The Future of the HR Function 2021

Prepare HR to meet the challenges of a newly transformed world of work
Executive Summary

Since early 2020, Human Resources (HR) has faced unprecedented challenges due to the Covid-19 pandemic. Seldom in history has the HR function needed to pivot so quickly and dramatically to meet such urgent workforce and business needs.

These trends are requiring HR to rethink its roles and priorities while the world of work is transforming.

Perhaps the biggest shift in HR’s thinking is the recognition that in many organizations the post-pandemic return-to-work will not be a return to the way work was done in 2019. Much has changed, and at least some of those changes will stick and evolve further.

In this study, we look at the attitudes, concerns, priorities and skills of today’s HR professionals as well as their views on what will be most important in the near future.

HR professionals reviewing this report should consider:

● How does your HR effectiveness and proficiency compare to that of other organizations?
● How closely do your concerns match those of other organizations? Are you overlooking anything?
● What should you focus on to prepare for the next two years?

About this Survey

The survey, called “The Future of the HR Function” ran in the first quarter of 2021. There were responses from 381 participants with 237 responding to every question.

The participants represent a broad cross-section of employers by number of employees, ranging from small businesses with under 50 employees to enterprises with 20,000 or more employees. Of the responding organizations, 19% represent small organizations (with 99 or fewer employees), 43% represent mid-size organizations (with between 100 and 999 employees) and 38% represent organizations with 1,000 or more employees.
Below is an overview of some major findings.

**Major Finding 1**

A majority of HR leaders are in a good position to have a strong impact on the organization.

- Sixty-one percent say their head of HR reports directly to the CEO or other head of the organization, and 8% says their head of HR reports to the Board of Directors.
- Most other heads of HR report to either the Chief Financial Officer or the Chief Operations Officer.
- HR leadership is an equal partner in the business/strategic planning process in 58% of organizations.

**Major Finding 2**

HR professionals give themselves reasonably high marks in various areas, but there are also perceived areas of weakness.

- Eighty-seven percent of HR professionals view themselves as being at least “fairly successful” in terms of coping with pandemic-related issues, though only 45% say they have been “very successful.”
- About three-quarters agree or strongly agree that HR is highly productive, and 77% think HR helps managers do their jobs better.
- More than half (57%) of HR professionals say that their top leaders would give their organization's HR departments a score of 8 or higher on a 10-point scale, and 58% give their own departments high ratings. However, only 41% say employees would rate HR as 8 or higher. This suggests that HR views itself as better aligned with the needs of top bosses than with the needs of the employees they are tasked with supporting.
- Only 14% of respondents strongly agree that their HR function boosts employee performance, though another 46% agree.
HR suffers from a number of skills gaps.

- The biggest skills gap between perceived importance and current proficiency is in the area of leveraging HR analytics, where 82% view it as essential or important but only 36% view HR as proficient or highly proficient.

- There are also skills gaps of 35 or more percentage points in the following areas:
  - thinking strategically
  - improving the employee experience
  - facilitating positive change
  - advancing diversity, equity and inclusion (DEI)

- Four capabilities that are seen as being especially crucial over the next two years are:
  - increase employee engagement levels
  - engage in strategic workforce planning
  - accelerate talent development/skills
  - champion the employee experience

HR faces a wide range of key challenges in the near future.

- Overall, HR believes that issues related to the post-Covid-19 world of work will be their greatest concern in 2021.

- A little fewer than half (47%) rate their HR departments as 8 or above on a 10-point scale in terms of their preparedness to thrive in the next two years.

- Looking ahead two years, the external issues HR is most likely to be concerned about are:
  - economic conditions
  - health and safety
  - talent shortages

- The five functional areas of HR most likely to be seen as most critical for success over the next two years are:
  - DEI
  - leadership development
  - change management
  - analytics and metrics
  - recruitment and selection
• The four strategic issues HR thinks it should especially focus over on the next two years include:
  ‣ create workforces that are agile and can respond quickly to change
  ‣ build a strong leadership pipeline
  ‣ enhance the employee experience
  ‣ ramp up employee reskilling and upskilling

• There are five key areas where technology is most likely to play a role over the next two years:
  ‣ analytics and metrics
  ‣ automation of HR activities
  ‣ learning, such as reskilling and upskilling
  ‣ onboarding
  ‣ recruitment and selection

Higher-performing HR departments far outclass their lower-performing counterparts on a wide variety of factors.

• Compared to lower-performing HR departments, higher-performing HR departments are:
  ‣ More than twice as likely to be fairly or very successful at enhancing the employee experience
  ‣ More than twice as likely to say HR is proficient at thinking strategically
  ‣ More than twice as likely to say HR is proficient or highly proficient at demonstrating leadership
  ‣ Nearly three times as likely to be in organizations with far above average financial performance
  ‣ More than three times as likely to be proficient or highly proficient at facilitating positive change
  ‣ More than three times as likely to say HR is proficient at leveraging HR data and analytics
The Current State of HR

Finding: HR professionals give themselves mixed grades when it comes to meeting the needs of their organizations

We asked HR professionals how well their HR department meets the needs of their organization from the perspective of top leaders, employees and HR itself. Generally speaking, the data indicates that HR views itself as better aligned with top leaders than with employees.

More than half (57%) say that their top leaders would give them a score of 8 or higher on a 10-point scale. If this were a “report card,” these would represent the A and B students in a class. The rest can be viewed as C students or worse. And if we view 6 as a failing grade, as a 60% score is on a test, then a worryingly high proportion (20%) are D or F students in the eyes of top leaders.

Notably fewer believe that employees would give their HR departments a high score. Only 41% say employees would rate HR as 8 through 10 (and only 17% would give them an “A” grade of 9 or 10). This suggests that top leaders’ needs are often being prioritized over employees’ needs.

HR professionals tend to see themselves as better aligned with the views of top leadership. For example, 58% say HR is meeting the needs of the organization at a level of 8 or higher and 57% say the same about the needs of leaders. In a sense, the similarity is reassuring, although it should be noted that we have HR professionals sharing how they think leaders see them. We don’t have direct input from the leaders themselves, who might take another view.
In the end, though, this does indicate that many HR professionals might need to do more to meet organizational needs from the perspective of the employees. After all, employees can be viewed as HR's key internal customers and stakeholders.

Survey Question: Based on the perspectives of the following three groups, how well does your HR department meet the needs of your organization?

Only 41% think employees would give them high grades (8, 9 or 10) in terms of meeting the needs of the organization.
Finding: Only 14% strongly agree that their HR function boosts employee performance

HR's core outcomes include:

- being a highly productive department
- helping managers do their jobs better
- boosting employee performance
- shaping the organization's workforce agenda

Any rating less than “agreeing” that HR achieves these outcomes should be seen as a failure—if HR isn’t achieving at least some of these outcomes, then what is it for? One would hope that in many cases respondents would strongly agree that HR achieves these outcomes.

The number of respondents who strongly agree with these statements, however, is relatively low, ranging from 25% for “our HR function is highly productive” down to just 14% for “our HR function boosts employee performance.”

Out of the four outcomes, HR scores lowest in the area of employee performance, with only 60% agreeing to any extent. On the other hand, more than three-quarters (77%) agree or strongly agree that HR helps managers do their jobs better.

One positive note is that considerably more HR professionals agree or strongly agree that their HR function boosts employee performance than they did in early 2020, the last time we conducted this research: 60% compared with only 41% in 2020. Moreover, the percentage who strongly agree rose nearly threefold, from 5% in 2020 to 14% in 2021.

Employee performance represents the largest year-to-year increase for this question. This suggests that many HR professionals view the changes they have helped facilitate over the last year—such as more remote work, flexible scheduling and management training—have served to boost employee performance to some degree.
Survey Question: To what degree do you agree with the following statements?

- Our HR function helps managers do their jobs better: 54% Agree, 23% Strongly agree, 77% Total
- Our HR function in highly productive: 51% Agree, 25% Strongly agree, 76% Total
- Our HR function is shaping the organization's workforce agenda: 47% Agree, 16% Strongly agree, 63% Total
- Our HR function boosts employee performance: 46% Agree, 14% Strongly agree, 60% Total

More than three-quarters of respondents agree or strongly agree that their HR function helps managers do their jobs better.
Finding: Most heads of HR report directly to the CEO or head of business

Among the participants in this study, more than half (61%) report directly to the CEO or head of the business (e.g., owner). We believe this is one indication that HR has substantial influence in the organization.

That is not to say, however, that HR cannot be influential in organizations with alternative reporting relationships. The head of HR is less likely to report to either the COO or CFO, both at 10%. Although situations will vary from organization to organization, we believe that reporting to the COO generally indicates a higher degree of influence than reporting to the CFO. After all, HR is crucial to the operational well-being of organizations. When a head of HR reports to a CFO, however, it is too often a sign that human capital is viewed as a business expense as opposed to a business investment or strategic opportunity.

Survey Question: To whom does your head of HR (e.g., CHRO) directly report? (select the answer that best applies)
Finding: HR leadership is an equal partner in the business/strategic planning process in 58% of organizations

Considering the importance of talent to the success of all organizations, one would expect HR leadership to typically be an equal partner in business/strategic planning. Although this is true in a majority of cases (58%), being an equal partner is not as prevalent as we might hope. After all, HR should have the greatest depth of knowledge about one of their most important strategic resource: employees themselves.

An additional 21% say that during the planning process, HR is asked for talent-related input. This potentially is important if the input is detailed and acted upon. On the other hand, it is also potentially limiting if HR is simply providing basic data on, for example, the number of positions that will need to be filled next year or the projected cost of total rewards.

HR likely has a considerably lower impact in the 22% of organizations where HR leadership has no significant role in business/strategic planning or where HR is asked to develop a talent strategy after the business/strategic planning process is complete.

CEOs who are not involving HR leaders in business/strategic planning should consider asking themselves how they can reconcile this with the strategic importance of talent. If they don't know how to integrate talent strategy directly into business strategy, then that’s a problem to be solved, not one to be ignored by excluding HR as an equal partner in planning.

Defining Small, Mid-sized and Large Organizations

Throughout the report, we look at the findings based on company size. We deem organizations with 1 to 99 employees as “small,” those with 100 to 999 employees as mid-size, and those with 1,000 or more employees as “large.”
Differences by company size

It appears that the larger an organization gets, the more likely it will involve HR as a full partner in strategic planning. Only 49% of small organizations involve HR as a full partner versus 69% of large organizations.

Survey Question: What role does HR leadership play in your organization's business/strategic planning process? (select the one that best applies)

- HR is an equal partner in the process, along with other key functions: 58%
- During the planning process, HR is asked for talent-related input: 21%
- Once the plan is complete, HR is asked for talent-related input: 11%
- It has no significant role: 11%

HR leadership has no significant role in business/strategic planning in 11% of organizations.
Finding: Nearly all HR professionals view themselves as being at least “fairly successful” in terms of coping with pandemic-related issues

The Covid-19 pandemic put unprecedented pressure on HR in 2020. Encouragingly, 87% of respondents say HR was fairly or very successful in coping with the crisis. In fact, almost half (45%) chose “very successful.” This result is a testament to how adaptable HR can be in an emergency.

Other than the pandemic, HR had the most success in:

- Becoming a trusted strategic partner
- Helping to bring about positive change
- Enhancing the employee experience

Other than coping with the pandemic, there are no areas where more than a third of HR departments are very successful. One particular weakness is measuring the impact HR has on business results, with just 51% saying their organization is fairly or very successful at this.

While the overall results (very successful combined with fairly successful) are not bad across the board, one would hope HR sets its sights on achieving very successful levels in at least a majority of these areas.

Differences by company size

Companies do get better at supporting business results as they grow; only 55% of respondents at small firms say HR is fairly or very successful at this, but increases to 74% for mid-sized firms and 80% for large firms. Conversely, large firms have a harder time enhancing the employee experience; 82% of small firms and 80% of mid-sized organizations say HR is fairly or very successful at this, but that drops to just 69% for large firms.
Survey Question: In your organization, how successful is HR in the following areas?

Coping with pandemic-related issues
- 42% Fairly successful
- 45% Very successful

Helping to bring about positive change
- 53% Fairly successful
- 25% Very successful

Becoming a trusted strategic partner
- 47% Fairly successful
- 27% Very successful

Enhancing the employee experience
- 52% Fairly successful
- 21% Very successful

Supporting the delivery of business results
- 54% Fairly successful
- 16% Very successful

Improving workforce diversity, equity and inclusion
- 46% Fairly successful
- 19% Very successful

Ensuring employees have necessary skill sets
- 50% Fairly successful
- 14% Very successful

Measuring the impact HR has on business results
- 38% Fairly successful
- 13% Very successful

Only 13% say HR is very successful at measuring the impact it has on business results.
Issues HR Will Face in the Near Future

Finding: Looking ahead two years, HR is most likely to be concerned about economic conditions, health and safety, and talent shortages

The three external issues most commonly cited as likely to have a significant impact on HR in the next two years are:

- economic conditions
- health and safety issues (e.g., pandemics)
- talent shortages

The top two are likely a reaction to the ongoing impact of the Covid-19 pandemic. Meanwhile, talent shortages seems to indicate that many HR professionals remain hopeful about the economy and expect it to be strong enough to make talent shortages an issue in the near future. Alternatively, it may reflect a fear that even if the economy is not strong, a shortage of particular or specialized skill sets will make work difficult for the talent acquisition function.

Another potential impact of Covid-19 is distributed labor due to remote work technologies, but only 24% of respondents cited it as one of the top four external challenges. This suggests that organizations have already largely addressed the challenges associated with remote work.

Speed of change ranked right in the middle of the issues with 34% citing it as a challenge. Organizations have experienced firsthand that the world can turn upside-down overnight. It will be interesting to watch how many organizations enhance their crisis management practices.
**Survey Question:** Of the following factors, what four external challenges will have the most significant impact on your organization’s HR function in the next two years? (select up to four)

<table>
<thead>
<tr>
<th>Factor</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic conditions</td>
<td>58%</td>
</tr>
<tr>
<td>Health and safety issues (e.g., pandemics)</td>
<td>48%</td>
</tr>
<tr>
<td>Talent shortages</td>
<td>48%</td>
</tr>
<tr>
<td>Political and legal issues</td>
<td>39%</td>
</tr>
<tr>
<td>Calls for greater diversity, equity and inclusion</td>
<td>34%</td>
</tr>
<tr>
<td>Speed of change</td>
<td>34%</td>
</tr>
<tr>
<td>Digitization and digital transformations</td>
<td>28%</td>
</tr>
<tr>
<td>Changing work arrangements (e.g., gig workers)</td>
<td>24%</td>
</tr>
<tr>
<td>Distributed labor due to remote work technologies</td>
<td>24%</td>
</tr>
<tr>
<td>Business competition</td>
<td>23%</td>
</tr>
</tbody>
</table>

Almost two-fifths of respondents say political and legal issues will be among the four factors affecting HR over the next two years.
Skills Gaps that Could Hold Back HR

Finding: The biggest skills gap between importance and current proficiency is in leveraging HR data/analytics

We compared how important various HR abilities will be in the near-term future to how proficient HR is at the moment. We found gaps between the percentage who claim a skill is “important” or “essential” and the percentage who gauge their department’s proficiency as “proficient” or “highly proficient.”

The three biggest gaps between importance and proficiency are in:

- leveraging HR data/analytics
- thinking strategically
- improving the employee experience

Still, we are hopeful that as HR departments gain experience with analytics and new technologies are adopted, the importance-proficiency gap will close.

In terms of HR data/analytics, we believe that the HR function suffers from the gap between the early and perhaps unrealistic expectations for the function and the real-world difficulties of doing relevant HR analytics. We should note that this gap is among the most consistent problems we have seen over the last several years. Still, we are hopeful that as HR departments gain experience with analytics and new technologies are adopted, the importance-proficiency gap will close.

When it comes to thinking strategically, we can take it as a positive sign that HR can see the gap in its ability. The last year has been a tough one to be strategic because so much of HR’s attention has been focused on responding to the pandemic. With luck, in the near future HR will have more time to take a strategic perspective, although with this sort of activity HR needs to ‘make time’ rather than sit back and wait for a slow day.
The last of the three areas with the biggest gap is improving the employee experience. Again, the last year has been a uniquely difficult one in terms of creating the right employee experience. It is encouraging to see that HR is aware of the challenge.

**Survey Questions:** How important will the following skills be to the future success of your organization’s HR department, and how proficient is your HR department currently in those skills?

<table>
<thead>
<tr>
<th>Skill</th>
<th>Importance (%)</th>
<th>Proficiency (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leveraging HR data/analytics</td>
<td>82</td>
<td>36</td>
</tr>
<tr>
<td>Thinking strategically</td>
<td>94</td>
<td>68</td>
</tr>
<tr>
<td>Improving the employee experience</td>
<td>92</td>
<td>38</td>
</tr>
<tr>
<td>Facilitating positive change</td>
<td>93</td>
<td>38</td>
</tr>
<tr>
<td>Advancing diversity, equity and inclusion</td>
<td>84</td>
<td>49</td>
</tr>
<tr>
<td>Fostering positive culture and values</td>
<td>93</td>
<td>61</td>
</tr>
<tr>
<td>Demonstrating leadership</td>
<td>93</td>
<td>62</td>
</tr>
<tr>
<td>Executing key initiatives</td>
<td>91</td>
<td>62</td>
</tr>
<tr>
<td>Communicating effectively</td>
<td>94</td>
<td>69</td>
</tr>
<tr>
<td>Partnering on workforces issues</td>
<td>90</td>
<td>66</td>
</tr>
</tbody>
</table>

**Only 36% of HR professionals say their organizations are proficient or highly proficient at HR data/analytics**
Is HR Prepared for the Future?

Finding: The issue of diversity, equity and inclusion (DEI) jumped dramatically as an issue seen as critical for HR’s success over the next two years

In looking at which HR functional areas are expected to be most critical in the next two years, three areas are cited by just over 40% of participants:

- DEI
- Leadership development
- Change management

DEI is particularly noticeable in how much is changed from last year’s study. Last year, 24% said diversity of the workforce was a critical issue for the future, and this year 43% see DEI as critical for HR’s future success. DEI seems to have become a higher priority as incidents of police violence and associated social justice movements—especially in the United States—have raised the awareness of DEI-related challenges in the workplace.

Leadership development and change management are perennial issues, but the massive work-process changes and leadership challenges of the last year have likely raised their prominence as issues.
**Survey Question:** Of the following HR functional areas, which four do you believe will be most critical to HR’s success over the next two years? (choose up to four)

- Diversity, equity and inclusion: 43%
- Leadership development: 43%
- Change management: 42%
- Analytics and metrics: 39%
- Recruitment and selection: 33%
- Succession planning/management: 30%
- Learning and development: 27%
- Health and safety: 27%
- Organizational development: 26%
- Performance management: 26%
- Well-being and wellness: 22%
- Compensation: 21%
- HR business partnering: 21%
- Benefits: 19%
- Employee and labor relations: 18%
- Cultural stewardship: 17%
- Rewards and recognition: 15%
- HR technologies: 13%

**Leadership development is viewed a top HR issues critical to HR’s success over the next two years.**
Finding: Close to half of the respondents rate HR as 8 or above on a 10-point scale in terms of their preparedness to thrive in the next two years, but there’s much room for improvement.

It is relatively good news for the profession as a whole that 47% of respondents see HR as scoring 8 or more on a 10-point scale in terms of their preparedness to thrive in the next two years. After all, this is a 10-percentage-point increase from last year. On the other hand, this still means that more than half of HR professionals give their departments a grade of 7 or below. Nearly one-third (30%) rate themselves as 6 or less.

However, a 10-point increase strikes us as especially commendable given all the challenges that the pandemic has thrown at HR. Perhaps recent pandemic-related changes have made HR feel that their departments have taken a significant step forward in preparing for the future over the last year. Still, there is clearly much room for improvement. More than half of HR departments need to become considerably more prepared to thrive.

When asked how well their HR department was prepared to thrive, just under a third of respondents scored 6 or less (on a 10-point scale).
Finding: The number one issue to focus on in the next two years is creating workforces that are agile and can respond quickly to change

From a list of ten issues, we asked respondents to choose four that they believe HR should focus on over the next two years. The four most frequently chosen are:

- create workforces that are agile and can respond quickly to change
- build a strong leadership pipeline
- enhance the employee experience
- ramp up reskilling and upskilling of employees

Although the need to create an agile workforce is also the most commonly cited issue in 2020, the pandemic likely kept agility top of mind. Moreover, given the potential changes over the next year, we think it’s likely it will remain near the top at least for the next year or two. At the moment, agility is the top concern across all organizations regardless of size.

While employee experience and reskilling were also two of the top four most widely cited issues in 2020, this year we added “build a strong leadership pipeline” to the response items. Nearly half (47%) say it is a priority (the second most common result).

These three priorities feed into staying agile. Indeed, it will be hard to be successfully agile if your leaders are bad, your employees lack needed skills, and your workers are hindered by a bad employee experience.
Survey Question: In your organization, which four of the following issues do you think HR should focus on over the next two years? (select up to four)

- Create workforces that are agile and can respond quickly to change: 56%
- Build a strong leadership pipeline: 47%
- Enhance the employee experience: 43%
- Ramp up employee reskilling and upskilling: 40%
- Leverage HR analytics to improve decision making and insights: 39%
- Improve employee well-being: 33%
- Shift more to as-needed feedback rather than annual performance reviews: 31%
- Prioritize empowerment of rather than compliance of employees: 29%
- Develop high levels of business acumen in HR: 27%
- Make HR Indispensable for boosting performance and enhancing experience: 24%

The second most commonly cited priority for the next two years is to build a strong leadership pipeline.
Finding: The most crucial HR capability over the next two years will be to increase employee engagement levels

No HR capability is cited as “most crucial” by more than half of the respondents, but the most commonly cited issue is increasing employee engagement levels, chosen as one of the top four capabilities by 46% of respondents.

The lack of a strong consensus on these issues probably reflects the fact that all of the options, from the top-ranked “increase employee engagement” to the lowest-ranked “leverage HR technology” are very important. HR leaders could be torn by the pressure to address all eleven issues while also focusing on the ones that are most important in their particular organizations.

Differences by company size

Large organizations appear to have fostering leadership under control. Only 29% of large organizations cite fostering leadership as a priority, compared with 53% of small organizations. It seems likely that the larger the organization, the easier it is to have a strong bench of leadership talent.
Survey Question: Of the HR capabilities listed below, which four will be most crucial in your organization over the next two years? (select up to four)

- Increase employee engagement levels: 46%
- Engage in strategic workforce planning: 43%
- Accelerate talent development/skills: 40%
- Champion the employee experience: 39%
- Influence organization change: 38%
- Foster leadership: 36%
- Work with non-HR managers to achieve business goals: 35%
- Brand the organization for prospective employees: 25%
- Demonstrate high emotional intelligence: 25%
- Help employees find meaning in their work: 25%
- Leverage HR technologies: 25%

Forty-three percent say that engaging in strategic workforce planning will be crucial to their organization over the next two years.
Finding: HR believes that issues related to the post-Covid-19 world of work and understaffed HR will be their greatest concerns in 2021

We asked respondents two open-ended questions: “What HR issue or issues will be of the greatest concern to you in 2021?” and “What is your organization's most serious HR challenge to thriving over the next two years?”

HR’s greatest concern

Issues related to the post-Covid-19 world of work dominated responses related to HR's greatest concerns. There are many angles to this concern including:

- How to manage a hybrid workforce that is partly remote and partly on-site
- How to handle the tension between leaders who want everyone to return on-site and workers who want to stay remote
- Health and safety issues around people returning to the workplace such as whether they should be vaccinated
- Avoiding any risky payroll tax liabilities for the company when remote-work employees change tax jurisdictions
- Dealing with the reduction in office space as much of the workforce remains remote
- Driving a new organizational culture post-Covid-19
- Getting HR out of tactical work to do more strategic work

It appears HR will have its hands full in 2021 dealing with the many downstream effects of the pandemic.
HR’s greatest challenge

In terms of HR’s greatest challenges, four themes were frequently mentioned:

- issues related to HR being understaffed
- issues related to Covid-19
- issues related to leadership
- issues related to retention

How will HR departments cope with perceived understaffing? It will vary from organization to organization, of course, but possible answers range expanding HR departments to more investments in HR technologies, training and outsourcing. Another response is to be continually discussing priorities with leadership and not let them get away with the “everything is a priority” answer. There is only so much a team of a given size can feasibly do. If leadership isn’t clear about priorities, then HR teams are more likely to feel unduly pressured when they can’t do everything they would ideally like to do.
The Future of HR Technology

Finding: HR technology will have a bigger impact on analytics than any other HR area

The four areas that respondents feel will be most impacted by technology are:

- analytics and metrics
- automation of HR activities
- learning (e.g., upskilling, reskilling, etc.)
- onboarding

Analytics has earned the attention of CHROs, and it is natural to see technology as playing a large role in the success of analytics. CHROs should consider, however, if analytics challenges stem more from the technology itself or a lack of employee skills. If it is a skills issue, then perhaps the third most commonly cited technology topic—learning—might play as big a role in building analytics capability as technology.

It’s encouraging to see automation near the top of the list since advances in robotic process automation, low code software, and no code software are opening up new avenues for automation. Low code software provides robotic process automation, but with some need for expensive programmers. No code software is a set of automation tools that allow non-programmers to automate processes. Automation can potentially free up some time for HR professionals so they can focus on closing the gaps in the proficient/essential comparisons. Moreover, when we consider that understaffed HR departments can often be a challenge, automation may become an important tactic for HR.

It’s a little surprising to see onboarding ranking above core HR areas such as employee/manager self-service, talent acquisition and performance management. However, this may reflect that onboarding needs to be reinvented in a world of remote employees.
Survey Question: In which four of these areas will technology play the largest role in HR over the next two years? (select up to four)

- Analytics and metrics: 52%
- Automation of HR activities: 45%
- Learning (e.g., upskilling, reskilling, etc.): 45%
- Onboarding: 33%
- Employee/manager self-service: 31%
- Talent acquisition: 29%
- Performance management: 27%
- Compensation, rewards and recognition: 27%
- Workforce management/planning: 25%
- Change management: 19%
- Assessment of skills: 17%
- HR productivity improvement: 15%
- Employee well-being: 11%

Automation of HR activities is the second most commonly cited area where technology will play a large role.
Finding: Remote work technologies solutions are cited by close to two-thirds of respondents as one of the technologies likely to have a large impact on HR in the next two years

Having lived through months of the pandemic, respondents are more convinced than ever that remote work technologies will have a large impact on HR over the next two years. A majority of respondents, 62%, cite remote work technologies as important. The enthusiasm for remote work technologies is notably more than for the second most popular choice: analytics and data visualization systems, cited by 48% of respondents.

Onboarding solutions are the third most commonly cited technology (46%). Organizations strive to create a positive employee experience for newly hired remote employees, so HR needs to come up with solutions that will work just as well in both a remote and in-person environment.
Survey Question: Which four of these technologies will have the largest impact on HR over the next two years? (select up to four)

- Remote work technologies: 62%
- Analytics and data visualization systems: 48%
- Onboarding solutions: 46%
- Learner management/experience platforms: 38%
- Recruitment marketing platform: 37%
- Candidate experience platforms: 35%
- Compliance management tools: 27%
- Artificial intelligence/machine learning: 27%
- Mixed and/or augmented reality glasses: 3%

Nearly half say that onboarding solutions will have a large impact on HR over the next two years.
Finding: Balancing telecommuting with working in traditional offices is the most commonly cited post-pandemic challenge

Given a list of five post-pandemic challenges, 25% of respondents cite balancing telecommuting with working in traditional offices, making it the most commonly cited post-pandemic challenge. The other post-pandemic challenges do not fall too far behind that. Almost as many, 21%, cite managing a more remote/virtual workforce well, and 19% cite bringing employees back to a safe work environment.

Perhaps it is fairest to conclude that HR professionals see all these challenges as important. They are unlikely to be able to focus on just their top issue and will likely be pressured to address most or all of these challenges. Furthermore, these challenges are all interrelated so an integrated approach to addressing them makes sense.

Survey Question: What do you think will be the single most important post-pandemic challenge for HR in your organization? (select the one that best applies)

- Balancing telecommuting with working in traditional workspaces: 25%
- Managing a more remote/virtual workforce well: 21%
- Bringing employees back to a safe work environment: 19%
- Rehiring or recruiting new talent as business grows/recovers: 18%
- Reskilling employees due to a change in the business model/circumstances: 14%
- Other: 3%
What Makes A Difference?

To better understand what makes a difference in HR effectiveness we divided respondents into two cohorts based on their answer to the following three-part question:

Based on the perspectives of the following three groups, how well does your HR department meet the needs of your organization?

1. From the perspective of HR
2. From the perspective of top leaders
3. From the perspective of employees

The two cohorts are:

- **Higher-performing HR departments**: Those answering 8 or above to all three parts of that question.
- **Lower-performing HR department**: Those answering 6 or below to all three parts of that question.

We looked for areas where there were considerable differences between the two cohorts. Of course, correlation is not the same as causation. While we cannot state that any particular practice will definitely lead to higher HR performance, we do see the data as potentially useful for HR professionals seeking insights about what practices might enhance their chances of success.
Finding: Respondents in higher-performing HR departments are almost 3 times more likely to report their organization’s financial performance is far above average

One striking finding is that organizations with higher-performing HR departments are almost three times as likely to have far above average financial performance (28% vs. 10%).

Perhaps this is a case of reciprocal causality. It's difficult to have exceptional performance without good HR, and it's easier to get good HR when strong financial performance means there is money to invest in talent management.

Survey Question: Please rate your organization’s performance in the most recent fiscal year compared to competitors in your industry.

[Percent responding far above average financial performance]
Finding: Higher-performing HR departments are far more likely to be successful at enhancing the employee experience

Higher-performing HR departments report higher levels of success across the board. The three biggest differences are in:

- enhancing the employee experience
- helping to bring about positive change
- supporting the delivery of business results

This finding suggests that higher-performing HR departments tend to be successful in multiple key areas. Why? The rest of the findings in this section strive to support this question.

Survey Question: In your organization, how successful is HR in the following areas?

[Percent responding fairly successful or very successful]

<table>
<thead>
<tr>
<th>Service Provided</th>
<th>Higher-performing HR departments</th>
<th>Lower-performing HR departments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhancing the employee experience</td>
<td>91%</td>
<td>44%</td>
</tr>
<tr>
<td>Helping to bring about positive change</td>
<td>95%</td>
<td>49%</td>
</tr>
<tr>
<td>Supporting the delivery of business results</td>
<td>88%</td>
<td>47%</td>
</tr>
<tr>
<td>Measuring the impact HR has on business results</td>
<td>74%</td>
<td>34%</td>
</tr>
<tr>
<td>Becoming a trusted strategic partner</td>
<td>92%</td>
<td>52%</td>
</tr>
<tr>
<td>Ensuring employees have necessary skill sets</td>
<td>80%</td>
<td>41%</td>
</tr>
<tr>
<td>Improving workforce diversity, equity and inclusion</td>
<td>76%</td>
<td>43%</td>
</tr>
<tr>
<td>Coping with pandemic-related issues</td>
<td>95%</td>
<td>69%</td>
</tr>
</tbody>
</table>

There is a big gap between higher-performing HR departments and their lower-performing counterparts in their ability to bring about positive change.
Finding: Higher-performing HR departments are more than twice as likely as lower-performing HR departments to be an equal partner in the business/strategic planning process

The difference between higher-performing HR departments and their lower-performing counterparts is striking in their role in business/strategic planning. Most higher-performing HR departments (74%) are equal partners in that business/strategic planning process versus 32% of lower-performing HR departments. At the other end of the scale, lower-performing HR departments are nearly four times as likely to have a minimal role in planning.

This reflects both the status of HR in those two cohorts as well as the importance of being closely involved in business/strategic planning if HR is to be effective.

Survey Question: What role does HR leadership play in your organization's business/strategic planning process?

Lower-performing HR departments are nearly four times as likely as higher-performing HR departments to have a minimal role in planning.

Note: this chart combines two separate responses "Once the plan is complete, HR is asked to develop a talent strategy" and "It has no significant role" into one consolidated view.
Finding: Lower-performing HR departments have lower levels of proficiency across the board

Are lower-performing HR departments weak in just a few key areas? Generally speaking, no. Higher-performing HR departments far outscore lower-performing HR departments in all areas of HR that we examined. For example, higher-performing HR departments are:

- more than twice as likely to say HR is proficient or highly proficient at demonstrating leadership
- more than twice as likely to say HR is proficient at thinking strategically
- more than three times as likely to say HR is proficient at facilitating positive change
- more than three times as likely to say HR is proficient at leveraging HR data and analytics

These findings suggest that there are underlying problems that undermine the ability of some HR functions to perform well in any area, such as a lack of investment in HR or possibly lack of support for HR. Companies in the low-performing cohort should consider investigating what the underlying issues are and then learn how other more successful organizations have tackled those same issues.

The lack of proficiency in lower-performing HR departments is associated with big gaps between the perceived importance of a topic and the proficiency to address it.
**Survey Question:** How proficient is your HR department currently in those areas?

(Percent responding proficient or highly proficient)

- Demonstrating leadership: 85%
- Partnering on workforce issues: 85%
- Facilitating positive changes: 83%
- Executing key initiatives: 82%
- Improving the employee experience: 82%
- Thinking strategically: 79%
- Fostering positive culture and values: 78%
- Leveraging HR data/analytics: 58%

Lower-performing HR departments are much weaker than their high performing counterparts in facilitating positive change.
Finding: Higher-performing HR departments will focus more on recruitment, health and benefits over the next two years

Compared with organizations with lower-performing HR departments, those with higher-performing departments are more likely to believe that benefits, health and safety, and recruitment and selection will be critical to HR’s success over the next two years. This suggests that higher-performing HR departments may be in organizations that anticipate near-term organizational growth and could potentially use health and safety prioritization as a recruiting tactic. This priority may be communicated, in part, by valuable benefit programs.

However, this is not a case where there is a clear right or wrong answer. It’s possible that the lower-performing organizations need to focus on organizational development before they move on to other areas of HR.

Survey Question: Of the following HR functional areas, which five do you believe will be most critical to HR’s overall success over the next two years? (select up to five)

- Recruitment and selection: 40%
- Health and safety: 32%
- Benefits: 26%
- Lower-performing HR departments
- High-performing HR departments
Finding: Lower-performing HR departments are more than twice as likely to see the speed of change as a near-term challenge

Lower-performing HR departments are much more likely to point to "speed of change" as a significant challenge that they will have to face over the next two years. We think this is likely because higher-performing HR departments are more agile and capable of adapting quickly. After all, respondents from these HR departments are much more likely than those from lower-performing HR departments to report being fairly or very successful in the area of “helping to bring about positive change” (95% vs. 49%).

Survey Question: Of the following factors, what four external challenges will have the most significant impact on your organization’s HR function in the next two years? (select up to four)
Key Takeaways

1. **Key Takeaway**
   
   Learn from HR’s successful response to the pandemic. Almost half of the respondents went as far as saying HR was very successful in dealing with the pandemic and a further 42% said HR was fairly successful. HR leaders should reflect on why HR was able to respond so well to what may well be the toughest crisis they’ve faced in their career. Is there any way to tap the capability HR has shown it has without waiting for another global crisis?

2. **Key Takeaway**
   
   Approach the transition to the post-pandemic world with the same creativity and agility HR brought to the pandemic. The next few years are going to be dominated by the transition to a post-pandemic world. HR should see this as a step forward rather than return to old ways of working. That means bringing energy, creativity, and an agile approach to post-pandemic practices.

3. **Key Takeaway**
   
   Think about HR strategy. HR has been so consumed with responding to the tactical issues of the pandemic that it has been hard to find time to be strategic. This survey revealed HR has a great many things on their plate from potential talent shortages to leadership development to enhancing employee engagement. HR can’t do everything at once, so it needs to take the time to be clear about its strategic priorities.

4. **Key Takeaway**
   
   Close the gap in meeting the expectations of top leaders. Respondents made it clear that too many HR departments are not adequately meeting the expectations of leaders. This is likely, in part, a problem of expectations as well as a problem of performance. HR should work more closely with leaders on defining those expectations and jointly devise a plan to close the gap in the areas where they fall behind.

5. **Key Takeaway**
   
   Close the gap in meeting the expectations of employees. Respondents say that HR does an even poorer job of meeting the expectations of employees than it does of leaders. HR can’t get by just trying to satisfy leaders and ignoring employees. Pinpoint key areas where employee expectations are poorest and work toward closing the gaps.
Strengthen analytics approaches. HR continues to feel behind the curve on analytics. Perhaps it is time to take a different approach to building analytics capability. There may be too little emphasis on helping the average HR professional make better use of data in their work. At the same time HR needs to work on data quality and its ability to integrate data from different sources. Consider training HR professionals for analytics proficiency as well as how to maximize usage of your organization’s analytics solutions.

Involve HR in business/strategic planning. One of the more dramatic findings of the survey is that high-performing HR departments are more than twice as likely as lower-performing HR departments to be an equal partner in the business/strategic planning process. If HR isn’t an equal partner then perhaps it should work on easing its way in, for example, by suggesting that the CHRO “sit-in” on the strategy meetings.

Enhance HR’s change management capability. One of the notable findings is how much better higher-performing HR departments are at helping to create positive change. All HR departments should consider whether this is a capability they need to invest in. The Covid-19 pandemic showed many that their organizations are capable of responding to a crisis, but there is always room for improvement. What areas did they have the most success with? What areas did they struggle with?

Plan for the future. How can HR learn to plan for the future? HR should consider both shorter-term and longer-term plans. Shorter-term plans could involve strategies for meeting upcoming quarterly or annual goals. Longer-term plans could mean using approaches such as scenario planning to imagine how their HR departments should evolve given an assortment of possible future scenarios.
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