

Gartner for HR

HR Technology Planning Imperatives for 2023 and Beyond

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HR technology leaders face a balancing act for 2023. While most organizations continue to navigate a talent shortage, challenging economic conditions are limiting their budgets. This research presents the HR-technology-related considerations that 138 organizations are prioritizing for 2023.

Overview

Key Findings

- Forty-four percent of survey participants stated that driving better business outcomes (revenue growth and profitability) was the No. 1 strategic priority for HR technology transformation over the next three years.
- According to survey participants, the three most important HR technologies for the coming year are: skills management, learning experience platforms and internal talent marketplaces.
- The three HR domains on which HR technology leaders plan to focus most in the coming year are: reporting and analytics, recruiting (i.e., talent acquisition), and core HR or HR information systems.
- Only 15% of survey participants say their HR technology landscapes will include any on-premises applications by 2025.

Recommendations

HR technology leaders overseeing their organizations' HR technology transformations should:

- Target technology investment on those that provide clearly defined and measurable business value to help the organization weather worsening economic conditions. The mantra for successful HR technology leaders in 2023 and beyond is “achieve strong business outcomes and improve HR’s effectiveness and efficiency to navigate through times of economic uncertainty and talent scarcity.”
- Allocate at least 10% of the HR technology budget for innovation to spur skills development and internal mobility and improve the learning experience.
- Keep pace with peers by investing the bulk of the HR technology budget in reporting, recruitment and core HR technology.
- Work to decommission any remaining on-premises applications in the next three to five years to reduce technology debt and deliver increased business agility and value.

Strategic Planning Assumptions

- By 2025, 60% of global midsize and large enterprises will have invested in a cloud-deployed human capital management (HCM) suite for administrative HR and talent management. However, they will still need to use other solutions for 20% to 30% of their HR requirements.
- By 2030, 95% of global midsize and large enterprises will have fully migrated to cloud and have no remaining on-premises HR applications. Only organizations with exceptional requirements (e.g., military, government) will retain any on-premises HR applications.

Survey Objective

The 2022 Gartner HR Technologies Client Survey sought to understand organizations' priorities concerning HR technology. Consequently, the results of this survey will benefit HR technology leaders as a guide to what peers are doing and thinking as we head into 2023. This research includes results and analysis concerning HR technology strategy, user experience, and HR and IT collaboration.

Data Insights

Technology Strategy

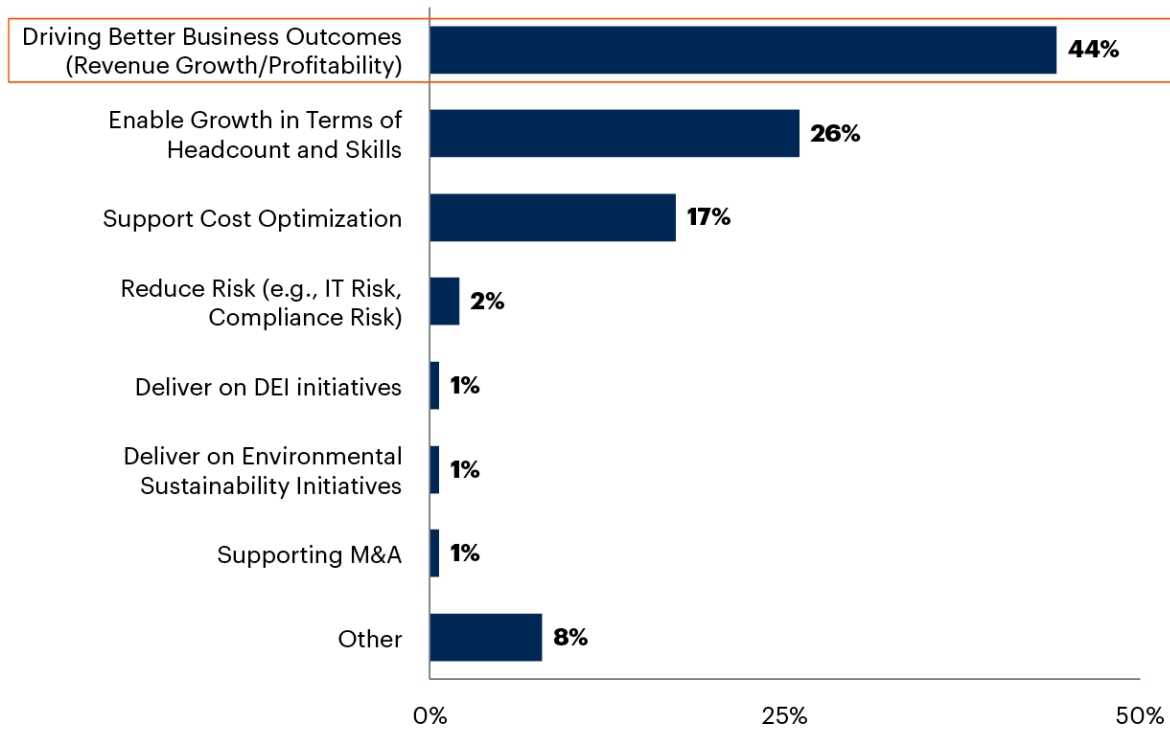
1. Top Priorities for HR Technology Transformation

With a faltering global economy, HR technology leaders must anticipate greater levels of accountability and greater demand for measurable outcomes to justify new investments and their wider technology strategies. The top three priorities identified by HR leaders for their HR technology transformation strategies are: better business outcomes (such as revenue growth and profitability), growth in headcount and skills, and cost optimization (see Figure 1).

Figure 1: No. 1 Strategic Priority for HR Technology Transformation

No. 1 Strategic Priority for HR Technology Transformation

Percentage of Respondents



n = 138

Q. What is the No. 1 strategic priority for HR technology transformation over the next three years?

Source: 2022 Gartner HR Technology Client Survey

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Buyers will find that investment in HR technology may deliver the desired revenue growth and profitability as well as growth in headcount and skills. However, achieving cost optimization is more challenging and will depend on where an organization is on its cloud HR journey:

- For mature organizations that already have most of their HR applications on the cloud, cost optimization is possible through consolidation of vendors (typically with an HCM suite vendor). However, some compromise will be needed in terms of functionality.
- For organizations yet to move the majority of their HR applications to the cloud, reducing operating cost will be impossible without severe sacrifices.

Organizations should not move to the cloud primarily to find cost savings; such efforts rarely succeed. While cloud deployments do help organizations avoid the large capital expenditure (capex) purchases associated with on-premises deployments, they usually come with significantly higher operating costs, which eliminate any proposed cost savings. Our research also indicates that a similar (if not greater) number of full-time equivalents (FTEs) is needed to manage cloud applications compared to on-premises applications.

The decision to move to cloud should instead be driven by a desire for:

- Increased scalability and mobility
- Reduced need for manual intervention (for example, data duplication and transfer)
- Simplification of budgeting as a result of switching from an operating expenditure (opex) payment model
- Innovation offered by cloud services

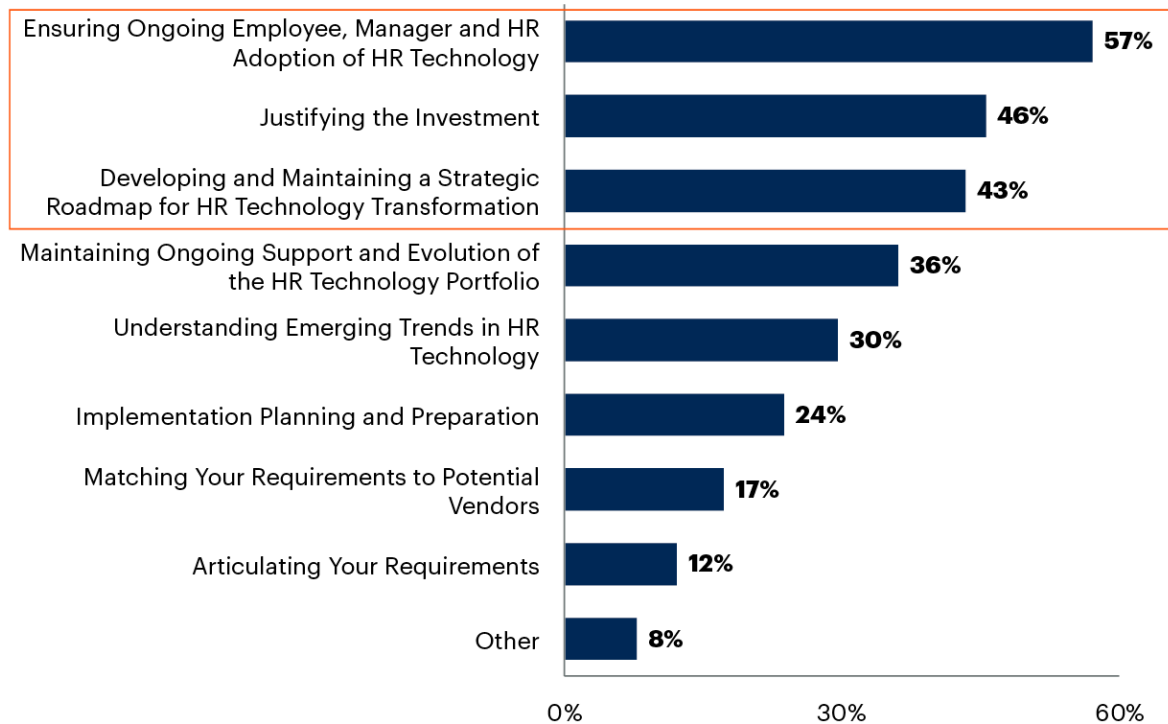
2. The Top Three Hurdles for HR Technology

Many HR functions have been investing in HR technology; however, investment in technology doesn't automatically equate to adoption of these tools. Hence, it is unsurprising that the top hurdle for HR technology leaders is ensuring ongoing employee, manager and HR function adoption of the technologies in which they have invested (see Figure 2).

Figure 2: Top Three Hurdles for HR Technology

Top Three Hurdles for HR Technology

Percentage of Respondents; Three Responses Allowed



n = 138

Q. What are the top three hurdles you face when it comes to HR technology?

Source: 2022 Gartner HR Technology Client Survey

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Without adoption, technology is a dead weight, providing zero value while incurring ongoing costs. Moreover, employees who reject an HR technology spend time finding workarounds, which leads to work friction and inefficiency (see Designing Work to Unlock a Responsive Culture).

HR technology leaders should therefore actively drive adoption of the technologies they introduce. This requires the application of end-user feedback to improve the technology incrementally, change management and stakeholders’ digital maturity. HR technology leaders must also focus on using data to improve the related resources and the process flows of the most frequently used technologies.

The employee and manager self-service capabilities of newer HR technologies offer significant benefits, distributing effort while empowering end users. To take advantage, HR technology leaders should focus on improving user confidence in self-service by ensuring there is clarity, credibility and confirmation of the underpinning processes and user journeys.

For further research on investment justification, see [Justify Investment in Innovation by Addressing the Inherent Uncertainty](#). For further research on developing a strategic roadmap for HR technology transformation, see [2022 Strategic Roadmap for HCM Technology Investments](#).

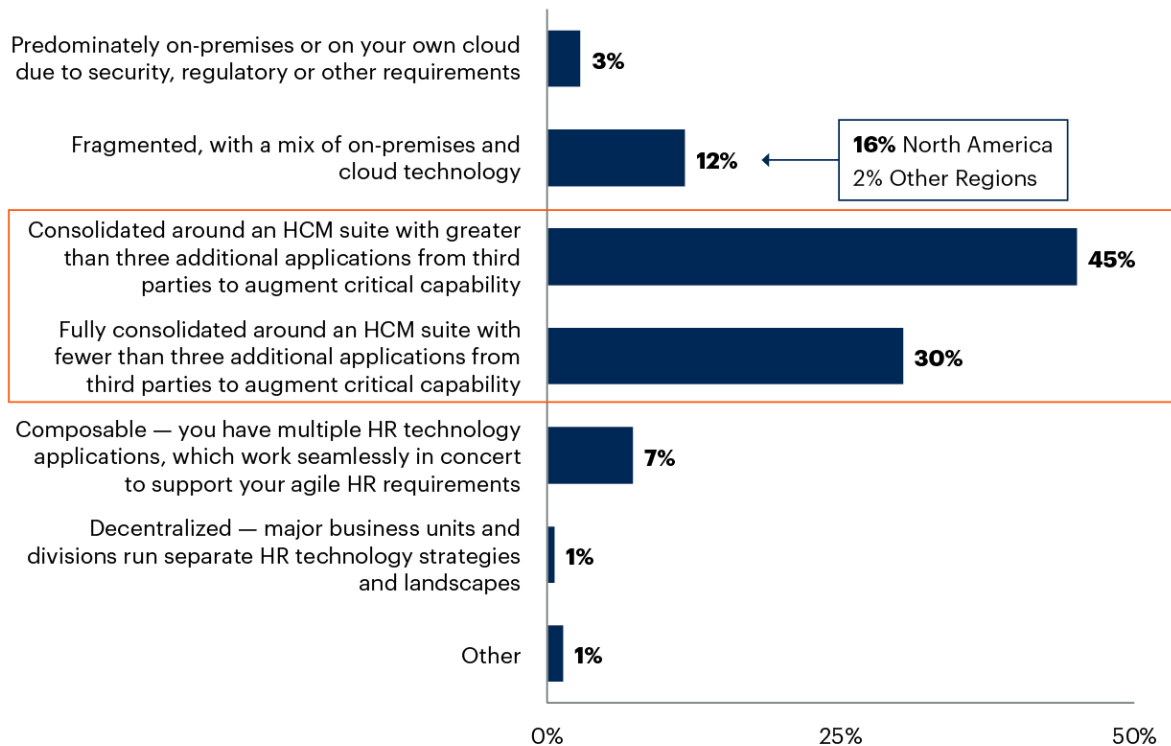
3. The Future HR Technology Landscape

Seventy-five percent of HR technology leaders expect that their HR technology landscape in 2025 will be consolidated around a core cloud HCM suite. This group is then split: the majority will have more than three additional applications from third parties to augment mission-critical capabilities, and a minority will have fewer than three additional applications from third parties (see Figure 3).

Figure 3: Planned HR Technology Landscape for 2025

Planned HR Technology Landscape for 2025

Percentage of Respondents



n = 135 (excludes responses of “unsure”)

Q. Which statement best describes your organization’s planned HR technology landscape for 2025?

Source: 2022 Gartner HR Technology Client Survey

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Anecdotally, the first cohort — organizations that expect more than three additional applications from third parties — tend to be larger, complex and global. This cohort may have transitioned from an on-premises and/or fragmented state, during which they accumulated substantial experience with cloud talent point solutions. Because of this history combined with their inherent complexity, this cohort’s expectations for talent management module features and functions are greater than those of organizations with a fully consolidated core cloud HCM suite. The first cohort will have deployed an HCM suite for core HR, headquarters-country payroll and the most suitable talent modules (typically, performance and goals, career development and succession planning). However, other payroll localizations, analytics and workforce planning deployments will be still in process. Learning, talent acquisition and advanced capabilities — such as predictive analytics and talent marketplaces — will be often deployed outside the suite.

With only 15% of respondents indicating they planned to host at least some applications on-premises by 2025, we are way past the halfway point in the transition from on-premises to cloud. HR technology leaders with on-premises applications must make immediate plans to migrate to the cloud in order to deliver business transformation and reduce risk (as almost all on-premises applications approach end of life).

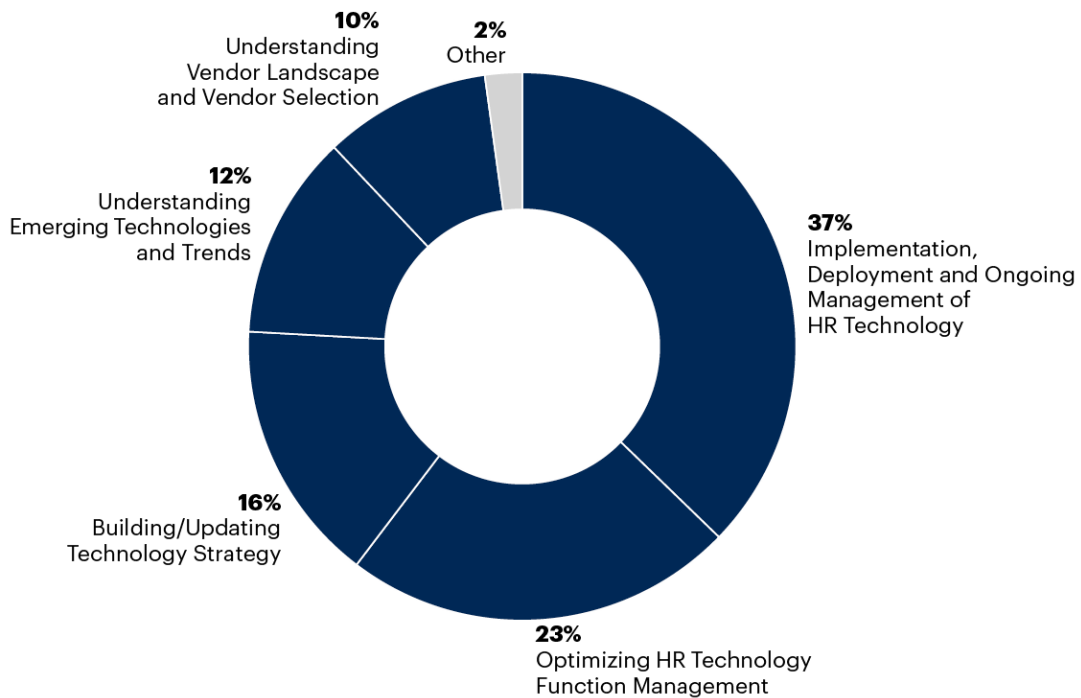
Composable HR applications frameworks (CHAF) represent a potential successor of the cloud HCM suite (see Innovation Insight for Composable HR Applications Frameworks). We predict CHAF technology will emerge by 2030 as a dominant deployment approach for HR technology. In the meantime, CHAF is likely too nascent for many organizations to derive business value from it without significant investment, customization and experimentation.

4. HR Technology Leaders' Focus

At least within this sample, much of the decision making has been completed for requirements setting and vendor selection as part of the HR technology strategy. The bulk of the work next year will be spent on the deployment and optimization of existing technology decisions (see Figure 4).

Figure 4: Planned Allocation of Time for Strategic Objectives

Planned Allocation of Time for Strategic Objectives
Mean Percentages



n = 138

Q. When thinking about your strategic objectives for the next year that are impacted by technology, what percentage of your time do you plan to allocate to the following?

Source: 2022 Gartner HR Technology Client Survey
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It’s important to remember the continued management and attention cloud applications require to deliver ongoing value to the organization. Most cloud applications get two to four major updates per year, with smaller patches happening in between. These updates are included in the SaaS fee; however, by default, most are delivered but initially turned off. (After one or two future cycles, updates are forcibly turned on.) It is up to HR technology leaders and their system administrators to communicate updates in a clear and timely fashion so their organizations can benefit from new capabilities as they arrive.

Additionally, the organization’s requirements may change over time, a “set it and forget it” mentality can be extremely harmful and must be avoided. HR technology leaders may find their investments have become an expensive technological debt if they are unable to keep up with changing requirements. This risk reinforces the importance of regular updates to the HR technology strategy (at least annually) to ensure HR technology delivers the greatest possible value for the organization.

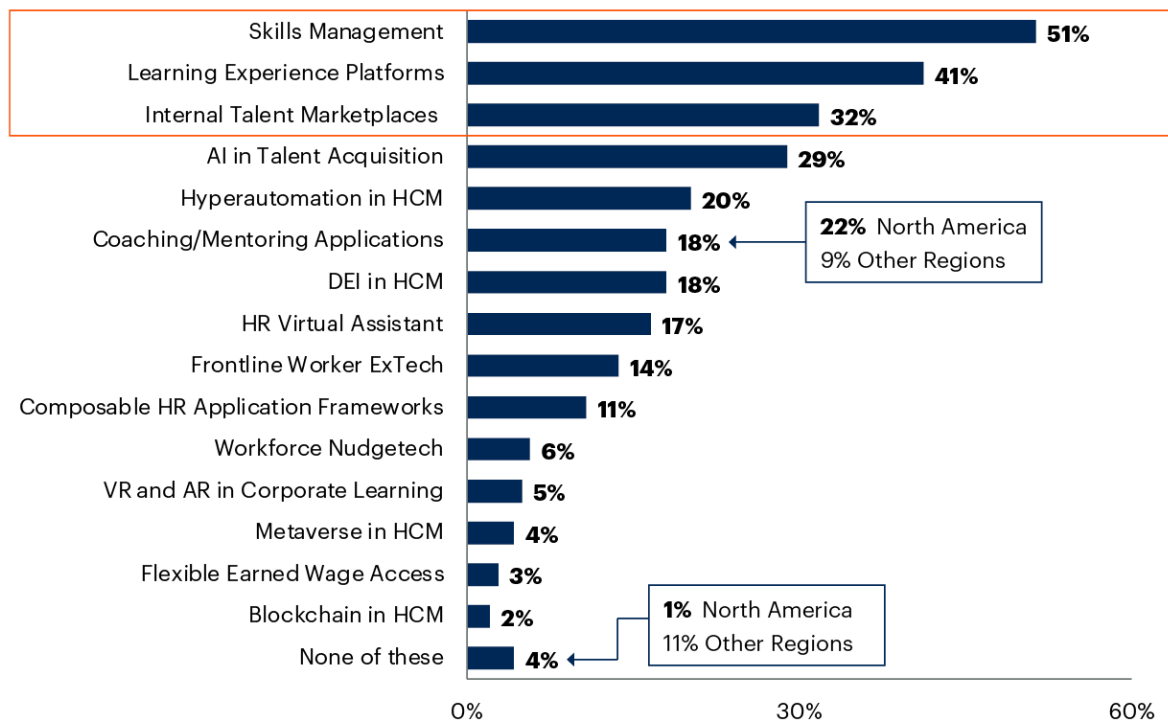
5. The Most Important Emerging HR Technologies

HR technology leaders spend about 10% of their budgets to transform certain targeted areas of the business that they see as highly innovative. Skills management, learning experience platforms and internal talent marketplaces are cited by HR technology leaders as the areas where they see the most important emerging HR technologies for the coming year (see Figure 5).

Figure 5: Top Three Important Emerging Technologies

Top Three Important Emerging Technologies

Percentage of Respondents; Three Responses Allowed



n = 138

Q. Of the following emerging HR technologies, select the top three in terms of importance to you and your role for the coming year.

Source: 2022 Gartner HR Technology Client Survey

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Organizations have been facing a troubling skills gap for years, and the problem has compounded as the pandemic accelerated the adoption of digital technologies in all industries. External hiring remains a critical strategic component, but talent leaders are also looking beyond their traditional talent acquisition platforms and rethinking their approaches to identifying internal talent and skills gaps. One approach is realigning the organization's talent management strategies by prioritizing an intelligent skills management platform. HR technology leaders integrate this platform with existing learning platforms and internal talent marketplaces to reskill or upskill the workforce for future roles.

Another critical emerging HR technology is AI in talent acquisition. Current market dynamics, the high volume of job applicants and the struggle to fill the current talent gap have inevitably increased the workload for hiring teams and recruiters. This drives recruiting leaders to layer their recruiting technology with various AI-based point solutions to drive automation within talent sourcing, screening, marketing and interview scheduling. Organizations also need to use automation within critical talent management areas to drive targeted efficiencies.

6. Top HR Domains in Focus for 2023

In addition to investing 10% of their budgets in top areas of innovation, HR technology leaders must continually upgrade their existing technology stacks to improve business operations. The top domains selected by HR technology leaders as their investment focuses for 2023 are reporting and analysis, and recruiting (see Figure 6). Evolving skills needs, increasing skills gaps and unprecedented attrition levels are driving HR technology leaders to augment their current recruiting technology stacks with various vendor point solutions. And as organizations advance their HR technology strategies at the enterprise level, HR technology leaders are increasing their spending on reporting and analytics platforms to connect HR system capabilities with key business and talent outcomes.

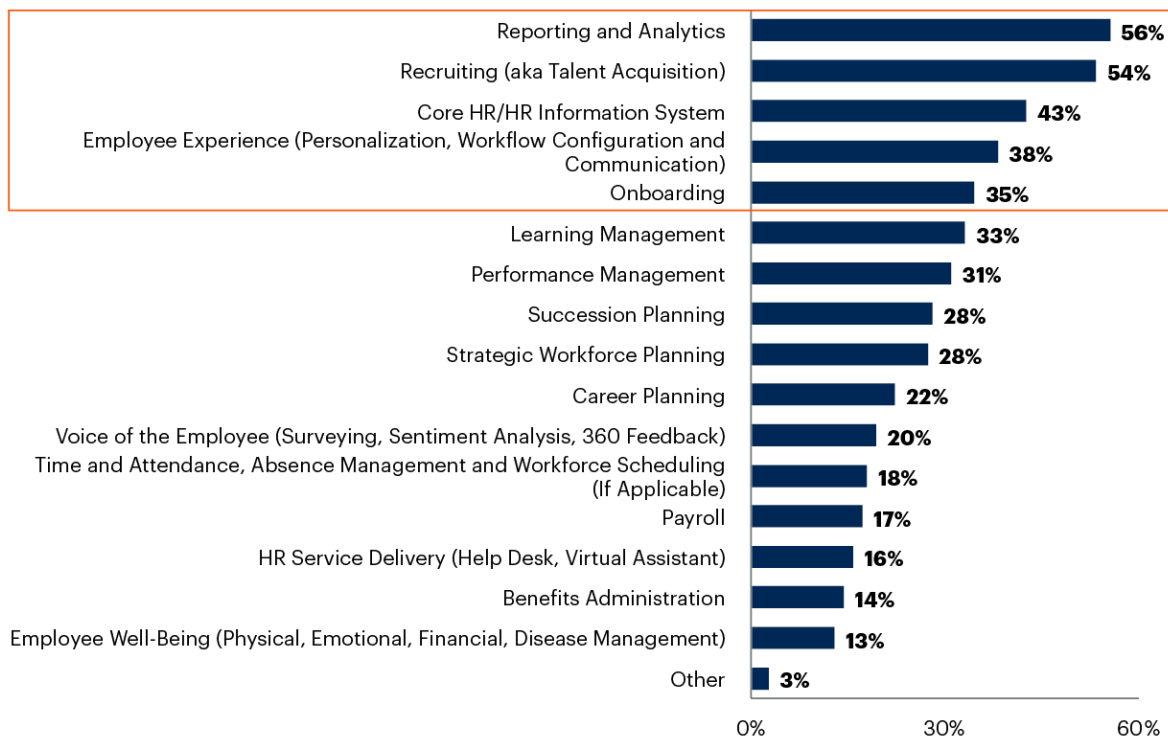
Talent analytics initiatives can be expensive. To get the largest returns on their technology stack upgrades and drive better business outcomes, HR technology leaders need to identify and prioritize key metrics that underpin their organizations' goals. (See [Benchmark the Top Metrics Talent Analytics Teams Report to Business Leaders](#) for examples of such metrics.)

It is also critical to have a strong core HR platform, which was the third most selected domain in our survey. Organizations must maintain and enhance their core HR platforms to meet changing business requirements and drive efficiencies.

Employee experience has also become a core tenet of the employee value proposition, making it a valuable domain on which to focus. Delivering a superior employee experience in a postpandemic, hybrid world is challenging. To manage and retain talent, HR leaders are prioritizing employee experience platforms as they seek to increase employee satisfaction and create a modern experience.

Figure 6: Top Five HR Domains Based on Investment

Top Five HR Domains Based on Investment
 Percentage of Respondents; Five Responses Allowed



n = 138

Q. Select the top five of the following HR domains according to the amount of investment focus that is planned in the coming year.

Source: 2022 Gartner HR Technology Client Survey

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For more information on the distinction between investments in applications that deliver innovation and investments in existing applications and systems of record, see Use Pace Layers to Align Your Application Strategy With Your Business Strategy.

User Experience

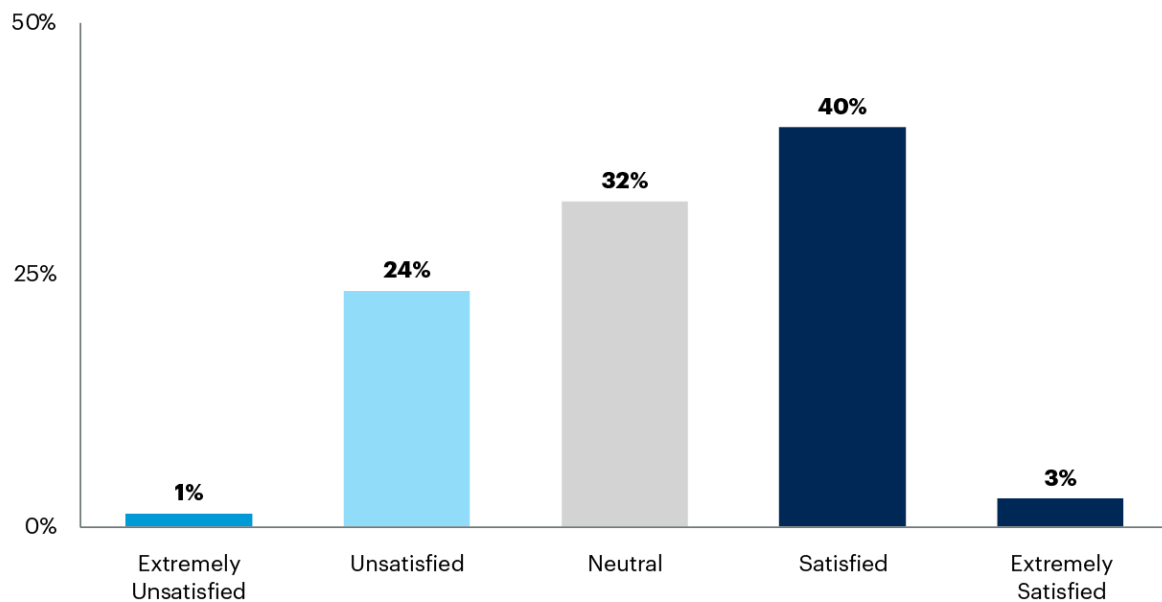
7. Employee Satisfaction With HR Technology

Although 43% of survey respondents indicated their employees would be satisfied with the HR technology operated by their organizations, the rest believed their employees would feel either neutral or unsatisfied (see Figure 7). This is not a high satisfaction rate considering the time, human effort and cost put into purchasing and implementing these technologies. (This correlates with end-user adoption being identified as a top three hurdle in Section 2 of this research.)

Figure 7: Employee Satisfaction With HR Technology

Employee Satisfaction With HR Technology

Percentage of Respondents



n = 136

Q. What do you believe to be the level of employee satisfaction with the HR technology operated by your organization?

Source: 2022 Gartner HR Technology Client Survey

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This dissatisfaction mainly results from a suboptimal end-user experience. Employees from organizations that recently implemented new HR platforms or are still stabilizing new systems are likely to have a seamed and unsteady user experience.

Based on conversations with our clients, Gartner has identified the causes of low end-user adoption to be:

1. Misjudging employees' digital maturity or misaligning employees' needs and preferences with HR technologies
2. Insufficiently communicating the change and value of HR technology, so employees don't have technology awareness
3. Inadequate change management — particularly when business leaders and managers fail to develop a robust change strategy that includes an ongoing internal "sales and marketing" campaign
4. Excluding employee, manager and other non-HR-user input from the technology selection process
5. Attempting to fit a custom and complex process into a product designed for simpler needs rather than drastically streamlining the process to fit the product (preferred) or deploying a product that can accommodate the existing process

HR and IT Collaboration

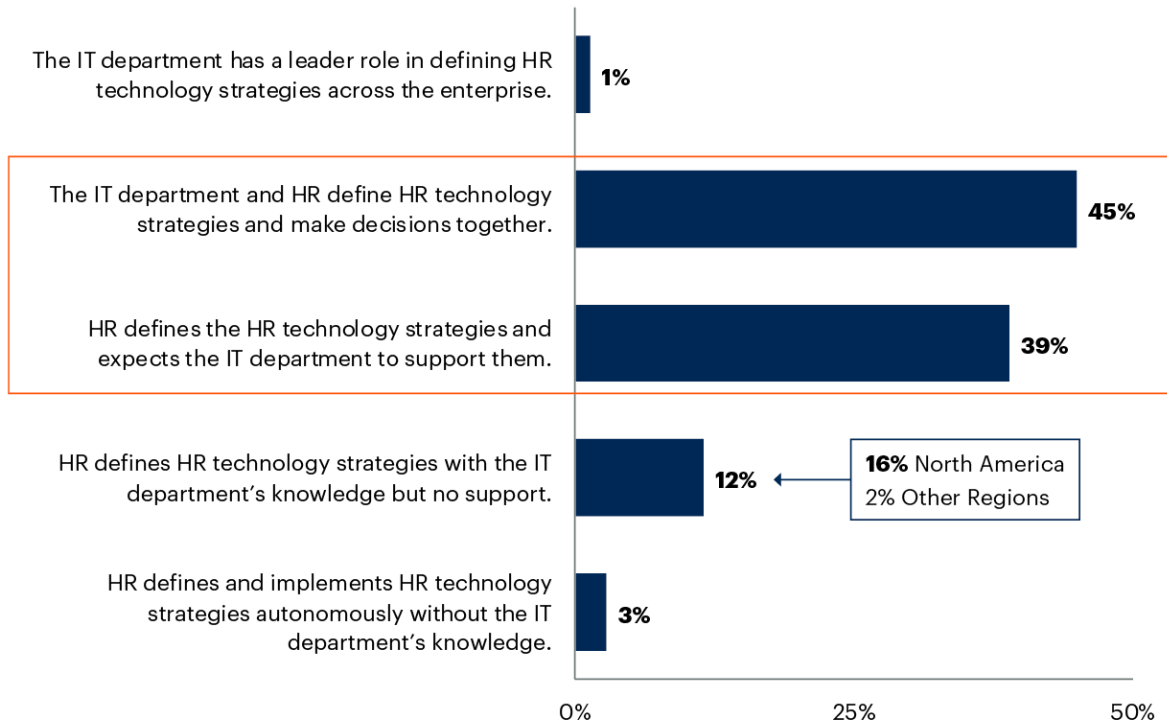
8. The State of Collaboration for HR Technology Investments

Thirty-nine percent of surveyed HR technology leaders indicated they tend to lead in setting their own HR technology strategies, with support from IT. Another 45% indicated shared leadership (see Figure 8).

Figure 8: How HR and IT Work Together on HR Technology

How HR and IT Work Together on HR Technology

Percentage of Respondents



n = 136 (excludes responses of "unsure")

Q. Which of the following best describes how your enterprise's HR and IT department work together for HR technology investments?

Source: 2022 Gartner HR Technology Client Survey

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These data points confirm that leveraging IT expertise and support is necessary. Although many HR organizations try to fully own HR technology strategy planning, the HR team alone is not likely to have all the skills and knowledge needed to define a holistic, comprehensive HR technology strategy. HR, the functional domain expert, has the necessary HR and business process insights, and it aims to improve functional efficiency and employee experience. IT has technological expertise and can validate that the HR technology strategy is feasible and actionable at scale. Due to their different areas of expertise, HR and IT must be mindful of their respective roles in each task (e.g., integration challenges) and tailor their expectations, responsibilities and deliverables accordingly.

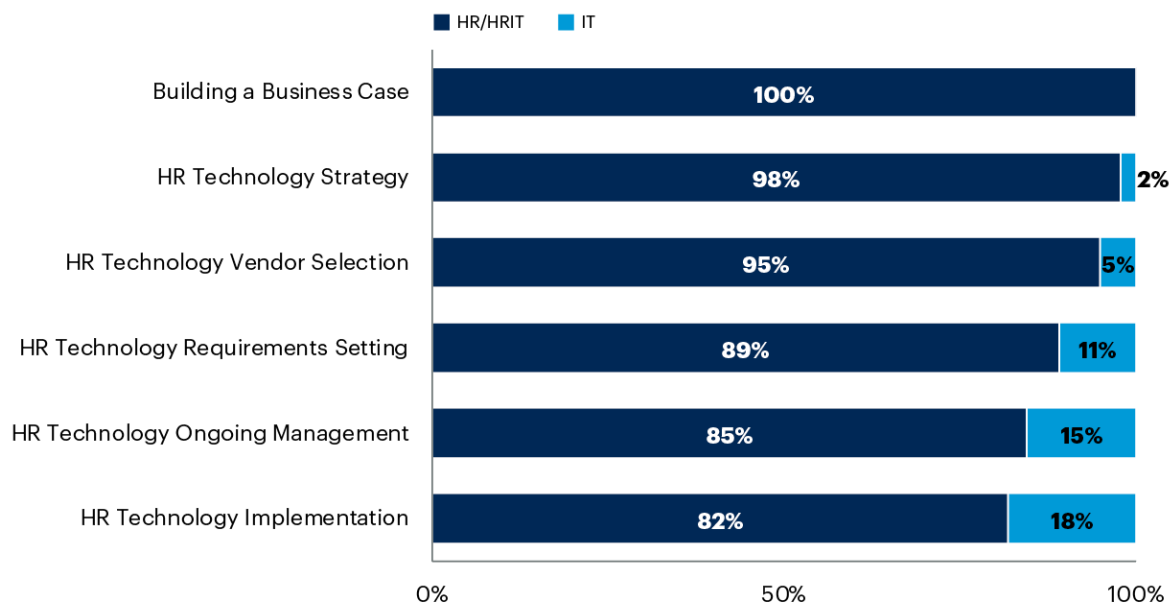
9. Ownership of Key Activities

HR technology leaders clearly indicate that central IT has become less involved in HR-technology-related activities, such as building a business case or setting HR technology requirements, when HR and HRIT reside in the same function. Organizations that have formed a dedicated HRIT team within HR actively put a mechanism in place to improve the partnership between HR and IT over time. As this team setup helps break operating silos and foster and retain HR technology expertise within HR, central IT no longer needs to be fully involved in every step of HR digital transformation and management. Central IT is therefore more responsible for support, logistics, integration and assessment activities instead of more cutting-edge decision making about technology use and innovation (see Figure 9) (see Note 1).

For HR technology employees seated in IT, our 2022 HR Technology Leader Survey indicated that system integration, managing releases for cloud applications, and assessing strategic roadmaps and updates were the three most important roles and responsibilities. ¹

Figure 9: Owner of HR Technology Activities

Owner of HR Technology Activities Percentage of Respondents



n = 138

Q. Who owns the following activities?

Source: 2022 Gartner HR Technology Client Survey
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Evidence

2022 HR Technologies Client Survey: This survey was conducted online from 5 October through 21 October 2022. In total, 138 clients participated. Clients from North America (n = 94), EMEA (n = 24), Asia/Pacific (n = 14) and Latin America (n = 3) responded to the survey. Of the 138 clients who participated, 21% identified as chief HR officers, 6% as chief people officers, 12% as HR vice presidents, 24% as HR directors, 2% as HR IT vice presidents, 12% as HR IT directors and 23% as “other.” Eight percent of respondents were from organizations with more than 50,000 employees, 22% from organizations with 10,001 to 50,000 employees, 12% from organizations with 5,001 to 10,000 employees, 40% from organizations with 1,001 to 5,000 employees, 12% from organizations with 501 to 1,000 employees, 4% from organizations with 251 to 500 employees, 1% from organizations with 101 to 250 employees, and 1% from organizations with 1 to 100 employees. In terms of industry sector, client participants were from the following: financial services (16%); technology (14%); manufacturing, materials and heavy industry (9%); professional services (8%); and healthcare (7%). Note: the results of this study are representative of the respondent base and not necessarily the market as a whole.

Endnotes

¹ 2021 Gartner HR Technology Leaders Survey: This survey included responses from HR executives at more than 40 organizations across different countries, industries and sizes. Countries: U.S. (56%), Albania (3%), Australia (6%), Canada (9%), India (3%), Kuwait (3%), Netherlands (3%), Norway (3%), Saudi Arabia (3%), South Africa (3%), Switzerland (3%), U.K. (3%). Industries: construction (3%), consumer goods (3%), education (6%), financial services (13%), food, beverage and tobacco (3%), government (3%), insurance (3%), manufacturing, materials and heavy industry (16%), media, news and entertainment (3%), nonprofit/nongovernmental organization (3%), oil & gas, mining and forestry (3%), pharmaceuticals (6%), professional services (3%), real estate (6%), technology (19%), other (6%). Median number of full time employees: 6,500

Note 1: Further Reading on HR-IT Partnership

To learn more about building an effective partnership between HR and IT, see [Essential HR Tech Roles and Resources for Implementing Cloud HCM Suites](#) and [5 Principles for Productive HR-IT Partnership](#).

Some resources only accessible by Gartner clients.

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