

McLEAN &  
COMPANY

# HR TRENDS REPORT 2023

Leading HR Into the  
Future of Work

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# How to read this report

This report is based on data gathered from McLean & Company's 2023 HR Trends Survey of 1,075 business professionals. The data was gathered in September 2022.

Note: Graph totals may not add up to 100% due to rounding.

## Key terms used throughout this report include:

### Organizational Size

**Small:** 250 or fewer employees

**Medium:** 251 to 1,000 employees

**Large:** 1,001 or more employees

### Highly Effective

The percentage of respondents who selected 5 or 6 out of 6 when asked to rate the effectiveness across various parameters.

### High Performing

The percentage of respondents who selected 5 or 6 out of 6 when asked to rate performance across various parameters.

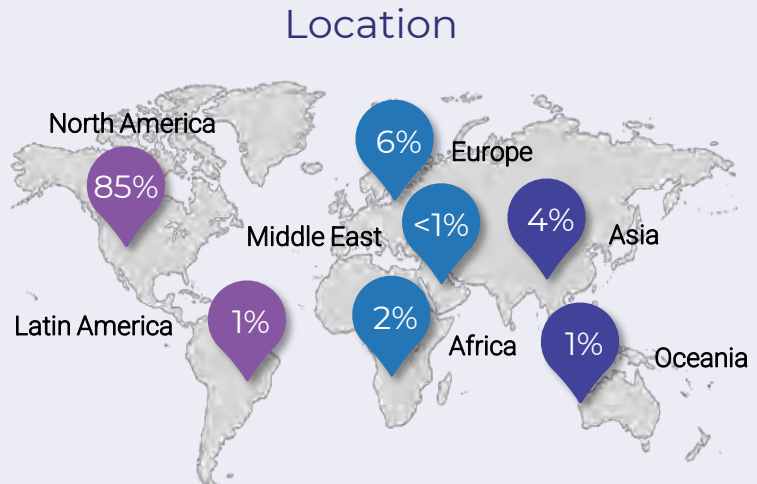
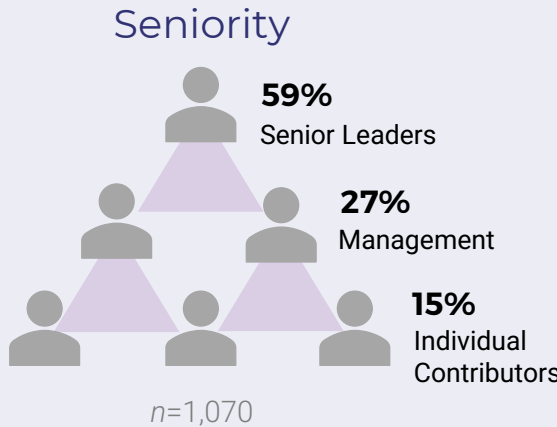
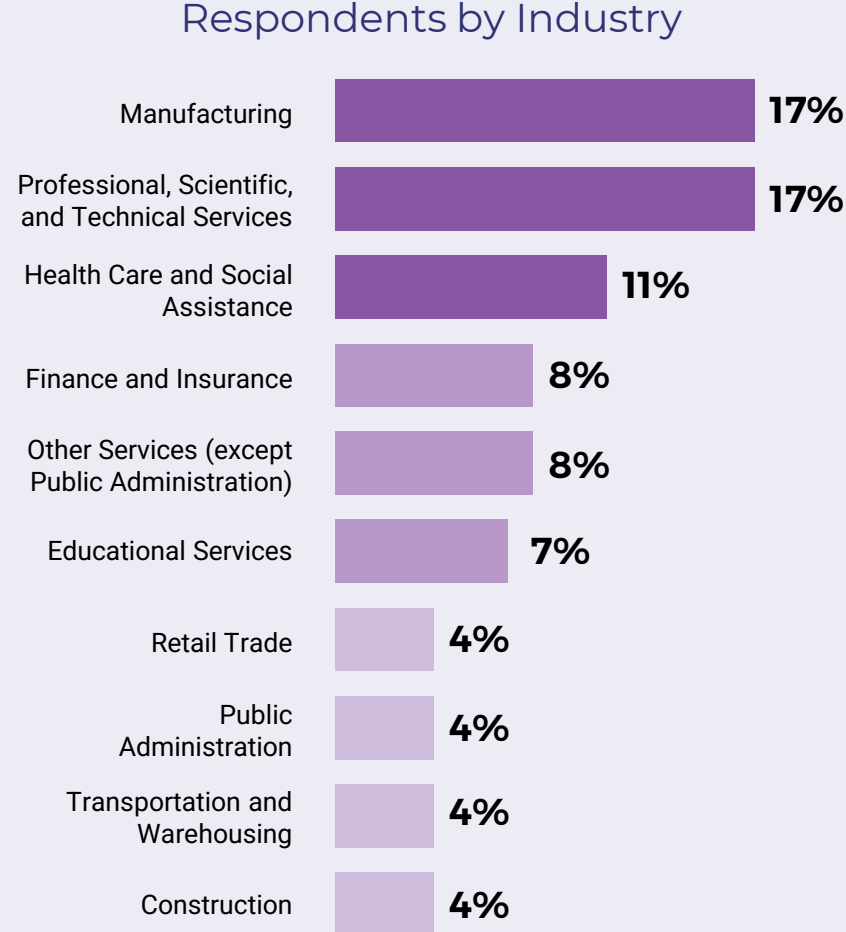
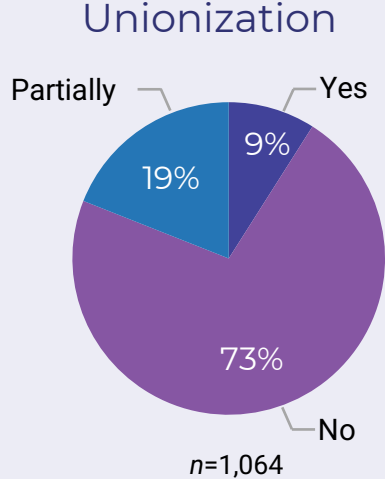
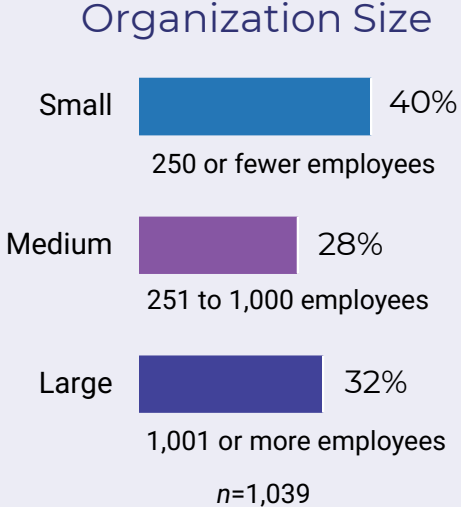
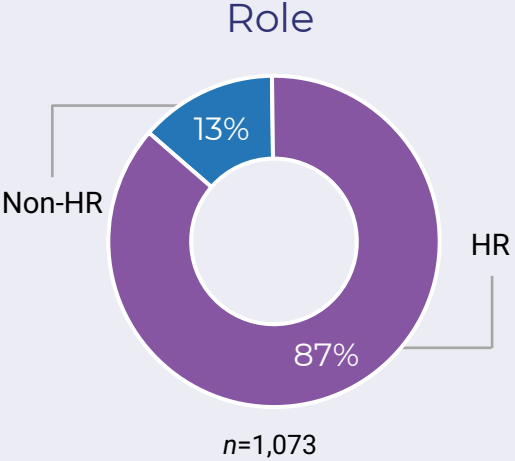
### Highly Proficient

The percentage of respondents who selected 5 or 6 out of 6 when asked to rate their HR department's proficiency across various skills or competencies.

### Association & Relationship

Any time an association or relationship is referenced in this report, it refers to a statistically significant result. Graphs or visualizations that show a difference in effectiveness based on certain practices are also only shown if they are statistically significant. These are used to indicate which practices are disproportionately used by the most effective HR departments.

# Characteristics of 2023 survey respondents



\*N=1,075 (unless otherwise noted); see [Appendix I](#) for data on turnover and remote status.

\*Industries selected based on the North American Classification system. Categories falling below 4% were omitted from the visual above, reflecting 16% of the overall sample (n=167).



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## Re-Examining HR's Role in 2023

HR's effectiveness and strategic partnership are stronger than ever. Though HR priorities have remained mostly static year over year, there's a need for HR to enhance its strategic skill set and monitor increasing HR stress and burnout levels.

# Key terms used in this section include:

## Relational skills

Grouping of skills including:

- Relationship building
- Inclusion
- Conflict management
- Communication
- Organizational awareness
- Resilience
- Emotional intelligence
- Coaching

## Technical skills

Grouping of skills including:

- Business and financial acumen
- Digital literacy and technology enablement
- Data literacy
- Design thinking
- Branding and marketing
- Technical HR expertise
- Change management

# Recruiting and the employee experience remain top priorities for HR

Top priorities for organizations in 2022 *N=826*

- 01 Recruiting
- 02 Providing a great employee experience
- 03 Developing leaders
- 04 Controlling labor costs
- 05 Diversity, equity, and inclusion (DEI)
- 06 Enabling innovation

Top priorities for organizations in 2023 *N=1,075*

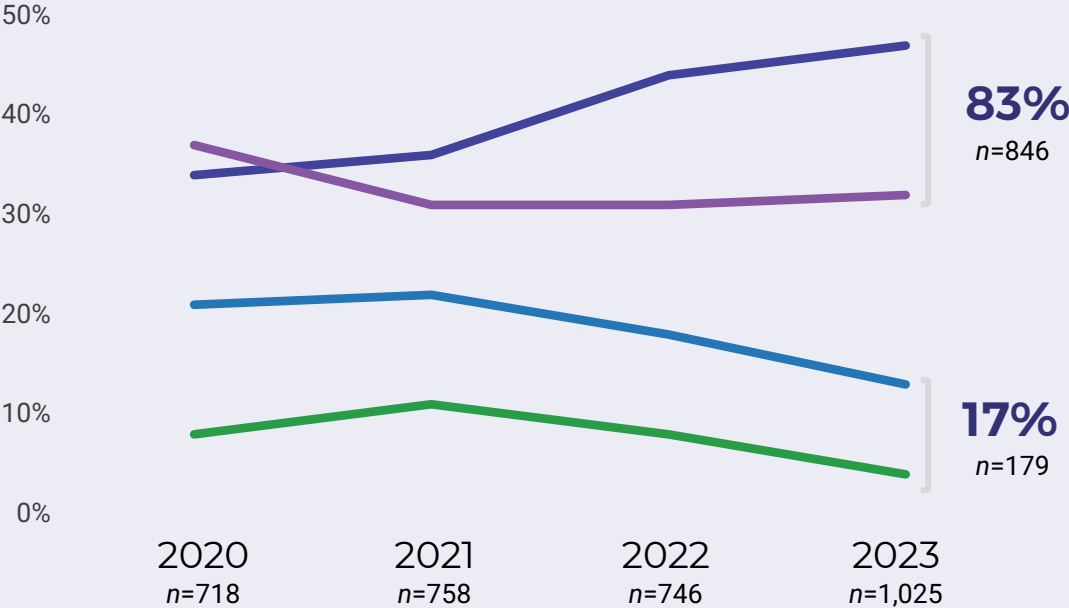
- 01 **Recruiting**
- 02 **Providing a great employee experience**
- 03 Developing leaders
- 04 Controlling labor costs
- 05 Enabling learning & development (L&D)
- 06 Diversity, equity, and inclusion (DEI)



Priorities have largely remained static from 2022 to 2023, with talent development increasingly becoming a focus, representing two of the top five priorities. Controlling labor costs remains a top-five priority, though with economic instability on the horizon, this will likely become even more of a focus in 2023.

# HR's role as a strategic partner has steadily increased since 2020

## HR's involvement in the broader organizational strategy



- A partner in planning and executing strategy
- Involved in executing organizational strategy after it is developed
- Asked for input into planning and involved in strategy execution
- Not involved with the organizational strategy

## When HR is a strategic partner, organizations are...

- 1.5x** n=1,015 more likely to be highly effective at changing quickly at scale to capitalize on new opportunities.
- 1.3x** n=1,022 more likely to be highly effective at generating and implementing new ideas.
- 1.3x** n=1,019 more likely to be highly effective at diversity, equity, and inclusion.



# Perceptions of HR effectiveness have room for improvement

Organizational stakeholders do not perceive HR effectiveness positively, with only two in five seeing HR as highly effective:

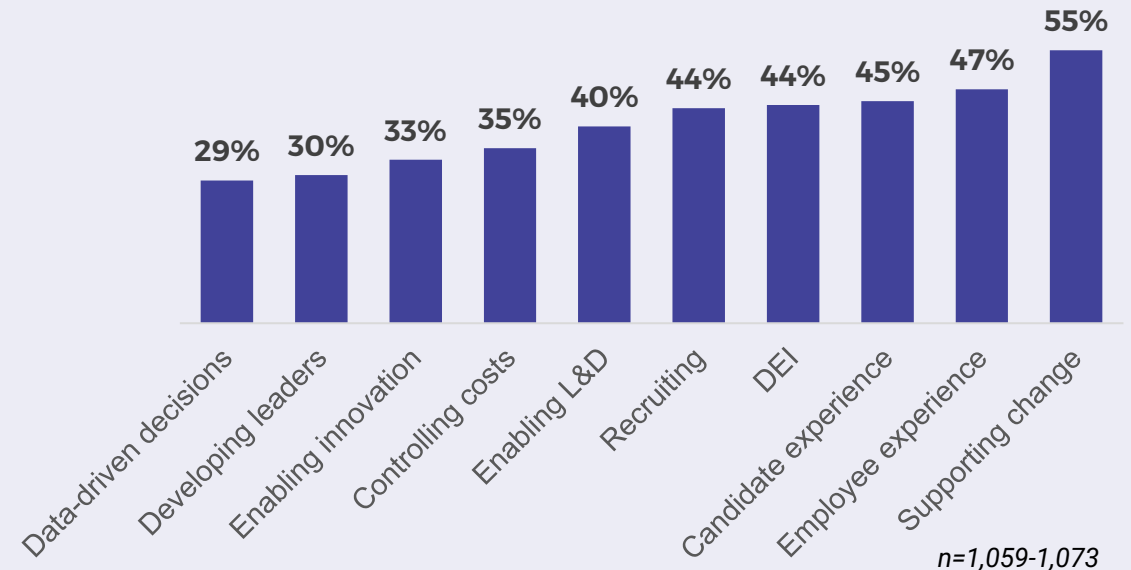
**42%** of non-HR respondents believe their HR department is highly effective.  
*n=136*

Improving effectiveness, both perceived and real, must be a priority. Organizations with a highly effective HR department are...

**1.5x** more likely to report high organizational performance.  
*n=1,047*

**1.8x** more likely to report being effective at enabling innovation.  
*n=1,050*

The number of respondents who agree that HR is high performing at enabling the organization in a variety of areas remains low.



Insight

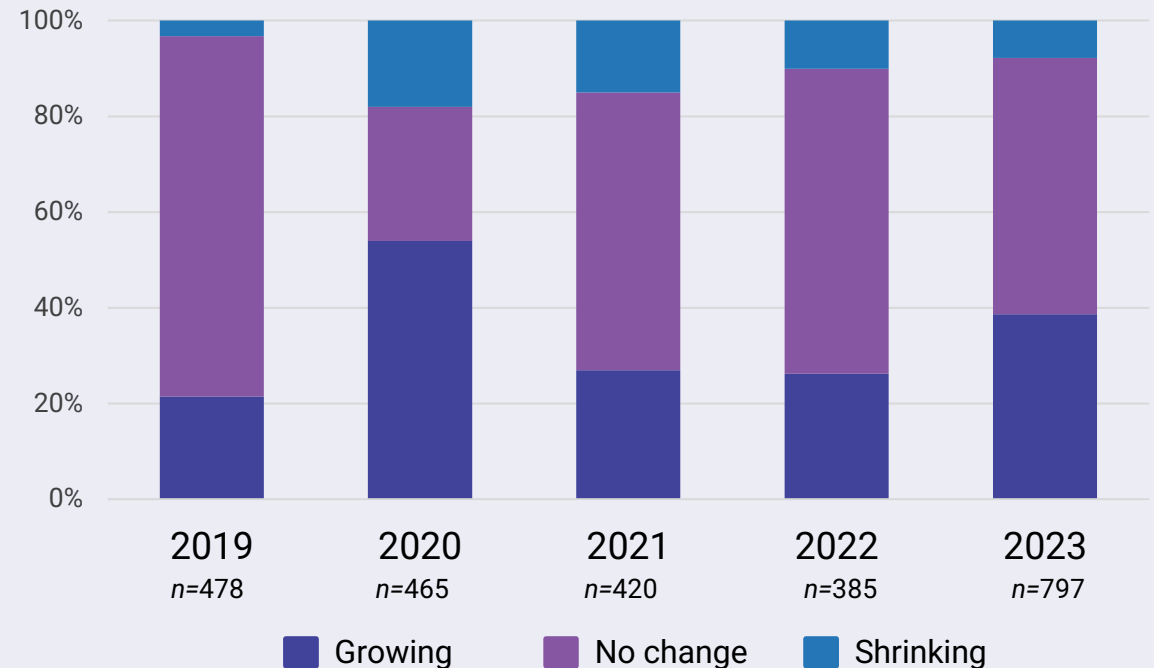
With all but one of the measured HR areas below 50% in perceived performance, HR has a perception issue when it comes to their effectiveness. Of particular concern are high priority areas like developing leaders, but a lack of progress in controlling costs, making data-driven decisions, and enabling innovation will also have long-term negative impacts on the organization.

# HR headcount remains a challenge

## HR to FTE ratio by organization size



## Anticipated HR headcount change



### HR continues to manage a large scope of work.

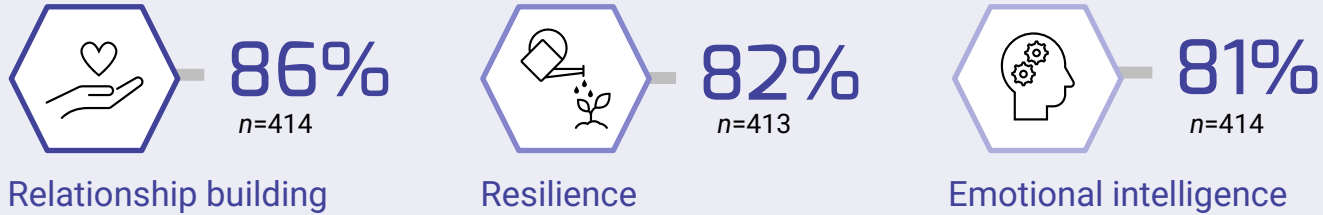
In addition to its growth in strategic partnership, HR continues to provide tangible support to the organization and employees despite minimal changes in headcount over the last three years. So, it is not surprising that **14% of all HR-related tasks are outsourced** (n=630).

### HR headcount is slowly rebounding.

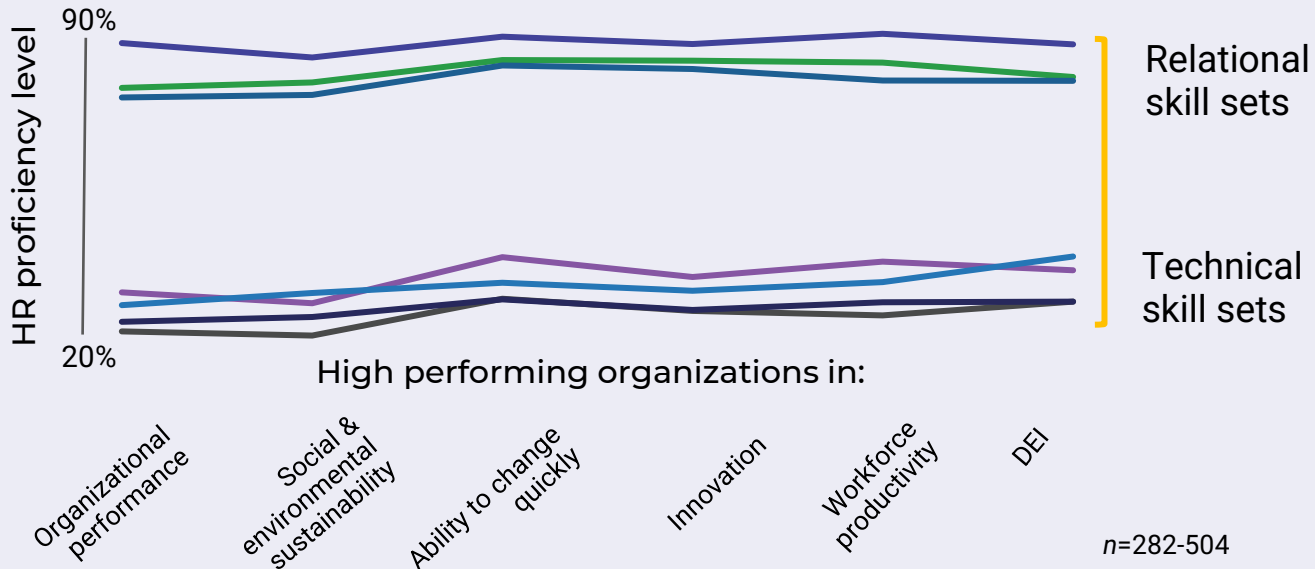
2023 data suggests that more organizations are anticipating adding HR headcount and fewer HR departments are shrinking. These forecasts of anticipated headcount changes will likely shift as many organizations continue to face economic uncertainty throughout 2023.

# Relational skills remain a strength for HR

Highly effective HR departments report high proficiency in:



The HR skill gap is clear even among high-performing organizations across outcomes



HR reported the lowest proficiency in:

- Digital literacy
- Data literacy
- Branding and marketing
- Design thinking (n=807-826)



HR's proficiency in managing relationships has been critical to its success. However, a proficiency gap remains between relational and technical skill sets, even for highly effective HR departments.

This highlights an opportunity for HR to continue to develop its internal technical skills and leverage organizational expertise related to digital and data literacy, branding and marketing, and design thinking to further engage stakeholders and improve HR outcomes.



# However, there is an opportunity to expand HR's strategic skill set

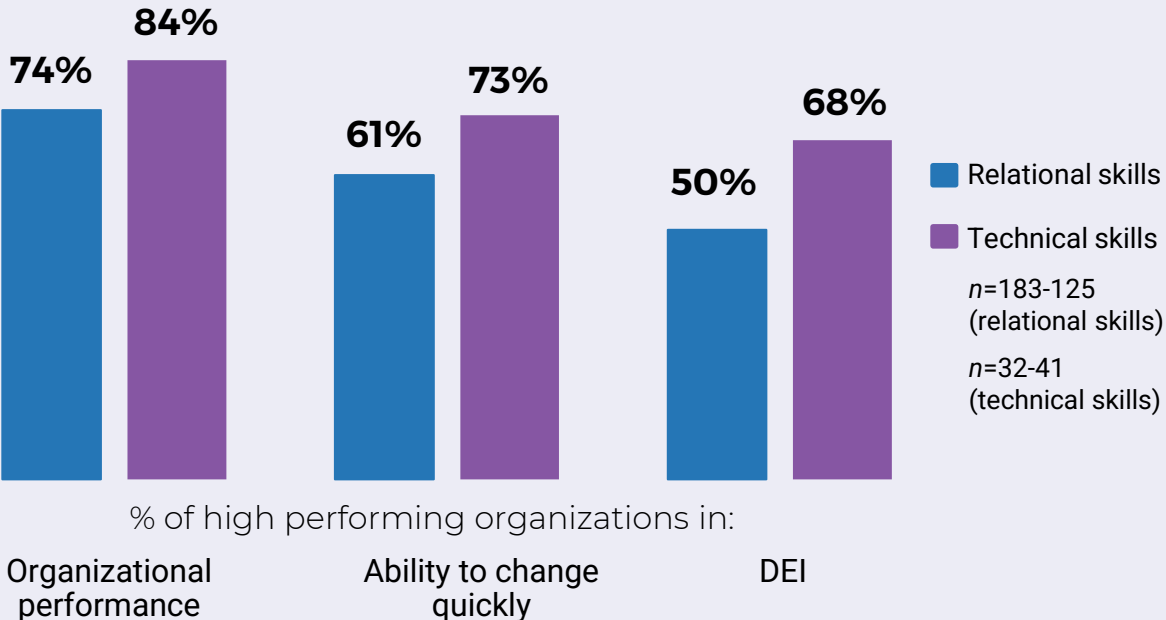
**Relational skills:** relationship building, inclusion, conflict management, communication, organizational awareness, resilience, emotional intelligence, coaching

**Technical skills:** business and financial acumen, digital literacy and technology enablement, data literacy, design thinking, branding and marketing, technical HR expertise, change management

High proficiency in **technical skills** is more strongly associated with organizational outcomes than high proficiency in **relational skills**.



Technical skills are also associated with HR's likelihood to be a strategic partner.



Insight

Although relational skills provide the foundation for HR's work, technical skills will help propel HR's success as a strategic partner moving forward. To obtain these benefits, HR needs to balance building technical skills internally, where possible, while leveraging available expertise outside of HR to support strategic objectives.

# Trust and communication are critical components of HR's value proposition

**54%**

of **non-HR respondents** report high trust in their HR department.

*n*=129

**71%**

of **HR respondents** report high trust in their HR department.

*n*=806



The most frequently reported mediums to communicate HR's value proposition include HR sharing regular updates with executives, promoting HR's role in crafting a positive employee experience, and marketing HR's services to employees.

*n*=916-940

HR departments with high trust are:

**2.6x** more likely to be rated as **highly effective**.

*n*=914

Highly effective HR departments are:

- **1.9x** more likely to share HR's mission statement. *n*=901
- **1.5x** more likely to communicate HR's involvement in organizational initiatives. *n*=913
- **1.5x** more likely to have had organizational leaders reinforce HR's value. *n*=854



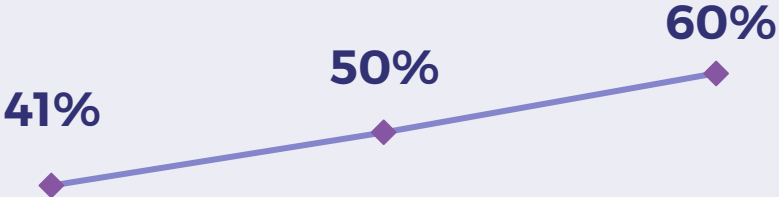
Insight

HR departments that communicate using seven or more mediums (of nine listed) are **2.1x more likely to report higher levels of trust in HR compared to those using fewer channels** (*n*=518). This indicates a significant opportunity to build trust by improving HR's communication and reinforcing its value proposition with the rest of the organization through multiple channels.

# HR continues to feel the effects of long-term stress and strain

From 2020 to 2022, HR's reported stress levels steadily increased.

"I experience higher levels of stress related to my job as an HR professional today **compared to three years ago.**"



2020

n=469

2021

n=456

2022

n=384

In 2023, HR's levels of stress and burnout will be a challenge.

More than a third of HR professionals report experiencing long-term impacts of sustained stress.

**34%** of HR respondents reported experiencing higher levels of job-related stress compared to one year ago.  
n=810

**39%** of HR respondents reported experiencing burnout.  
n=822

Burnout and HR effectiveness are connected.

Highly effective HR departments report lower burnout:



n=944

**31%** of HR respondents from highly effective HR departments feel burned out, while  
**45%** of HR respondents from other HR departments feel burned out.



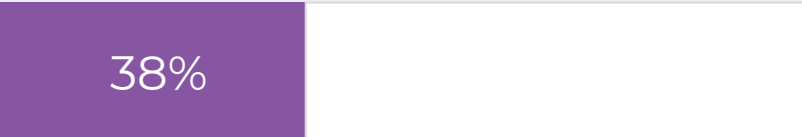
# Stress and burnout levels for all employees are concerning

More than a third of all respondents report experiencing:

Higher levels of stress  
n=947



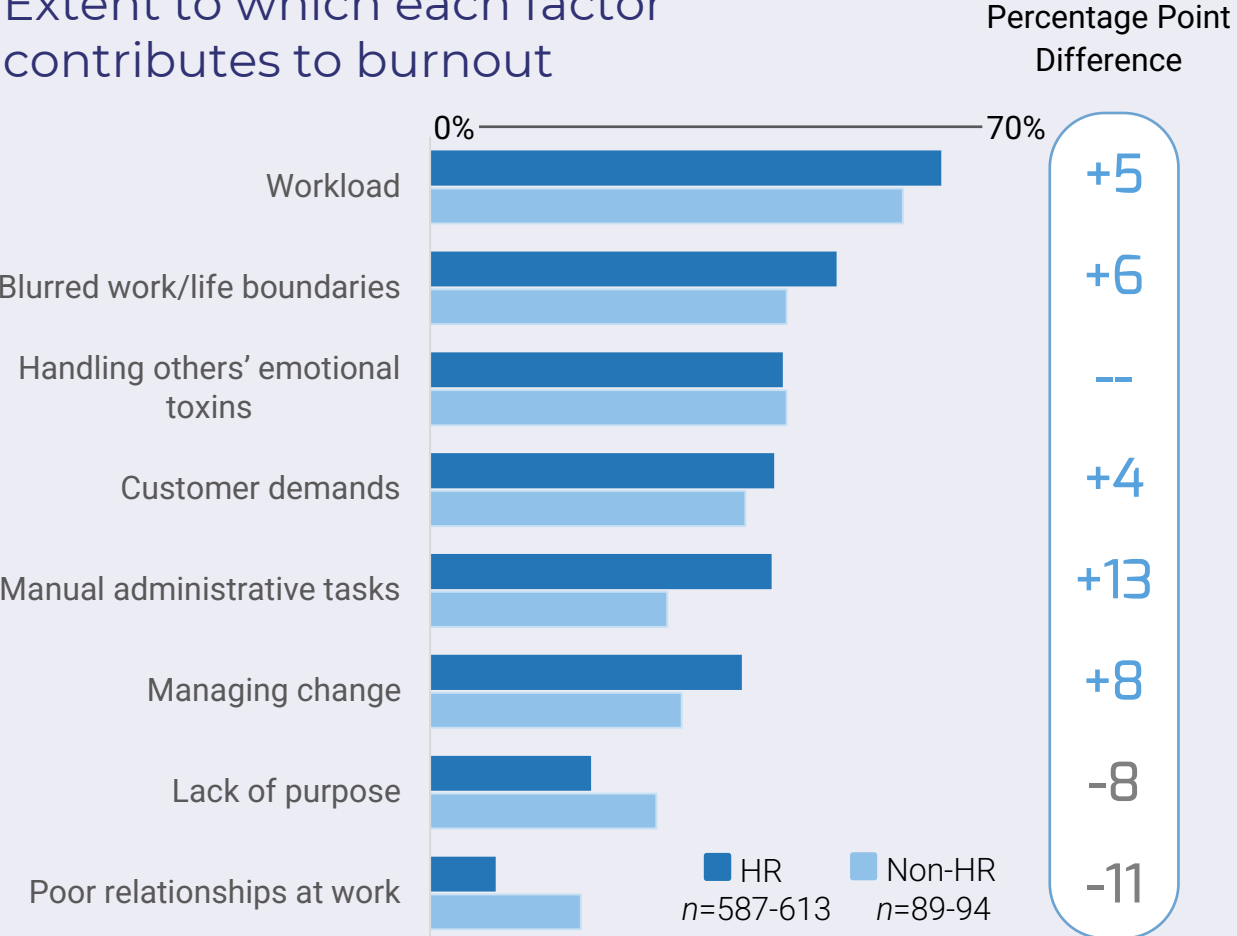
Burnout  
n=960



Increased role expectations, including workload and blurred work/life boundaries, remain top contributors to burnout and stress. Despite increased awareness of the importance of employee health and wellbeing, many employees are still struggling.

Manual administrative tasks emerge as more of a challenge for HR respondents, while non-HR respondents were more likely to report poor relationships at work as a challenge.

Extent to which each factor contributes to burnout



# Despite these challenges, connecting purpose to work may help buffer stress experiences

**Purpose** refers to an individual's feeling of connection to their work and the organization's mission/vision/values as well as the recognition of personal impact and contributions to the organization's goals. Purpose is built by engaging in opportunities for personal growth or through the completion of meaningful or intellectually stimulating tasks.

Respondents who reported a high sense of purpose were less likely to report experiencing stress and strain.

**1.3x** less likely to report experiencing higher levels of job-related stress compared to a year ago.  
*n=946*

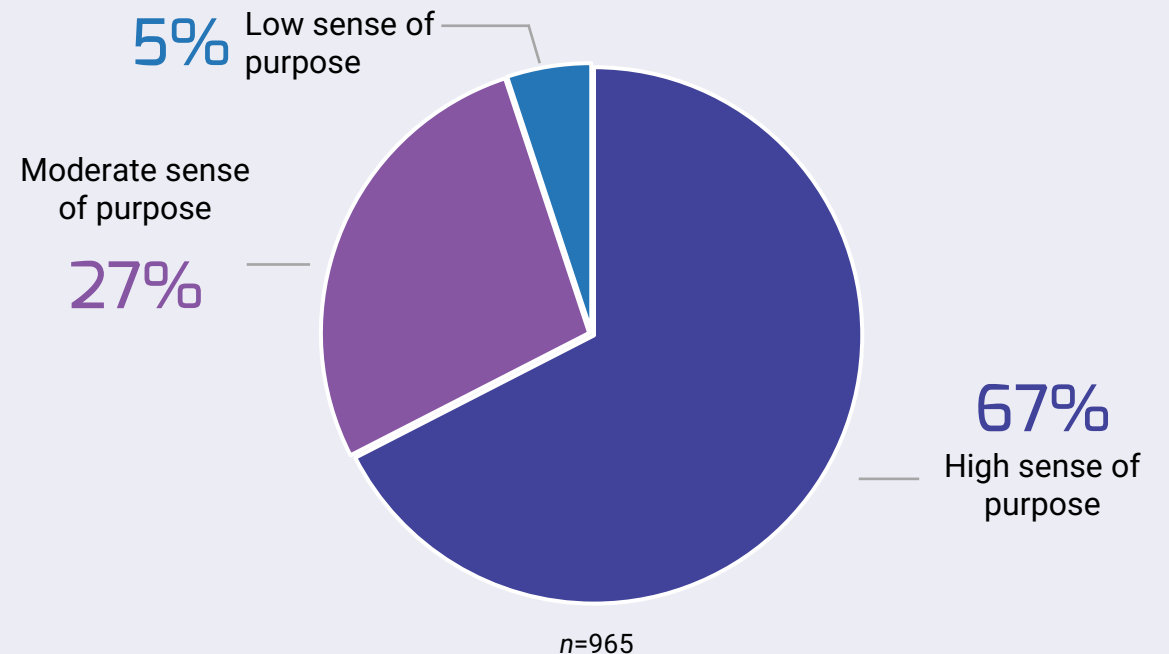
**1.8x** less likely to report feeling burnt out.  
*n=959*



Insight

The employee value proposition (EVP) can be leveraged to cultivate employees' sense of purpose by reinforcing values and establishing the connection between individual contributions and the organization's mission and goals. However, creating an effective EVP goes beyond communication – these values must also be reinforced through everyday practices to bring the EVP to life.

The majority of respondents reported a high level of purpose in their day-to-day work.



# What comes next?

As HR's strategic scope continues to expand, so do the demands on HR staff. HR has the opportunity to focus on increasing proficiency in competencies such as digital and data literacy, branding and marketing, and design thinking and to explore where to leverage expertise outside of HR in these areas. These stakeholder partnerships will be crucial to improve in 2023, as only about half of respondents from outside of HR reported high levels of trust in their HR departments. Improving HR burnout and stress levels must also be an area of focus, with a sense of purpose being a key factor to build on.

## Actions and practical resources

- [HR Organizational Alignment Diagnostic](#)
- [HR Management & Governance Survey](#)
- [Training Program: Strategic HR Essentials](#)
- [Plan to Extinguish Organizational Burnout](#)
- [Create a Holistic Employee Wellbeing Program](#)
- [Training Deck: Build Trust as a Leader](#)
- [Build a Resilient HR Team](#)
- [Training Program: Elevate HR](#)



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## Expanding the Employee Experience Conversation

Whether a team is remote, onsite, or hybrid is less important than curating the employee experience beyond the physical boundaries of work. With this shift in focus, an employee value proposition (EVP) that effectively communicates what the organization delivers to employees is more important than ever.



# Key terms used in this section include:

## High Performing at Designing the Employee Experience

Composite measure of respondents who scored a total of 40 or above (with a maximum score of 48) when asked to rate the organization's performance across the following:

- Innovation
- Psychological safety
- Inclusion
- Equity
- Resilience
- Connection
- Leader accountability
- Employee accountability

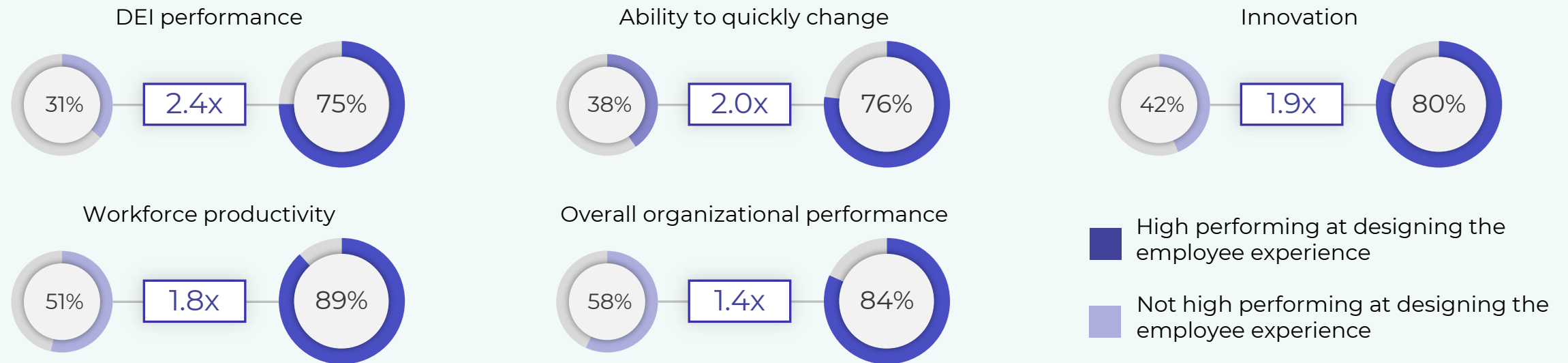
See [Appendix II](#) for a more detailed explanation of the methodology.

## High Performing at Branding and Marketing

Respondents who reported 5 or 6 out of 6 on HR's proficiency at branding and marketing, which is defined as managing branding of the EVP; having the ability to plan and develop communications content and disseminate key messages using different mediums, including social media; and effectively communicating and promoting HR programs and initiatives.

# The employee experience is associated with more favorable organizational outcomes

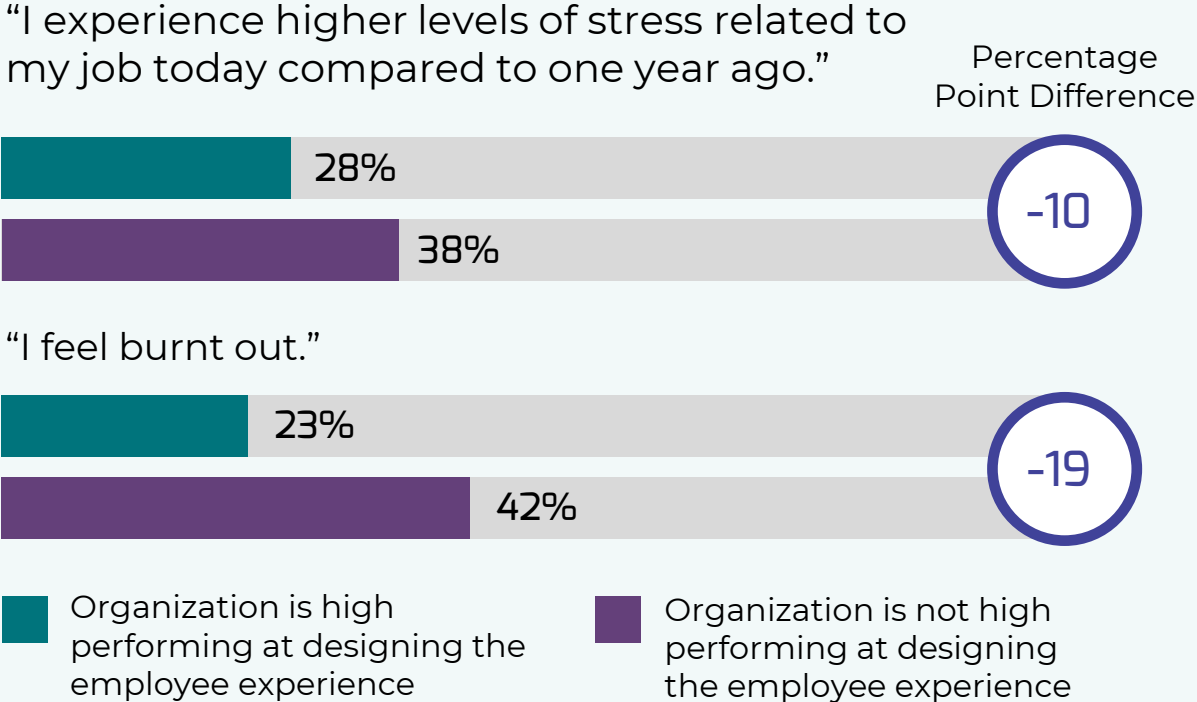
Organizations that are high performing at designing the employee experience are much more likely to report they are high performing across multiple measures: *n*=911-916



Insight

**The business case for a positive employee experience is clear.** Investments and efforts in designing how employees experience their jobs have real impact on the organization's bottom line. Whether your workplace is remote, in an office, or a combination of the two, designing the employee experience is a way to make a real impact on the organization.

# Organizations that are high performing at designing the employee experience report lower stress and burnout



n=904-916

Outcomes related to stress, burnout, and purpose demonstrate the value of designing a positive employee experience.

In addition to the more favorable stress and burnout outcomes, employees at organizations whose HR departments are high performing at designing the employee experience are also...

**1.4x** more likely to agree they find purpose in their day-to-day work (n=920).

These findings strongly suggest HR plays a crucial role as the primary enabler of the employee experience.

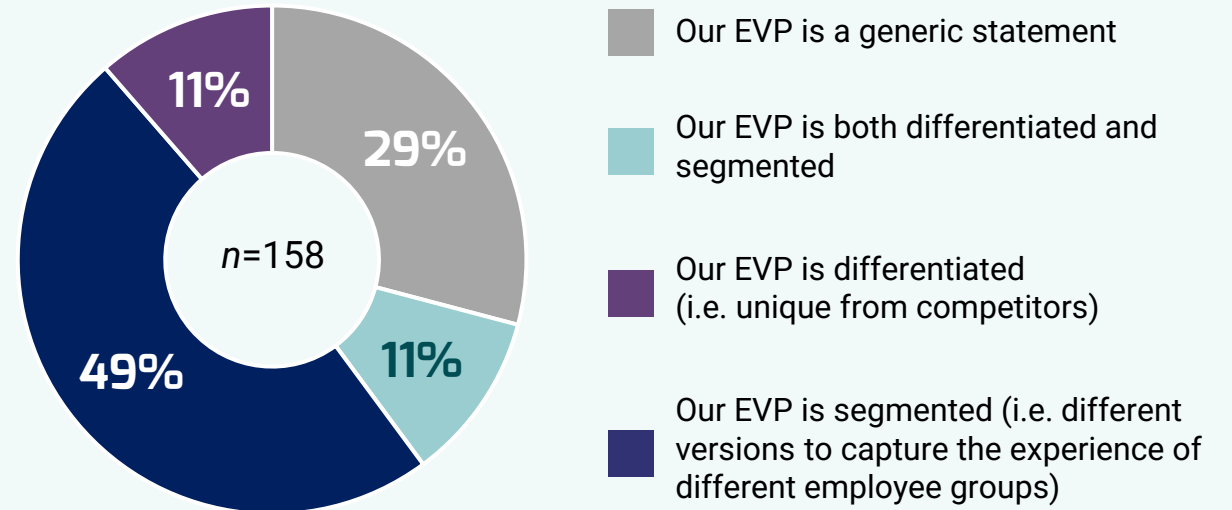
# The employee value proposition is an underused tool to communicate the employee experience

Does your organization have an employee value proposition (EVP)?

**55%** of organizations report they do not have an EVP (n=743).

Only 22% of organizations report they have an EVP, with 24% reporting they are currently developing one (n=743).

Even those organizations with an EVP have opportunities to evolve their EVP's maturity.

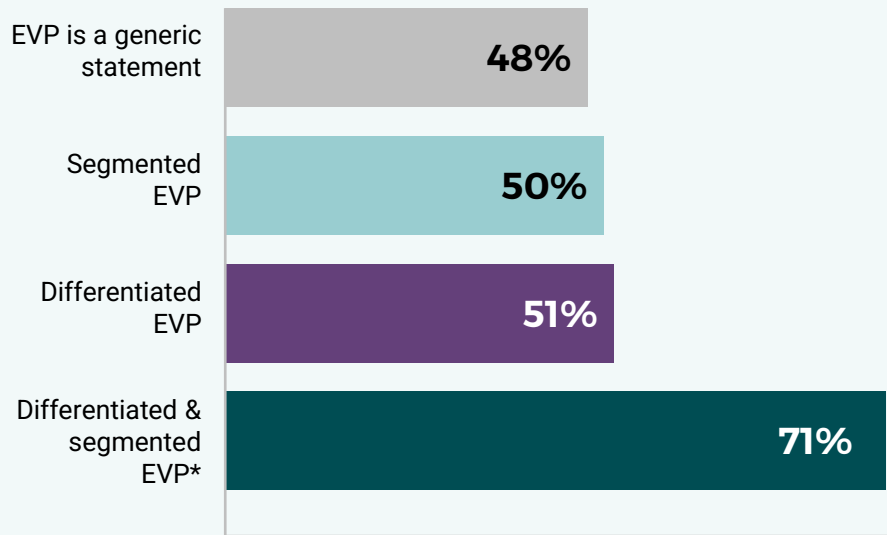


Efforts to design and improve the employee experience will yield limited results if they are not communicated internally and externally. In addition to capturing the key factors that differentiate them from competitors and the unique lived experiences of their employees, organizations must also reinforce the EVP through their everyday practices.



# A comprehensive EVP has promising benefits

The EVP must be differentiated and segmented to maximize impact. *n=736*



% of HR departments high performing at recruiting

\*Note: Small sample size of *n=17*

Only a small subset report having a differentiated and segmented EVP, but their outcomes indicate substantial returns.

Of the 158 respondents who have an EVP, just 11% report it is both differentiated and segmented (*n=17*), which limits the conclusions that can be drawn from recruitment outcomes. Nevertheless, the finding is promising and suggests building a comprehensive EVP is an opportunity for many organizations.

HR's proficiency in branding and marketing is closely tied to the state of the organization's EVP.

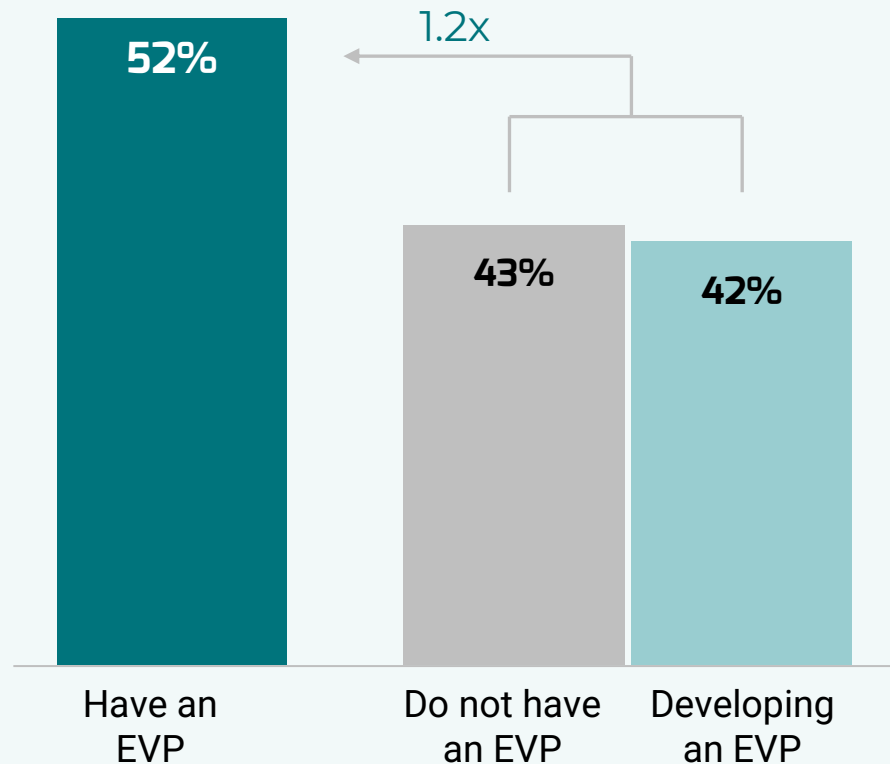
To maximize impact, an EVP must convey how the organization stands out from competitors, as well as the lived experiences of diverse employee groups. HR's ability to brand, market, and communicate such information is critical to achieve this; those who are high performing at branding and marketing are...

**1.4x** more likely to report they have an EVP (*n=721*).

**3.5x** more likely to report their EVP is both differentiated and segmented (*n=155*).

# The EVP is closely associated with HR's ability to enable recruitment of quality talent

% of HR departments high performing at recruiting quality talent  
n=157-736



And talent acquisition isn't the only HR area that will benefit from developing an EVP.

Organizations that have an EVP are **1.2x more likely** to report their HR department is high performing at recruiting compared to those that report they do not have an EVP or are currently creating one. This suggests the EVP is paying dividends by fulfilling its purpose (i.e. helping to attract talent). Conversely, organizations that have yet to develop an EVP struggle with talent acquisition. They are...

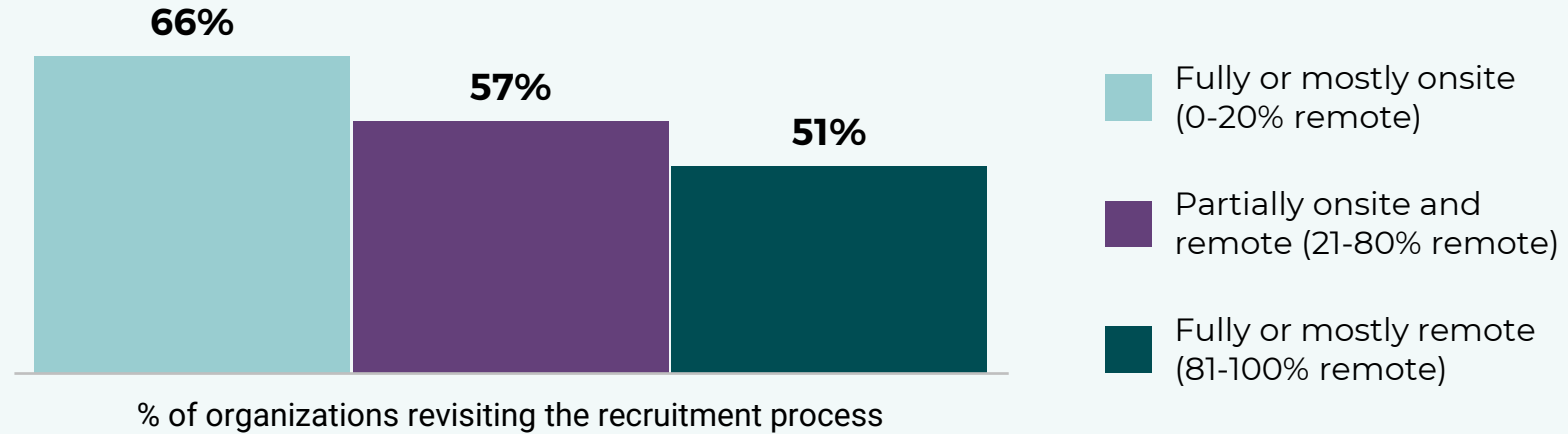
**23%** more likely to report recruiting is the #1 priority for their HR departments (n=743).

As organizations' talent acquisition problems are alleviated, HR has more capacity to emphasize other priorities, such as providing a great employee experience and developing employees.

# The EVP is particularly underused by organizations with recruitment challenges

Onsite organizations are spending the most time and effort on recruitment.

*n*=579

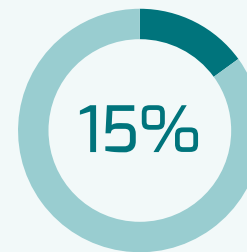


Indeed, onsite organizations are prioritizing recruiting much more than their remote counterparts. They are...

**1.7x** more likely to report recruiting as the top priority compared to fully or mostly remote organizations (*n*=1,062).

This is hardly surprising, as fully or mostly onsite organizations experience up to **1.5x higher rates of turnover** than partially to fully remote organizations (*n*=827).

However, the EVP remains an underused opportunity for them in alleviating recruitment challenges. Only...



of fully or mostly onsite organizations report they have an EVP (*n*=253).

# What comes next?

There is a strong relationship between the employee experience and key employee outcomes like stress, burnout, and purpose. The employee experience is also closely related to crucial organizational outcomes like productivity, innovation, and an organization's ability to change quickly. This points to a clear opportunity for HR departments to better measure, understand, and enhance the employee experience. Given the connection between the EVP and recruitment outcomes, developing, communicating, and delivering on a strong EVP should be high on HR's action plan, particularly since recruitment and employee experience are the top two priorities for 2023.

## Actions and practical resources

- [Employee Experience Resource Center](#)
- [Design the Employee Experience](#)
- [Uncover the Employee Value Proposition](#)
- [Develop a Resilient Workforce](#)
- [Employee Retention Pulse Survey](#)
- [Hybrid Workplace Resource Center](#)
- [Create a Talent Acquisition Strategy](#)



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## Making Space for DEI

Organizations' sense of urgency and focus on the long-term work required for diversity, equity, and inclusion (DEI) is on the downturn, despite the impact of such work. The data points to a need to refocus on governance, leadership buy-in, and strategic discussions on DEI to effectively continue the DEI journey.





# Supporting HR priorities through DEI efforts


HR departments that are **high performing in DEI** are **2x more likely to be high performing in recruiting**. *n=1,059*



Data from our *2021 HR Trends Report* demonstrated a large increase in HR’s prioritization of DEI efforts. DEI jumped from eighth place in 2020, reflecting broader conversations and actions surrounding equity and social justice.

The *2022 HR Trends Report* found that organizations were failing to maintain momentum on their DEI work, with challenges centered around three key pillars: leadership, governance, and strategy.

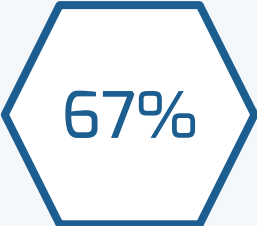
The *HR Trends Report 2023* data indicates this pattern is continuing. Despite the demonstrated positive impact of this critical work, prioritization of DEI efforts continues to shift.



HR priorities have shifted over the last three years, with recruiting and providing a great employee experience remaining at the top. Although DEI has fallen further down the list, this work does not exist in a silo – **maintaining momentum on DEI efforts will support other priorities, including talent attraction and retention.**

# Lack of resourcing, strategy, and leadership support present challenges to DEI progress

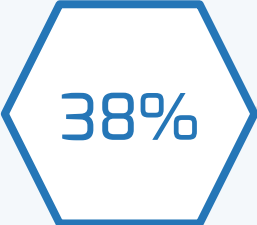
Despite:



of organizations reporting they are **not experiencing significant challenges** in the DEI space...

n=696

only:



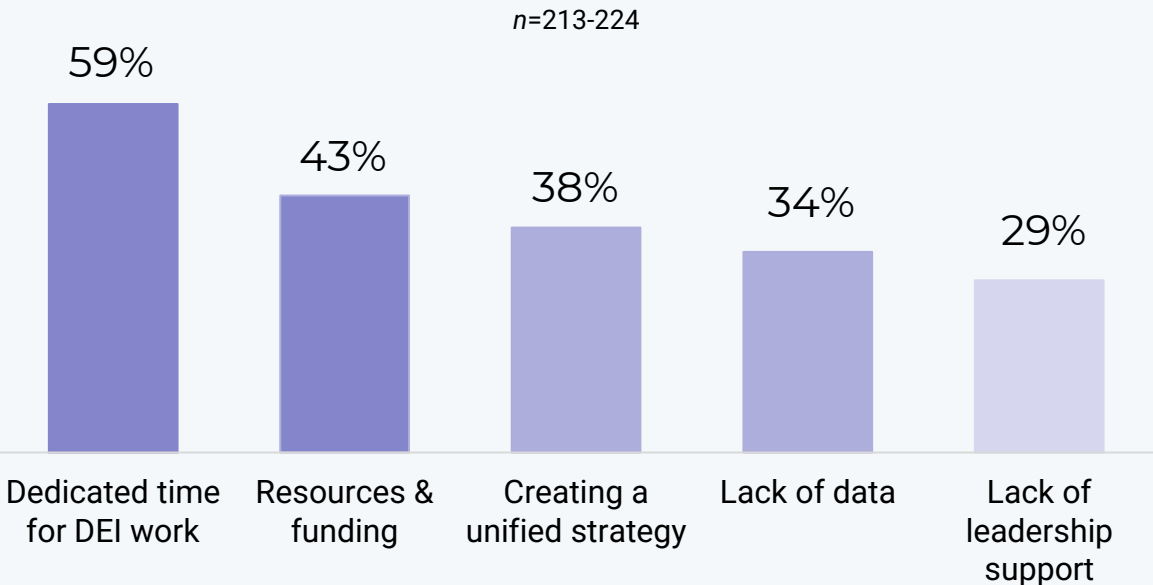
of organizations believe they are **high performing** in DEI.

n=1,065



It remains unclear why organizations who report not experiencing barriers are not yet high performing in DEI.

For organizations experiencing challenges, top barriers to DEI progress include:

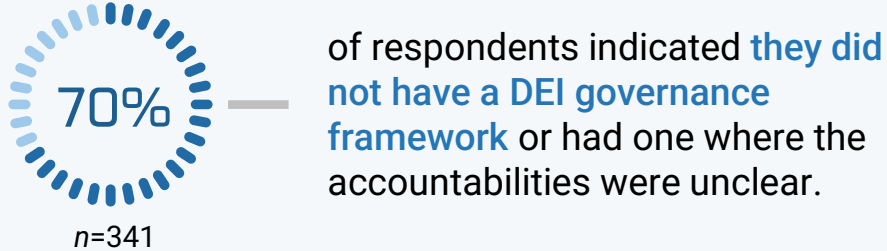


Insight

A lack of data is emerging as a key DEI challenge alongside a lack of leadership, resources, and strategy. More action is needed to tap into the employee voice to understand DEI through data.

# Increased support, governance, and resourcing have positive impacts on DEI outcomes

According to our 2022 HR Trends Report...

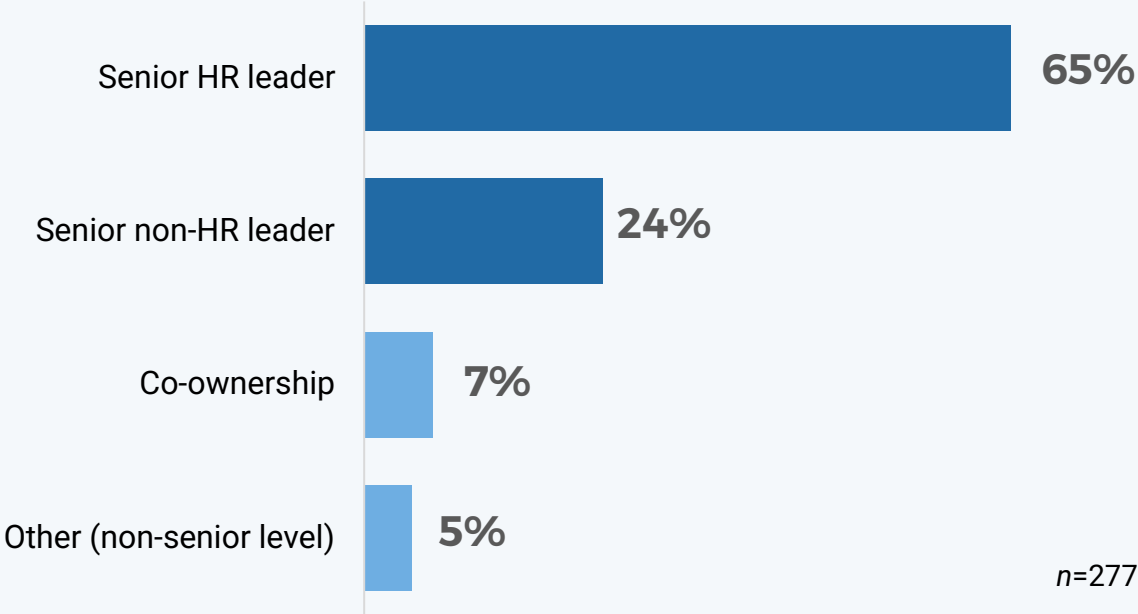


Governance and resourcing remain a challenge for DEI in 2023.



However, when organizations have a dedicated DEI resource, they are 34% more likely to be high performing in DEI compared to those without (n=790).

When organizations have a DEI team or dedicated resource, they are most likely to report into the following roles:



There is no one-size-fits-all approach to DEI governance. However, McLean & Company recommends organizations leverage a combination of DEI project teams, committees, and/or advisory groups in addition to senior leadership support.

# Workload remains a challenge for many DEI practitioners

#1

The top reported challenge to DEI progress was lacking **dedicated time** to perform the work associated with DEI. *n=224*

DEI teams are supporting a range of organizational initiatives, with respondents selecting an average of five of the nine areas listed.

For most, their focus is primarily on specific efforts related to diversity, equity, and inclusion. However, the mandate is broadening for some, with DEI advising on culture, corporate social responsibility, and wellbeing, among other areas.

This breadth of scope may result in blurred functional boundaries and limited time and capacity for DEI teams to dedicate to DEI work.

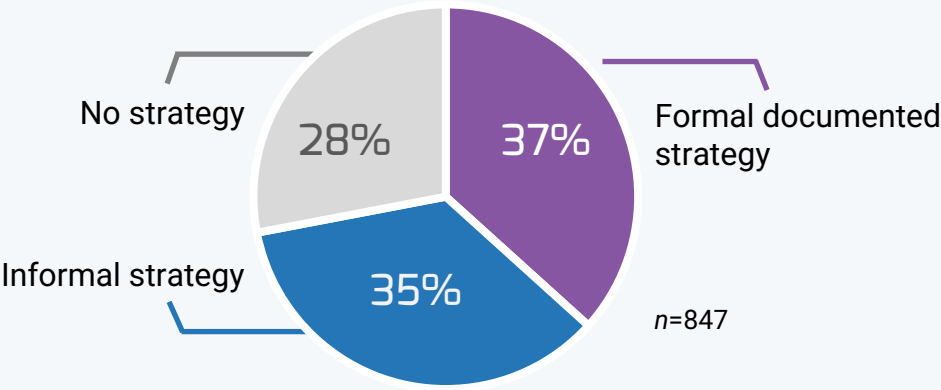
Areas that DEI functions are advising organizations on



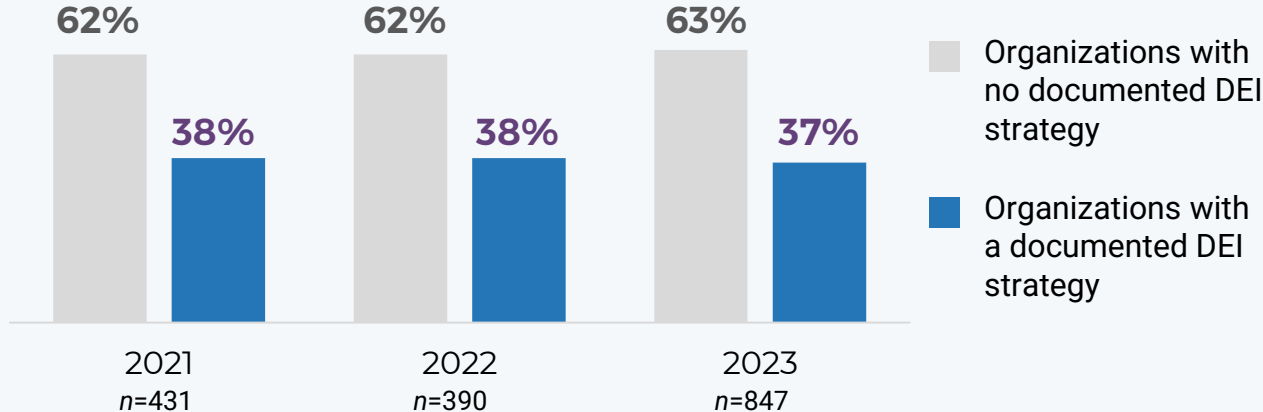
*n=319*



# Only a third of organizations have a formal DEI strategy



The number of organizations without a formal strategy has remained stagnant over the last three years.



Strategic DEI continues to be closely related to key organizational outcomes. Compared to organizations with no strategy, organizations with a DEI strategy are:

**1.4x**

more likely to report high overall organizational performance.

n=842

**1.8x**

more likely to be high performing at social and environmental sustainability.

n=769

**2.4x**

more likely to be high performing at DEI.

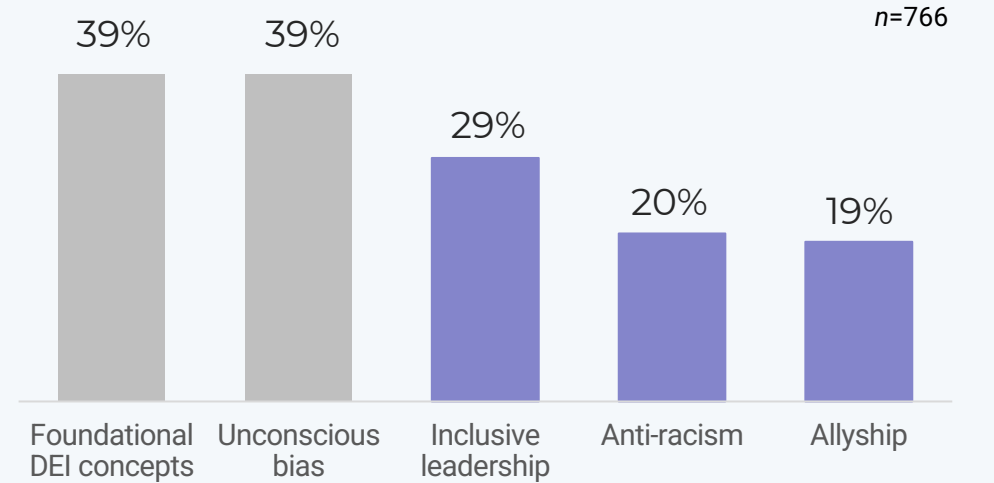
n=841

# Competency-based DEI training can positively impact leadership support

**29%** of organizations report lack of leadership support as a barrier to DEI progress (n=223). **Only half** of organizations are providing leaders with DEI-specific training (n=766). **However**, leadership buy-in is **2.3x** more likely to be a challenge for organizations that don't provide DEI-specific training (n=218).


Training in DEI alone has historically demonstrated limited benefits for DEI progress. Much of this training has focused on creating awareness of DEI-related concepts, with more recent advancements focusing on competency-based training (e.g. anti-racism). Competency-based training helps to elevate leadership support from passive buy-in to active partnership and ownership of DEI work practices.

Percentage of organizations offering each type of DEI-specific training for leaders:



Organizations that leverage competency-based training, including inclusive leadership, anti-racism, and allyship, are:

**40%** more likely to be high performing in DEI compared to those leveraging awareness-based training. n=375



**Insight**

It is time to move beyond foundational awareness and toward active ownership. Competency-based training offers an opportunity to help leaders actively demonstrate and reinforce DEI practices in their day-to-day work. However, training is only one component of a broader DEI strategy – DEI must be embedded throughout organizational programs and policies to ensure uptake and accountability.

# What comes next?

Making space for DEI is not easy. Common roadblocks in governance, leadership, strategy, and data take time and effort to solve, and time is also at a premium for DEI professionals in an environment where the scope of their work continues to increase. Quick wins on the road to long-term progress will be key in 2023. With the complexity and interconnected roadblocks slowing DEI progress, improving and expanding data collection may be the best initiative to focus on in 2023. Solid DEI data informs strategy, demonstrates gaps and urgency to leaders, and informs decisions on governance. In the long term, organizations must focus on a solid strategic foundation and recognize that progress does not happen overnight.

## Actions and practical resources

- [Diversity, Equity & Inclusion \(DEI\) Resource Center](#)
- [Create a People-First Diversity, Equity, and Inclusion Strategy](#)
- [Online Workshop: Diversity, Equity, and Inclusion Strategy](#)
- [Diversity, Equity & Inclusion Pulse Survey](#)
- [Embed Inclusion Into the Organization's Culture](#)
- [Article: Inclusive Leaders Play an Integral Role in Improving the Employee Experience](#)
- [Equip Managers to Adopt Inclusive Leadership Behaviors](#)
- [Training Program: DEI Foundations for Leaders](#)



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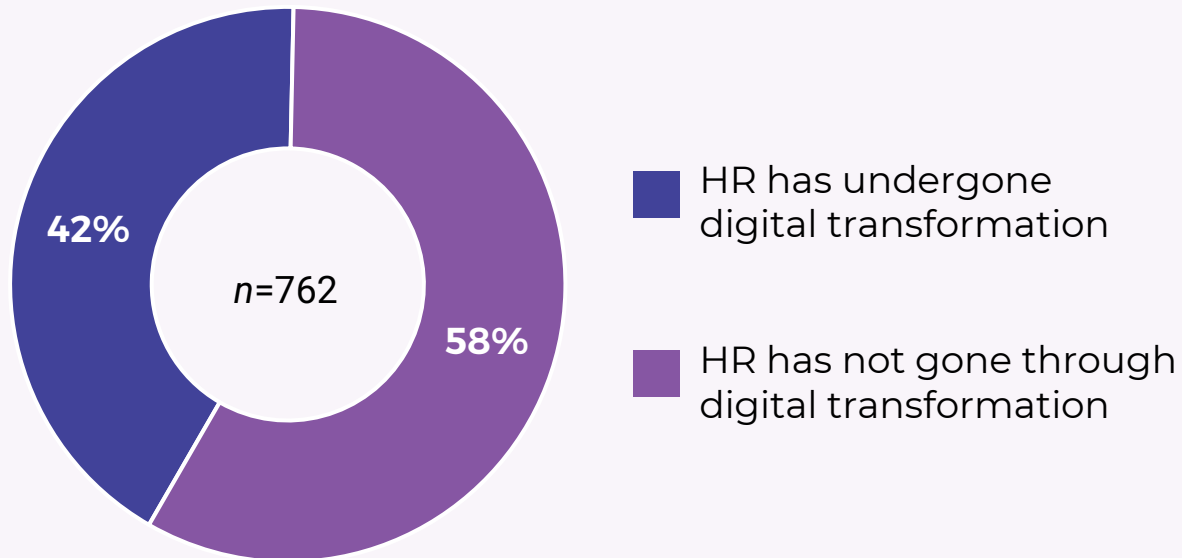
## Charting the Course to HR Digitization

HR digitization requires a customized approach to achieve strategic value for both HR departments and the organization. Successful HR digitization can be a differentiator between transactional HR and HR strategic business partnership. While many organizations have already reaped the benefits of HR digitization, many others are facing roadblocks on their HR digitization journeys.



# HR's digital transformation is closely tied to performance and effectiveness

Most respondents report their HR departments have not yet undergone digital transformation.\*



HR departments who have undergone digital transformation are:

**1.7x** more likely to report they are high performing at facilitating data-driven people decisions.  
*n=755*

**1.2x** more likely to report their HR departments are highly effective (i.e. producing desired outcomes or results).  
*n=753*

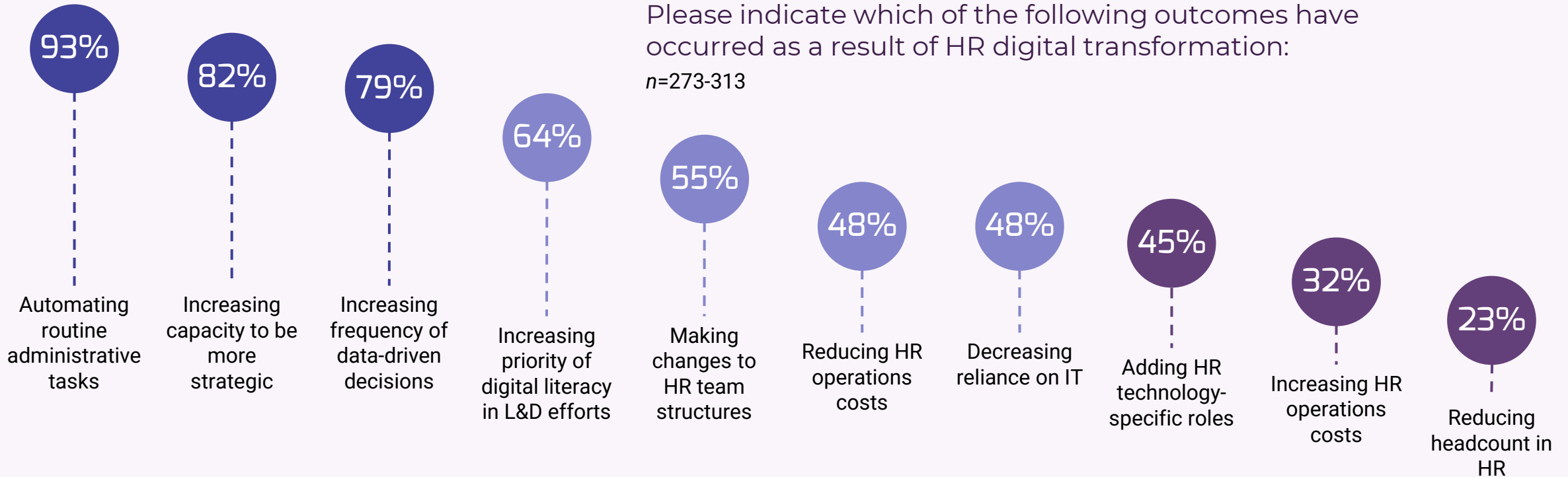
Similarly, organizations where HR has undergone digital transformation are:

**1.3x** more likely to report they are high performing at quickly changing at scale to capitalize on new opportunities.  
*n=755*

**1.2x** more likely to report they are high performing at generating and implementing new ideas and workforce productivity.  
*n=760*

\*Digital transformation: The conversion of processes, documents, and other organizational information into a digital format through the use of digital technology.

# Digital transformation enables HR to be more strategic



Top outcomes are directly tied to HR's strategic capabilities.

The top three reported outcomes of digital transformation have **clear links to HR's ability to be more strategic**. Automating administrative tasks frees up capacity for HR to focus on more strategic activities, and digitization allows HR to better leverage data in strategic decision making.



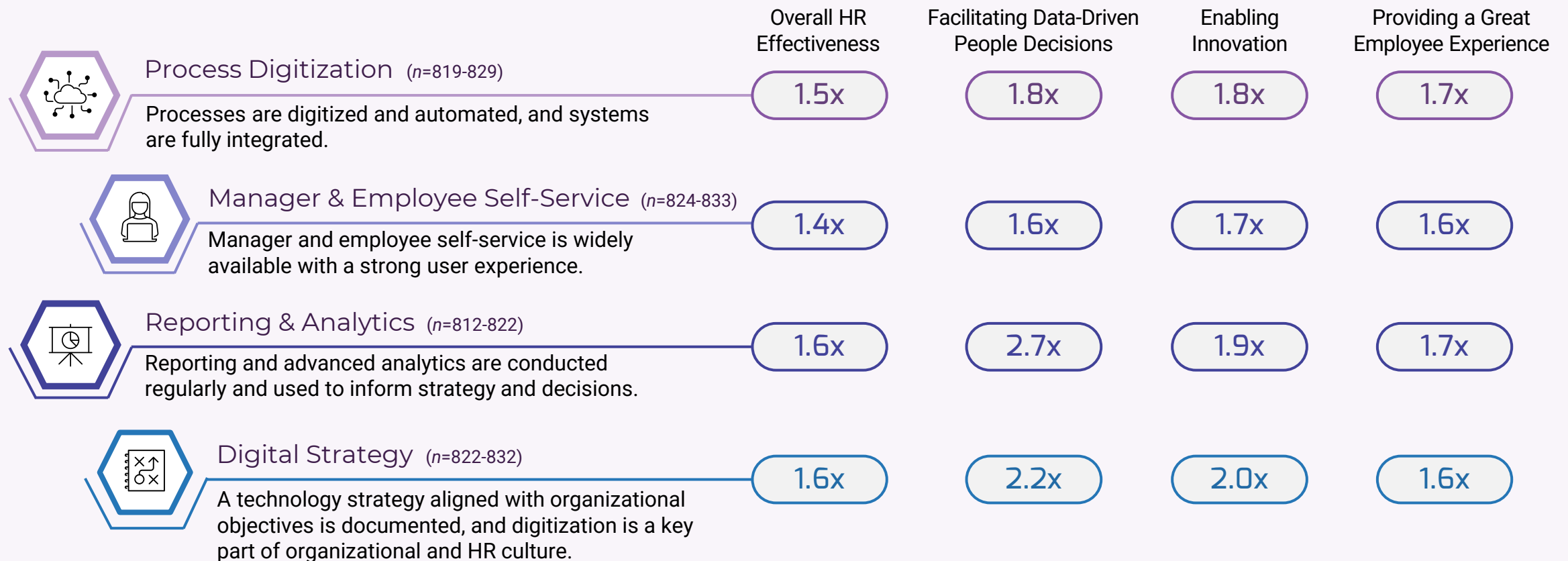
**1.2x**  
n=743

HR departments that report they have gone through digital transformation are 1.2x more likely to report they are a **partner in planning and executing strategy for their organizations**.

# Maturity across HR technology enablers is closely tied to crucial HR outcomes

HR departments whose HR technology is mature in the following enablers...

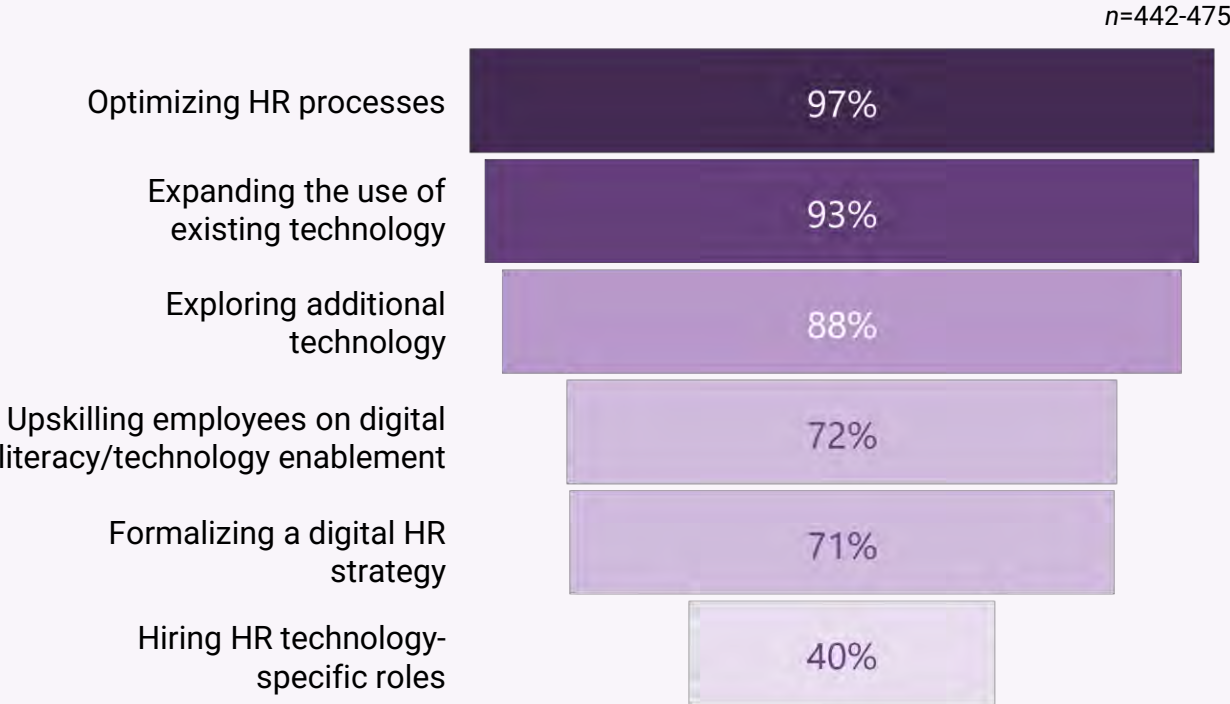
...are more likely to report they are high performing in the following HR outcomes:



# Many HR departments are still working on digital transformation

65%

of respondents report they are either preparing for or currently supporting HR digital transformation. *n=753*

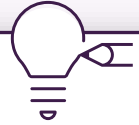


HR departments are at different stages of their digital transformation journeys.

The benefits of HR digital transformation are clear: becoming a more effective and strategic HR department equipped with the ability to make data-driven decisions.

Self-service and automation are key outcomes of digital transformation, and nearly all respondents in the process of digital transformation are focused on optimizing HR processes and exploring the best use of technology, including existing technology.

Far fewer organizations are developing a formal HR digital strategy or aiming to upskill employees on digital literacy, and only two in five organizations are aiming to hire HR technology-specific roles.



**Insight**

A lack of formal strategy and a potential skill gap could hinder HR's ability to achieve the desired strategic value of HR digital transformation.

# However, a variety of barriers are hindering progress in HR digital transformation

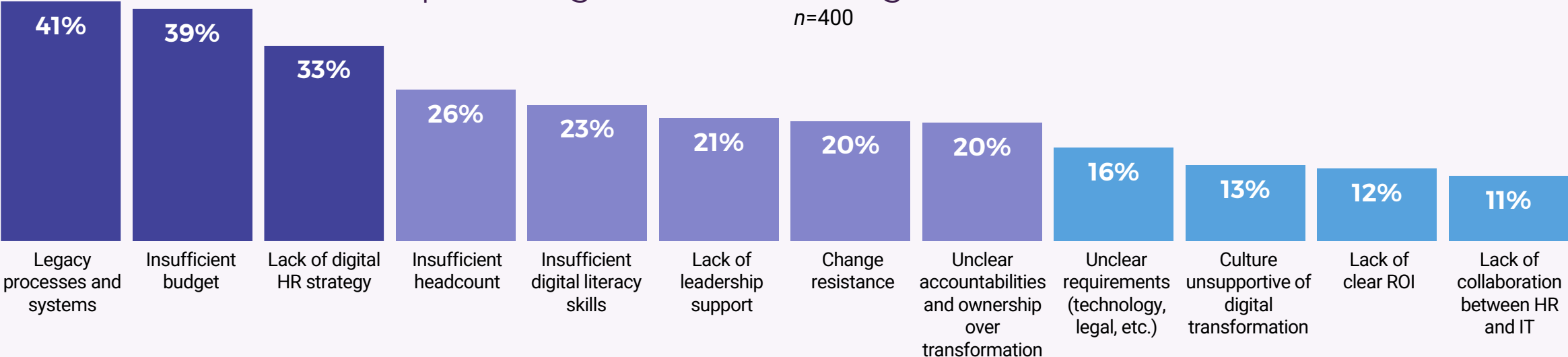
**55%** n=738  
of respondents report they are experiencing significant challenges or barriers to HR's digital transformation.

Unfortunately, these barriers are interrelated and challenging to tackle. Modernizing processes and systems requires financial and people resources, which are difficult to secure without support from leadership. Additional layers of complexity are added when employees lack the skills or willingness to adapt to a new digital environment.

What's more, a third of respondents indicate the lack of a digital HR strategy is a significant barrier. **Without a strategy to chart the course and embed a sense of ownership, purpose, and direction, what is already a highly complex transformation journey becomes even more of a challenge.**

Top challenges or barriers to digital HR transformation

n=400

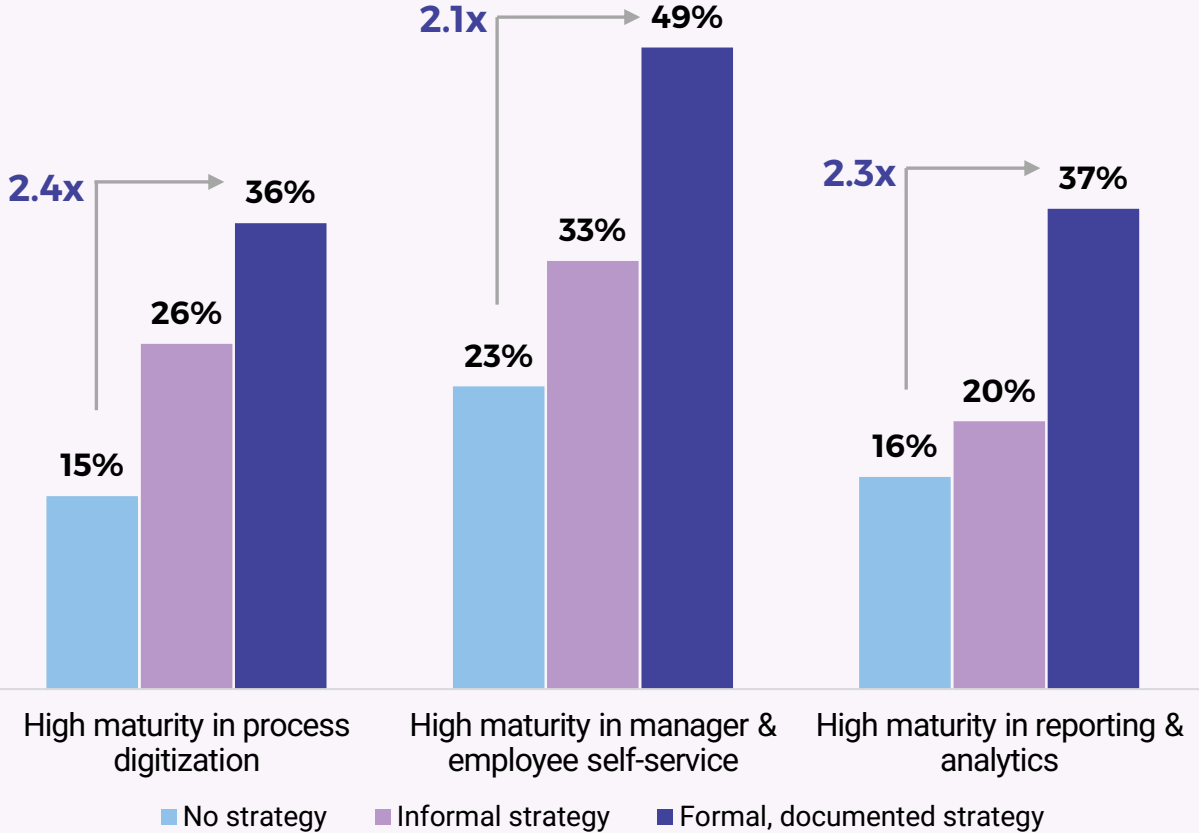




# Strategy provides the foundation for maturity across HR technology components

Levels of HR technology maturity are highly dependent upon the state of the organization’s digital HR strategy.

n=797-800

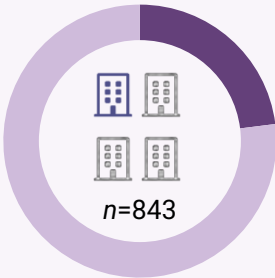


A strong strategic foundation is a key driver of HR technology maturity.

Organizations across the board report low levels of HR technology maturity.

Organizations reporting that they have a formal and documented digital HR strategy are up to 2.4x more likely to report high maturity in HR technology elements, compared to organizations with no strategy.

This finding strongly reinforces the need for HR departments to create a solid foundation by establishing a formal strategy as the first step in their digitalization journey.



# HR must place employees at the center of their digital transformation journeys

Effective HR departments that have undergone or are preparing for digital transformation are much more likely to prioritize equipping employees with the necessary skills.

Highly effective HR departments are...



**1.2x**  
n=283-453

- more likely to report they are upskilling employees on digital literacy and technology enablement.
- more likely to report they are increasing priority of digital literacy in L&D efforts.

**Insight**

To maximize and sustain the benefits of HR’s digitization journey, employees must understand the purpose of digitization, know what’s in it for them and the organization, and be equipped with the appropriate skill sets.

Highly effective HR departments recognize this and are centering the development of employee skill proficiency in digital literacy and technology enablement.

# What comes next?

The benefits of HR digitization are clear, but successful digitization continues to be difficult, with more than half of respondents reporting significant challenges or barriers. HR departments should start by partnering with stakeholders to create a digital HR strategy. Meanwhile, legacy processes and systems along with a lack of budget have emerged as the top two challenges, and HR must achieve leadership buy-in to secure the resources required to move forward.

## Actions and practical resources

- [Develop a Holistic Digital HR Strategy](#)
- [Online Workshop: Develop a Digital HR Strategy](#)
- [Use Dashboards to Become a Data-Driven HR Function](#)
- [Get Started With HR Analytics](#)
- [Training Decks: Data Literacy for HR Professionals](#)
- [Change Management Resource Center](#)



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## The Struggle to Close Skill Gaps

As organizations continue to operate in an increasingly volatile, uncertain, complex, and ambiguous environment, HR can improve outcomes by taking a proactive, long-term, and innovative approach to building skills within the workforce.

# Key terms used in this section include:

## Highly Effective at Building Talent

Composite measure of respondents who scored 10 or above (out of a maximum score of 12) when asked to rate HR's performance in enabling innovation and learning & development.

## Types of Competencies:

- Role-specific functional competencies (e.g. talent acquisition, sales support, production operations)
- Personal competencies (e.g. empathy, resilience, digital literacy)
- Strategic competencies (e.g. business acumen, relationship building, organizational awareness)
- Leadership competencies (e.g. people management, strategic leadership and execution)



# Skill gaps are widespread, and organizations are closing them by building and buying

Skill and competency gaps remain prominent, and organizations are using a number of tactics to close them.

In the *2022 HR Trends Report*, 90% of respondents indicated their organizations had management skill gaps. **This year, only 3% of organizations reported no skill gaps at any level**, from individual contributors to senior leadership (n=827).

This is concerning and represents a risk to organizations' ability to remain competitive in the medium and long term. Organizations are building and buying talent at the same rates, but a long-term approach to closing skill gaps requires investment in building talent. Recruiting requires reactive adjustments to a volatile labor market, while strong development allows for proactive adjustment.

**70%** of respondents report they are taking action to close identified skill and competency gaps.  
n=702

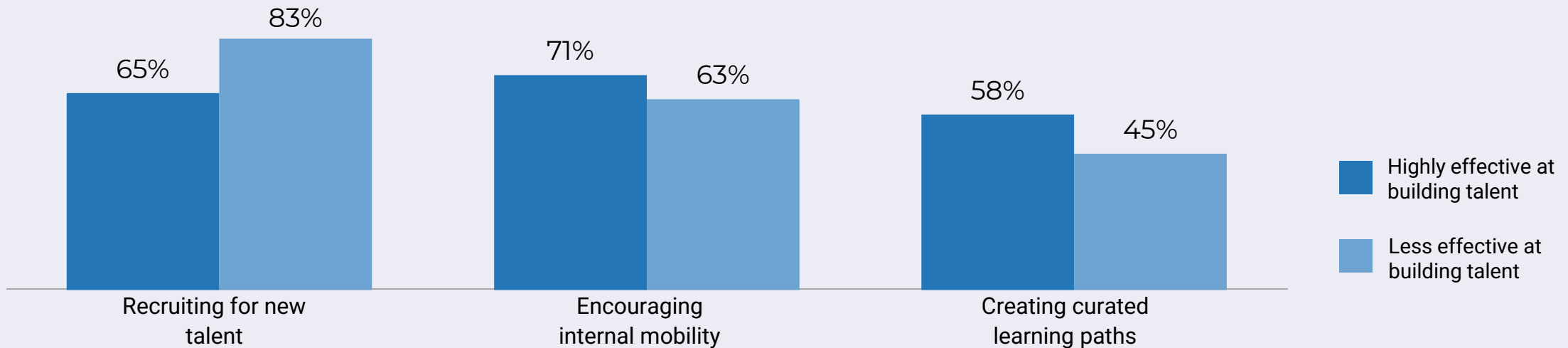
Actions taken to close skill gaps n=481



# HR departments effective at building talent rely less on recruiting to fill gaps

What is your organization doing to close identified skill and competency gaps?

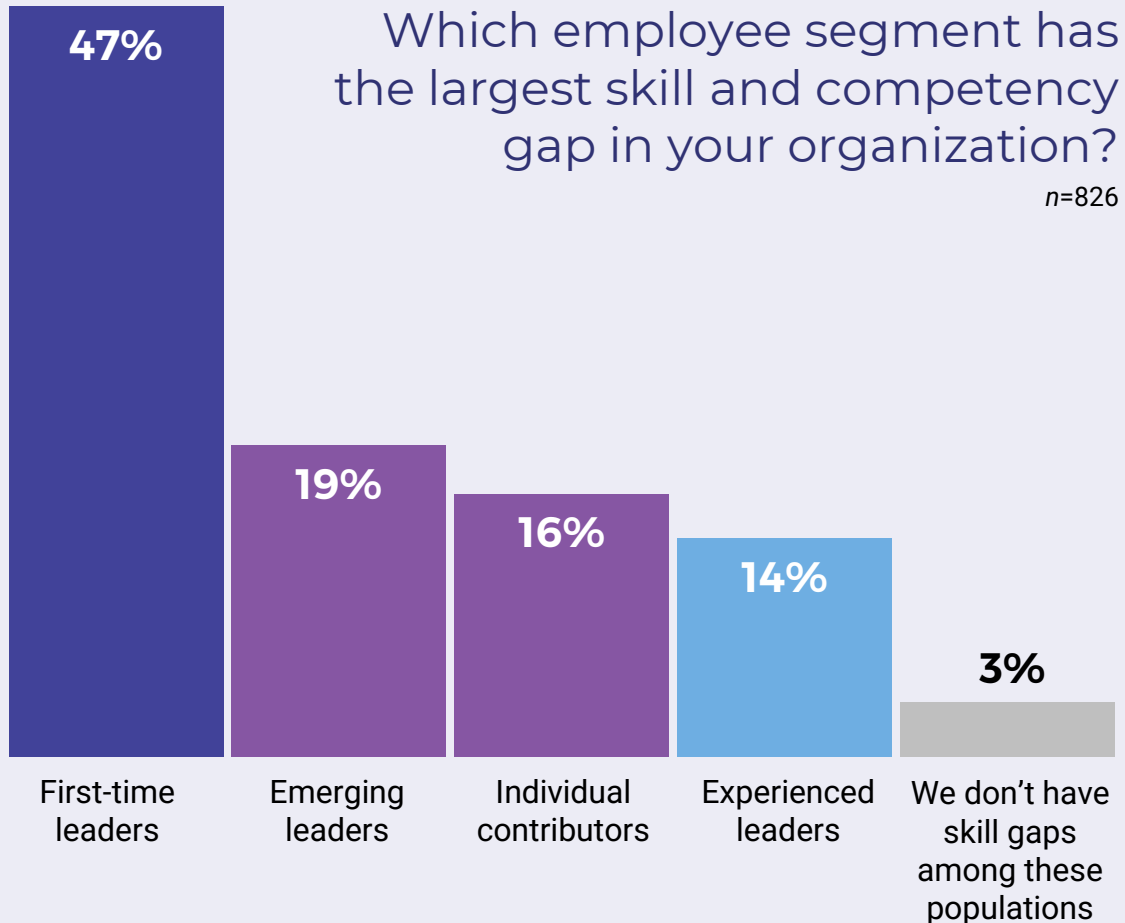
n=483



Higher effectiveness at cultivating talent internally reduces HR's need to rely on the labor market to fill skill gaps.

Organizations whose HR departments are highly effective at building talent internally are 1.3x less likely to recruit new talent to close skill gaps (n=479). Rather, they are more likely to leverage internal measures to build talent, such as encouraging internal mobility and creating curated learning paths. With recruiting as the top priority for many organizations, being less beholden to the volatile labor market represents a significant advantage.

# Organizations must prioritize building first-time leaders' leadership capabilities



Investment into first-time leaders (FTLs) is a significant opportunity for many organizations.

First-time leaders are significantly more likely to have skill and competency gaps than any other employee segment. They are promoted or hired into management roles after excelling in individual contributor roles, which may be contributing to this trend.

Findings suggest that many FTLs are unprepared to lead others or work more strategically.

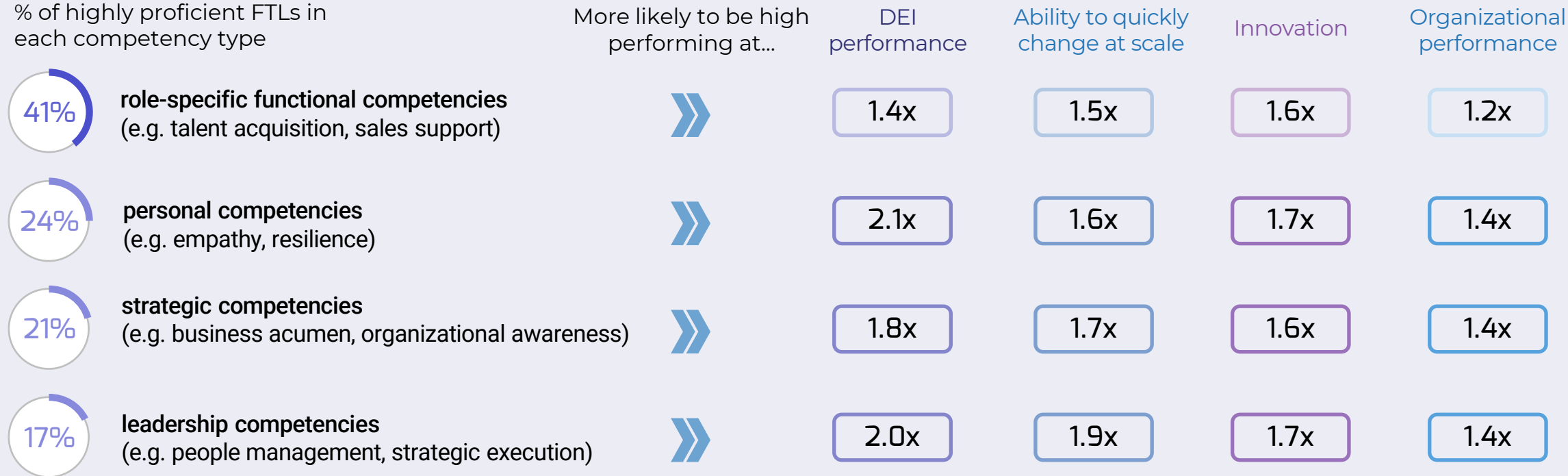
# First-time leaders are most proficient in competencies least associated with leadership

First-time leaders (FTLs) excel at role-specific functional competencies while lagging in those required from people leaders.

n=876-883

There is an opportunity to offer development in **personal, strategic, and leadership competencies**, which have clear links to organizational outcomes.

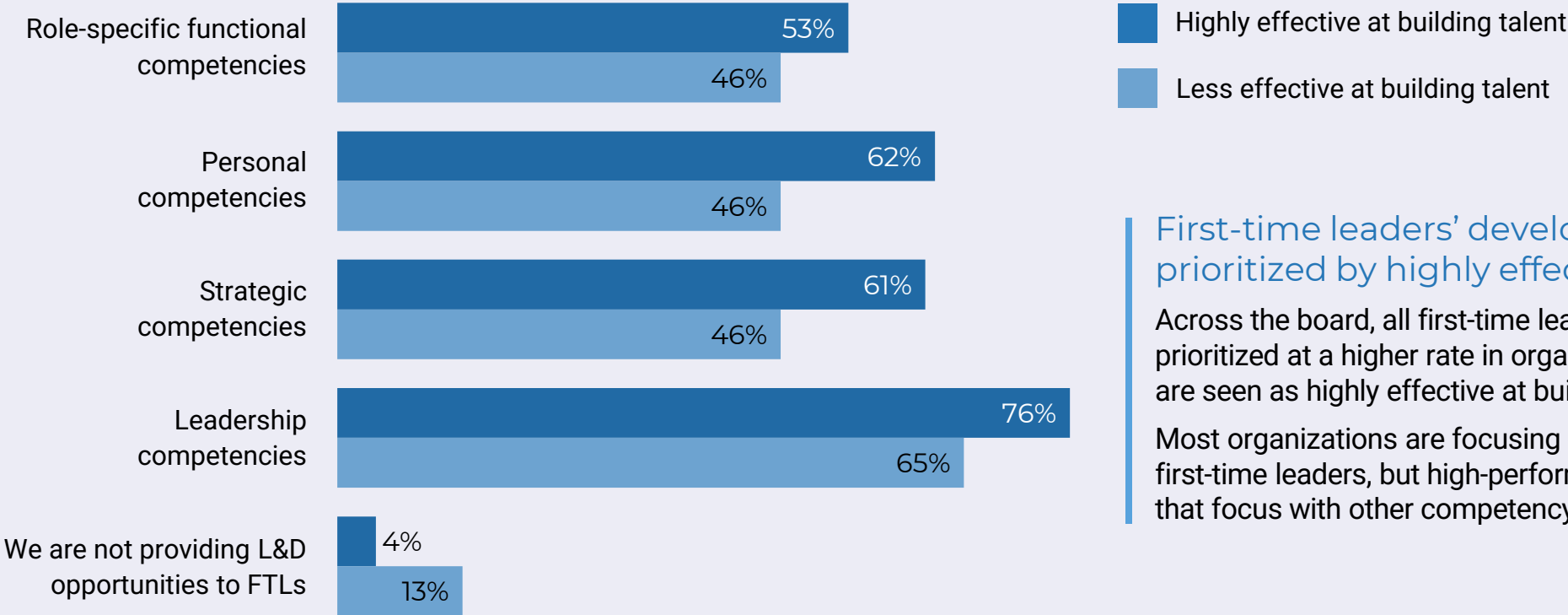
n=799-880





# Effective HR departments recognize the importance of developing first-time leaders

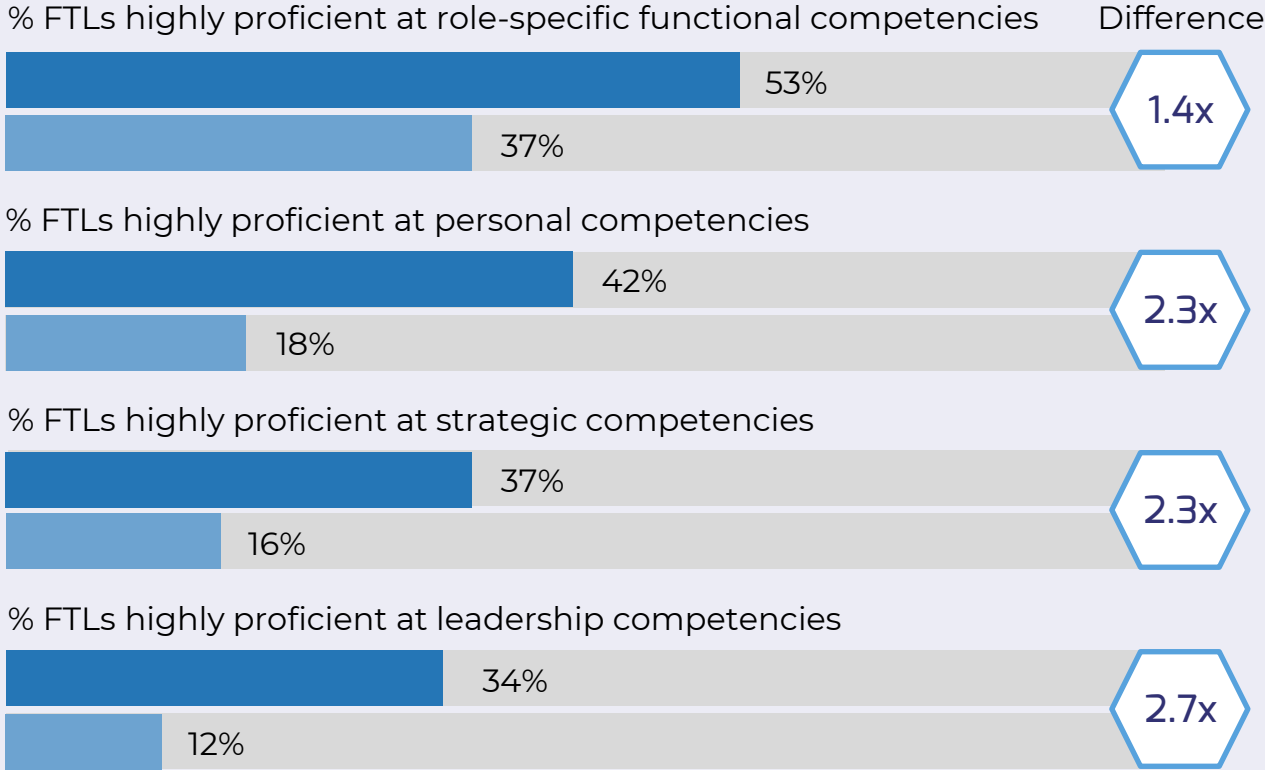
Organizations likely to prioritize each competency type in L&D efforts *n=859*



First-time leaders' development is more highly prioritized by highly effective HR departments. Across the board, all first-time leader competencies are being prioritized at a higher rate in organizations whose HR departments are seen as highly effective at building talent. Most organizations are focusing on leadership competencies for first-time leaders, but high-performing organizations are balancing that focus with other competency development as well.

# Effective HR departments are a catalyst for first-time leaders' proficiency across competencies

HR's effectiveness at building talent is reflected in the proficiency of FTLs in key competencies. n=875-882



- HR is highly effective at building talent
- HR is less effective at building talent

HR effectiveness has close ties to FTLs' ability to demonstrate quality people leadership.

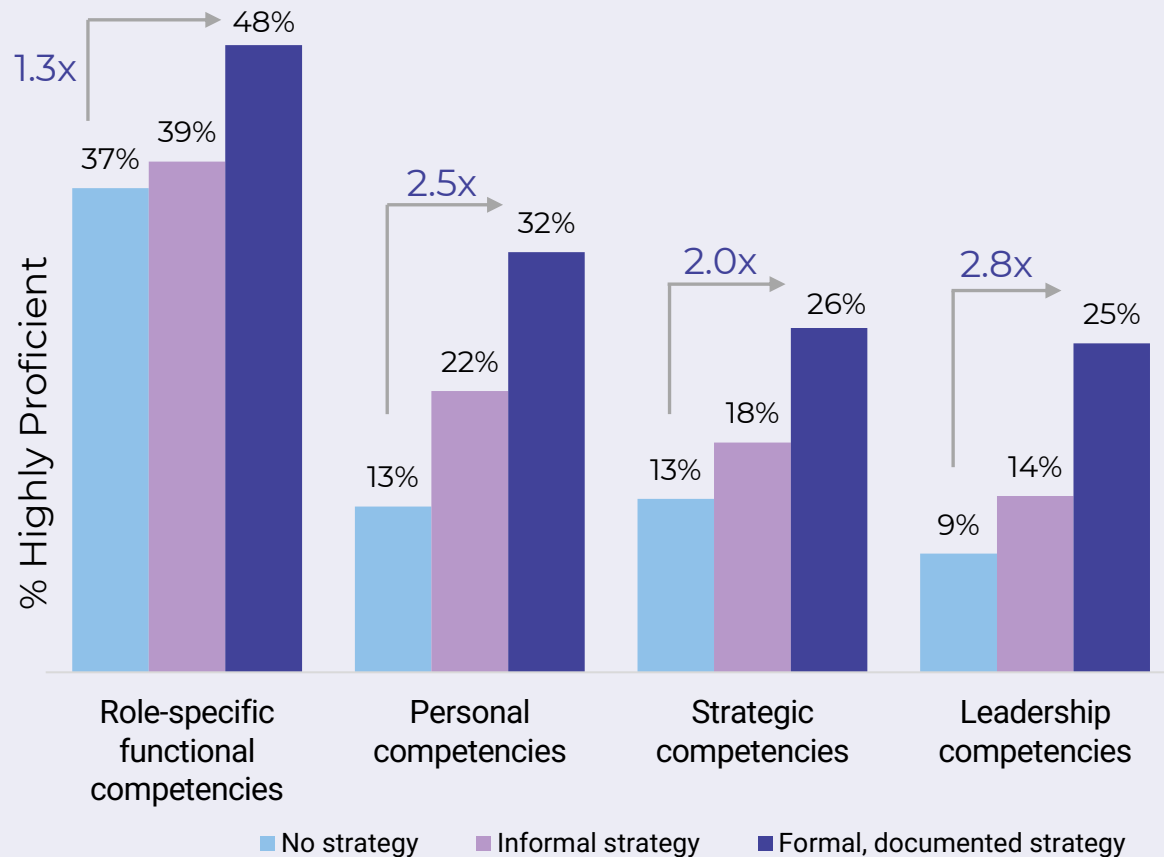
**HR's involvement in building talent demonstrates the largest payoff in FTLs' leadership competencies.** Conversely, it has the least impact on role-specific functional competencies.

This finding suggests HR is better able to facilitate the development of more universally applicable competencies, such as managing people, rather than technical skills related to specific jobs.

# Having a formal and documented L&D strategy is crucial to success

FTLs at organizations with a formal and documented L&D strategy are markedly more highly proficient across competency types.

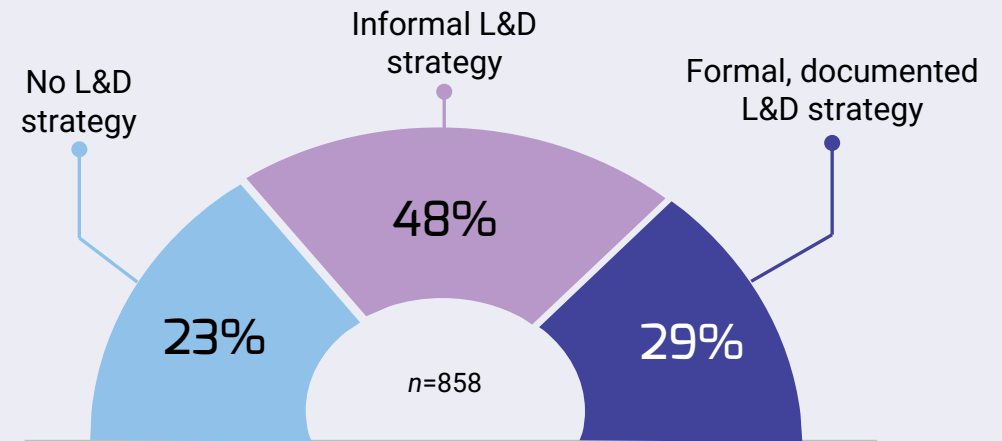
n=727-734



A documented strategy that formalizes ways to develop FTLs shows clear returns.

Organizations with a formal, documented L&D strategy are much more likely to report their FTLs are highly proficient across the four types of competencies. This is particularly the case for leadership competencies, which are crucial for FTLs as they initially transition into a people leadership role.

Unfortunately, just over a quarter of respondents report they have a formal, documented L&D strategy.



# What comes next?

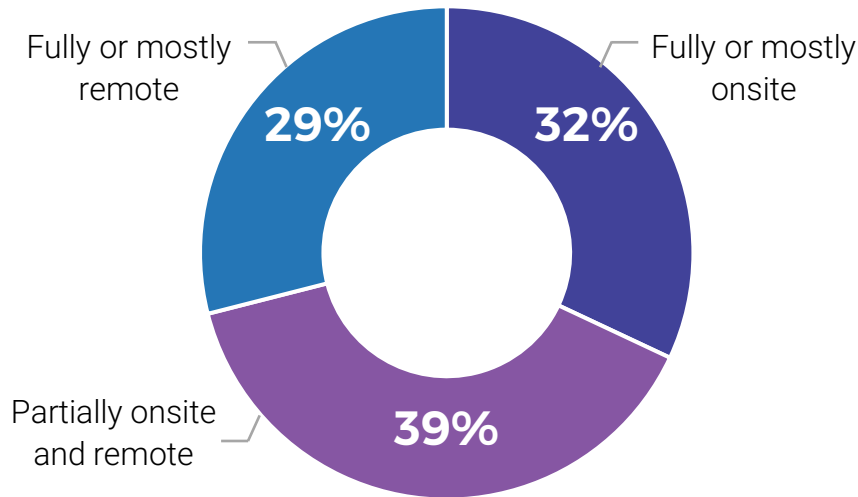
Skill gaps, once thought of as something to be solved, have become a fact of organizational life as the external environment is changing too quickly to permanently close them. The question becomes, how can you prepare your organization to address skill gaps proactively rather than reacting to them after they've already become a problem? The most effective organizations are doing so by proactively building internal talent through development, thus reducing reliance on a volatile labor market, alongside recruiting new talent. The most pressing skill gap to address in 2023 is that of first-time leaders, who lack critical leadership and strategic competencies needed to be successful in their new roles. HR must prioritize their development and provide them with opportunities to develop key leadership skills.

## Actions and practical resources

- [Create a Learning and Development Strategy](#)
- [Training Program: Management Fundamentals for First-Time Managers](#)
- [Online Leadership Training](#)
- [Leadership Coaching](#)
- [360 Feedback Diagnostic](#)
- [Streamline the Internal Hiring Process](#)
- [Uncover and Market Internal Career Path Opportunities](#)
- [Online Workshop: Core and Leadership Competencies](#)

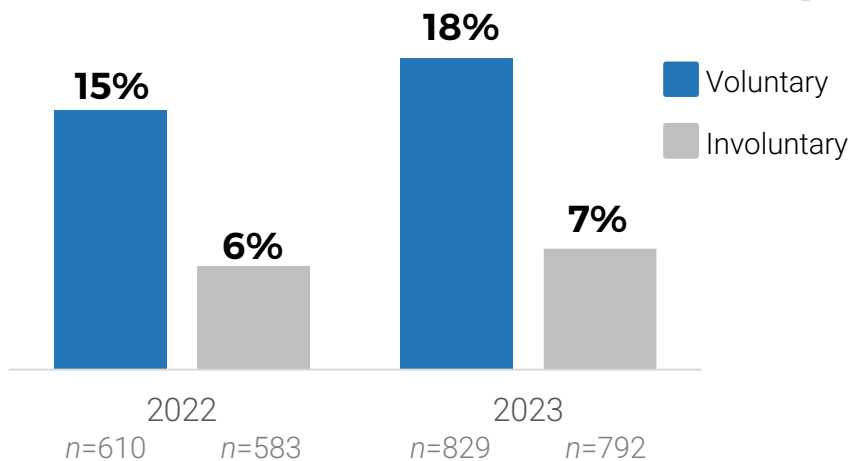
# Appendix I

### Remote Employees

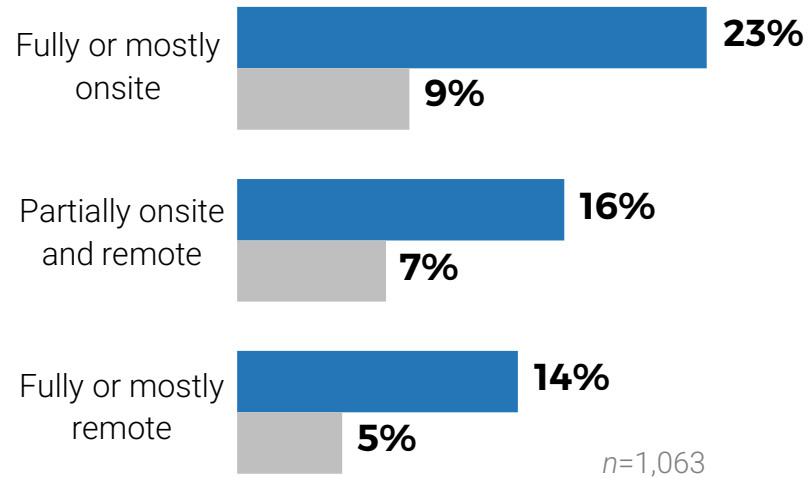


n=1,062

### Turnover Rates

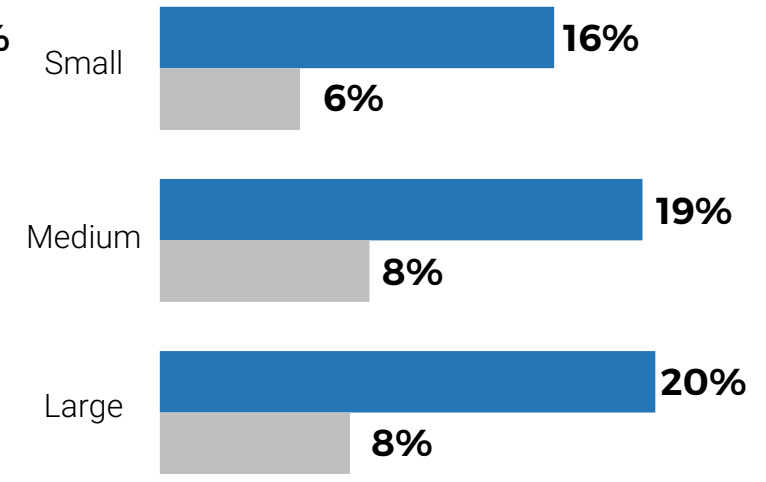


### Turnover by Remote Status\*



n=1,063

### Turnover by Organizational Size\*



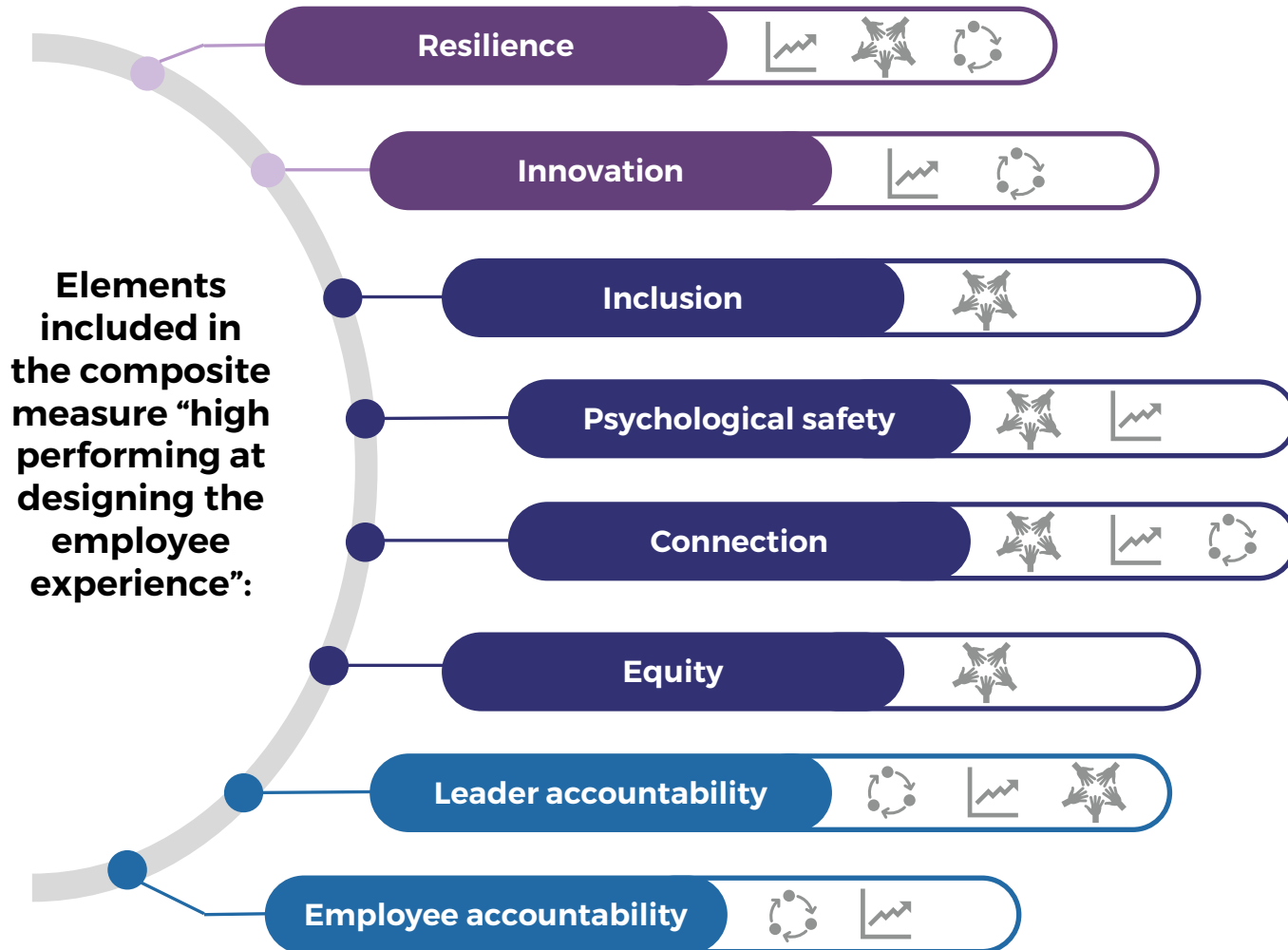
■ Voluntary (n=829)
 ■ Involuntary (n=792)

*\*Note: Turnover data should be interpreted with caution as results are likely mediated by industry.*

Since 2022, average voluntary turnover increased by **4 percentage points** and involuntary turnover decreased by **2 percentage points**, suggesting that attracting and retaining talent will remain a concern for organizations across industries.



# Appendix II



**Methodology:** “High performing at designing the employee experience” is a composite measure of the eight measures on the left. The employee experience is the cumulation of key moments within the lived experiences of employees that make up their daily work life. The composite measure aggregates respondents’ ratings of their organization’s performance in multiple dimensions of work, each of which have been found to be strongly correlated with various organizational outcomes.

**Icons denote strong correlations with the following organizational outcomes:** (n=936-942)



Workforce productivity



DEI performance



Ability to quickly change at scale to capitalize on new opportunities



McLean & Company is the trusted partner of HR and leadership professionals around the world.

Our memberships are designed to provide what you need to drive the organization forward – from full-service assessments to practical action plans, impactful training, and more.

When you pair our comprehensive resources with our collaborative services, there's nothing between you and your goals. As a partner, we listen first to understand your situation, then guide you through each step of the way so you get where you want to be, faster and with confidence.

**At McLean & Company, we're passionate about empowering leaders like you to shape a workplace where everyone thrives.**

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# McLean & Company offers various levels of support to best suit your needs

## DIY Toolkit

“Our team has already made this critical project a priority, and we have the time and capability, but some guidance along the way would be helpful.”

## Guided Implementation

“Our team knows that we need to fix a process, but we need assistance to determine where to focus. Some check-ins along the way would help keep us on track.”

## Workshop

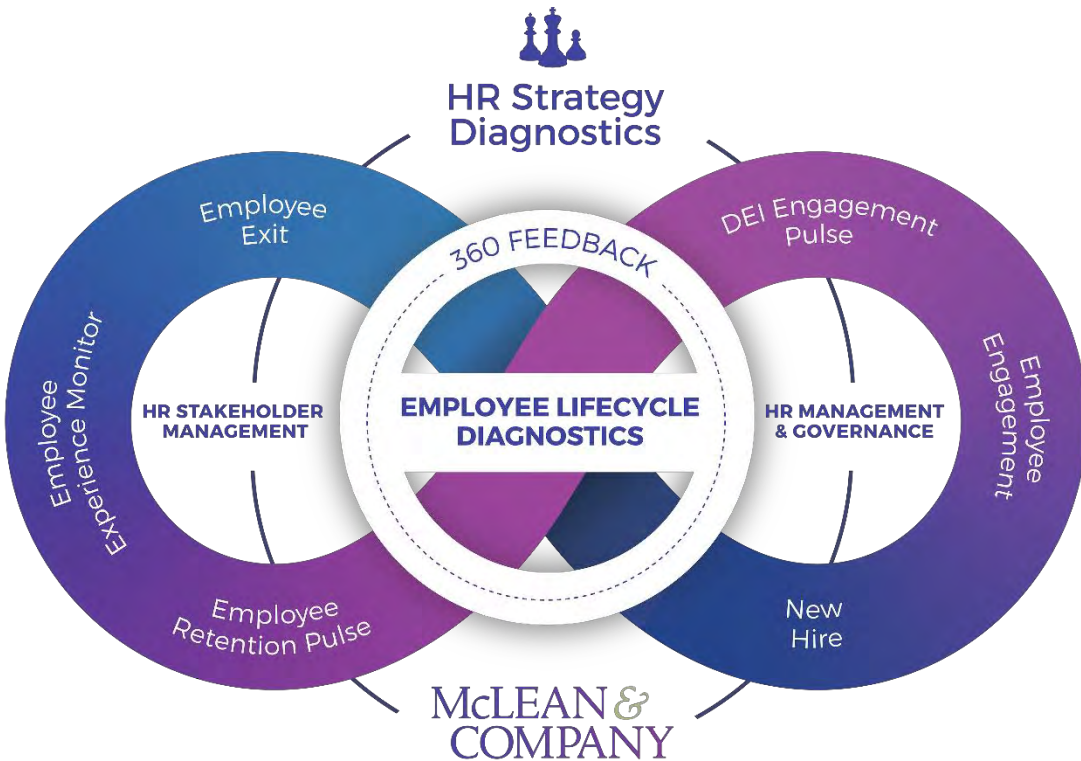
“We need to hit the ground running and get this project kicked off immediately. Our team has the ability to take this over once we get a framework and strategy in place.”

## Consulting

“Our team does not have the time or the knowledge to take this project on. We need assistance through the entirety of this project.”

**Diagnostics and consistent frameworks are used throughout all four options.**

# Build a Data-Driven Strategy Using Full-Service Diagnostic Programs



## Improve Employee Experience and HR Processes

### New Hire Survey

Ensure recruiting and onboarding programs are effective by surveying new employees.

### Employee Engagement

Move beyond measuring job satisfaction with a comprehensive view of engagement.

### Diversity, Equity, and Inclusion Engagement Pulse

Take a thoughtful approach to mobilize inclusion efforts across your organization.

### Employee Retention Pulse

Identify the early signs of employee turnover and develop a talent retention strategy.

### McLean Employee Experience Monitor

Evolve to leader-driven engagement with a real-time dashboard and results.

### Employee Exit Survey

Understand why people leave the organization in order to proactively retain top talent.

### 360 Feedback

Empower employees with a holistic view of their performance to prioritize development.

## Optimize the HR Department for Success

### HR Organizational Alignment Diagnostic

Align HR initiatives with business strategy and organizational needs.

### HR Management & Governance Diagnostic

Improve HR's core functions and drive project success.

# Develop managers and your HR team with our learning solutions



## McLean Academy

A self-paced eLearning program for HR professionals. The curriculum is built around McLean's HR framework and provides practical, outcome-driven advice on tackling HR initiatives.



## Elevate HR Online

A blended learning program designed to develop a strategic HR mindset and help HR practitioners better respond to the growing complexity of the workplace of the future.



## Management Fundamentals Online

A practical, interactive, and impactful blended learning program designed to develop foundational management capabilities.

Develop your managers with our interactive remote training sessions.

Sample topics include:

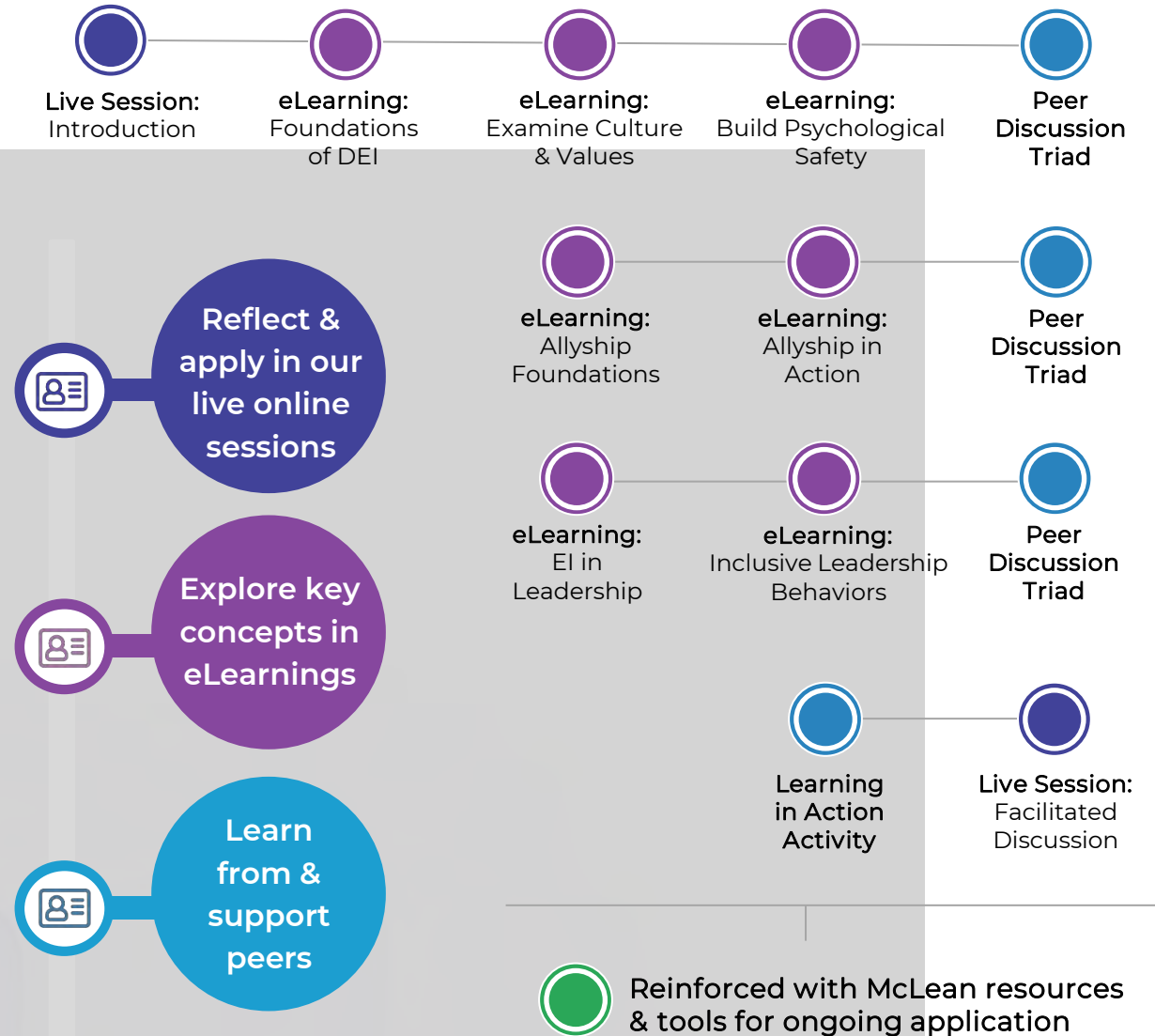
- Master the 3i's of Employee Engagement
- Build High-Performing Teams
- Master Difficult Conversations
- Emotional Intelligence in Leadership
- Inclusive Leadership
- Lead Through Change
- Manage Remote Teams
- Give Effective Feedback and Coaching
- Systems Thinking



# DEI Foundations for Leaders

As a part of your organization’s DEI journey, equip your leaders with the skills and knowledge required to build an inclusive culture that leverages diversity and focuses on equity.

Partner with us to launch our flexible blended learning program that focuses on key DEI concepts. This program is coordinated by us for your ease of use and run by our skilled facilitators.



# Leadership Development Coaching

Maximize your leaders' performance, potential, and engagement with our Leadership Development and Engagement Coaching offerings. Our trained coaches work one on one with your leaders in a confidential environment to accelerate their self-awareness and development.

## Help Leaders:

- 1 Build self-awareness by understanding how they are perceived by their direct reports, peers, and manager.
- 2 Identify strengths and opportunities for personal growth.
- 3 Take control of and accelerate their own development.



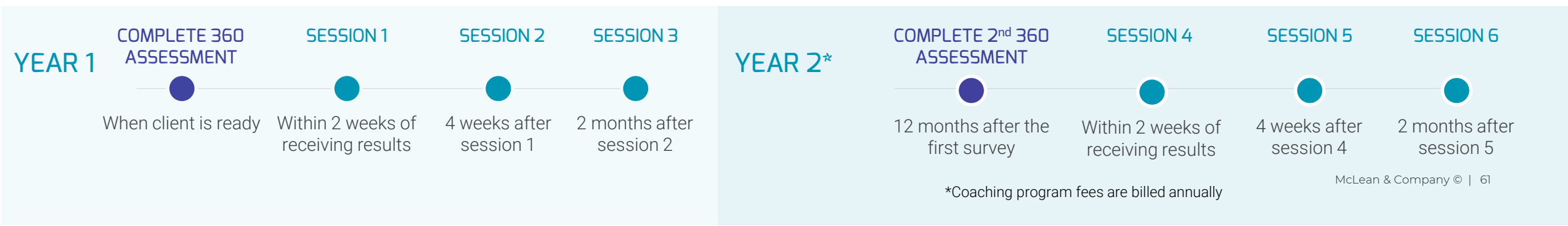
## How It Works

This virtual coaching is available for groups of **10+ leaders** in your organization. After completing a **360 Feedback Assessment**, each leader will receive **three 50-minute 1:1 sessions with a trained coach**.

This four-month program can be supplemented with additional sessions in year two for an additional fee. This coaching is offered to clients that:

- Use our 360 Feedback assessment, or
- Have purchased Elevate HR, or
- Have purchased Management Fundamentals.

Note: A similar coaching program is also available for Engagement, focusing on team engagement results and helping leaders hold a team discussion and act on results.



\*Coaching program fees are billed annually

# Executive Counselor Membership

## The Counselor Membership Difference Features:

You'll get a dedicated Executive Counselor who is a **former senior HR executive** and has been in your shoes.



You will benefit from **two full-day annual onsite or online advisory sessions** throughout the year (along with unlimited scheduled and ad hoc phone calls) that **integrate your Executive Counselor as a trusted part of your professional support network**. Use these meetings to cover anything you'd like, from prioritizing your own development to working through a project.



Your Executive Counselor can help you **navigate board or executive-level challenges** and prepare for meetings.



You will gain **exclusive access** to an annual **HR Executive Peer Forum** where participants will explore the latest people and culture research and make meaningful connections with CHRO peers while sharing experiences and learning from others.



Your membership includes the ability to request facilitated networking and/or special interest groups related to your top priorities.

Your dedicated Executive Counselor will provide a high-touchpoint, customized experience to help you develop yourself and your team while increasing your personal and functional strategic impact. The McLean Membership serves your firm; the Counselor membership serves you personally.



Leverage your **personal Executive Counselor** to make your personal and professional development a priority.

Your **customized Personal Leadership Development Plan** created with your trusted Executive Counselor will link to your personal and organizational goals and values.

You'll develop a custom, authentic **Leadership Brand** that allows you to thrive and better market your unique value proposition.

The 90-day **"Follow Me"** service provides continued access to your McLean membership even upon leaving your organization.

### Plus:

**Network and collaborate** with fellow senior HR leaders in **Quarterly Leadership Peer-to-Peer Roundtables**.

Receive **two** tickets that can be used to attend either McLean & Company's **Signature Conference** or our virtual **Elevate HR** strategic leadership development course. Choose whichever option works best for you.

# Leadership Membership

## The Leadership Membership Difference

This membership will give you the tools you need to push your HR department further, faster. Complete major projects with the help of a dedicated Executive Advisor who is a **former HR leader**.



You'll get a dedicated **Executive Advisor** who is a former HR leader with deep experience across many research areas. They will help you identify strategic initiatives, prioritize projects, and mitigate challenges. They will direct you to the relevant research or subject matter experts (SMEs) and help keep you on track. We recommend you meet at a minimum quarterly for a touchpoint, in addition to the unlimited advisory calls while working with our SME advisory team, with flexibility to leverage additional touchpoints and select advisory calls with your Executive Advisor as you work toward delivering key initiatives.



Boost your **own development** with one 360 Feedback personal evaluation, including one debrief session and a separate development planning session.



Receive **your choice** of one ticket to McLean & Company's **Signature Conference** or one ticket to our virtual **Elevate HR** strategic leadership development course. Ideally, we'd like you to benefit from these events, although the ticket could be transferred to a colleague.



Leverage the expertise of fellow senior HR leaders in **Quarterly Leadership Peer-to-Peer Roundtables**. These 60-minute facilitated discussions are an opportunity to **network and collaborate** in an open, honest, and inclusive virtual space.



**Save money** and obtain peace of mind from our **HR technology** vendor management and contract review services. These services help you assess, manage, and reduce costs while strengthening vendor relationships.



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