

# The Future of the HR Function 2020

HR must evolve quickly  
to meet new challenges in  
uncertain times



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## Executive Summary

As this report goes to press, the world is still facing uncertainty related to the spread of COVID-19. As HR has learned many times before, the world can change in an instant, and HR must be agile and expert enough to rise to such challenges.

Virtually overnight, HR has moved from a focus on recruiting and retaining scarce talent in a tight labor market to coping with massive layoffs, furloughs, budget constraints, remote work, and historic levels of employee anxiety. Seldom has HR's job been more challenging or more critical.

Speaking of the duties of HR professionals, *The Economist* sums up, "Never before have more firms needed a hard-headed HR boss...They must keep employees healthy; maintain their morale; oversee a vast remote-working experiment; and, as firms retrench, consider whether, when and how to lay workers off. Their in-trays are bulging."<sup>1</sup>

Although the survey on which this report is was primarily conducted before the coronavirus crisis fully emerged, some respondents clearly saw it as a crucial issue. But even if this crisis had *not* occurred, HR would still be faced with a changing landscape in which the talents, experiences and attitudes of employees have become the primary competitive advantages of organizations. HR has a pivotal role to play in such a world.

The real question is whether HR is up to the task. Will HR departments take advantage of change to establish a new level of strategic importance or will they flounder? That depends on how ready they are to evolve the function.

### About this Survey

The survey, called "The Future of the HR Function" ran in the first quarter of 2020. There were responses from 353 participants with 273 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. Just over 50% of respondents represent organizations with 500 or more employees.

<sup>1</sup> The Economist. (2020, March 24). The coronavirus crisis thrusts corporate HR chiefs into the spotlight. *The Economist*. Retrieved from <https://www.economist.com/business/2020/03/24/the-coronavirus-crisis-thrusts-corporate-hr-chiefs-into-the-spotlight>

To help HR professionals better understand what it will take to deal with challenges in the next several years, HR.com launched this research to answer questions such as:

- Which HR skill gaps need to be closed?
- What problems will HR need to be most concerned with, both during and after this immediate crisis?
- Which strategies, technologies and practices will best serve the needs of their organizations?
- How will the roles of HR change, and how will the excellent HR professional today differ from the excellent HR professional of the future?

### Below is a quick overview of the key findings

**Major Finding One:** In many organizations, HR is not living up to expectations.

- When asked to view their performance from the perspective of their executive team, only about half HR professionals say they're seen as doing a good job of meeting the needs of their organizations.
- Most heads of HR report directly to the CEO, but that doesn't ensure they meet the needs of the organization. In fact, those who report directly to the CEO are not seen as being much more effective than those who do not.
- HR is weak at boosting employee performance. Only 5% of respondents strongly agree that their HR function boosts employee performance.
- HR does, however, tend to succeed at being an employee advocate. Almost a third of respondents say HR has been very successful as an employee advocate and an additional 42% say they have been fairly successful.



**Major Finding Two:** Many HR departments are unprepared for the near future, and there are major gaps in specific areas of preparedness.

- Only 37% are confident in HR's preparedness to thrive over the next two years. Most do not express high confidence in this area. What's more, about one-quarter (23%) are clearly pessimistic about their HR department's ability to thrive.
- Major gaps in preparedness remain. Seventy-seven percent say leveraging HR data/analytics is important or essential while only 32% say they are proficient or highly proficient in this area.
- A pressing challenge is creating agile workforces; almost two-thirds of respondents say this is a key issue to focus on in the next two years. This issue spans across—and creates challenges for—all the major HR silos: rewards, training, talent acquisition, etc. It's unlikely to be successfully addressed if those areas remain silos.

**Major Finding Three:** Technology foundations and new technologies will need a lot of attention from HR in the next few years

- Respondents are more likely to mention issues related to integration than any other challenge facing HR technology. Lack of integration stands in the way of efficient use of HR technology. At the same time, creating integration consumes a great deal of HR's investment in technology. Furthermore, it is a problem that never seems to go away as new technologies and acquisitions create fresh integration challenges.
- Remote work technology solutions are cited by more than half of respondents as having the largest impact on HR in the next two years, more than any other technology. This is likely driven in part by the need to respond to COVID-19. The pandemic is forcing HR to master the many implications that such technology has for the workforce.





**Major Finding Four:** HR needs to be capable of looking outward at the broader economy and demonstrating leadership in responding to challenges

- High HR performers are notably more likely to identify future economic conditions as having a significant impact on HR than lower performers (61% vs. 47%). What's important about this factor is that it's a business-centric, outward-looking factor. This stance is refreshing for a function that is often considered to be myopically inward-looking.
- High HR performers are also more likely to emphasize the importance of, and be highly proficient in, demonstrating leadership. This is a particularly important competency in times of crisis.



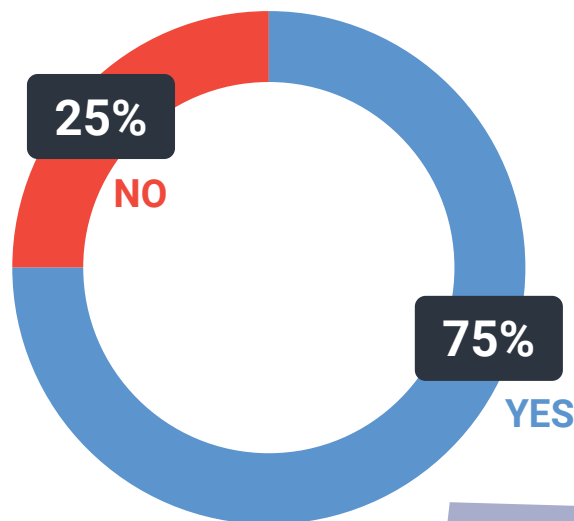
## The Current State of HR

Before looking ahead at the future of HR, we establish a baseline of its status and perceived effectiveness in organizations.

### Finding: More than three-quarters of heads of HR (e.g., CHRO) report directly to the CEO

A good indication of the status HR has in an organization is whom it reports to. If HR doesn't report directly to the CEO, then it may be a sign that HR is an administrative/service delivery function, not a strategic part of the business. Given the importance of talent in today's economy, it's encouraging to see that the head of HR reports directly to the CEO in three-quarters of organizations.

**Survey Question:** In your organization, does your head of HR (e.g., CHRO) report directly to the CEO?



A quarter of HR heads do not report to the CEO

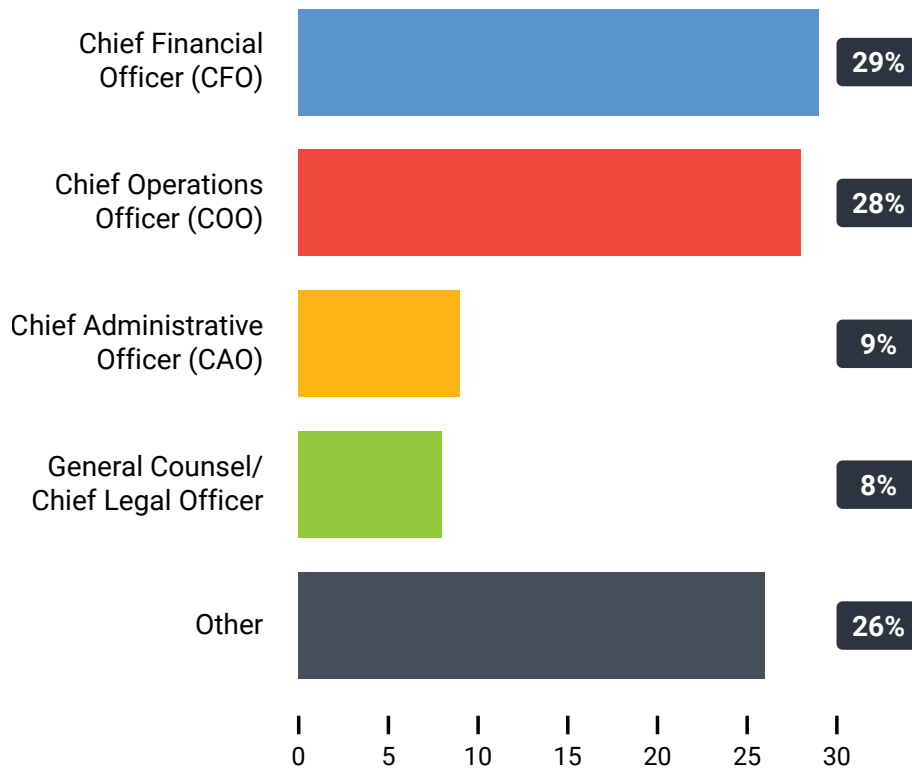


**Finding: When heads of HR do *not* report to the CEO, they are most likely to report to the CFO, but there are a variety of other reporting relationships**

When HR does not report to the CEO, it is most likely to report to the CFO (29%). Almost as many report to the COO (28%). Among the other roles to whom HR reports are Director or VP level jobs in Operations, Finance or Administration.

It's not clear if one of these reporting relationships is any better or worse than the others. However, what does matter is the relationship between the head of HR and their boss. In some cases, HR does very well reporting to a CFO who understands the value of the function. In other cases, reporting to anyone other than the CEO leaves HR in a position with little influence and a reduced ability to make a positive impact.

**Survey Question:** If they do not report to the CEO, to whom does your head of HR (e.g., CHRO) directly report? (select the answer that best applies)



Of the HR heads who do not report to the CEO, more than a quarter report to the COO



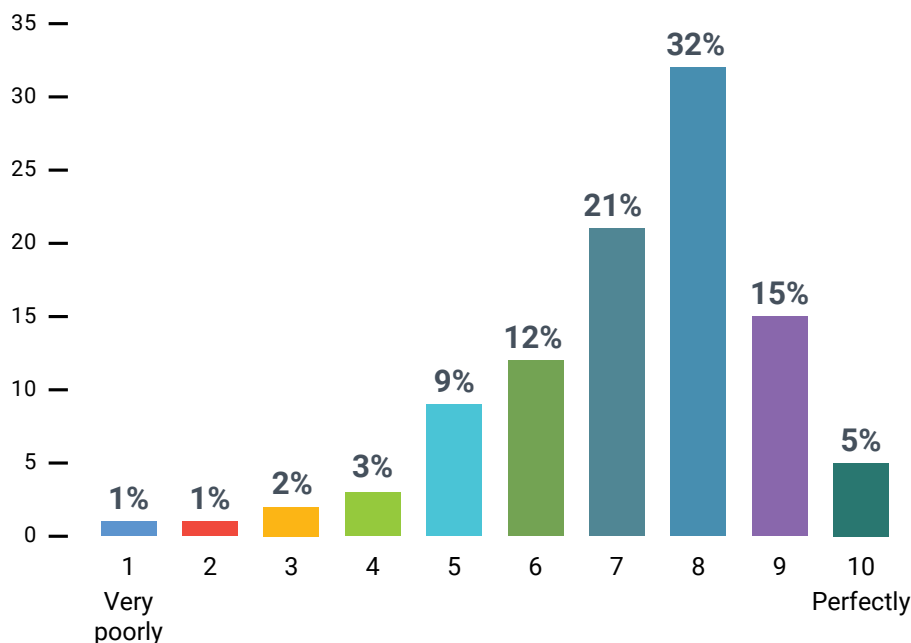
**Finding: About half of HR professionals do not think their function performs very well in the eyes of the executive team in their organization**

HR professionals were asked, “In the view of your company's executive team, how well does your HR department meet the needs of your organization?” Only about half (52%) say that their executives would give them a score of 8 or higher. 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 large proportion (27%) are D or F students.

This means that, even in the eyes of HR professionals themselves, executive teams are not particularly happy with the value HR is delivering. Though this may not be a fair assessment, perceptions matter. The question that needs to be posed to HR leaders is: If you think HR is not meeting the expectations of top leaders, why don't you do something about it?



**Survey Question:** In the view of your company's executive team, how well does your HR department meet the needs of your organization?



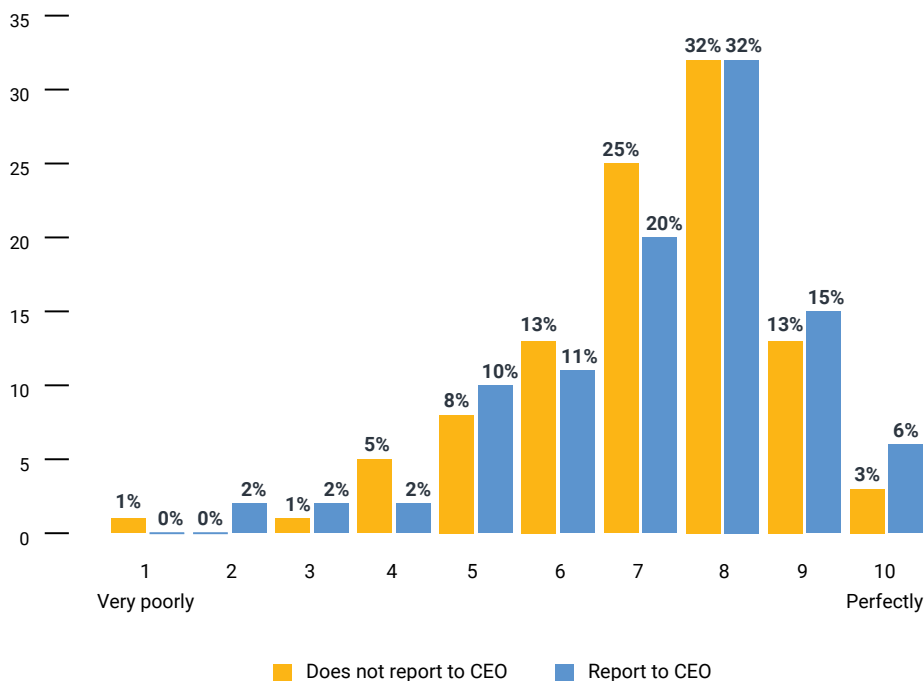
Only 20% think executives would give them high grades (9 or 10) in terms of meeting the needs of the organization

**Finding: Heads of HR reporting to the CEO are more likely to say they meet the needs of the organization than those *not* reporting to the CEO, though the differences are not stark**

It would be natural to predict that when the head of HR reports to the CEO they will do a better job of meeting the needs of the business. To some degree, this is true, with 21% of such HR professionals giving themselves the highest scores (9 or 10), compared with 16% of those who do not report to CEOs.

However, the differences are not as stark as we expected. In fact, for both those reporting to the CEO and those who do not, around a quarter of HR departments score 6 or less in meeting the needs of the organization. Perhaps reporting to the CEO is an opportunity for influence that too few heads of HR are fully grasping, or perhaps reporting to others in the organizations is not as much of a disadvantage as we hypothesized.

**Survey Question:** In the view of your company's executive team, how well does your HR department meet the needs of your organization?



Those reporting to the CEO and those who do not are about equally as likely to score 6 or less in meeting the needs of the organization

**Finding: More than two-thirds of HR professionals view themselves as being at least “fairly successful” in terms of being an employee advocate and strategic business partner**

At least two-thirds of respondents say HR is at least “fairly successful” in:

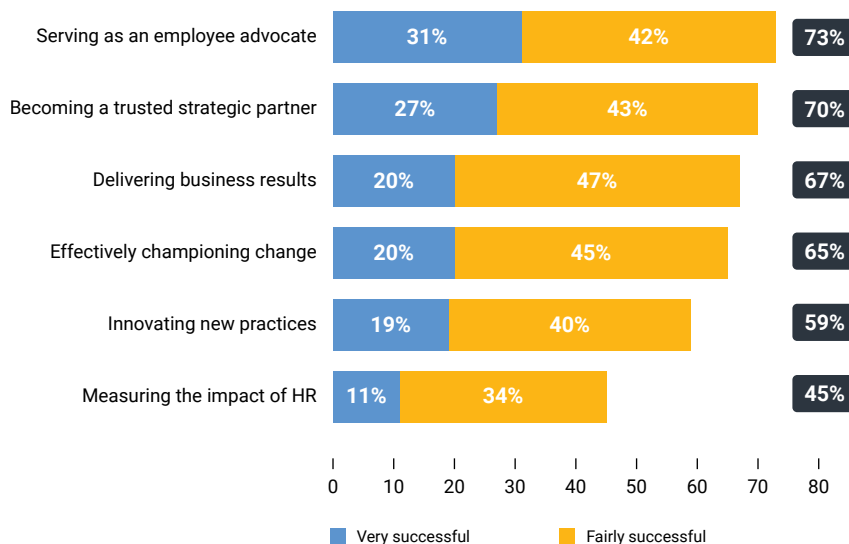
- serving as an employee advocate
- becoming a trusted strategic partner
- delivering business results

However, there are *no* categories where more than a third of HR departments are very successful, as can be seen in the chart below. Overall, we view this as a “glass half full” finding, one that is neither inspiring nor utterly dismal.

But is “mediocre” good enough for most HR departments? Moreover, are these ratings overestimates given the fact so few HR departments are very successful at “measuring the impact of HR”? We suggest that, even as HR strives to excel in all these areas, it should commit to better HR metrics and analytics. Only in this way will it be able to measure its progress in these other areas.



**Survey Question:** In your organization, how successful has HR been in the following areas?



**Just over 10% of organizations say they are very successful at measuring the impact of HR**

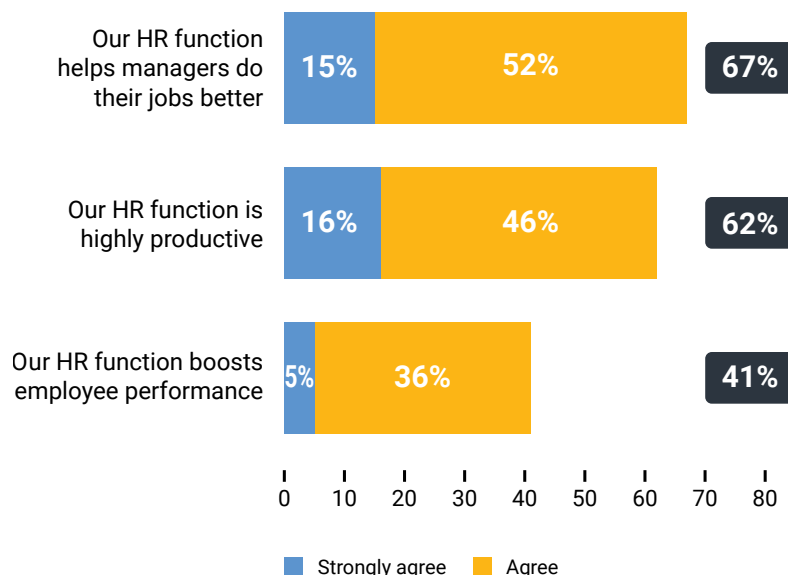
**Finding: Only 5% of respondents strongly agree that their HR function boosts employee performance**

If one adds up the agree and strongly agree responses to questions about HR's effectiveness, the results do not look too bad. However, the "strongly agree" numbers are very low: 16% or less on all three HR effectiveness measures.

There is a clear need for improvement. HR should be sufficiently confident about the support it provides to managers that it won't hesitate to strongly agree that it helps managers do their job better. It would be useful to talk to managers about this and better understand what HR should be delivering.

Another point is that it seems odd that most HR professionals view their functions as highly productive even while fewer than half say HR boosts employee performance. Can an HR function that does little to boost employee performance actually be seen as a productive one, especially when it is largely responsible for initiatives such as performance management, worker engagement and employee experience? Of course, it depends on how HR defines productivity, but we would argue that many HR departments are hobbling themselves with their own low expectations.

**Survey Question:** To what degree do you agree with the following statements?



More than two-thirds of respondents agree or strongly agree that their HR function helps managers do their jobs better

## Issues HR Will Soon Face

A good place to start preparing for the future is to identify the broad issues HR is most likely to confront.

**Finding: Looking ahead three to five years, HR is most likely to be concerned about economic conditions and talent shortages**

The three factors most commonly cited as likely to have a significant impact on HR are:

- economic conditions
- talent shortages
- technological changes

Each of these three was cited as having a significant impact by more than half of the respondents.

These core issues are cited far more often than much talked about issues such as generational differences, digitization, diversity, and the gig economy. While HR may enjoy learning about those other issues, they seem to have a clear head in understanding the big issues that will actually affect their work.

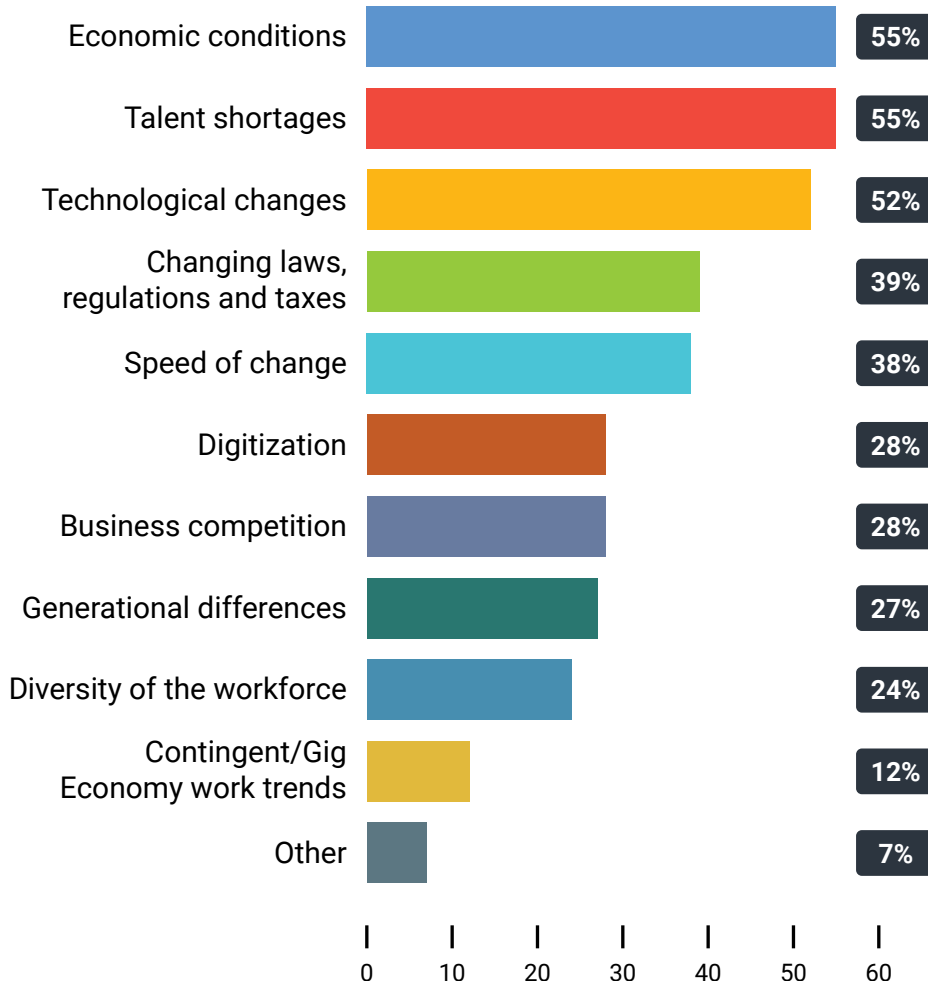
Economic conditions loom especially in light of the COVID-19 crisis. There is enormous uncertainty as to whether the economy will see a quick economic bounce back or a deep and lasting recession. The economy affects many parts of HR and, in particular, has a large impact on those responsible for restructurings, compensation, risk management, health, wellness, performance management, organizational development and talent acquisition.

Technological changes are also key, with legions of HR professionals suddenly needing to deal with workforces using remote conferencing and work technologies. As we write this, no one is sure how long employees will need to telecommute to maintain “social distancing,” but it is certain that, as a profession, HR must suddenly cope with new work arrangements as never before.





**Survey Question:** Of the following factors, what four will have the most significant impact on your organization's HR function in the next three to five years? (select up to four)



About half (52%) say technological changes will be one of four factors to have the most significant impact on their HR functions over the next three to five years

## Skill Gaps That Could Hold Back HR

It's easy to create a long list of skills HR will need in the future. The trick is to be sufficiently analytical that one can accurately focus on the skill gaps that need the most attention.

**Finding: The biggest skill gaps between importance and current proficiency are in the areas of leveraging HR analytics and improving the employee experience**

We asked HR professionals how important various HR skills will be in the near future, and 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.” Looked at from the perspective of percentage points, the biggest gaps are in leveraging HR analytics and improving the employee experience.

HR leaders can compare their own organization to these findings and do their own gap analysis of internal skill sets. Once the key gaps are identified, HR is in a good position to help close them through its expertise in the areas of learning and development.

The skills gap in the area of HR analytics is not new, but we believe the urgency to address it has grown over the years as more organizations have moved toward data-driven decision-making. Today, more than three-quarters view the leveraging of HR data and analytics as important or essential.

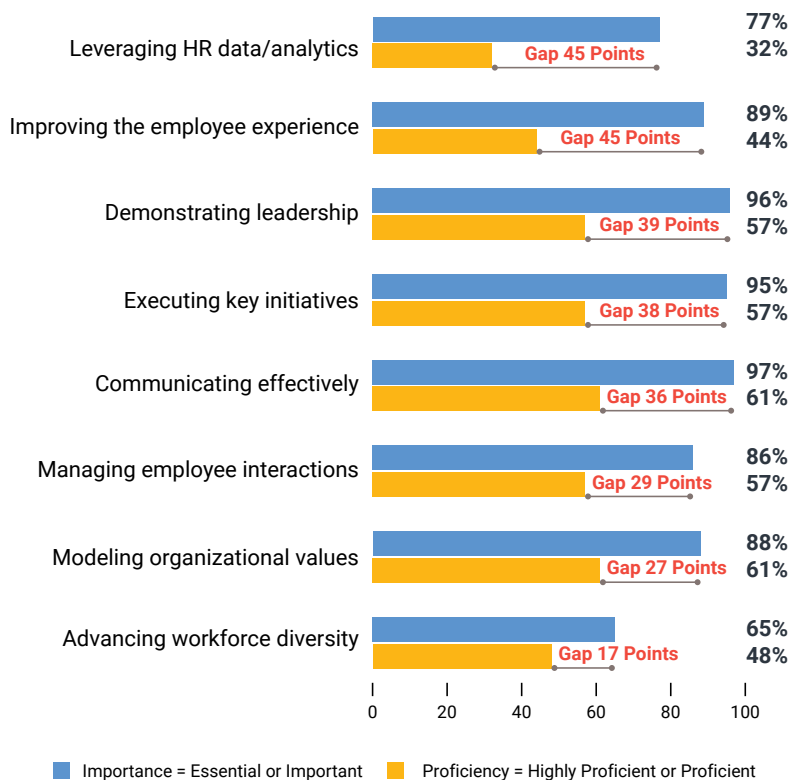
The emphasis on employee experience is a somewhat newer. Driven partly by talent shortages and the need to retain good employees, HR professionals have become more concerned with the overall experience that employees have with their employers. Employee experience is influenced by every interaction employees have with their organizations, from their first contact as a potential recruit to their final interactions with the organization, whether as an employee or former employee.



The next three highest gaps are the areas of demonstrating leadership, executing new initiatives and communicating effectively. Of course, these are not new topics, so why does HR continue to have skills gaps here? One reason, we think, is that these areas tend to be in constant flux due to new technologies, business paradigms, cultural foundations and more. For example, HR is no longer a purely administrative function but a strategic one. This requires HR professionals to demonstrate greater leadership in an age when the concept of leadership itself is changing, often being more team-based and distributed.

Similarly, HR must communicate in ways that affect the whole organizational culture, rather than just in ways that make people aware of administrative changes to rules and policies. Moreover, they need to do this in an age when communication is mediated by an ever wider array of technologies, from texting to social media to video postings to conference calling applications.

**Survey Question:** 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?



HR suffers a major skills gap in the area of demonstrating leadership

## HR's Preparedness to Address Critical Issues

In looking at the near future, HR has to assess priorities and then implement a plan to address those priorities. At the moment, the critical issue is the COVID-19 crisis, and it is useful to look at “preparedness” through the lens of how ready HR is to react to the far-reaching impacts of the pandemic.

**Finding: The areas of HR most likely to be seen as critical for success over the next two years are change management and succession planning**

In looking at which HR functional areas are expected to be most critical in the next two years, change management is most widely cited. The COVID-19 pandemic, of course, has only served to emphasize and underline the criticality of this HR functional area. A host of urgent changes have swiftly swept across the organization, including how to help employees work remotely, how to handle furloughs, how to decide which staff is essential, how to protect the health of essential workers who are on-site, how to protect the mental health of employees forced to stay home and so on.

A stark lesson from the crisis is that change management skills need to be widespread throughout the HR department and the organization as a whole. It will not be sufficient to silo it into a change management center of excellence when change is needed everywhere at once.

A related area, which the survey did not specifically ask about, is continuity management. This involves HR's role in ensuring the essential functions of the organization can run throughout a crisis (e.g., keeping payroll going).

Over the longer term, succession management will, in effect, be another kind of change management as more older workers leave the workforce and a new generation enters. Not only do organizations typically need to do a better job in this area than they have in the past, they must accommodate changes in corporate structures, leadership styles, culture changes, business paradigms, technologies and more.



The graph shows that only 21% of participants view “healthcare issues” as among the top four issues most critical to HR’s success over the next two years. We believe that this issue would have been assessed differently if the entire survey had been fielded after the crisis had become apparent.

**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)



Recruitment and selection are also widely seen as being critical, but the COVID-19 crisis is changing the way many organizations view this area



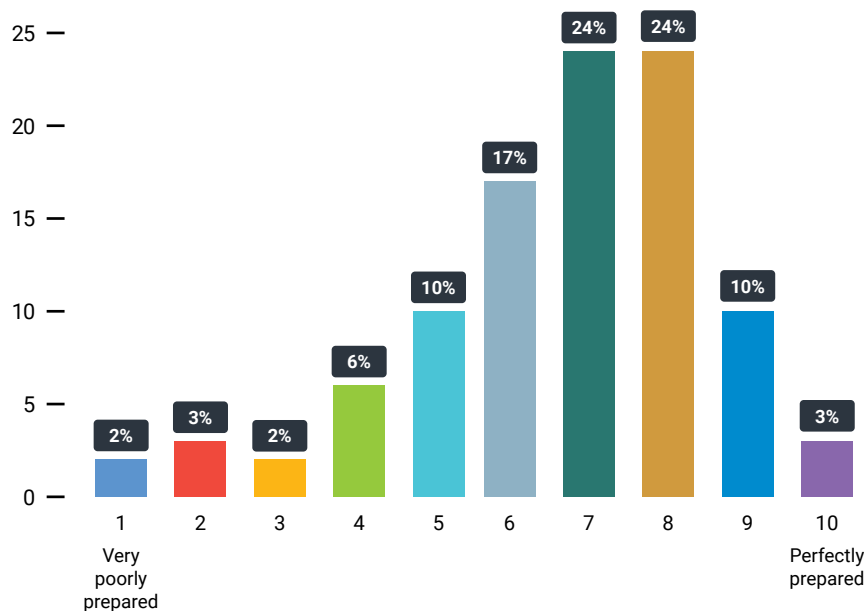
**Finding: Fewer than two-fifths of respondents rate HR as 8 or above on a 10-point scale in terms of their preparedness to thrive in the next two years**

While a fair number of respondents (37%) are confident in HR's preparedness to thrive (answering 8 or above on a 10-point scale), most do not express high confidence in this area. What's more, about one-quarter (23%) are clearly pessimistic about their HR department's ability to thrive (scoring 5 or less).

We believe that if an HR department is that pessimistic, then it is important to reflect on why. After such self-reflection, it might be wise to bring the issue to leadership's attention, perhaps first by asking them whether they feel the organization's HR department is prepared to thrive. If leadership gives a similarly pessimistic answer, then this becomes the impetus for an HR change initiative.

It would be interesting to ask this same question today. After all, the pandemic has stretched the capabilities of many HR departments and may have shaken their confidence in their ability to thrive over the next two years.

**Survey Question:** Taken as a whole, how well prepared is your HR department to thrive over the next two years?



One-quarter of respondents scored 5 or less (on a 10-point scale) when asked how well their HR department was prepared to thrive

**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, we asked respondents to choose four issues 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
- enhance the employee experience
- leverage HR analytics to improve decision-making and insights
- ramp up reskilling and upskilling of employees

In light of the COVID-19 crisis, we can especially see the wisdom of agile workforces that can respond quickly to change. Agility has been especially important as organizations strive to maintain productivity while maintaining safe operations for employees and customers. Some must also determine how to best to set policies on sick leave, telecommuting, flexible work hours, and more.

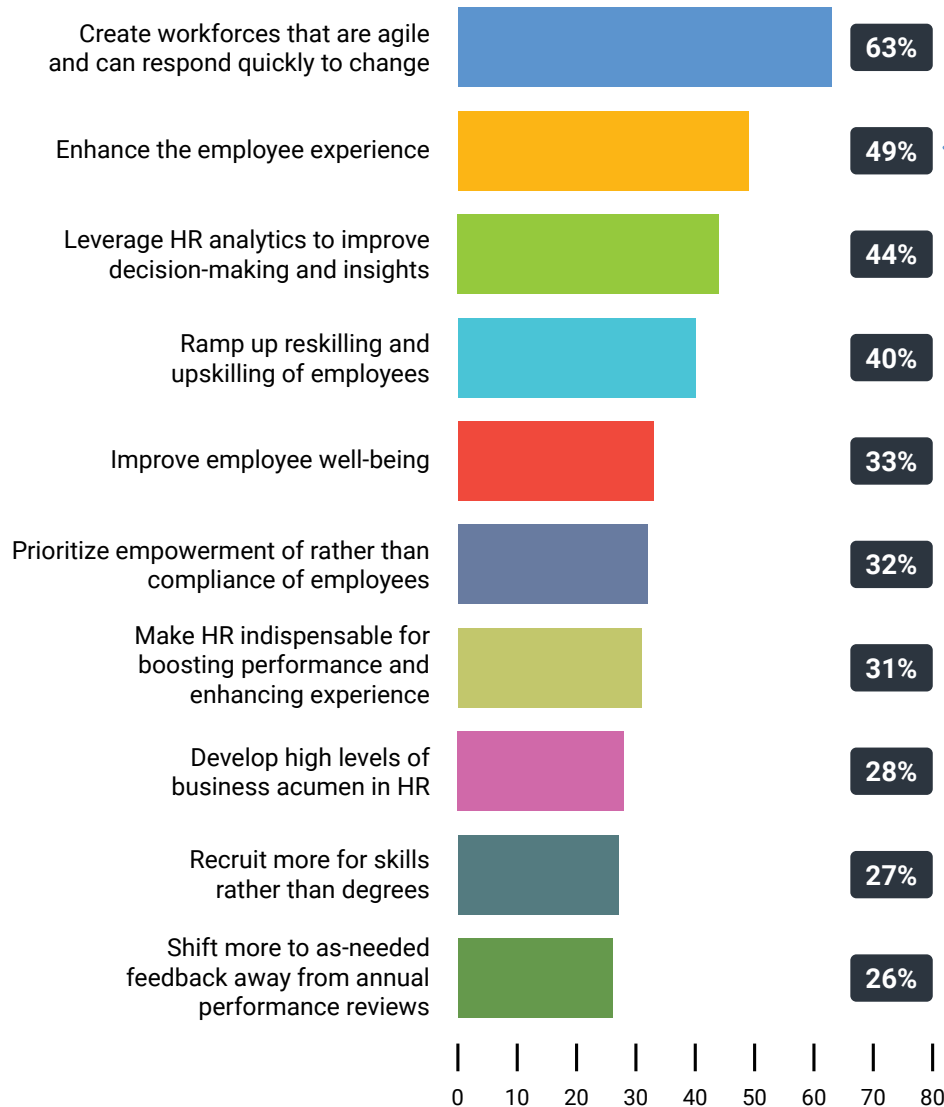
HR has a dual responsibility in the area of agility. It must help the organization as a whole improve agility even while ensuring that HR policies and processes are not a barrier to agility.

The employee experience, which was already a key issue before the COVID-19 crisis, is also becoming especially important. After all, the overall worker experience has taken a massive hit as employees deal with high uncertainty, stress, new technologies and protocols and sometimes even growing dangers in the workplace. HR must not only deal with the immediate crisis but consider its long-term impact on issues such as employees' mental and financial health and their relationship with the organization.

The pandemic has also raised HR analytics to a higher level of importance. Leaders need data on how the COVID-19 crisis is affecting the workforce. HR analytics teams need the ability to quickly pivot to focus on new needs. They must also be able to give rapid “good enough” answers since there is no time to do the detailed, careful analysis they would normally prefer.



**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)



The second most commonly cited priority for the next two years is to enhance the employee experience

### Finding: The most crucial HR capability over the next two years will be to increase employee engagement levels

Only one HR capability was cited as “most crucial” by more than half of the respondents: increase employee engagement levels. Within the context of the COVID-19 crisis, there are two particular issues especially relevant to engagement. One is how to keep employees engaged when they are working remotely. Some employees may be *more* engaged, reveling in the flexibility of remote work and the lack of commute. However, others may feel disconnected, demotivated and ill-equipped to work at home. HR needs to help managers track and respond to the particular needs of their remote employees.

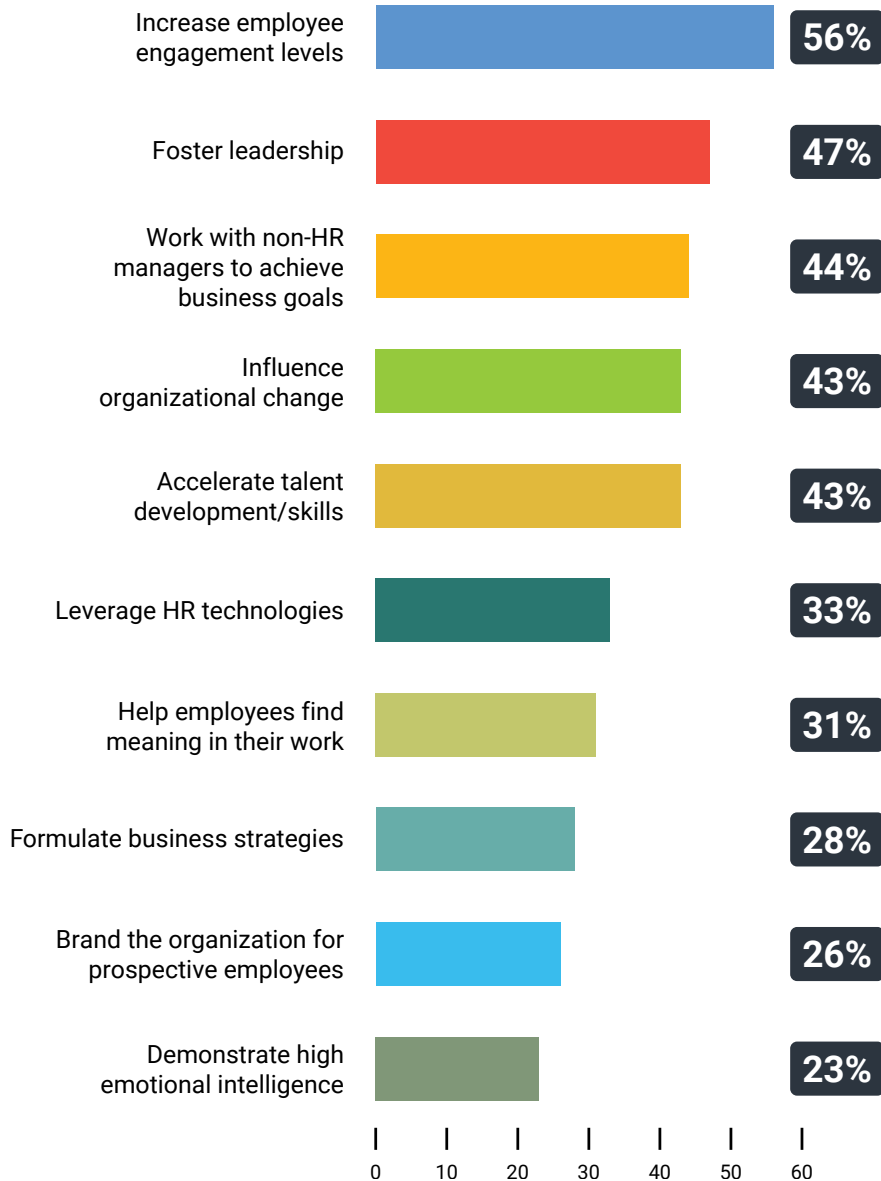
The other issue is how the organization’s response to the COVID-19 crisis is perceived by the employees once the crisis has passed. Will some feel let down by the how the organization handled it? Will they feel it reaffirms their belief they work for a company that cares? HR will need to help leaders assess the longer-term cost of short-term decisions around layoffs, furloughs, and support for employees facing challenges.

Employee engagement and experience are largely driven by leadership, both at the level of immediate supervisors and top executives. HR must be able to foster this leadership through leadership development and executive education programs.

Of course, what is crucial to an organization will depend on its circumstance. In fact, as the graph below shows, nine of the ten options were chosen by at least one-quarter of respondents. One hopes that HR leaders can assign responsibilities across the department such that many of these capability needs are addressed.



**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)



Nearly half of respondents say the ability to foster leadership is crucial



## The Future of HR Technology

HR technology will play both a deeper and broader role in the future. HR needs to develop a roadmap guiding how they will keep up with the ever-increasing capabilities of HR tech.

### Finding: HR technology will have a bigger impact on analytics than other HR areas

More than half of the respondents cite analytics and learning as the top areas that will be impacted by technology. Performance management came third (45%). Interestingly, the nature of the impact is quite different in each of these three areas:

- for Analytics, technology sits at the heart of being able to acquire and analyze data
- for Learning, technology provides a dramatic change in how learning is delivered
- for Performance Management, technology facilitates communication, adds structure and reduces the administrative overhead of the process

It's worth noting that while those areas are the top three choices, other areas including onboarding, talent acquisition, and HR productivity improvement were selected by many respondents.

Analytics is of special concern because, according to the HR.com study *The State of Big Data and Talent Analytics 2019*, only 37% of organizations are good or very good at talent analytics. According to that report, one of the reasons HR struggles with analytics is that more than half of the organization finds data integration fairly or very difficult. Technology can help pull the data HR needs into a data warehouse which makes analytics far more efficient.



**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)



Onboarding is an up-and-coming HR area where technology plays a growing role

**Finding: Remote work technologies solutions are cited by more than half of respondents as having the largest impact on HR in the next two years, more than any other technology**

There was no clear winner in the selection of the technology that will have the biggest impact on HR over the next two years. Remote work technology is most commonly cited (56%), but onboarding solutions (53%), learning experience platforms (52%) and analytics and data visualizations systems (49%) are close behind.

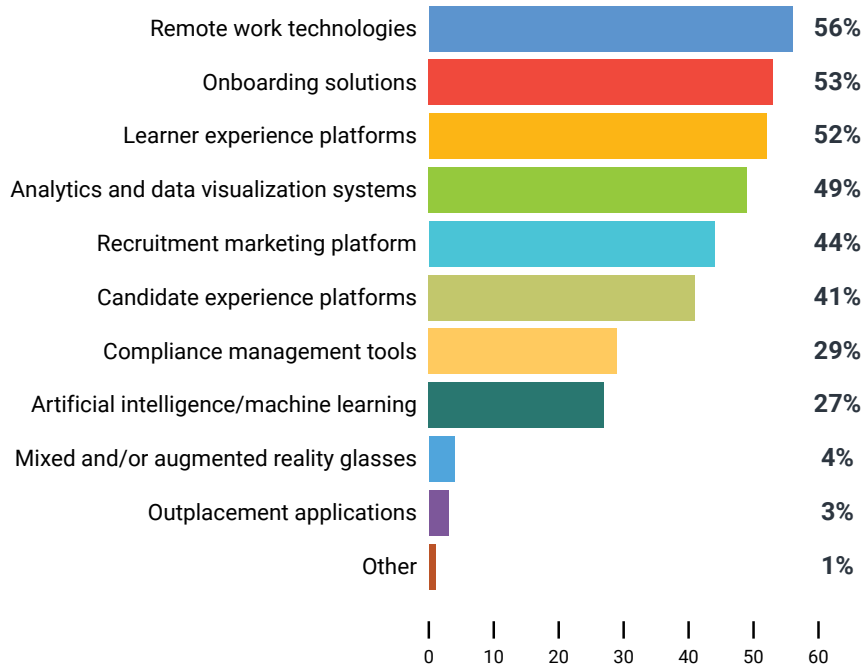
This finding reflects the breadth of the impact technology is having on HR. All HR professionals need to be reasonably technology savvy and the HR department as a whole needs deep technology skills to select the right tools and implement them effectively.

Remote work has undergone a seismic change as part of the response to the pandemic. Whereas remote work used to be reserved for a minority of employees or used only occasionally, it has become the required means of working in many organizations. It is possible that when the crisis ends everyone will return to the old way of working, but that seems unlikely. Some employees will find that they can work just as or more effectively from home as the office and will prefer to continue to do so. Furthermore, organizations will, rather suddenly, have developed extensive experience in managing remote work and that experience will make it possible for them to effectively use remote work more widely on an ongoing basis and save money on traditional office space.

Historian Yuval Harari notes that his own university, the Hebrew University of Jerusalem, has been talking about remote learning for decades but nothing happened. Then, when COVID-19 struck, all the courses went online in one month. A crisis can enormously accelerate existing trends, and we can see mass adoption of remote learning as a 10- or 20-year acceleration of a process that was more slowly underway regardless.



**Survey Question:** Which four of these technologies will have the largest impact on HR over the next two years? (select up to four)



Only 4% of respondents feel that mixed and/or augmented reality glasses will be one of the most important technologies for HR over the next two years

### Finding: Integration is a key technology challenge

Respondents were asked, “What key HR technology challenges is your organization likely to face over the next two years?” Their most common answer revolves around integration issues. Many also mentioned the related issue of implementing a new HRIS—and often the motivation for a new HRIS is to replace a mix of unintegrated systems into a single system.

Another theme was simply “catching up.” Many felt their HR technology was outdated and they needed new systems.

Finally, respondents frequently commented on the human side of technology such as inexperienced users or the need to get buy-in.

An overall conclusion one can draw from this is that HR is focused on getting a solid foundation of technology, and just getting that foundation is the main technology challenge HR faces in the next two years.

## Other Issues, Including COVID-19, Emerge

To give respondents a chance to provide insights on issues not explicitly covered in the survey, we included an opportunity to write in their concerns.

### **Finding: As the COVID-19 pandemic unfolds, concerns vary widely between different HR departments**

When asked to comment on “What HR issue will be of the greatest concern to you over the coming year?”, one very topical answer was COVID-19/ coronavirus. The HR professionals who mentioned this were clearly “ahead of the curve” in recognizing this is an emerging issue.

But many also wrote in more conventional HR concerns that have been preoccupying HR professionals in recent years, such as talent acquisition and retention. For HR departments that were focusing their attention on talent acquisition or retention, it might come as a rude shock to have a top priority suddenly moved to the backburner.

On the other hand, no one quite knows when these issues will become a high priority again. In fact, for some industries, such as the supermarket and grocery store industry, hiring continues apace. For various other companies that have recently engaged in layoffs and furloughs, recruitment may become a high priority again after the era of “social distancing” passes.

Another notable feature of the survey data was the breadth of concerns mentioned. The concerns included change management, technology, compensation, compliance, performance management, employee relations and more. This breadth of concern reflects the different circumstances different organizations find themselves in.





## What Makes A Difference?

To better understand what makes a difference in HR effectiveness we divided respondents into two cohorts:

- **High HR performers:** Those answering 8 or above to the question *“In the view of your company's executive team, how well does your HR department meet the needs of your organization?”*
- **Lower HR performers:** Those answering 6 or below to that same question

We looked for areas where there were considerable differences between the two cohorts.

**Finding: High HR performers are considerably more likely to see economic conditions as likely to have a significant impact on the function**

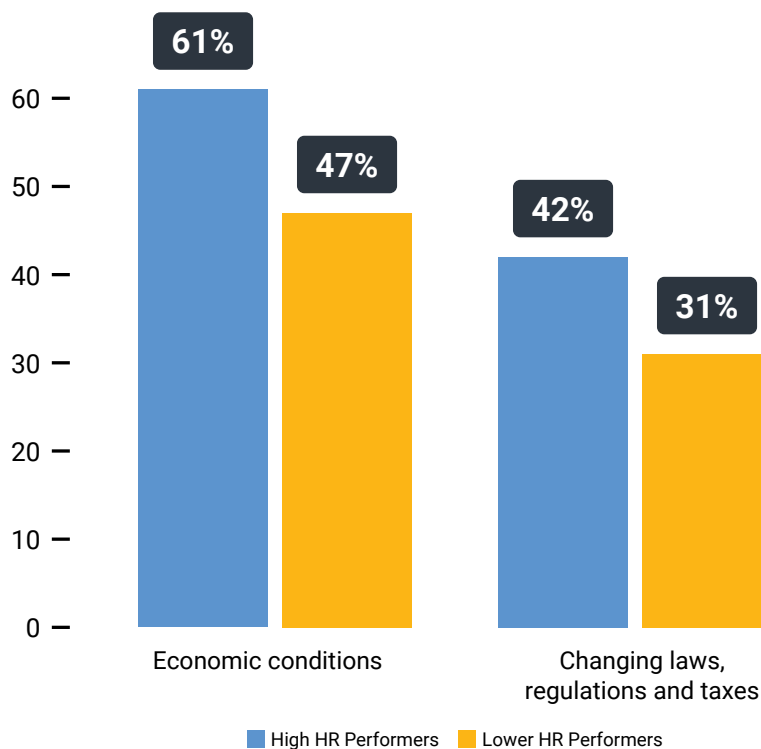
HR high performers are more likely than their lower performing counterparts to say that economic conditions are among the external factors that will have the most significant impact on their function in the next three to five years. These HR professionals tend to be more alert to the possibility of economic change and its impact on the priorities and activities of the HR department. This might be because these HR professionals are more closely aligned with and aware of the concerns of other business professionals in their organizations, who keep a close eye on economic changes.



In light of newly emergent economic impact of COVID-19, high HR performers might be better able to adjust quickly to new realities. We believe that HR professionals would be wise to engage in scenario and contingent planning at this stage. That is, they should map out what their department needs to do if there is a rapid economic rebound, what to do if the recession carries throughout the year and what happens if the downturn is truly deep and long-lasting. This scenario analysis will prepare HR to do the right things—and to stop doing the wrong things—as conditions evolve.

HR high performers are also more likely than their lower performing counterparts to pay close attention to other factors such as changing laws, regulations and taxes. As with economic conditions, these factors are often top of mind among non-HR business leaders.

**Survey Question:** What factors will have the most significant impact on your organization's HR function in the next three to five years?



High HR performers are considerably more likely to see changing laws, regulations and taxes as likely to have a significant impact on the function

*Note: This data is extracted from the question "Of the following factors, what four will have the most significant impact on your organization's HR function in the next three to five years? (select up to four)." The data is restricted to those who answered "Economic Conditions" or "Changing laws, regulations and taxes."*

**Finding:** High HR performers are much more likely to *emphasize the importance of communicating effectively, demonstrating leadership, and modeling organizational values*

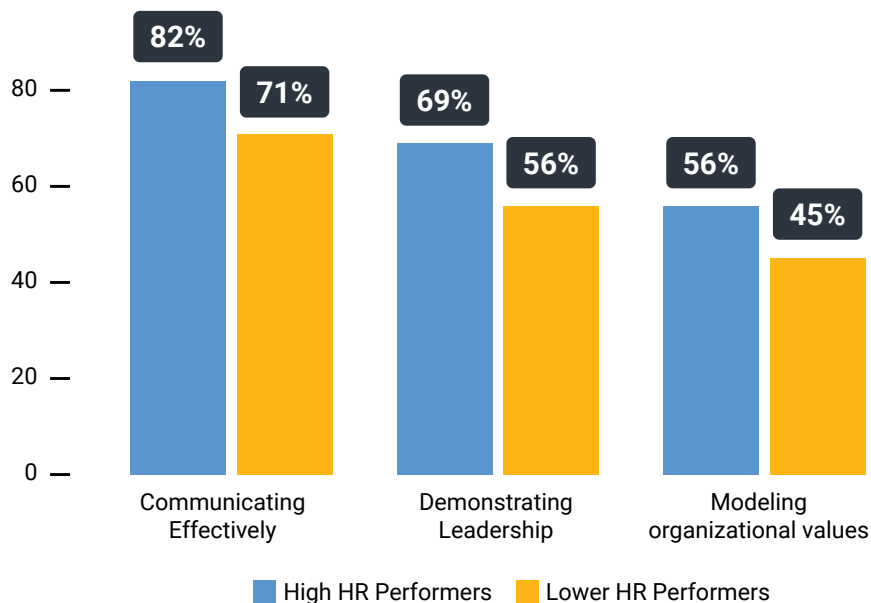
There are many areas of agreement between high and poor performers on the skills HR will need in the future. There are three areas where there is a notable difference:

- communicating effectively
- demonstrating leadership
- modeling organizational values

It is instructive to note how important these three skills are as HR navigates the COVID-19 pandemic. The importance of communication is self-evident; the fact that employees are affected in so many ways puts the onus on HR to take the lead in communication. Moreover, it is in a time of crisis that employers must demonstrate that they live up to their values statements.



**Survey question:** 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? [percent saying Essential]



Fewer than half of poorly performing HR departments cite modeling organization values as an essential skill for HR's future success

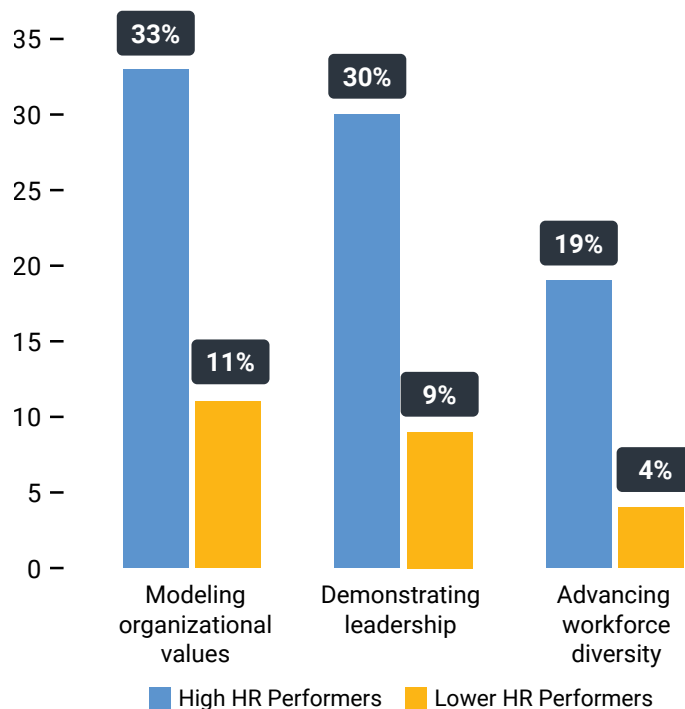
**Finding: High HR performers are more than three times as likely as low performing ones to be *highly proficient* at modeling organizational values**

There are three areas where there is a notable difference in the proficiency of high and low performing HR departments:

- modeling organizational values
- demonstrating leadership
- advancing workforce diversity

The first two in the list are the same skills that High HR performers are more likely than lower performers to see as important. Given this, perhaps lower HR performers should be focusing more on developing these skill sets.

**Survey question:** How proficient is your HR department currently in these skills? [percent saying Highly Proficient]



High HR performers are three times as likely as lower performers to be highly proficient at demonstrating leadership

*Note: This data is extracted from the question "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?" The data shows how many respondents answered "Highly Proficient" in the proficiency part of the question.*



## Takeaways

**1**

**Work on understanding leaders' priorities.** Many HR departments score poorly on how well leaders think they are meeting the needs of the organization. Leaders' day-to-day priorities tend to be related to sales, margins, productivity, and things that have gone wrong. In light of the current COVID-19 crisis, their concerns will often be focused on business continuity, employee health, and transforming office workers into remote ones. HR needs to ensure it stays close to what leaders see as their immediate needs without losing track of its core responsibilities and values.

**2**

**Be great at supporting change.** Especially in uncertain times, HR can make a visible impact by developing the capability of change management. Many managers are weak at handling the human side of change, and HR can be a great help. Given how much change we are experiencing week by week through the pandemic, this is a crucial capability to have.

**3**

**Be proactive in addressing upcoming challenges.** Our study reveals areas like economic conditions, talent shortages and technological changes as major areas of concern. Identifying these concerns is the first step. What matters is taking proactive action to prepare for these challenges so that the organization will be ready for them. Under normal circumstances, HR leaders should be able to say, "These are the two or three top concerns in the next few years. This is what we are doing about them now. This is how these actions will enable us to handle the issue when it arrives." In the midst of a crisis, this becomes, "These are the top two or three concerns in the next few weeks and months. This is what we are doing about them now, and this is what we need to watch out for in the near future."

**4**

**Decide what skills gaps matter most for your HR department, then act.** It's easy to come up with a long list of skills gaps in the HR function. You can't do everything so decide which ones are most important (making sure to check that leadership agrees) and then put in place a process to address those gaps.

5

**Learn what an “agile workforce” really means.** It’s common for people to declare that an agile workforce is essential, and they’re not wrong; the issue for HR leaders is figuring out what that means in practical terms. It’s time to get beyond the abstract idea of agility and figure out where this is most important in your organization and what it means in very specific, actionable terms. For example, agility might just mean improving your ability to use gig workers in certain functional areas. Once you’ve got some specifics, you have something to work on. HR will have a unique opportunity after the pandemic passes to assess what parts of the workforce were agile and which were not. Those observations and lessons learned will have lasting value.

6

**Make a big investment in HR’s ability to use technology.** Normally we think of technology investments in terms of payments we make for software (HRIS, ATS, etc.). As technology comes to suffuse every part of HR, it will be important to make investments in HR’s ability to use technology. Is HR great at knowing what the new technologies are? Is HR great at choosing which technologies to buy? Is HR great at implementing new technologies? Those are all skills that will be important for HR in the future.

7

**Pay attention to the proficiency High HR performers have developed in demonstrating leadership.** One of the striking differences between high and low performing HR departments is how likely they are to be experts at demonstrating leadership. Leadership might not come naturally to HR departments that have traditionally served as a support function. Learn from your HR peers in other organizations about how they are demonstrating leadership in a time of crisis.



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