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Guide to building workforce value through AI investment

GenAI was utilized in the creation of this image

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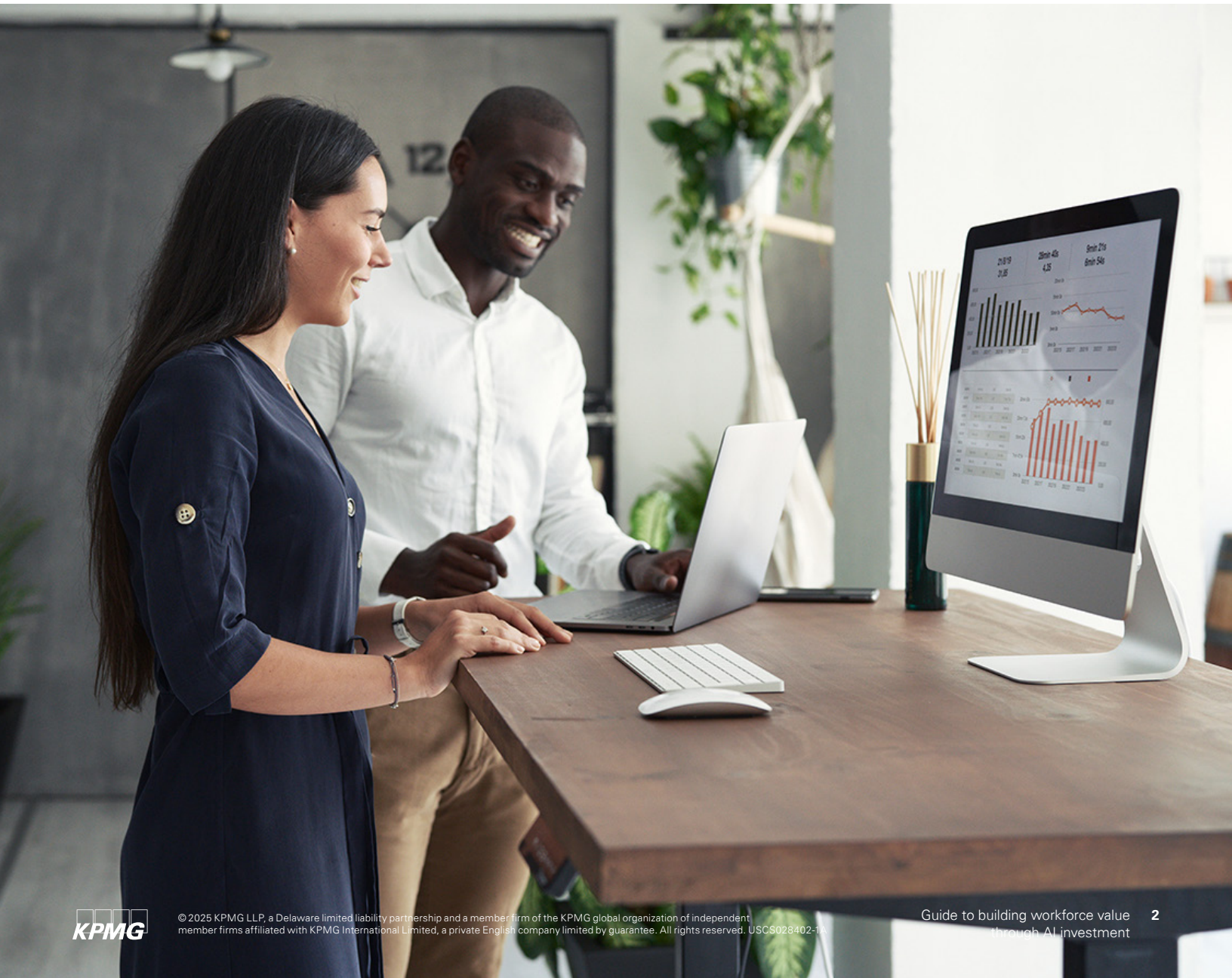
We are in a new era defined by advanced artificial intelligence (AI) technologies, including generative AI, which are redefining workforce dynamics. With organizations increasingly embedding AI into their core business functions, a fundamental reshaping of how work gets done, how teams interact with AI, and the nature of human collaboration are underway. To fully leverage AI investments, it is imperative that organizations undergo a simultaneous transformation in both workforce structure and management, as well as organizational practices integrating human workers with digital workers.

The goals are clear: to maximize value, enhance efficiency, achieve substantial cost savings, and drive sustainable business success, both now and in the future. This evolution is crucial for staying competitive, attracting and retaining top talent, fostering a culture of continuous learning and innovation, and adapting to evolving market demands and technological advancements. While many organizations have already embarked on their AI journeys, the true competitive edge lies in pushing the boundaries to unlock more significant and transformative outcomes. This shift is not only a trend but also a strategic necessity, offering greater agility, heightened productivity, and a superior employee experience. Advanced AI technologies and skills-based workforces represent a fundamental moment in the evolution of the modern workplace. Organizations that hesitate too long risk being left behind.

A simultaneous shift to a skills-based workforce model

Implementing artificial intelligence (AI) allows companies to fundamentally redefine internal roles by automating routine tasks and enabling employees to focus on strategic and high-impact activities. Rather than replacing employees, AI enhances their roles, thereby increasing capacity and productivity. AI's ability to handle complex data analytics empowers employees to make more informed, data-driven decisions, fostering innovative problem-solving and strategic planning, ultimately boosting organizational productivity and growth.

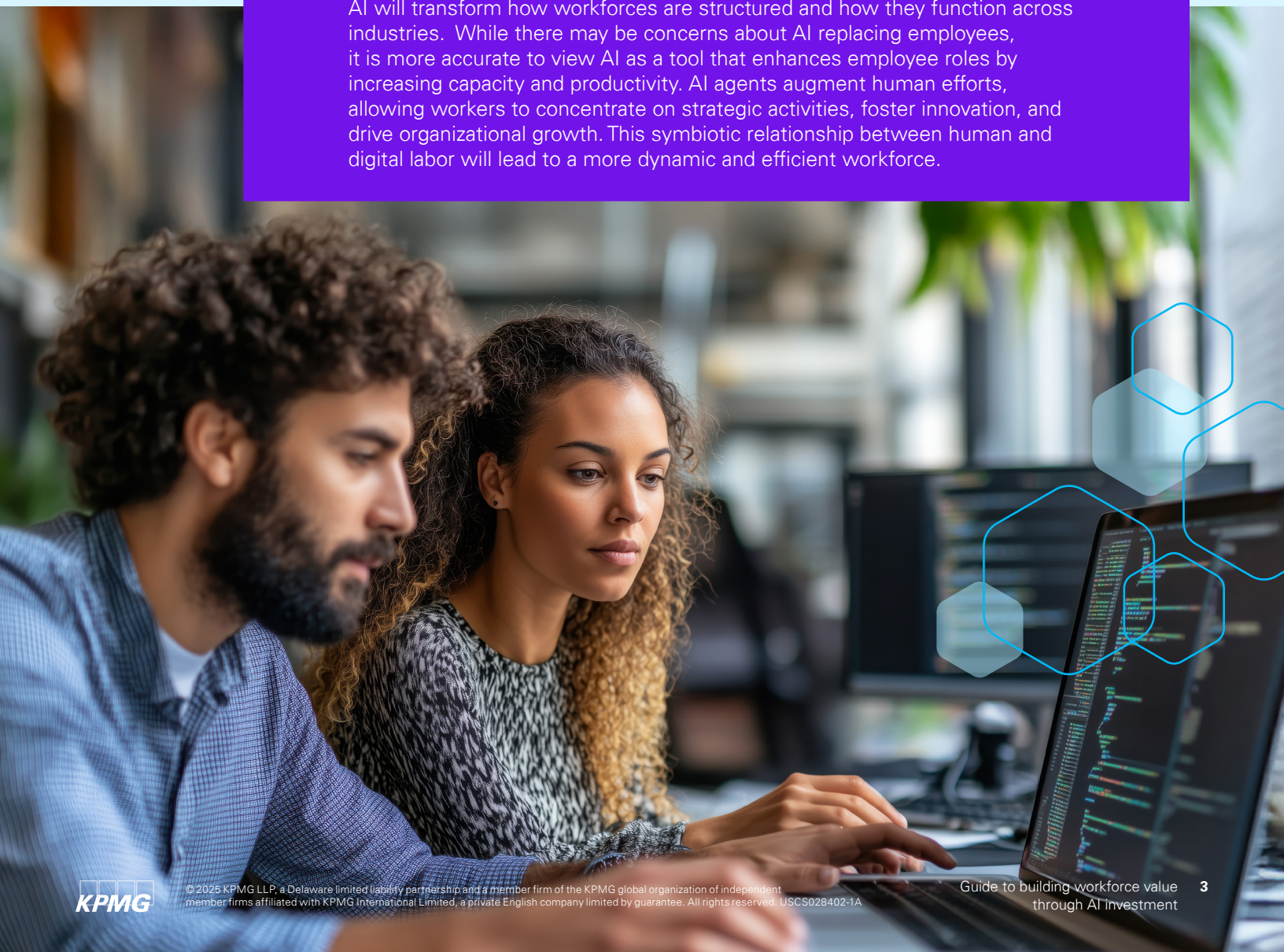
As AI and other emerging technologies gain adoption, companies are concurrently retooling their workforce structures from role-based models to skills-based organizations. In the modern enterprise, skills are the new currency, and a skills-based talent ecosystem is intrinsically linked with AI adoption.



AI agents: Transforming workforce dynamics

As much as generative AI (GenAI) is having a significant impact on how the workforce functions, the next leap forward will be sophisticated AI agents. Advanced AI agents go beyond simple task automation, functioning independently and proactively after initial input. Capable of recognizing patterns, drawing conclusions, generating nuanced recommendations, managing intricate workflows, and meticulously tracking productivity, AI agents usher in an era of true digital labor. In contrast to GenAI, they can handle multiple steps and, in many cases, pursue strategic goals without the need for human intervention.

As AI agents integrate more deeply into business processes, they will act as virtual colleagues alongside their human counterparts. By managing routine tasks, AI agents free up employees from mundane, repetitive work, enabling them to focus on higher-value activities that require human creativity and strategic oversight. The impact of this transition cannot be overstated: Agentic AI will transform how workforces are structured and how they function across industries. While there may be concerns about AI replacing employees, it is more accurate to view AI as a tool that enhances employee roles by increasing capacity and productivity. AI agents augment human efforts, allowing workers to concentrate on strategic activities, foster innovation, and drive organizational growth. This symbiotic relationship between human and digital labor will lead to a more dynamic and efficient workforce.



A roadmap to integrating AI into your workforce

What follows are specific steps that organizations can take to strategically leverage and integrate AI into the workforce.

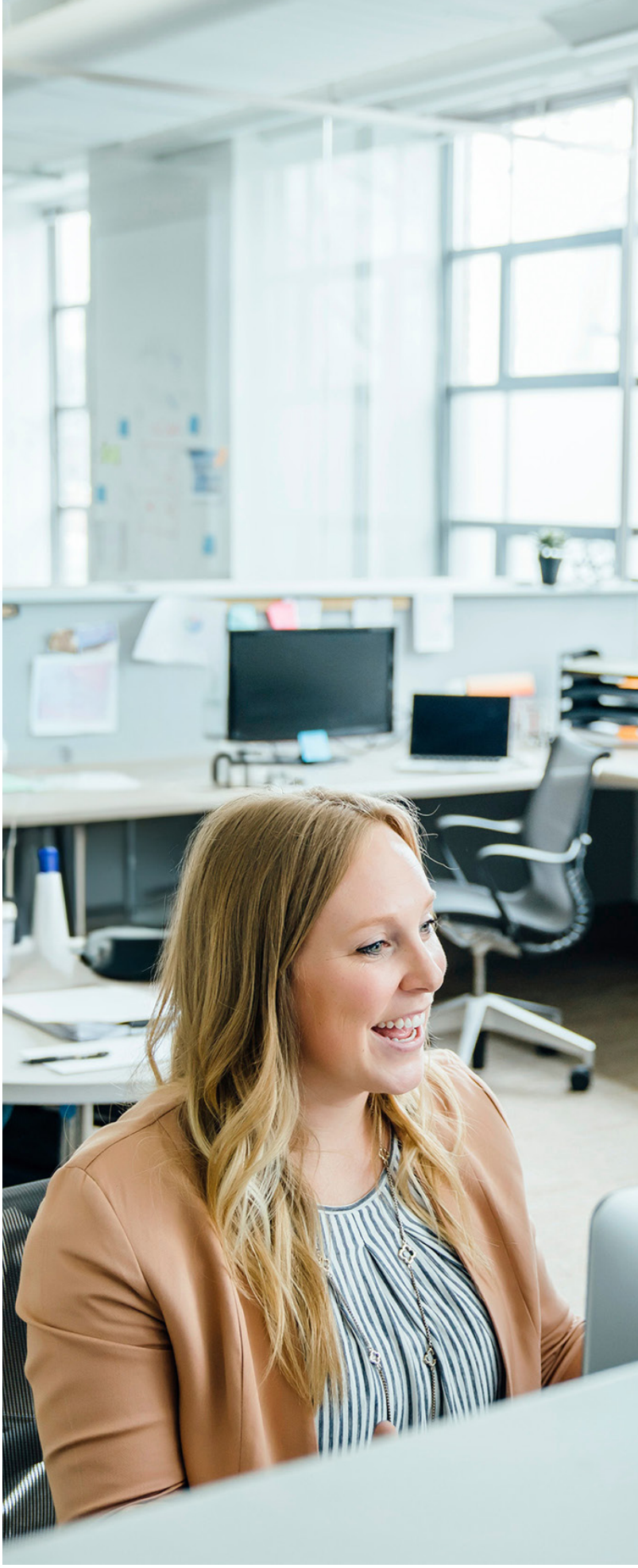
1 Defining skills

Shift to a skills-based approach

To effectively balance digital and human workers, organizations must transition to a skills-based workforce that fully leverages evolving AI technologies. This approach evaluates and manages employees based on their skills and competencies rather than job titles or formal qualifications.

Organizations are increasingly shifting from a role-based to a skills-based approach, recognizing that skills are the new currency in the modern workforce. This transformation enhances employee mobility and workforce agility, aligning directly with modern business priorities. A skills-based approach not only addresses immediate business needs but also equips organizations for future challenges by better aligning workforce capabilities with evolving market demands.

The shift to a skills-focused model requires significant recalibration in workforce management. Career paths become more flexible; for example, a factory supervisor's intimate knowledge of necessary skills and temperament may make them well-suited for human resources roles. This flexibility in career trajectories enhances employee mobility and aligns skills with strategic business priorities, thereby fostering a more responsive and dynamic workforce.



Take an inventory of internal skills

To successfully transition to a skills-based workforce, organizations must understand internal skills through a detailed inventory. Key steps include:

Simplify the organizational structure

Streamline roles and responsibilities to reduce complexity and facilitate adaptability.

Standardize role definitions

Align roles with market standards to achieve consistency in measuring and optimizing workforce capabilities.

Operationalize skills

Establish governance frameworks to integrate skills into organizational processes, with the goal that skills development is structured and systematic.

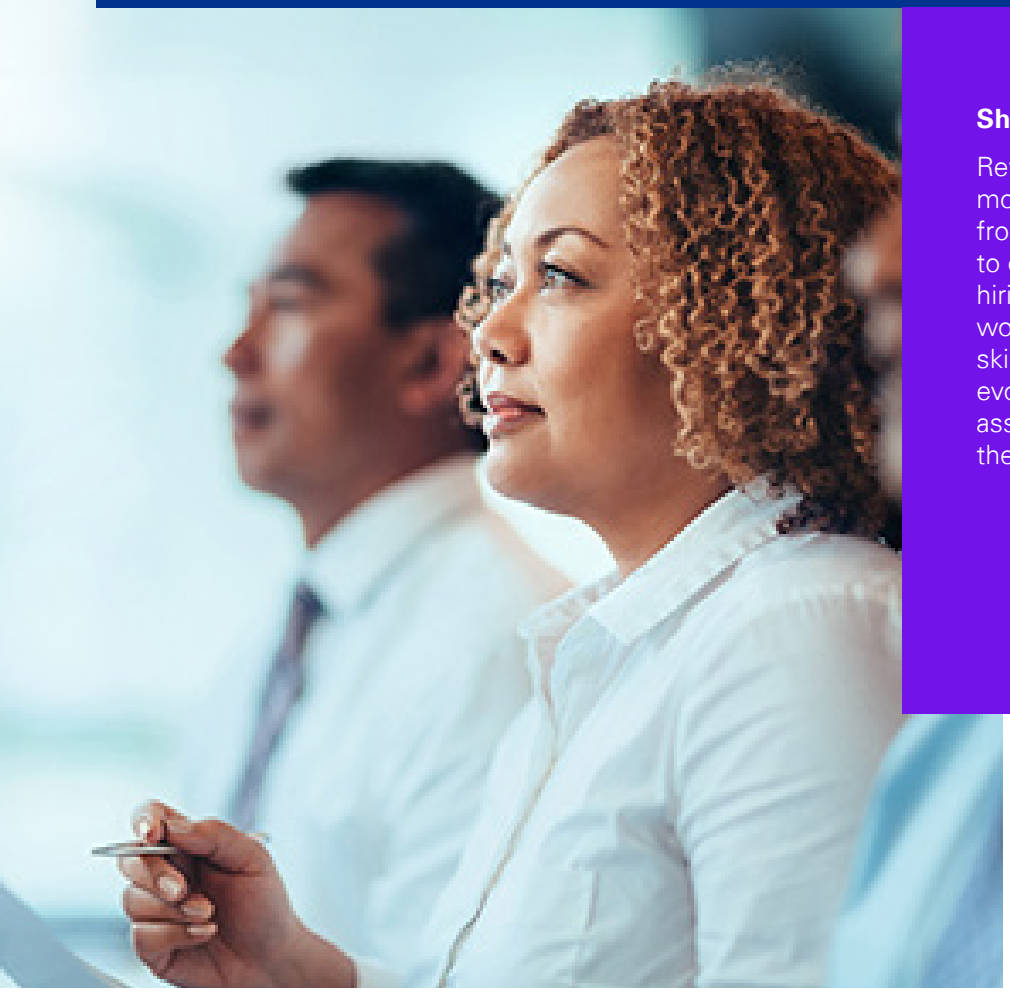
Prioritize areas for adoption

Focus on high-impact areas first to drive enterprise-wide adoption, so that initial successes can be scaled effectively across the organization.

2 Transitioning to a skills-based organization

Conduct skills mapping and inventory

Building a skills-based organization begins with a thorough deconstruction of the workforce through a skills inventory. This inventory provides enhanced visibility into current workforce capabilities, allowing for precise identification of skill gaps and targeted development initiatives. AI-driven skills mapping leverages advanced data and analytics to classify employees by their skills, facilitating effective talent deployment. AI-powered tools can also provide instant feedback on performance and suggest training and upskilling opportunities.



Shift to skills-based hiring

Retooling the workforce for a skills-based model involves revising hiring practices from a traditional role-based approach to one focused on skills. Skills-based hiring reduces time-to-hire and enhances workforce capabilities, aligning employee skills more closely with the organization's evolving needs. AI analytics can assist in assessing company needs and streamlining the hiring process.

Champion continuous skills development

Emphasizing employee skills leads to a greater focus on skill acquisition and enhancement. Organizations should foster a culture of continuous learning and development, focusing on both hard and soft skills and providing personalized career development opportunities. This approach results in increased talent mobility, higher employee engagement, reduced turnover rates, consistently improving workforce capabilities, and better preparedness for future challenges. AI tools can predict the skills needed for future projects based on industry trends and organizational goals, resulting in reduced training costs and more targeted learning. AI can also create tailored learning paths for each employee based on their current skills, learning style, and career goals.

Combining these elements into a unified strategy provides a holistic approach to transitioning to a skills-based organization.

Industry insights on skills-based optimization

Real-world examples can provide valuable context for understanding how AI and skills-based optimization can transform workforce dynamics and drive value across various industries. Here we explore hypothetical scenarios to highlight how AI can drive value in a skills-based workforce.

Healthcare industry

The healthcare sector integrates AI with skills-based frameworks to streamline operations and improve patient care quality. By utilizing AI-driven skills mapping to identify skill gaps and implement targeted training programs, healthcare providers can reduce patient wait times and enhance care standards. This approach not only improves regulatory compliance but also boosts operational efficiency.

Manufacturing sector

The manufacturing industry often deals with complex workflows and the need for precise skill sets. AI-driven skills optimization can play a crucial role in this sector by analyzing and predicting the skills required for upcoming projects. This predictive power can then be harnessed to implement skills-based hiring and training programs, so the workforce is well-prepared for future demands.

3 Integrating AI into the workflow

Start with pilot programs

To optimize technology adoption, organizations should start with small-scale pilot programs to test GenAI tools and measure their impact. Beginning with these controlled implementations allows for a thorough assessment of outcomes and the collection of valuable insights. Tracking measurable improvements in specific business processes, validating business cases for broader AI adoption, and refining strategies for scaling successful initiatives during these initial stages are essential. Successful pilot programs demonstrating solid return on investment (ROI) can be scaled up for broader adoption, building momentum across the organization.

As AI transitions from the pilot phase to enterprise-wide integration, seamless assimilation into legacy systems becomes critical. This integration enhances operational efficiency, reduces manual intervention, and enables faster, more informed decision-making. By meticulously planning and executing these steps, organizations can achieve a successful transition from pilot projects to extensive AI implementation, achieving substantial gains in efficiency and productivity.

In addition to AI, advanced tools such as Workday and ServiceNow, which KPMG can integrate within existing systems, can play a crucial role in enhancing operational efficiency and streamlining workflows. Encouraging the use of AI-driven decision-support tools can further improve strategic decision-making capabilities, leading to better response times to market changes and more data-driven strategic planning.

Balance cultural and technological shifts

Transitioning to a skills-based model also requires a significant cultural and technological shift. Leadership support is essential to secure buy-in across the organization and establish a resilient and adaptive workforce. The cultural shift involves nurturing an environment that prioritizes continuous learning, endorses flexibility, and values skill development as a core organizational principle. Redefining role definitions, structuring data, and managing talent within this new framework are complex but necessary tasks to gain a competitive edge.

From a technology perspective, as AI continues to redefine workforce dynamics, the synthesis of a skills-based workforce with advanced AI technologies is key to unlocking organizational potential. Integrating AI with redefined roles that are more closely focused on skills enhances an organization's ability to navigate technological advancements seamlessly, while ensuring their workforce is future ready. Early adopters of these paradigms will be uniquely positioned to thrive, navigating the complexities of a dynamic business environment with agility and foresight.

KPMG can assist in this integration by leveraging such advanced tools as Workday and ServiceNow.

4 Enhancing the employee experience in an AI-integrated workforce

Enhancing the employee experience is crucial in an AI-integrated workforce. Fostering seamless collaboration between humans and AI is key, as AI is designed to enhance rather than replace human efforts. This integration requires redefining competency models and adapting human capital management (HCM) structures to include digital employees. Such alignment leads to clearer performance expectations and more accurate productivity tracking.

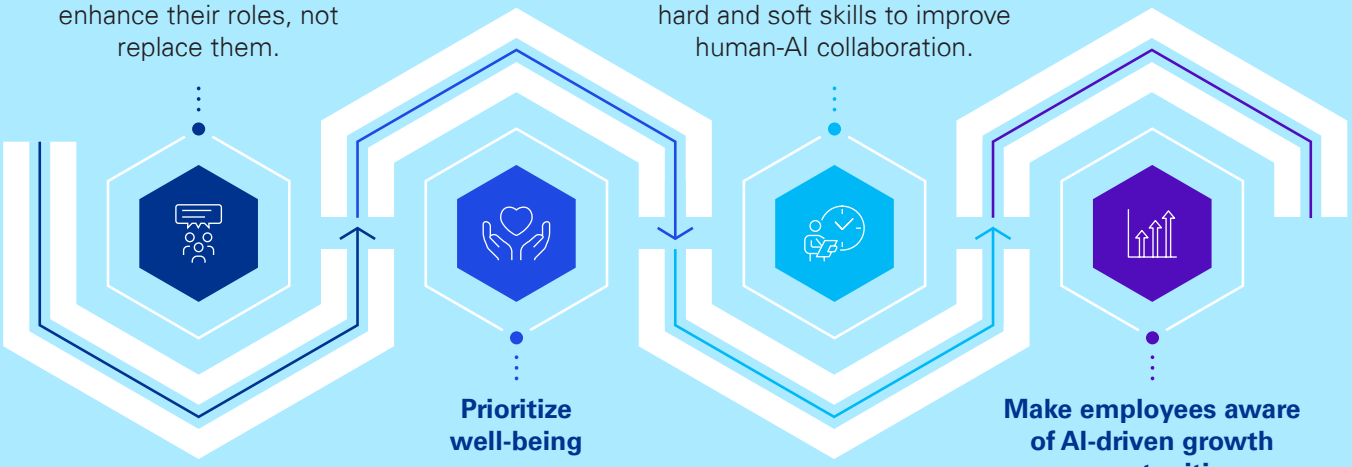
There are several strategies that organizations can use to enhance the employee value proposition in the face of AI digital labor:

Communicate effectively

Clearly convey the benefits of AI technologies so employees understand that AI is implemented to enhance their roles, not replace them.

Foster continuous learning

Foster a culture of ongoing learning and development that includes training on AI tools and systems, focusing on both hard and soft skills to improve human-AI collaboration.



Prioritize well-being

Create a supportive work environment that fosters collaboration between humans and AI, fostering well-being while enhancing overall productivity.

Make employees aware of AI-driven growth opportunities

Offer clear pathways for career advancement that leverage AI tools to identify skill gaps, provide tailored development plans, and keep employees motivated and engaged.

By implementing these strategies, organizations can boost employee morale and retention rates, contributing to a stronger employer brand that attracts top talent.

5 Measuring the digital workforce

Developing new performance metrics that account for AI's role complements traditional productivity tracking methods, leading to more accurate performance assessments. Further, conducting cost analyses that compare human employees and AI agents informs optimal resource allocation, resulting in cost savings and improved budget planning.

The value and cost savings organizations can realize by leveraging AI include better utilization of existing skills, reduced hiring costs, and improved productivity. Rigorous testing and validation of AI initiatives are crucial for demonstrating solid ROI, thereby building stronger business cases for further AI investments.

As AI bots are integrated into the organizational hierarchy as digital workers, organizations must adapt their performance policies. Digital labor will incur its own set of costs and require unique benchmarks for productivity measurement. This evolution necessitates redefining competency models and adapting HCM structures to include digital employees, along with updated metrics and performance management systems that reflect AI contributions.

Key considerations for this transition include:

Performance expectations

Establish clear performance expectations for digital employees.

Productivity tracking

Implement accurate productivity tracking mechanisms to assess AI contributions.

Human-AI role alignment

Ensure clear differentiation and alignment between human and AI roles.

Additionally, increasing AI usage demands accountability around costs to fully gauge ROI. HR organizations must update their cost analyses and management processes to compare the costs of human employees and AI agents, focusing on development, maintenance, and operational costs. These insights can help optimize resource allocation, achieve cost savings, and improve budget planning.

6 Managing AI risks

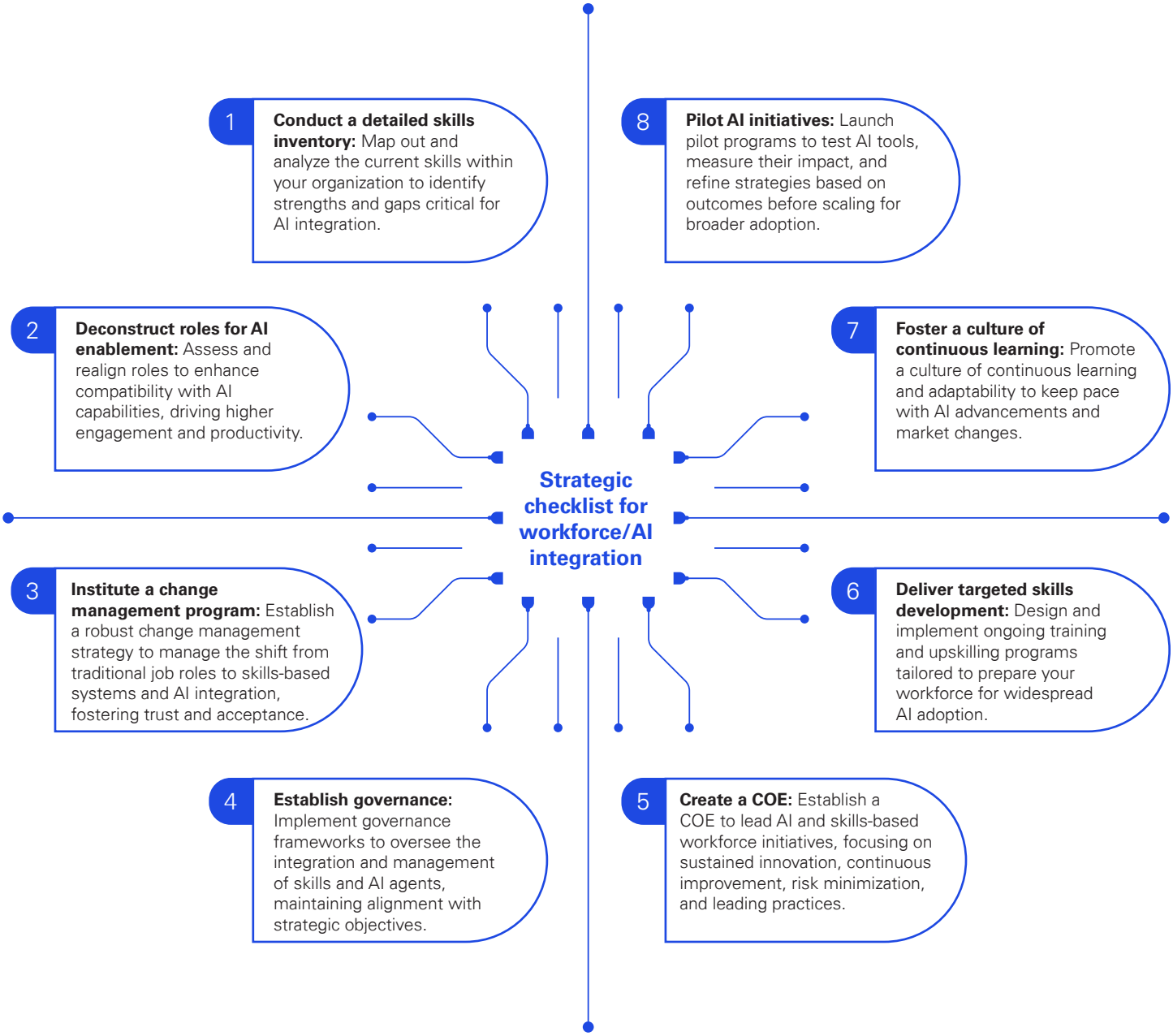
Creating digital labor with AI is a complex process that requires strategic planning and long-term commitment. Despite its many benefits, AI carries inherent risks, including inaccuracies and biases, as well as security and data privacy risks, that can pose serious challenges for organizations.

One effective way to address these concerns is to establish a dedicated Center of Excellence (COE) to oversee the ongoing management of AI and skills-based workforce initiatives. This strategic approach maintains sustained focus, continuous improvement, and ongoing innovation. A COE can significantly enhance project success rates and drive advancements in AI applications.

Additionally, organizations must proactively address the risks associated with AI implementation. Maintaining reliability and consistency in AI outputs is essential for enhancing stakeholder confidence and preserving the integrity of AI processes. By adopting these strategies, organizations can effectively manage AI risks and maximize the benefits of their AI investments.

Strategic checklist for workforce/AI integration

To advance AI integration within your workforce and realize a return on your AI investments, follow this strategic checklist for optimal results:



By following this strategic checklist, leaders can prepare their organizations for AI integration, enhancing workforce capabilities and achieving significant competitive advantages.

Why KPMG is your adviser of choice

Selecting the right adviser is crucial for fully leveraging AI's potential within the workforce. KPMG excels in providing robust solutions that integrate emerging technology adoption with human resources and workforce optimization. The result is a thorough transformation that delivers increased productivity, innovation, and value.

Human capital advisory services

KPMG places a strong emphasis on the human elements and organizational culture during technological transitions. Our advisory services include:

Tailored workforce strategies: Innovative, sector-specific approaches to align with business objectives.

Talent management: Strategies to attract, retain, and develop top talent.

Workforce optimization: Placing the right people in the right roles at the right time.

Capacity planning: Effectively managing workforce capacity to meet current and future demands.

Digital enablement solutions

KPMG helps organizations understand and leverage their internal skills, guiding organizations through the skills-mapping process and identifying key areas for growth and development.

Job architecture and skills mapping: Using advanced digital tools to inventory and optimize workforce capabilities.

Growth identification: Pinpointing areas for strategic skill development and organizational growth.

AI workforce solutions

KPMG designs and implements AI workforce solutions that align with organizational goals and improve operational efficiency.

AI-driven performance management: Leverage AI to gain real-time insights into employee performance, identify high performers, address gaps, and enhance overall productivity with data-driven decisions.

Skills-based workforce initiatives: Identify and cultivate critical skills, so the workforce meets evolving business demands with agility and continuous improvement.

AI pilot programs: Implement and scale pilot programs to test AI solutions, measure their impact, and refine strategies before full-scale deployment, facilitating a smooth transition and maximizing ROI.

Technology integration

KPMG utilizes advanced tools such as Workday and ServiceNow, integrating them within enterprise systems to enhance operational efficiency. KPMG supports projects from ideation to completion, delivering tangible and lasting benefits.

Multifaceted technology implementation: Deliver thorough integration solutions aligned with organizations' strategic goals, including planning, execution, and deployment to enhance operational processes.

System integration: Achieve greater functionality across all platforms, minimizing disruption and enhancing data flow for cohesive operations.

Continuous support: Provide ongoing assistance to maintain and optimize systems postimplementation, including updates, troubleshooting, and performance enhancements to keep technology infrastructures efficient and reliable.

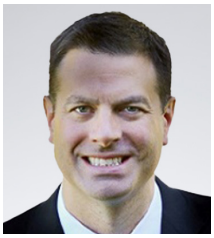
Learning as a Service

KPMG helps organizations implement robust continuous learning programs to help ensure the workforce is prepared for evolving challenges.

Continuous skills development: Keep the workforce competitive with programs targeting both hard and soft skills.

By leveraging our extensive knowledge, innovative tools, and robust service offerings, your organization can achieve enduring value and success. KPMG is dedicated to working with you to navigate the complexities of AI integration and workforce restructuring, positioning your organization for sustained growth and competitive advantage.

Contact us



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