

The new reality of human resources

Human capital transformation, enabled by Workday, is imperative for Federal agencies



Federal government agencies are undergoing some of the most significant disruptions in decades. Though workforce reductions have gained widespread media attention, they're not the only thing impacting human resources (HR) departments. On the heels of these cuts, [Executive Order 14179](#) from the president and [Memorandum M-25-21](#) from the White House Office of Management and Budget (OMB) directed agencies to accelerate their adoption of artificial intelligence (AI). These mandates have further increased the urgency for HR leaders across government to grapple with how AI is transforming the way organizations recruit, retain, manage, and develop talent.

Beyond compelling agencies to close skills gaps, these dual focuses—workforce reductions and the call for rapid AI adoption—are forcing agencies to rethink their human capital management (HCM) strategies more broadly and reassess the role of HR.

HR's ability to respond, however, is often limited by an outdated infrastructure. Many agencies are saddled with 30-year-old HCM technologies, including fragmented systems patched together with custom workarounds and multiple manual processes. And it's not just the technology that's outdated—many business practices, governance policies, and controls are also stuck in the past. In some cases, inefficiencies may have become routinized rather than scrutinized.

This moment calls for Federal HR leaders to initiate **transformative HCM modernization** to improve the efficiency, effectiveness, and agility of both HR operations and the workforce as a whole. They must upgrade to the cutting-edge Workday platform designed to help HR leaders meet new strategic objectives and deliver modernization goals quickly and at a lower cost.

Although boosting productivity remains an essential goal, HCM transformation isn't just about doing more with less. It provides the opportunity for HR leaders

to reimagine how work is designed and delivered. It helps enable them to realign resources with agency goals and develop entirely new talent strategies that account for human-AI collaboration. It helps enable them to enhance the employee experience, improve employee engagement, and more.

The benefits of SaaS

It may seem odd that in 2025 we're still talking about the benefits of the software-as-a-service (SaaS) model, but with resource constraints and the need to respond quickly to changing priorities, leveraging SaaS is more important than ever.

SaaS gets the agency out of the hardware and software-hosting business—a critically important benefit if IT resources are also growing scarcer. A new SaaS HCM platform replaces the cacophony of back-end systems with a single, modern software solution specifically designed and targeted toward helping enable leading HCM practices. Scalability, reliability, and performance are capabilities offered by the provider.

A SaaS solution can also simplify security and compliance. Modern, cloud-based solutions like Workday include built-in support for zero-trust security and segregation of duties (SoD), for example—features you're unlikely to find in decades-old systems. Equally as important, given the incredible pace of advancements in AI technologies and the emergence of potential security vulnerabilities, software updates and customer features will come from the SaaS provider automatically and in a timely manner, with no customization or downtime required.

Digital workforce management

AI also presents a powerful opportunity for HR to meet its new strategic priorities.

In the last few years, many agency leaders have become familiar with technologies such as generative AI (GenAI), which can help improve employee productivity and performance or reskill workers to do new jobs quickly. A growing body of research shows the benefits of empowering employees with such AI tools. For example, research from the Hoover Institute found 70 percent of public-sector employees said their work quality was better or significantly better with the help of AI.¹

However, AI technology is rapidly moving beyond GenAI with the development of autonomous AI agents. These AI agents are often described as a paradigm shift in AI, moving AI from passive information retrieval to proactive execution and decision-making. They possess higher levels of autonomy and intelligence, adapting and targeting their actions in response to changes in their environment. AI agentic systems are evolving quickly from simple “taskers” designed to automate single functions to “orchestrators” where multiple AI agents interact to achieve complex tasks at scale.

This new **digital workforce** is not a replacement for your human workforce, but a powerful productivity multiplier for it. AI agents can handle many of the mundane or repetitive tasks that human workers have in the past. They can help address skill gaps, allowing your personnel to focus their time and attention on critical tasks that require human capability, creativity, and judgment. And they are rapidly gaining ground. At a recent Wall Street Journal CIO Network Summit, 61 percent of attendees said they’re experimenting with AI agents.²

Even though AI agentic systems can involve complex technologies, HR leaders cannot simply cede oversight of this digital workforce to IT. The purpose of HR is to support, develop, and align the workforce and its skills with the mission of the agency—and that holds true whether it’s a human workforce or a digital workforce. AI agents must be managed centrally. They must be selected, onboarded, trained, given access, managed, and have their performance evaluated in much the same way as human workers—clearly the province of HR.

Modern HCM solutions are taking this into account. Workday, for example, is now designed to be an AI agent system of record—a single platform to help manage agents whether they’re proprietary or purpose-built and running within the agency, or third-party agents embedded in another cloud-based solution. It can help you identify agent skills or capabilities and help ensure they’re aligned with the agency’s mission.

Of course, the human element cannot be ignored. As AI changes the nature of work, HR must adapt its talent strategies. Skills-based talent focus has become a cornerstone of this transition. It emphasizes the importance of diverse and adaptable skill sets over rigid job definitions—to hire, promote, or train for the skill that’s required rather than for a role rigidly defined by a job title or a degree credential specialized in one business area. In the same way they help track AI agent skills, modern HCM solutions can help identify where human skills reside within the workforce and keep them aligned with critical tasks and initiatives. They can identify areas for reskilling or upskilling, and provide employees with more visibility into new roles or opportunities.



¹ Oliver Giesecke, “Generative AI Use In US Public Sector On The Rise, Survey By Hoover Fellow Suggests,” The Hoover Institution, December 2, 2024.

² Belle Lin, “AI Agents Are Everywhere...and Nowhere,” The Wall Street Journal, February 12, 2025.

The technology is the easy part

Often, we see agency heads or their technology leaders viewing successful deployment of a technology as the desired outcome of a transformation project—the launch of a Workday workforce management solution. This misplaced goal can be the single greatest factor limiting return on investment (ROI) from such efforts.

While technology updates may underpin any transformation effort, it's essential for agency leaders to understand their goal must be a business transformation and not the implementation of the technology. For example, the goal may be improved employee engagement and job satisfaction. There may be multiple avenues to achieve this goal, and it almost surely will involve more than simply dropping a new technology into the existing process. The actual technology upgrade is usually the easy part, especially with Workday.

Business transformation is a more complex and involved journey. As realities change during the journey, it's important to have the flexibility and agility to reconsider the proper way to achieve the real goal, and the fundamental framework in place to support such flexibility and agility.

A **Target Operating Model (TOM)** provides such a framework. It defines the desired, ideal future state of your organization, including the roles, functions, processes, capabilities, and controls you must have in place to execute on a strategy and realize its goals.

Consider the adoption of a single new feature in Workday. Do you have the governance and rigor in place to manage the change? Do you have a process in place to assess the security or privacy impacts? Will this new feature create an SoD issue? Do you have a process for change management and upskilling? Do you have a way to evaluate if a new set of capabilities can disrupt an existing process, enhance it, or open up an entirely new one? More broadly, how will it affect employee and constituent interactions—and the way the agency's mission is served?

These questions are just the tip of the iceberg. The TOM provides the structure to answer them. It also helps enable you to take advantage of the constantly expanding Workday platform by adding functionality from new releases with greater confidence they are working for you and not against you.

While the deployment of the technology isn't the goal, a Workday solution can help you determine if you are achieving the desired outcomes consistent with the TOM. Having a single platform rather than multiple siloed systems can help to deliver more accurate data-driven insights, and the built-in metrics capabilities can help you see the impact on ROI.



Why KPMG and Workday

KPMG LLP has worked with Federal, state, and local governments for more than a century, so we understand the unique issues, pressures, and challenges Federal agencies face—and we're helping them with Workday-enabled HCM transformation today.

Workday integrates a cloud-native SaaS platform for HR and finance with built-in Federal functionality and a zero-trust architecture. With one agile platform—where critical Federal requirements and continuous innovation are built into the core—agencies can transform their workforce to support their mission; adopt safe, secure AI to eliminate manual processes; protect critical data by leveraging an industry-leading, zero-trust architecture; and make critical decisions with confidence and clarity.

We know Workday.

KPMG is a recognized leader in Workday implementation services.³ Our alliance with Workday is designed to help government organizations accelerate innovation and efficiency by designing and deploying effective, cloud-based solutions. We have over 300 Workday clients worldwide and bring that experience to every engagement. Our combined resources can help improve strategies and assess appropriate application approaches for your specific needs.

We offer clarity and insight.

As a trusted advisor, we can help you make sense of everything going on in the highly dynamic world of AI and HCM, from regulatory mandates to emerging technologies. We can help align your efforts with leading practices from both the private and public sectors and help keep you moving forward quickly with confidence and conviction.

We see the big picture.

We can help you anticipate and adapt to the wide-ranging impacts HCM transformation can have on your organization, including budgets and financial controls, business processes and operating models, and employee growth and retention. We can help you understand your data—where it comes from, what controls are required, how to increase value locked in it, and how to share that value across organizations. We can help you harness the power of AI ethically and responsibly with trusted AI principles and governance models for managing risk.

We can help you from strategy through implementation.

Unlike business-only consultancies, our more than 15,000 technology professionals have the resources, skills and experience, battle-tested tools and solutions, and close alliances with leading technology providers to achieve your vision, quickly, efficiently, and reliably. And unlike technology-only firms, we have the business credentials, subject matter professionals, and public sector experience to help you deliver measurable results, not just blinking lights.

³ "The Forrester Wave: Workday Services," Q2 2024

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