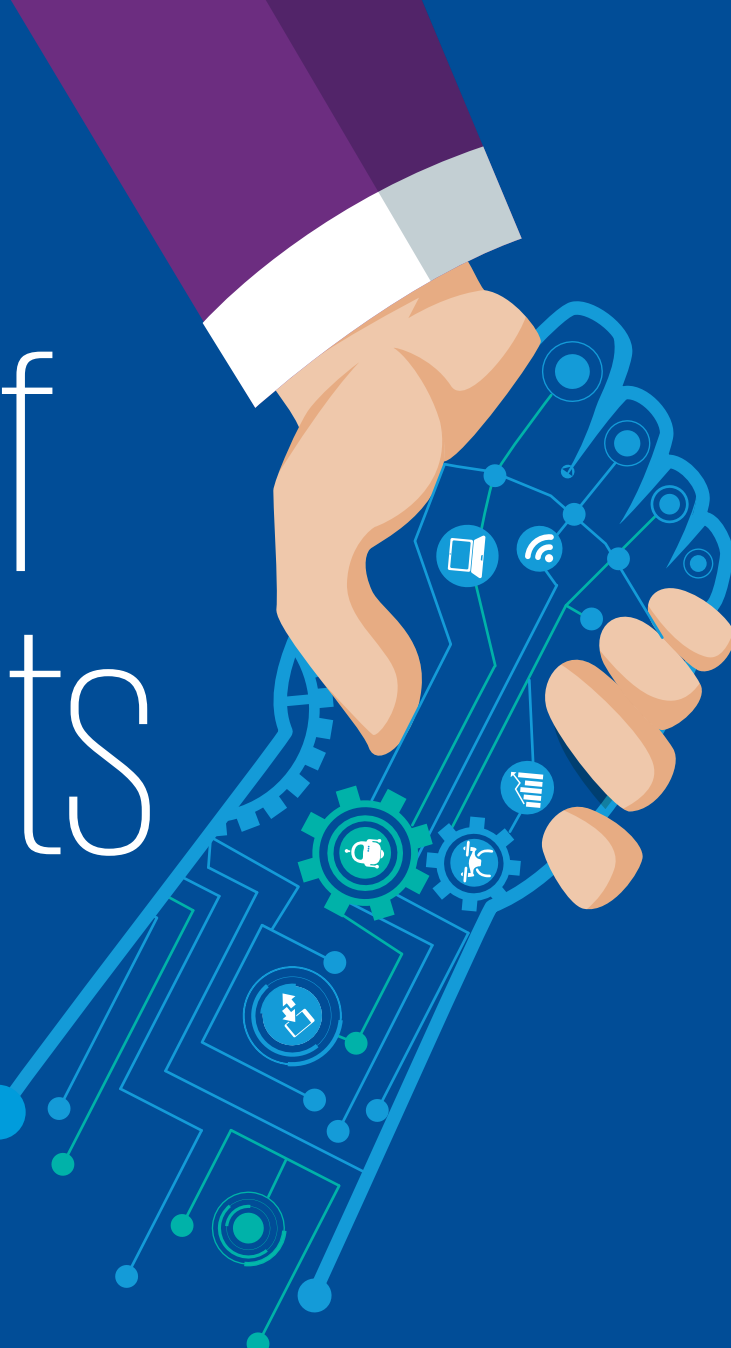
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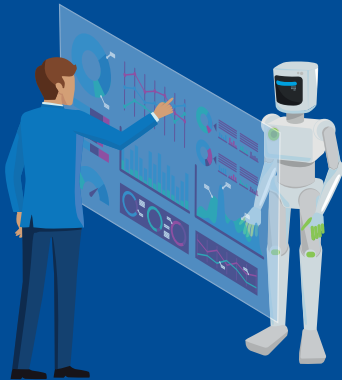
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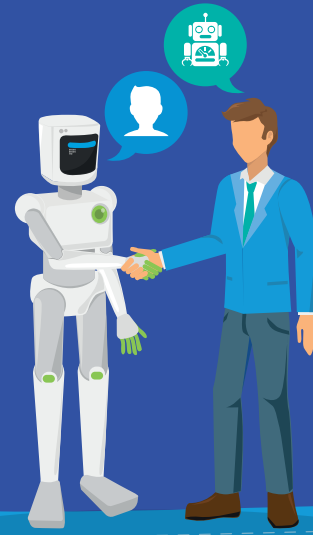


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Are
you

In the Know
or in the No...



Most HR
executives —

92%
recognise the need
for workforce
transformation.

Identify
transformation
as critical for
relevance





However fewer are change ready



56% of HR Leaders are very confident in HR's ability to transform the workforce and itself

Common characteristics:

-  delivering predictive insights
-  believing in, and driving, digital agenda
-  reshaping the workforce
-  enhancing the employee experience



Furthermore not too many are change capable

Respondents feel that these are the areas where they are currently adding the least value:

- Workforce of the future/workforce planning
- Analytics
- Differentiated value proposition for various workforce segments

Common characteristics:

-  HR not seen as value driver
-  HR not using predictive insights
-  generally timid of AI
-  no digital plan in place (and not planning to)



HR extinction

Key findings

Here are the key findings of the survey we carried out involving HR executives across East Africa.

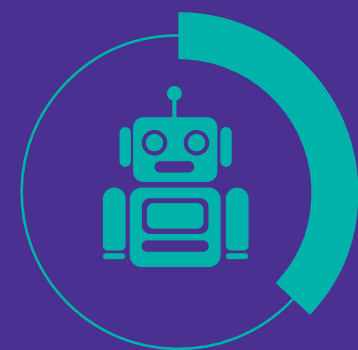
76% of HR executives agree that HR has undergone or is undergoing a digital transformation.

But only 49% of HR leaders said they have a digital workplan in place at the enterprise or HR level.



Most HR executives —
92% — recognise the need for workforce transformation.

Yet only
56% — feel “very confident” about HR’s actual ability to transform and move them forward via key capabilities like analytics and AI.





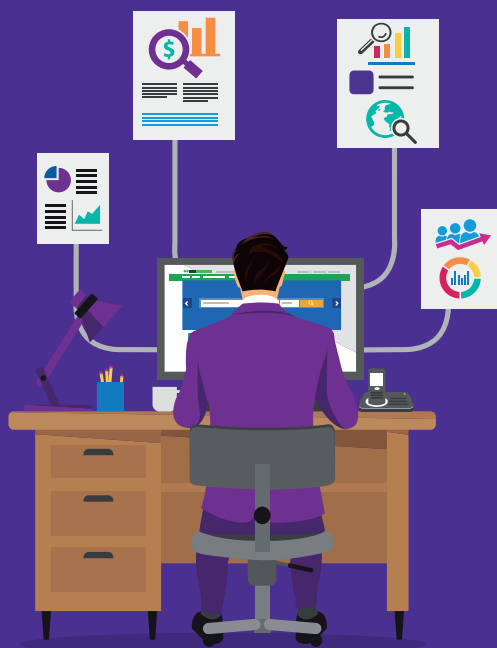
Workplace culture is considered a top barrier to digital transformation for

58% of respondents.

Of these respondents, **41%** said their current culture is task-oriented.

81% of HR executives believe that the role of HR is becoming more strategic in their business. The three top issues the management board is looking for HR to address are:

- Performance
- Productivity
- Culture



Despite data's remarkable ability to deliver new insights and enhanced decision-making, barely one in five —

22% — of HR leaders believe analytics will be a primary HR initiative for them over the next one to two years.

Fewer still —

14% — cite analytics as a top management concern.

Recent and projected technology investment has been highest for payroll systems and/vendors and human capital management (HCM) softwares

54% of HR executives invested in payroll systems and/vendors over the past 2 years

38% in human capital management softwares



Over the next year or two, more are planning investments in areas such as:



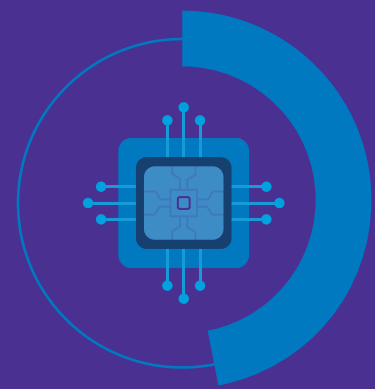
predictive analytics

54%



enhanced process automation

57%



and AI

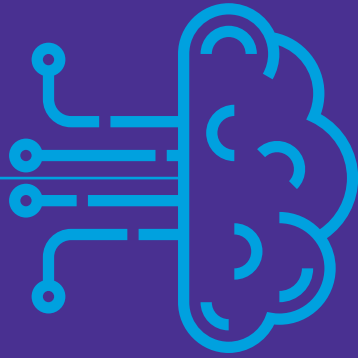
27%

Those leading the pack on transformation recognise how AI and machine learning can drive significant value for HR but they are in the minority by far.

Only 19% of HR functions have started to introduce AI

and just 5% have invested in AI over the past 2 years.





Of organisations yet to adopt AI within HR, some remain uncertain that they will do so in the next year or two.

40% admit to being “not at all prepared” to respond strategically as AI and machine learning emerge.

Among those who have invested in AI to date, the vast majority call the investment worthwhile, with the focus primarily on learning and performance management

43%
and business
transformatiton

29%.





The role of HR in a digital transformative world

According to the KPMG 2019 'Future of HR Survey', 76% of the respondents from East Africa agree that their HR function is undergoing or has recently undergone a digital transformation.

But what is a digital transformation? Several definitions have been coined but Enterprises Project may provide the most useful one. They define digital transformation as "the integration of digital technology into all areas of a business, resulting in fundamental changes to how businesses operate and how they deliver value to customers."



Transformation guru Greg Verdino says - “Digital transformation closes the gap between what digital customers already expect and what analogue businesses actually deliver.”

The following examples demonstrate the technical distinctions between analogue and digital as applied to technology. Transmission of an email uses digital technology for instance. In the context of a digital transformation, an example could be moving from a brick-and mortar storefront business, to a website or ecommerce platform for business transactions. “Going paperless” for instance, often entails some sort of digital transformation. In summary, you are undergoing a digital transformation if your business is introducing a technology that does any of the following: enables scalability, facilitates remote access, receives or synthesises data from multiple systems, reduces time spent, requires less human processing and reduces errors.

Digital transformation for HR is two-pronged. On one hand, HR is experiencing digital transformation through the use of online recruitment and candidate shortlisting, as well as the integration of employee measures of productivity with payroll, amongst other things. On the other hand, HR must help businesses address the ongoing talent implications resulting from digital transformation across other functions of the business.

57% of East Africa respondents to the KPMG 2019 ‘Future of HR Survey’ highlighted an increased budget for HR technology/digital solutions over the past two years in their enterprises. East African respondents pointed to an increased budget for HR technology/digital solutions over the next two years in their organisation.

There are at least three imperatives for HR in this highly tech-driven work context. Culture transformation, effective talent management, and effective change management.

Culture has real implications for the digital transformation agenda. 58% of the East Africa survey respondents (against 40% of global respondents) identified culture as the top barrier in moving from the initial phases of digital

business transformation. If your culture is built on an analogue philosophy, it won’t support digital results. A car designed for a top speed of 240kph will not attain its optimal speed on a rough and curved road. Similarly, a 100kph digital transformation agenda will not run optimally on a 15kpm culture track. The success of your digital ambitions will be moderated by your organisation’s culture. A digital culture encourages and rewards innovation, supports learning, tolerates failure in the pursuit of transformation – while quickly leveraging lessons - and rewards a high performance culture. Culture informs how you recruit, and how you design your staff policies. HR can play a powerful role in redefining culture by working with leaders to recruit the right staff, and by redesigning policies, procedures, incentives and performance programs to encourage the right culture. Since culture is driven by leadership, HR can help leaders design and execute effective digital culture transformation initiatives.

Talent management. Effective talent management entails a 360 degree approach to staff management - from pre recruitment to post exit. HR functions have undertaken significant digital transformations with regards to talent management. Social media to source talent, candidate shortlisting softwares, electronic performance management systems, and employee self-service modules are increasingly being used. From an organisation-wide perspective, digital transformation agenda requires the organisation to engage competent staff, and facilitate sustained learning and development, to secure a workforce that is agile and responsive. Digital transformation has opened new frontiers for how work gets done, such as “work from home” and other flexi options. All these have implications for talent management within a digital environment. HR must design strategies that enable the business to unlock and maximise employee productivity within the context of digital transformation.

Change Management. Digital transformation can be very disruptive, and unsettling for industries, organisations and staff. Weak or lack of change management programs could be costly. For HR teams to add value

during rapid digital transformation, there is need to facilitate effective change management for their organisations. Integral to change management, is an effective communication strategy that carries the critical mass of staff and management along the digital transformative journey.

Digital transformation in the HR space should not be looked at in isolation. Organisations need to build their digital strategy around internal and external operations, remaining anchored on their business strategy. Today, failure to build an all-encompassing digital strategy exposes the organisation to various risks and inefficiencies, including those that could threaten its own survival.



Organisations need to build their digital strategy around internal and external operations, remaining anchored on their business strategy.”

Jared Nyarumba
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Driving business performance through HR predictive analytics

In the 21st century, the exponential increase in data promises to create opportunities for growth. Its supply is unlimited and its applications are endless. Data & Analytics (D&A) enables the delivery of insights as a source of competitive advantage across the business and at each point of need.



There are broadly three levels of D&A. These are descriptive, diagnostic and predictive. In descriptive, the HR function would have a coherent workforce dataset and easily accessible reporting dashboards. A diagnostic level would involve a little more analysis. Ideally there would be such cases where HR would identify underlying drivers of performance through analysis. Finally, predictive analytics involves HR influencing and partnering with the business to predict outcomes and drive business performance.

The Future of HR survey informed that 62% of enterprises within the East Africa region utilise analytics for predictive purposes. This is in a bid to improve HR's value to the business and to increase an organisations' overall competitiveness in the race for the best talent. Some of the areas where predictive analytics has been applied in HR include talent selection, predicting employee attrition, employee engagement, identifying training needs, workforce planning depending on resources, time and budget.

30% of enterprises based in East Africa believe that there will be moderate investment in HR technology and/or digital solutions in predictive analytics in their enterprises. Where investment has been done, respondents generally feel that the investment has been worthwhile. The investment in predictive analytics entails having advanced data management which ensures that the organisation has quality data, a sound data strategy and clear ownership of the data within the organisation.

In an environment where data is available from multiple sources, 32% of respondents based in East Africa agree that their enterprises are effective in bringing together data from various sources to make decisions about their workforce, compared to 23% global

percentage. This could be a reflection of an overall data management gap.

A majority of the respondents in the Future of HR survey agree that the HR function can prove the value it brings to the enterprise through analytics. Fortunately, data happens to be an accessible asset that is available in large volumes, and is continuously generated within enterprises. Depending on the governing law and regulatory compliance, HR predictive analytics can be the driving force through which this data is churned into actionable insights to achieve set objectives. This in turn ensures that predictive analytics can be relied upon.



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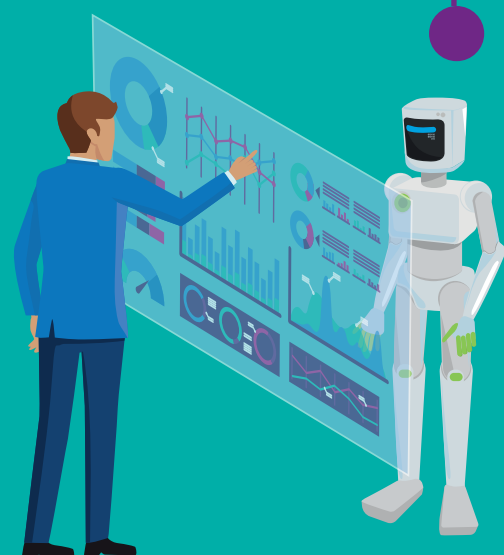




Building a workforce for the future - Artificial Intelligence

Artificial Intelligence and machine learning can provide a means to achieving both desired, and unprecedented transformation in business. It can help automate repetitive and non-value adding tasks allowing professionals to deliver on the key focus areas of an organisation.

In a recently conducted Global Future of HR Survey, it was found that 76% of HR executives agree that HR has undergone, or is currently undergoing a digital transformation. At the heart of a digital transformation is Artificial Intelligence (AI).



AI is the field that develops intelligent self-learning algorithms and machines that use data from a variety of sources and formats. This has been applied widely in self-driving cars, search engines like Google, smart cameras, product recommendations, just to name a few.

In the East Africa region, 67% of the respondents agree that AI can drive significant value for HR in enterprises. In contrast, 81% of the respondents surveyed noted that HR functions have not started introducing AI in their enterprises. The AI transformation needed to drive growth, identify opportunities and manage risks can be spearheaded by the HR function in its role of talent acquisition and development. This raises the question: “How can HR use AI to accelerate, automate and augment its decisions that drive growth and profitability?”

To answer this question, we start with the understanding that AI is not something we buy, it is something we build. Building a robust AI framework in any organisation requires the right data, the right algorithms (formulae and logic), the right tools and the right “human” in the loop. The right human in the loop is key and foundational in this respect since it drives the strength of the AI framework. The right human speaks directly to HR and challenges the HR function to get the best in terms of personnel who have a keen understanding of industry insights, subject matter expertise and technical skills. With the right capabilities and passion to deliver, the workforce, built by HR can drive an organisation into desired efficiency through the use of AI.

According to the survey, of the 19% of East African HR functions that are currently using AI, 43% are applying AI to learning and re-skilling; this is compared to 35% globally.

To prepare a workforce for the future, it is imperative for HR functions to provide opportunities for staff to learn and develop their skills in line with initiatives for AI. 51% of the respondents in the East Africa region believe that preparing a workforce skilled in AI presents the biggest challenge for the HR function over the next 5 years. Globally, AI has

been introduced as part of formal learning in academic institutions; East African countries may opt to do the same. HR professionals can incorporate AI training as part of the continuous professional development for staff within their organisations.

Is the HR function ready for AI? 60% of the respondents believe that their HR functions are either unsure, or unprepared for AI (and /or machine learning) in their enterprises. A part of the labour force believes that rapid advances in technology are increasingly threatening job security. For HR, the challenge is to identify the right people with the skills that match the requirements of a fast changing technology world. Further, while capital investments required to drive AI initiatives across the enterprise is a key success factor, 49% of the respondents in East Africa noted that there is none or minimal investment in HR AI.

In light of the above, respondents of the survey indicated that there is little expectation to adopt AI in HR functions over the next two years.

Some of the areas where HR organisations have built AI solutions include software (bots) that interact with job applicants through answering frequently asked questions, scheduling interviews and on-boarding. Brand profiling and tracking is another area where AI has been applied with success. Through sentiment analysis, perceptions can be profiled which would inform specific HR initiatives of employee engagement.

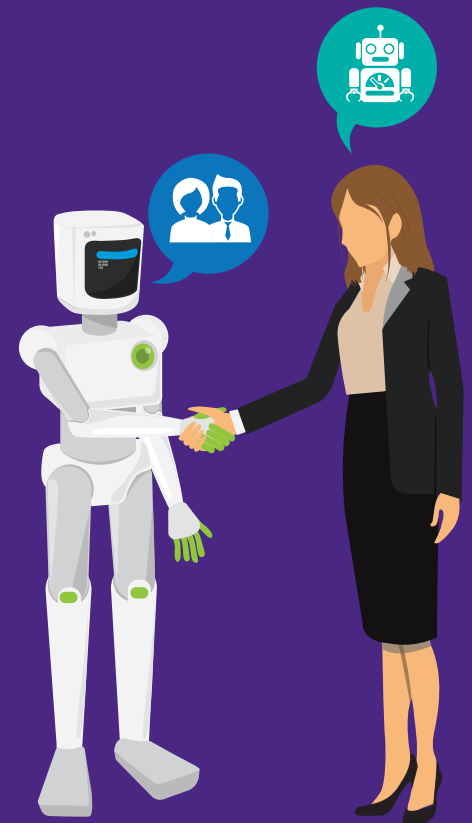
There are more opportunities for HR to custom build AI solutions to enable growth in talent management and in building a workforce for the future. Imagine if your organisation introduced a solution that popped an alert that advised you to take a break based on your continuous laptop usage or that detected uncommon stress and recommended you take a break based on the error rate it was detecting in your work. Imagine that.

“

There are more opportunities for HR to custom build AI solutions to enable growth in talent management and in building a workforce for the future.

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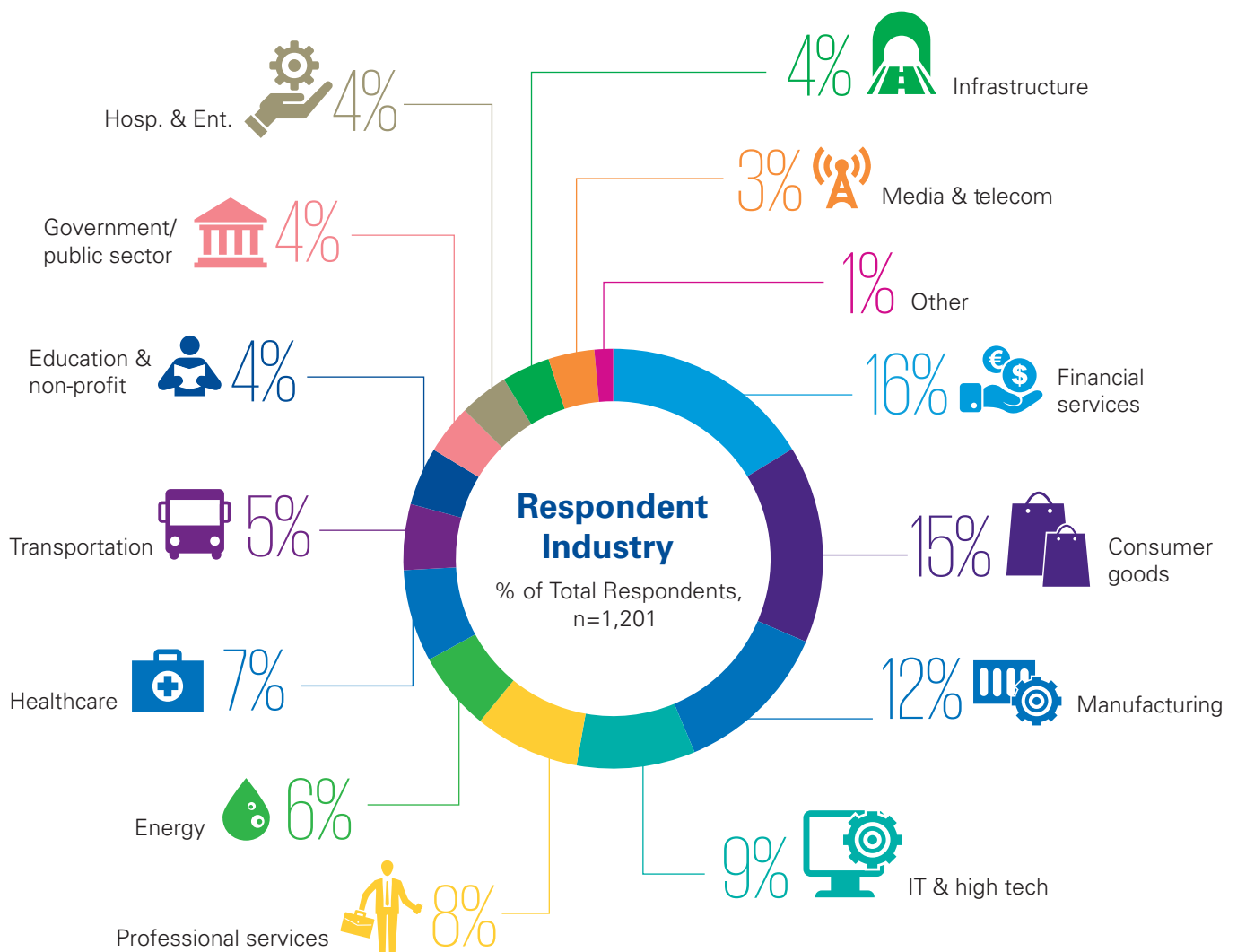


About the survey

During July and August of 2018, 1,201 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 a headcount of 5,000 or more employees and 42 percent of participants are from organisations with revenue of 1 billion. In East Africa, HR executives from 37 companies provided insights about the future of the HR function against a backdrop of digital disruption.

Demographics Industry

Global breakdown



Company Footprint



Revenue (in USD)*

% of respondents
(excluding education/non-profit
industries), n=1,129



42%

\$1 billion or more



26%

\$500M — \$999M



31%

Less than \$500 million



Enterprise Headcount**

% of total respondents,
n=1,201



43%

5,000 or more



35%

500 to 4,999



20%

Less than 500



Human Resource Headcount**

% of total respondents,
n=1,201



31%

100 or more



21%

40 to 99



40%

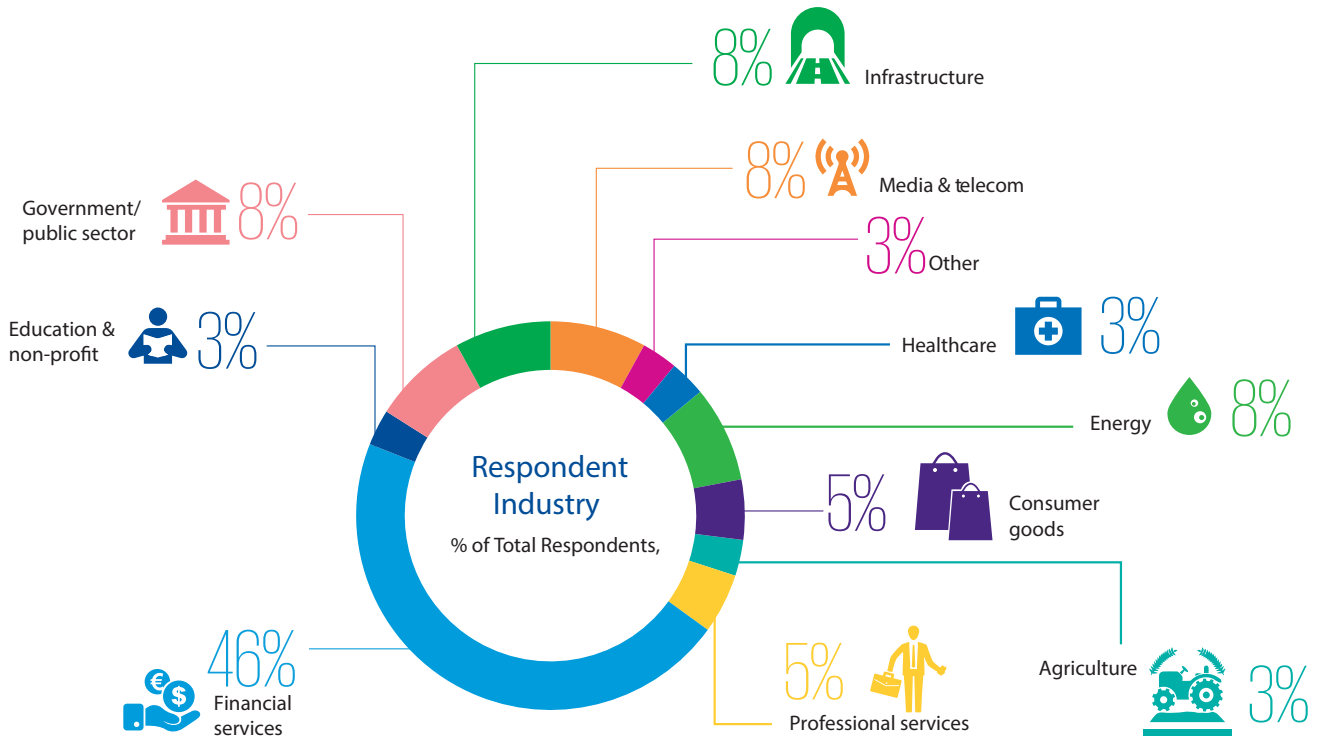
Less than 40

*Not collected for education/non-profit industries

**Don't know/unsure not shown

Demographics Industry

East Africa breakdown



Company Footprint



Revenue (in USD)*

% of respondents
(excluding education/non-profit industries)



9%

\$1 billion or more



17%

\$500M — \$999M



74%

Less than \$500 million



Enterprise Headcount**

% of total respondents



5%

5,000 or more



51%

500 to 4,999



41%

Less than 500



Human Resource Headcount**

% of total respondents



8%

40 to 99



92%

Less than 40

*Not collected for education/non-profit industries

**Don't know/unsure not shown

*3% responded 'Don't know'

How KPMG can help

Every market leader understands that talent unlocks competitive advantage. But workforces and workplaces are changing — along with employer-employee relationships. You may need to invest in disruptive technology, acquire new critical skills, introduce artificial intelligence, or reshape your employee experience and workplace culture. It's all about driving your business forward in new ways. At KPMG East Africa, our HR consultants understand these challenges and opportunities and are working shoulder-to-shoulder with businesses like yours every day. We're delivering the experience, research and industry expertise organisations need to define the Future of HR — now. It's a digital world but people still make it turn. They will remain your most-important investment, your greatest asset and the secret sauce in your brand.

For more information, we encourage you to contact any of the contributors listed in the publication or your local KPMG member firm.



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